Red Kite Community Housing

Value for Money

Self-Assessment

2016-17

Approved by:	**Board**	**Approval:**	**19th July 2017**

Partnership • Respect • Pride

Excellent services for you and your community

Red Kite Community Housing

Introduction

At Red Kite Value for Money (VfM) is at the heart of everything we do. It has been key to the achievements of the last five years in which we have completed the promises we made at transfer ahead of timetable and with £34m of savings. We have embedded VfM in our ethos as part of our strategic approach; using VfM and to reduce our cost base, with over £4m sustainable savings. (11.5% of turnover). Going forward it will be the engine that drives our ambitious plans to take Red Kite into the future, as set out by the Board in our Corporate Journey. Red Kite is tenant led and its purpose is to realise the potential in our communities. This is the context in which we view VfM "doing the right things, the right way with the right investment".

Our Corporate Journey, the Board's strategy for the next five years, takes us beyond the new landlord phase to a place where we are a forward looking innovative provider of homes that measures itself against the best. So we, with over 200 other registered providers, signed up to the Sector Scorecard pilot in 2017-18. We are looking at measures this year that show what we have achieved but will also measure our success against the Board's forward objectives and in the next 12 months we will refine these taking into account the outcome of the Sector scorecard pilot and the HCA consultation on the new VfM standard.

Our corporate purpose is underpinned by five clear ambitions (section two) - one of which is 'Increasing our Investment' – we want to do more. Our VfM strategy, agreed by the Board during the year, is based on this strategy and delivering its ambitions.

This self-assessment does three things: it looks back and measures our achievements against what we said we would do – it looks forward to the next four years and how VfM will enable us to deliver our five ambitions within our corporate journey and it establishes a base line for measuring these things with an eye to how this might need to develop with the ongoing discussion around the sector scorecard and the (soon to be published) HCA consultation on the VfM Standard and Code of Best Practice.

So our report looks different this year. It is written with a view to time, split into three sections; THE PAST… What have we done? THE FUTURE… what will we do? NOW… the baseline for launching ourselves into the future. We outline this more fully in the Executive summary that follows.

But a self-assessment has to also show that we comply with the requirements contained in the HCA's Value for Money standard and it does. It will give our stakeholders a clear overview of

1. Our approach to Value for Money (section 1)
2. How much our services cost (section 1)
3. Our VfM achievements over the last year (section 1)
4. How our costs compare against other registered providers (section 1)
5. How we will continue to achieve Value for Money through our exciting Corporate Journey (section 2)

6. How we continue to ensure we are maximising the return on our assets (section 3)

This self-assessment provides demonstrable evidence of a robust approach to VfM for our Board to conclude that we comply with the regulatory requirements… but it also tells a story. We are on a journey into an exciting future where VfM will enable us to do more for our existing tenants and do more for our future tenants to realise the potential of the communities which we serve.

Executive summary

In July 2016 the Board approved our new Corporate Strategy for the next five years "Our Corporate Journey". This VfM self-assessment reflects on how far we have come on that journey and where we are going to next, how VfM will help us on the way and what success looks like in the future and how we are going to measure it. We need to be mindful of what great looks like in the wider world, so it will consider how we can best measure our ambitions and achievements against other organisations – both in the selection of measures (with a view to the development of the Sector Scorecard and the HCA's consultation on the VfM standard and a VfM code of best practice) and in the selection of a suitable benchmarking group.

We are describing the journey – looking back to where we have come from and what we have achieved, looking forward to where our Corporate Journey will take us with a view to the Board's clearly stated five ambitions and looking around us to what is happening in our communities, the sector and the political and economic environment in which we work. So we have shaped our self-assessment differently this year into three sections

- THE PAST… What have we done?
- THE FUTURE… What will we do?
- NOW… The baseline for launching ourselves into the future.

Within these sections we will cover the requirements of a self-assessment per the VfM Standard but we believe this structure and approach more clearly shows how Red Kite is aligning its VfM strategy and delivery to our corporate purpose and objectives.

Section one – THE PAST … What have we done?

This tells the story of what we have achieved so far

- By December 2016 we had delivered our promises with a very significant investment programme in our homes delivering
  - 2,951 new boilers
  - 650 new roofs
  - 3,666 new bathrooms
  - 3,774 new kitchens
  - 3,666 external doors
  - 2,434 electrical upgrades

  and invested £1m in fences and gates and £2.5m in adaptations to homes all at a cost of £34m less than originally budgeted
- Our approach and the delivery of promises has been monitored by our tenants, In line with our core tenant led values
- We have achieved over £4m of efficiencies in our cost base by March 2017 which are repeatable on a year by year basis
- We have created capacity within our existing borrowing facilities to develop 375 properties (against an original plan of 134) and potentially to increase this number in

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the future taking into account the recent valuation which values our homes at £309m (EUV-SH)
- We have created capacity at senior level by creating three new Assistant Director roles in Operations and Finance with a view also to succession planning to future proof our plans
- We have measured our success using a selection of indicators from Housemark and benchmarking ourselves against other housing associations and benchmarked our cost per home using HCA global accounts
- We have performed well against the objectives in last year's report and show this in (section 1.5 of the main report). We have substantively delivered against 13 of 18 objectives but have further work to do on reducing re-let times, associated void loss and on bedsit conversions. We have spent time realigning our development programme to maximise VfM and have chosen to ensure this is in step with our refinancing programme. The review of entering into shared cost agreements with other RPs has been taken into a wider options appraisal on delivering our objectives which we will conduct this year.

Section two - THE FUTURE… What will we do?

This tells the story of the next stage of our corporate journey – looking at how our corporate strategy "Our Corporate Journey" will shape our future in the next four years

This sets out clear objectives for the future – under 5 clear ambitions (VfM related highlights are):

1. Providing great homes
   - We will provide 375 new homes across a range of rent and ownership tenures
2. Knowing our customers
   - We will know what our customers want and deliver personalised services in a way that is efficient and modern
3. Inspiring people
   - We will have amazing talented staff and volunteers working for us and others wanting to join us
4. Building inspired communities
   - We will work together to develop safe, connected, sustainable communities that grow and flourish
5. Increasing our investment
   - We will generate surpluses to invest in our communities
   - We will review service to reduce cost and offer value to customers

The VfM strategy is linked to our Corporate Journey. In order to measure success going forward we will benchmark ourselves against other RPs in the South East and Eastern regions and select measures which are a combination of

- Previously used measures still relevant to our corporate journey
- Most relevant measures from the sector scorecard

We will review and amend these in line with the HCA consultation on the new VfM standard and the requirements of the standard and recommendations of the Code of Best Practice once published

Section three

NOW… The baseline for launching ourselves into the future

It is important to have a baseline against which we can measure the future. We look in this section at the measures that we could use going forward and set a baseline against them now.

Based on the selection in section two above, where possible using this group, we report on where we are now against these measures relevant to our corporate journey and those measures we might use from the sector scorecard.

We note in this section the challenges that we might face in achieving our objectives and we report on our forthcoming options appraisal. This will consider how best to deliver our objectives going forward and how we will consult with our tenants and leaseholders in this process.

We also outline how we will respond to the ongoing debate about measuring VfM in the sector and how we will engage in the dialogue with the HCA around the new standard.

Section one
THE PAST … What have we done?

1.1 Setting out the approach

We are a community based and tenant led housing association and so we are committed to maximising our investment and spending wisely. Our approach for achieving Value for Money is set by our Board and is central to our five year corporate journey and beyond – one of the five objectives (outlined in Section two – THE FUTURE) is our commitment to increasing investment through reducing costs to reinvest in our communities.

We have a simple approach to VfM (outlined in diagram 1.1 below) and it is embedded in our culture. It's just the way we do things at Red Kite and it has enabled us to deliver more for less.

Diagram 1.1 – Our approach to Value for Money

This defines our VfM strategy (most recently updated in July 2016)

- the right things are those that deliver our corporate strategy, which drill down into more detailed and focussed strategies to deliver our objectives
- the right way is about being innovative and transformative, to challenge everything to find if there is a better way… when it happens it will drive greater customer satisfaction and continuous improvement in performance and practice
- the right investment is about maximising the use of our money, cutting out waste and focussing it upon the best possible result against our stated objectives. So it's about managing our costs, having clarity about what we are spending and why and getting the best return from them.

1.2 What we have done; our promises delivered on time and with £34m savings

In 2011, when we were set up, we promised to make major improvements to our homes by March 2017 with specific promises as set out below. To do this we set aside a budget of £120m. This year we completed our promises ahead of time and at a cost of £86m – a saving of £34m which are re-investing within the business to continue to improve our homes and to build more.

We Promised:	We delivered:	Delivered in full?
2,951 new boilers	2951 new boilers	✓
650 new roofs	650 new roofs	✓
3,666 new bathrooms	3.666 new bathrooms	✓
3,774 new kitchens	3,774 new kitchens	✓
3,666 external doors	3,666 external doors	✓
2,434 electrical upgrades	2,434 electrical upgrades	✓
£1m investment in fences and gates	£1m investment in fences and gates	✓
£2.5m investment in adaptations	£2.5m investment in adaptations	✓

Every picture tells a story!

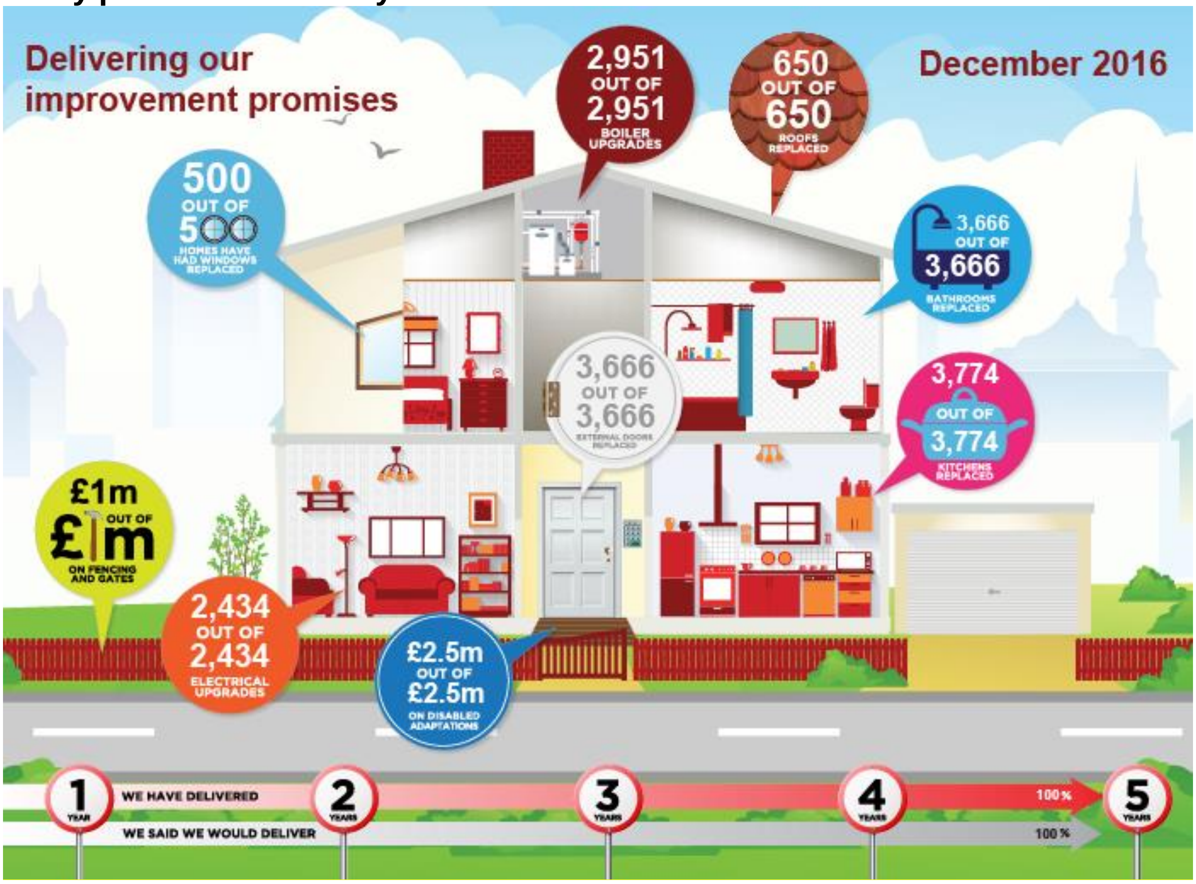

Diagram 1.2 – Delivering on our improvement promises

We have achieved this without needing to draw down further on our loan facility and this has put us in a good place to increase our ambitions for development from 134 homes to 375 homes over the next four years as well as increasing the value of our properties.

Our annual independent stock valuation (March 2017) increased the net present value of our homes (EUV - SH) to £309 million, an increase of over 55% from the 2016 valuation of £199 million. £68 million of this can be attributed to the improvement work we carried out in our first five years.

What is more we haven't included homes set aside for regeneration or redevelopment and this is with stock reduced by Right to Buy sales and after the impact of the government's change to the rent regime announced in 2015.

All of this means that we can look forward to sustainable increased investment over the long-term which helps us to fulfil one of our key ambitions; to invest more in our communities. The plan to build 375 homes over the next four years is just the first phase and we can use the increased value of our homes to secure loans going forward to do more. Phase 1 - the 375 homes in our current strategy - will be funded through the re-financing we are currently undertaking, but we can go back for more when we are ready for the next phase.

In terms of building capacity our Board has recognised that our ambitious plans mean we are stretched and so we have created three Assistant Director posts to support the workload of the Leadership team and to future proof our plans by enabling succession planning going forward.

1.3 What we have done – how we have improved our cost base

Understanding our costs and how we perform relative to others is fundamental to value for money. Over the last five years we have been able to improve our cost base by making sustainable savings (that is savings that will be maintained in each year of our plan going forward) of over £4m. This is money that can be reinvested within our communities, in existing and future homes, and is on top of the £34m savings in investment. These savings amount to around 11.5% of turnover. This substantially contributes to mitigation of the impact of our loss of income from the Government's change to the rent regime in 2015.

Year	Savings in £'000
2012/13	564
2013/14	1,014
2014/15	1,051
2015/16	1,174
2016/17	342
TOTAL	**4,145**

Diagram 1.3 – Year on year savings against our cost base

What this means for Red Kite's customers is that, because we were already doing the right things to reduce our cost, we have absorbed this loss without salami slicing our services. So in 2016/17 we were able to make very significant progress against the targets we set in our look forward within our 2015/16 self-assessment (see Section 1.5 below) and we are confident that we have the foundation to achieve the targets within our corporate journey (as set out in Section two – THE FUTURE).

The way in which we have improved our cost base has been by "doing things the right way"; our culture. We dedicate each Wednesday morning to a Creative Gap time where staff are freed from their day to day tasks to work together across teams to think creatively and develop ideas for improving our business. This approach and the commitment to it by the Executive team and Senior Management team has driven service improvements and value for money improvements.

1.4 What have we done – comparing our costs with others

Our self-assessment looks at our costs through three lenses:

1. Global accounts – which are from the HCA on a year by year basis
2. A breakdown of cost by service area – this shows how much our services cost and how it has differed over the last three years
3. A breakdown of our cost over three years from data from HouseMark, which independently validates our costs

1.4.1 Global accounts

Our regulator analyses our costs and publishes these to allow comparison, both year on year and against other providers. They term this Unit Cost Analysis but we term this as Cost per Home (CPH). Below we have a comparison of the total corporate services Cost per Home against the peer group we have used in the past to make comparisons

Entity	Closing social housing units managed	Headline social housing CPH (£K)	Manage -ment CPH (£K)	Service charge CPH (£K)	Maint-enance CPH (£K)	Major repairs CPH (£K)	Other social housing CPH (£K)
Red Kite (2015-16)	*5,911*	*6.05*	*1.15*	*0.31*	*0.89*	*3.60*	-0.25
Red Kite (2016-17)	5,833	5.28	1.14	0.26	0.98	3.15	-0.25
Sector level data							
Lowest quartile		4.3	1.27	0.61	1.18	1.13	0.45
Median quartile		3.55	0.95	0.36	0.98	0.8	0.21
Best quartile		3.19	0.7	0.23	0.81	0.53	0.08

Key

Green	**Top two quartiles**
Amber	**Third quartile**
Red	**Bottom quartile performance**

Diagram 1.4 - Global Accounts compiled by the HCA using our 2015-16 data Financial Statements
CPH = Cost per home (HCA calls this Cost per Unit)

We remain in the top two quartiles for both service charge and maintenance. Our management charges are in the third quartile, but have reduced year on year for the last two years. Our major works costs are in the bottom quartile as would be expected for a LSVT provider that has only recently completed its promises, and indeed a significant part of that programme was completed in 2016/17. We expect major works costs to reduce over the life of our new strategy but they will remain comparatively high as we continue to invest in our homes. In the context of inheriting homes that had a poor level of investment, we consider the high level of major works investment as a positive activity,

	2012-13		2013-14		2014-15		2015-16		2016-17	
Cost per home	Red Kite £	Peer Rank	Red Kite £	Peer Rank	Red Kite £	Peer Rank	Red Kite £	Peer Rank	Red Kite £	Peer Rank (against 2015/16 data)
Routine repairs	507	24	422	14	331	3	384	8	384	8
Void repairs	384	28	314	27	194	16	184	15	215	21
Arrears	67	3	57	1	68	4	67	2	68	2
Resident involvement	31	5	39	12	30	4	31	5	14	1
ASB	41	22	38	20	27	9	29	19	31	9
TM	60	15	50	4	36	1	59	13	59	13
Lettings	41	17	37	15	31	11	41	15	43	17
Estate services	298	27	233	24	211	24	203	23	214	14

Diagram 1.7 Comparison of Red Kite Costs and rank against existing HouseMark peer group 2012-13 to 2016/17. 2016/17 ranking against 2015-16 data

The table shown in Diagram 1.7 shows that we have reduced our costs since 2012-13. There has been an increase in repairs and void costs over the last two years, mainly due to the increase in our contract price (as outlined in our 2015/16 self-assessment) but stabilised in 2016/17. Our void costs per property increased in 2016/17 due to a large increase in the number of voids (from 309 in 2015/16 to 358 in 2016/17).

Our estate service costs are comparatively high, this is an area we need to explore in more detail. However, a key factor that contributes to this cost is amount of non-residential land we are obliged to maintain under the Transfer Agreement, the cost per home will reduce as we develop new homes and spread our costs.

1.4.3 HouseMark benchmarking - Key performance measures

Value for Money is not simply a matter of doing things cheaper; it is about doing things better at a reasonably economic cost. We have included a number of measures against the group we have previously benchmarked ourselves with, demonstrating our improvement in achieving VfM.

Overall satisfaction (Diagram 1.8 below)

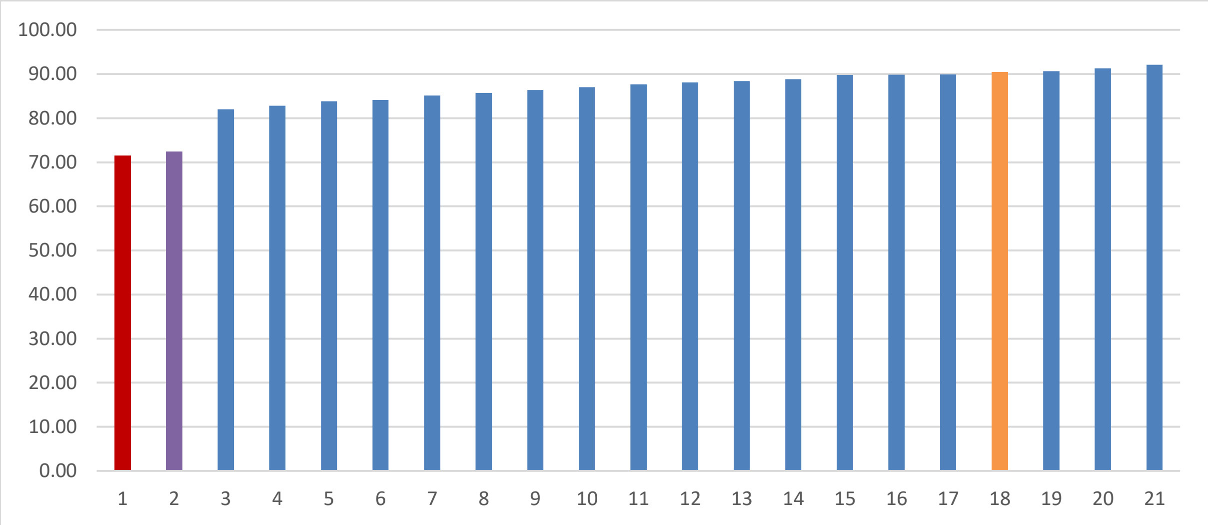

Diagram 1.8 – Overall satisfaction

Red Kite 2016/17	Red Kite 2015/16	Red Kite 2014/15

Our overall satisfaction across 2016/17 was 90.4%, which would have put us in the top quartile of our current peer group

This year has seen a dramatic improvement in customer satisfaction. Which demonstrates the high level of satisfaction with our services. We feel this is due to our successful completion of our promises and an improvement in our key areas of service.

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Rent loss due to void properties (Diagram 1.9 below)

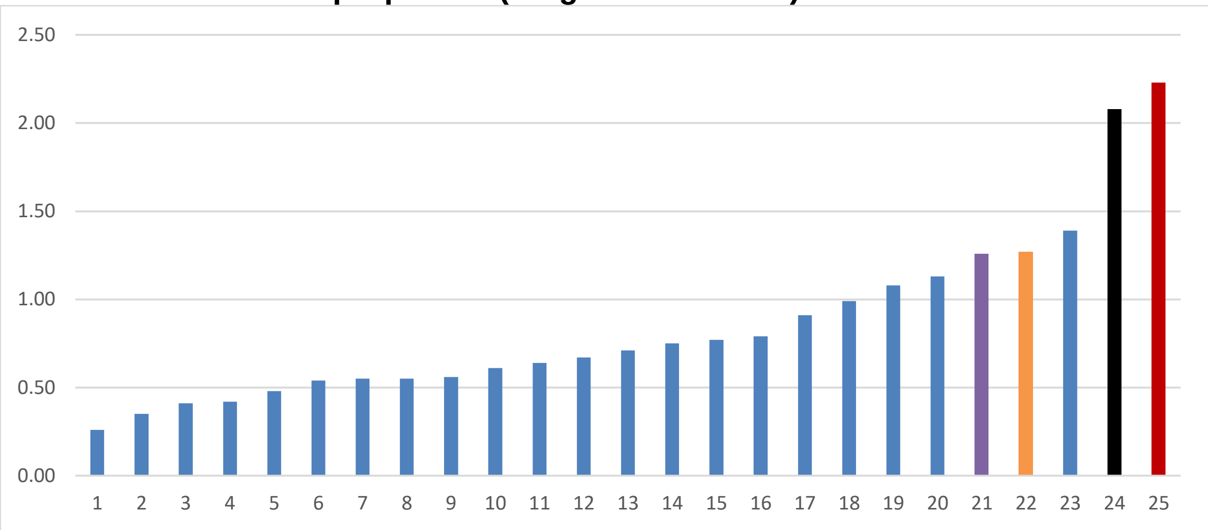

Diagram 1.9 - Rent loss due to void properties

Red Kite 2016/17	Red Kite 2015/16	Red Kite 2014/15	Red Kite 2013/14

The rent lost due to properties becoming void has remained relatively static (1.26% in 2015/16 versus 1.27% in 2016/17. This is still leaves us in the bottom quartile. The overall number is distorted by our large number of homes for older people. Without these homes our void loss would be 0.72% which would have placed us in the third quartile. Our voids and lettings process is an area on which we are actively focusing (detailed in section two).

Rent arrears (Diagram 1.10 below)

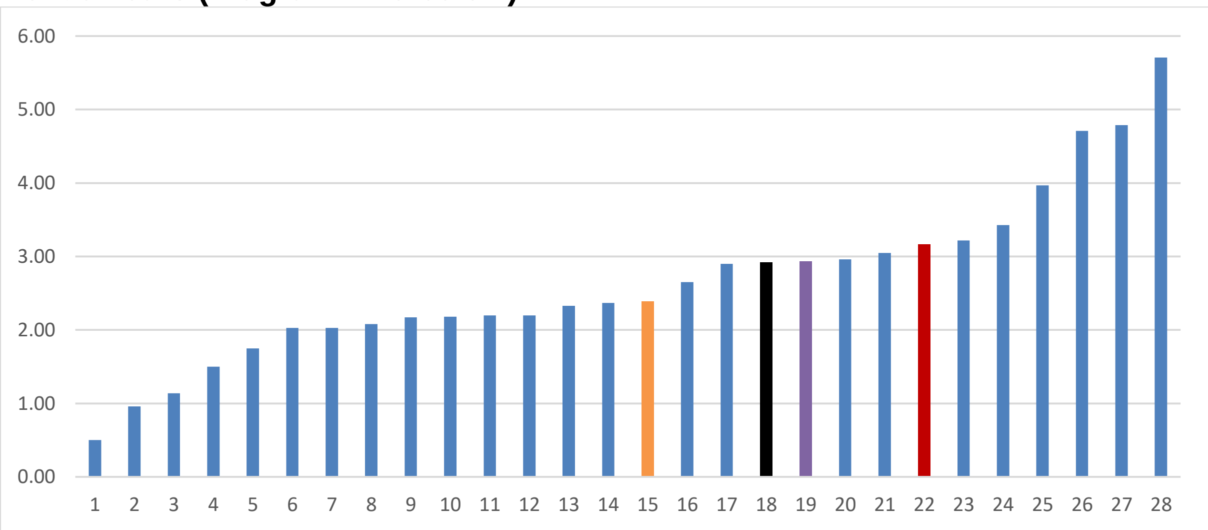

Diagram 1.10 – Rent arrears

Red Kite 2016/17	Red Kite 2015/16	Red Kite 2014/15	Red Kite 2013/14

We have continued to improve our arrears performance year on year, reducing our arrears from 2.93% in 2015/16 to 2.39% in 2016/17. We have taken a proactive approach to arrears management working with tenants to sustain their tenancies which is to the benefit of both the tenants and Red Kite.

Average number of repairs per property (Diagram 1.11 below)

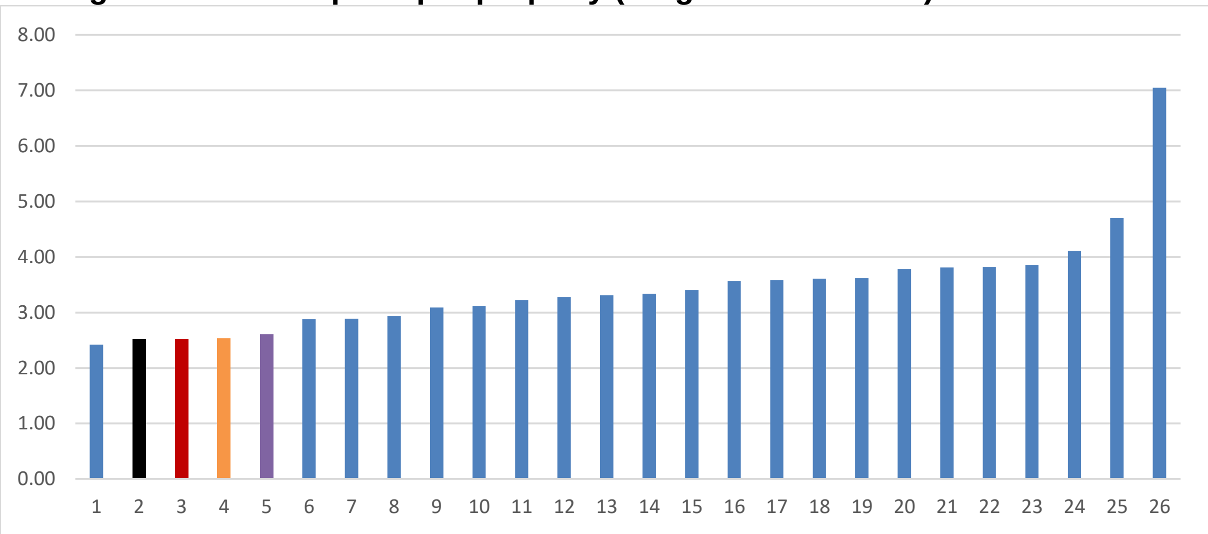

Diagram 1.11 – Average number of repairs per property

Red Kite 2016/17	Red Kite 2015/16	Red Kite 2014/15	Red Kite 2013/14

Our low average number of repairs per home has been maintained and, with only a very slight year on year increase, our performance remains in the top quartile. A major factor in achieving this result has been the £86m investment in improving our homes over the last five years which is also reflected in the latest EUV-SH valuation. This is the result of the huge investment in our homes over the last five years.

1.5 What have we done… our performance against commitments in our last assessment

In 2015/16 we set out our key objectives for 2016/17 to achieve greater value for money for our tenants. We set out below how well we achieved our ambitions and where there is still work to do.

	We said	We did	Status
Return on Assets			
Sheltered Schemes	*8 schemes have been identified as unsustainable in their current form.* *We said we would undertake an options appraisal on how we could best use these assets.*	Board have approved the sale of three schemes: Lincoln House and Liston House have been sold with net proceeds of £5.1m. We are due to complete the sale on the third scheme (New Court) after completing works on that site in the second quarter of 2017/18. This will generate a further £1.8m (net of costs). These three schemes had a negative net present value of £367k in current use, providing an additional £7.2m of capital for investment in new homes. A further three schemes, all of which are now vacant, will deliver 67 new homes for our community; a mixture of low-cost rent, home ownership and market rent. We have submitted our application for planning permission on the first of our schemes and are due to start on site by September 2017. The last two schemes have been redesignated as General Needs. This enabled us to reduce the rent lost due to these being low demand as Sheltered homes.	
Asset Management Strategy	*Develop a revised Asset Management Strategy*	Our new five-year Asset Management Strategy is nearly complete and will be presented to Board in the second quarter of this financial year.	
Investing in our existing homes			

	We said	We did	Status
Bedsit Conversions	*We will convert 56 empty bedsits and scheme managers' accommodation into 65 lettable properties*	This project is near completion. A majority are waiting for utilities to be connected, which has delayed making these properties available to let. They are being pre-allocated and ready to let by the end of August 2017.	
Castlefield regeneration	*This regeneration will include the demolition of 97 lower quality homes and replacing them with around 180 higher quality new homes (initially 132). We have been able to increase the amount we develop through effective business planning, investment and efficiency savings over four years.*	We are in discussion with the planners to finalise our plans and these discussions are ongoing. Once we have finalised our discussions with the planners and subject to Board approval, we will seek planning approval with a view to starting on site later this year. This project is part of the wider development plan and in that context we are still on target to deliver 375 homes within four years and have options as to how we do this.	
Using our land and other assets (continued)			
Land for housing is at a premium in the High Wycombe area	*We are also evaluating the financial potential of our 'non-residential' property portfolio (such as garages, commercial properties and land) to ensure that we are clear on their value to us.*	Our Disposals Policy has been approved by Board. In addition to the site visits to help identify suitable sites, we are also exploring the disposal of parcels of land which are not suitable for development. (this will help to reduce our management costs) Using our GIS system we have identified 105 sites where land may have development potential and from our garage portfolio a further 45 sites. We currently have plans to develop (subject to planning) 159 new homes on these sites.	

	We said	We did	Status
Energy efficiency	*We have carried out a full energy survey of our properties and are focusing on properties with lower energy performance where customers are more likely to face fuel poverty*	We identified a sum of £60,000 from other budgets to complete delivery of promised works which had not been completed when the ECO funding was withdrawn. However, none of that sum has been required and the next release of ECO funding will be issued in April, allowing us to continue with the loft and cavity wall insulation. We have identified 82 homes with a low SAP rating and will carry out appropriate work to increase this. Our commitment to energy efficiency will be enshrined in our Sustainability Strategy that is due to be presented to Board this year	
Our repairs and maintenance costs			
Estate Services	*The level of fly tipping removal and therefore the cost of this has increased. To combat this we are using intelligence to identify key hot spots and to use a mixture of deterrents (such as CCTV) and enforcement, including a partnership approach with Bucks County Council to prosecute offenders.*	Our fly tipping costs remain high across the Wycombe District, we have had substantial successes in seeking to control these in the last year. We have developed a strong partnership with Buckinghamshire County Council to tackle incidents on our land. We have also purchased mobile CCTV and are ready to proactively use this to deter and detect fly tipping. We have a clear management plan in place to review each site. This has enabled us to reduce costs by 20% since 2015/16.	

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Performance – repairs and maintenance			
Custome r satisfacti on-repairs	*We have worked with our contractors to realise the benefit of our investment in our services and homes in higher customer satisfaction, higher existing use value of our properties, fewer routine repairs and higher energy efficiency of our properties.*	Customer satisfaction level for the year was 86% and improved in the last quarter, month on month, towards the end of the year to 91.5. We have agreed measures with our contractor which should sustain the improvement. Although this is a fall from a peak of 94% a year earlier, it remains above the figure we were seeing before the contractor changed and above the HouseMark average of 85.7%.	
Performance – repairs and maintenance			
	We retendered our repairs and maintenance contract in 2015 following unsatisfactory performance from our previous contractors. We retendered using a competitive tender exercise with an expectation prices might increase. Our customer-led procurement panel selected Axis, balancing quality and price to ensure a sustainable quality of service at a competitive cost.	Following Board's approval in principle to negotiate, an 11-month extension to the contract with Axis has been negotiated. This allows us to appraise the different options that exist for us on how we deliver this essential service to our tenants.	

Void Performance			
Re-let days	*Average re-let time for standard voids had not shown the performance improvement desired by the end of 2014-15. However, we have focused significant attention in the past 12 months on void management and we have reduced the average void period from around 60 days to less than 20 days, a trend which we have sustained over the past six months.*	Maintaining void performance is largely being achieved, with the continued focus on hard to let properties. However, as we have reduced the overall figures, a single hard to let property can have a proportionately larger impact on the overall results. The average re-let days for each standard void has been 28 days for this financial year. This figure was skewed by a peak in new void properties and new letting activity in the last quarter of 2016/17 that had a negative impact on the average re-let time. Our Board approved the creation of our Homes Agency Manager role who will carry out a full review of our voids process. Recruitment to this role is complete	
Void repair costs	*We have seen a reduction in the average void repair costs from an average void cost of £4,702 in 2013-14 to £3,260 in 2015-16*	Void repair cost increased slightly in 2016/17 from £3,260 to £3,306 (an increase of 1.4%). The main reasons our costs are higher are 1. The number of sheltered homes that have been void. These homes have a higher lettable standard – this impacts on our cost 2. We have carried out further works on hard to let homes to make them more lettable to reduce the void loss from these. In spite of this, the benchmark measure we use to increase void costs has itself increased by 1.5% indicating this our costs are still well controlled. There was an increase in the number of voids from 309 in 2015/16 to 358 in 2017/18, which increased the overall spend to £1.0 million to £1.2 million.	

Arrears	*Recent Welfare Reform changes, such as the spare bedroom subsidy (Bedroom Tax), Universal Credit and Benefit Cap, could have had a dramatic negative effect on our rent arrears due to the impact on our customers. To counter this, we have successfully implemented measures to mitigate the threat to our income. This has led to our arrears reducing over the year with an expectation this trend will continue.*	We have implemented a clear action plan with an overall aim of supporting independence to enable our tenants to mitigate the impact of the introduction of Welfare Reform. We have also created capacity in our Relationships Pod to make positive contact with tenants to ensure arrears cases are proactively managed. Our proactive approach has resulted in a continued reduction in our arrears by nearly 20%, reducing arrears by £155k from 2.86% to 2.39%. This continued the trend from 2015/16 when we reduced arrears by £68k from 3.02% to 2.86%. This has enabled us to sustain tenancies, keeping evictions at a low level. We reduced our number of evictions from 9 in 2015/16 to 7 in 2016/17.	
Loan facility			
Loan facility	*We would review our funding costs through re-financing our current loan facility*	We have worked together with our advisors to re-finance our debt and we expect to conclude a re-financing in the second quarter of the year which gives the necessary funding and flexibility to the group going forward whilst reducing interest cost by over £1m a year.	
Procurement			
	We will continue to use different procurement methods (e.g. in-house, use of procurement frameworks, such as Procurement for Housing) to ensure we achieve the best cost that meets our requirements and review contract specifications to ensure that these balance quality and cost	We have successfully tendered several large contracts this year, using competitive tendering and negotiation, to ensure we achieve value for money. These include: • Structural Engineering Consultant - saving £10k • Stock Condition Survey - saving £59k • IT licencing - saving £14k • IT Back up service - saving £96k • IT infrastructure - saving £35k	

Corporate structure			
	We will review the legal structure of the business to ensure that any development pursued in a way that manages risk, is tax-efficient and reduces costs	Over the last year our Board has reviewed our corporate structure to establish the best model for delivering our Corporate Strategy as effectively as possible. We are currently carrying out an options appraisal using the Form Follows Function toolkit to establish the best operating model to enable us to deliver our corporate strategy.	
IT			
Digital Services	*Deliver more services digitally, thereby reducing long-term costs*	We have developed a clear digital strategy with an aim to increase digital contact to 80% of all customer contact by 2021. This will improve the accessibility of our services and reduce our costs. We are on target to deliver this, with take up increasing to 64% in 2016/17.	
New technology	*We will invest in new technology*	We continue to deliver our Digital Transformation Roadmap - investing in new technology means we can create a modern best in class infrastructure that is fast, resilient, secure and scalable. Examples of our investment in 2016/17 include: 1. Replacing our legacy systems with a new Cloud based infrastructure that can flex capacity easily whilst delivering total cost of ownership benefits 2. New devices linked to dynamic software providing a virtualised workplace allowing colleagues to work securely and efficiently anytime, anywhere and on any devices 3. Replacing our existing communications platform with a new unified Voice Over Internet Protocol (VoIP) infrastructure, allowing users to be in touch wherever and whenever regardless of device and channel with a lower total cost of ownership.	

Other areas of improvement			
Shared Services	*We would continue to share cost data with other local Housing Associations in order to consider other opportunities to reduce our cost,*	We have actively engaged with this other and, as a group, commissioned an independent review of potential ways of working to share or reduce costs. We will include the options of shared services and other cost-sharing vehicles as part of our options appraisal that will be presented to Board for discussion at their Board Away Day in June 2017. At the same time we are discussing with two local RPs possible areas in which, through joint procurement, we could achieve better Value for Money.	

As well as all of the above we have done more!

VAT		
VAT Shelter	We have carried out a review of our VAT shelter with our tax advisors to ensure that we were tax efficient. It continues to be a valuable way of managing our cost where we are investing in improving our homes.	
Partial exemption	Working with our tax advisors to review our VAT efficiency, we have identified an additional £30k that we can recover each year and we are currently reviewing whether we can back-date any additional claims.	
Garage review		
	We have reviewed our garage stock with a view to maximising its value to the group. We have investigated ways to let garage where there is low demand, including the development of a self-service approach to allow customers (which we will be introducing in 2016/17). As a result we have, with expert advice, identified sites for development with the potential of building 159 new homes (subject to planning). We have invested in improving and marketing the remaining sites, leading to a 25% increase in garage occupancy. We have also increased the rental income from these by adjusting the rent level in line with local market rent values.	
Staffing		
Reduction in staff numbers	We have continued to work to ensure we have the right people in the right roles. As we have delivered our promises and implementing more effective working practices, we have been able to reduce the number of staff and invested in new posts to ensure we can meet our business objectives. Overall we reduced our staffing costs by £267k in 2016/17.	

Creating additional capacity	We have increased our investment in the capacity of our leadership team by recruiting an Assistant Director (with recruitment of two more planned in 2017-18). This is a strategic decision to enable the Executive to focus on building relationships externally to support our Corporate Journey and to ensure that we future proof the business through succession planning. Since the year end we have recruited a new role of Homes Agency Manager, to lead the review of our voids and lettings processes and creating commercial opportunities	
Pension sacrifice	We have reduced our National Insurance costs through starting a pension sacrifice scheme for staff. This has saved the business £7.5k since September 2016 and we are forecast to save £13k in 2017/18.	

Section Two
THE FUTURE… What will we do?

2.1 Our Corporate Journey

We have a new Corporate Strategy that details our planned Journey until 2021 (diagram 2.1). This clearly sets out our purpose – realising the potential of our community which is underpinned by our five ambitions.

Diagram 2.1 – Our corporate journey

Our approach to VfM and our Corporate Strategy are interwoven. As seen in section 1, our approach to VfM is doing *the right things, the right way with the right investment*. The starting point for the 'right things' is set out in our five ambitions within our Corporate Journey.

Underneath each of our five ambitions are a range of key outcomes that make up our strategy to deliver our purpose. This section looks at these in more detail to demonstrate how we deliver VfM through our Corporate Journey, showing how we will achieve our purpose 'to realise the potential in our communities'.

2.2 Our ambitions

We have set up strategic work-streams to enable us to achieve our ambitions. They are associated with ambitions and tangible targets for the next four years in which VfM will be central. By March 2018 we will have made significant in-roads to achieving these targets.

Ambition 1 - Providing great homes

In our Corporate Journey we said we will provide 375 new homes across a range of rent and ownership tenures, including the replacement of homes sold under Right to Buy schemes

By March 2018 we will have commenced the delivery of our exciting development programme to provide homes for our community

In our Corporate Journey we said we will review the land and other property we own so that we understand the costs and income-generation potential of our assets

By March 2018 we will have

- carried out a viability assessment of all our homes with a negative net present value to determine their future use
- developed plans for the 45 sites we have identified as having high development potential
- completed the review of the remaining sites identified as having possible development potential
- commenced marketing appropriate non-residential land that have been identified as having no development potential and limited value for sale
- completed our bedsit conversion programme (converting 56 empty properties into 65 homes)

Ambition 2 - Knowing our customers

In our Corporate Journey we said we will explore flexible rent models, including short-term rent subsidies, to respond to customers' changing financial and personal circumstances

By March 2018 we will have

- completed our investigations including our options appraisal (Form Follows Function)
- as part of the options appraisal process, we will have taken a business case to Board modelling how flexible rents could be introduced
- consulted with key stakeholders particularly tenants
- implemented the approved actions

In our Corporate Journey we said we will invest in technology that will provide us with the knowledge and insight into each customer's needs and aspirations necessary to enable us to deliver a personalised service

By March 2018 we will have

- implemented phase one of our Customer Relationships Management (CRM) system
- developed a fully self-service approach to garage lettings
- fully developed our Spotlight and TouchPoint systems
  - internally developed systems that draw on a number of data sources to enable us to manage arrears (Spotlight) and contact with our customers (TouchPoint) better
  - to focus more people contacts on those customers which are at highest risk

In our Corporate Journey we said we will invest £1 of each tenant's weekly rent in projects that deliver community benefit

By March 2018 we will have explored opportunities for investing £250,000 in community projects.

In our Corporate Journey we said we will improve value for money for our customers by reducing our operating costs per home in real terms, whilst improving our services, through sound procurement and more efficient working practices

By March 2018 we will have

- re-procured the following key contracts to demonstrate these achieve Value for Money
  - Grounds maintenance
  - Planned works
  - Lift servicing
  - Asbestos survey
- reviewed the options for our delivery of our repairs and maintenance service
- reviewed options for collecting sums due from tenants who have breached their tenancy

Ambition 3 - Inspiring People

In our Corporate Journey we said we will broaden the range of opportunities for customers and volunteers to participate in the business and in their communities and increase the take-up of these opportunities

By March 2018 we will have reviewed the ways customers and volunteers can participate to allow them to develop new skills to assist them in employment or other opportunities. We will have developed new standards with tenants, who we will work with to monitor and enforce these standards to ensure our communities remain great places to live. To support this we will change the focus of our current customer involvement team into the Community Investment Team

Ambition 4 - Building thriving communities

In our Corporate Journey we said we will build new relationships with other partners that share our values and commitment to delivery

By March 2018 as part of our options appraisal using the Form Follows Function toolkit we will assess different models such as joint ventures, shared services new group companies and mergers and begin to put in place appropriate actions consequential to that review

Ambition 5 - Increasing our investment

In our Corporate Journey we said we will re-finance our existing funding facilities to reduce the long-term cost of our borrowing

By March 2018 we will have completed our refinancing, saving us over £1m each year as well giving us more freedom to deliver our objectives

In our Corporate Journey we said we will use the value of our assets to increase the funding available from investors and lenders

By March 2018 we will have fully funded our existing plan at a lower cost and reviewed our risk appetite for development. We will have started to map out the next phase of development beyond the 375 homes in our corporate strategy, building on our track record based upon the available asset security and headroom against our covenants and long-term treasury plan

In our Corporate Journey we said we will seek strategic partnerships and alliances where these will maintain our culture and increase our resources

By March 2018, as noted above, as part of our options appraisals for our future, we will have assessed the value of shared services and joint ventures for delivery of our services. Tenant focus groups highlighted clear concerns that need to be addressed if we pursue these options, around damage to our culture and values. These included tenant led and approach to staff and customer empowerment; our experience from our first 5 years has enabled us to be very focussed on the qualities we expect from key partners to ensure we gain value from any significant investment of time and other resources and achieve clear outcomes.

In our Corporate Journey we said we will invest in technology to reduce our long-term operating costs

By March 2018 we will have introduced our phase one of our new CRM system, which will provide seamless end to end functionality for tenants to manage their own tenancies 24/7

Red Kite Community Housing

and seamless automated workflow and information efficiency for staff. This marks an important stage in our journey to Digital Transformation bringing together a number of changes to our infrastructure and enabling Digital Access to our services.

In our Corporate Journey we said we will establish a corporate structure that improves our cost-efficiency, increases the options available to us to grow the business and protects our assets

By March 2018 consequent upon our options appraisal of our service delivery model we will review our corporate structure to ensure it is fit for purpose to meet our corporate objectives

In our Corporate Journey we said we will develop commercial services that generate a positive financial return

By March 2018 we will have

- presented a business case to our Board to introduce commercial activity, to enable our Homes Agency to be a vehicle to market and let our own market rent homes and sell these services to the private sector and investors
- considered how to market commercial products, e.g. IT intellectual property (such as our innovative TouchPoint and Spotlight solutions) to other providers

In our Corporate Journey we said we will have 80% of our interaction with our customers using digital channels

By March 2018 we will have

- introduced a new CRM system
- carried out Customer Journey mapping to allow customers to access our services on-line
- introduced new call handling software in our Contact Centre for greater digital access

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2.3 Measuring our VfM achievements moving forward

To ensure we can demonstrate our VfM achievements we will use a range of measurements. In defining precisely what these will be we will have regard to three sources;

- The sector scorecard
- the soon to be published HCA consultation document on the new VfM standard
- our own internal measurements.

Going forward we will measure ourselves against a new peer group which we believe to be more representative of registered providers in the geographical region in which we operate. We outline this further in Section Three that follows, including a base-line measure of where we are this year. This is shown against the sector scorecard measures and also the KPIs used this year in our look-back in section one.

Section Three

NOW… The baseline for launching ourselves into the future

3.1 VfM and making the future happen

We achieve VfM through effective planning and innovation, not by setting arbitrary targets for cutting cost. It is about being clear about what we want to achieve, doing so at the right cost and investing where needed.

Our embedded VfM process is well understood throughout Red Kite. This was recognised by the HCA in their In Depth Assessment feedback this year and by our internal auditors following their audit of our strategic approach to VfM.

As part of our new strategic approach ("Our Strategic Approach to Value for Money" – July 2016) we have carried out a self-assessment using the HQN self-assessment tool. This highlighted two key areas where we could improve

1. Cross-business VfM leadership
2. Capturing our achievements and celebrating our successes

In response we made two members of our Senior Management Team VfM Champions, to translate our strategy into practice.

This year we introduced an Intranet VfM App, which allows our staff to tell us about their achievements. This enables us to celebrate our successes and to encourage staff to think VfM in every decision. Launched in January 2017 with briefing sessions to all staff, by the end of March we had captured over 80 VfM achievements with a value of £655k one-off spend and £454k of recurring annual spend (many of which are detailed in this self-assessment). These represent a mixture of procurement savings, smarter working and an increase in productivity.

We monitor our achievements on our VfM commitments through our Finance Committee who receive quarterly updates on VfM key work-streams to ensure they are on track.

3.2 Sector Scorecard and measuring our VfM achievements

It is exciting to be part of a sector-wide initiative to obtain a better benchmark of VfM activity. So, following the initiative of Home Group, we are happy to participate in the Sector Scorecard pilot. We want to use this to better inform our approach to VfM, by benchmarking ourselves against the best across a range of key measures. We will use the results proactively to identify areas we could improve as well as to celebrate success where we can demonstrate to our stakeholders our achievements in Value for Money. [We are currently collating our data for the 15 measures in the scorecard for 2016/17 to give a clear benchmark for future years – this was not complete in time for Finance Committee].

3.3 Who should we measure ourselves against?

In previous self-assessments we have predominately used the HouseMark group of South of England LSVT landlords with a stock between 2,500 and 7,500 homes. However we do not believe that going forward this is the best benchmarking group. Our reasons are

1. The HCA identified that being a LSVT adversely affected costs for the first 12 years of the organisation (with the first seven years showing an even greater cost differential). A number of the organisations in this group were created much longer than 12 years ago, rendering this distinction less useful.
2. The HCA identified that there was no identifiable correlation between the size of the organisation and its costs.
3. The South of England includes Housing associations in Devon and Cornwall and is too broad a geographical area for comparison.

In future we will move to the following group - All Housing Associations with over 1,000 homes in the South East and East of England. We want to benchmark ourselves against all relevant Housing Associations in a relevant geographical region as our ambition is to move beyond being an LSVT to measure ourselves against best in sector.

- We excluded providers with fewer than 1,000 homes as many are specialist housing associations with particular cost pressures
- We have chosen the South East and East of England as we felt that this more closely reflected our geographical area. We have excluded London as we felt they faced higher cost pressures (e.g. staffing costs).

In measuring our performance this year in Section one – THE PAST, we have used the benchmarking group used in previous assessments for comparability. In this section we set a baseline for the future.

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3.4 Setting a Baseline - The Sector Scorecard

The Sector Scorecard is a selection of 15 business measures, three for each of five key areas intended to give comparability across the sector on Value for Money. We note below our baseline against each of these measures.

A. BUSINESS HEALTH	2016/17 BASELINE DATE
1. NPERATING MARGIN (OVERALL)	19.5☼
2. NPERATING MARGIN (SOCIAL HOUSING LETTINGS)	27.9☼
3. EBHTDA MRH (AS A PERCENTAGE OF INTEREST)	19.8☼
B. DEVELOPMENT – CAPACITY AND SUPPLY	
1. KNITS DEVELOPED (ABSOLUTE)	0
2. KNITS DEVELOPED (AS A PERCENTAGE OF UNITS OWNED)	0☼
3. GEARING	38.1☼
C. NUTCOMES DELIVERED	
1. CUSTOMERS SATISFIED WITH THE SERVICE PROVIDED BY THEIR SOCIAL HOUSING PROVIDER	90.4☼
2. £ S INVESTED FOR EVERY £ GENERATED FROM OPERATIONS IN NEW HOUSING SUPPLY	0
3. IN COMMUNITIES	0.02
D. EFFECTIVE ASSET MANAGEMENT	
1. RETURN ON CAPITAL EMPLOYED (RNCE)	5.6☼
2. NCCUPANCY	99.6☼
3. RATIO OF RESPONSIVE REPAIRS TO PLANNED MAINTENANCE SPEND (LINK THIS MEASURE TO UNIT COST)	15.3☼
E. Operating efficiencies	
1. HEADLINE SOCIAL HOUSING COST PER UNIT -MANAGEMENT COST PER UNIT -SERVICE CHARGE COST PER UNIT -MAINTENANCE COST PER UNIT	 1.14 0.26 0.98 3.15

-MAJOR REPAIRS COST PER UNIT -NTHER SOCIAL HOUSING COSTS – COST PER UNIT	-0.25
2. RENT COLLECTED	99.83☼
3. NVERHEADS AS A PERCENTAGE OF ADJUSTED TURNOVER	9.9☼

Diagram 3.1 – Sector Scorecard Baseline Data

3.5 Setting a baseline - Our Cost per Home

Diagram 3.2, below, compares our cost per home (unit cost) performance in 2016/17 against the performance of our new peer group, (based on 2015-16 comparative data - latest available data from the HCA). This is ranked by management and maintenance costs to avoid the distortion created by our disproportionately high major repairs costs caused by us completing our transfer promises. Based on these alone, our costs are typical of this group sitting firmly in the middle of the group. This would suggest that, whilst we are not unduly expensive, there is still room for cost efficiencies.

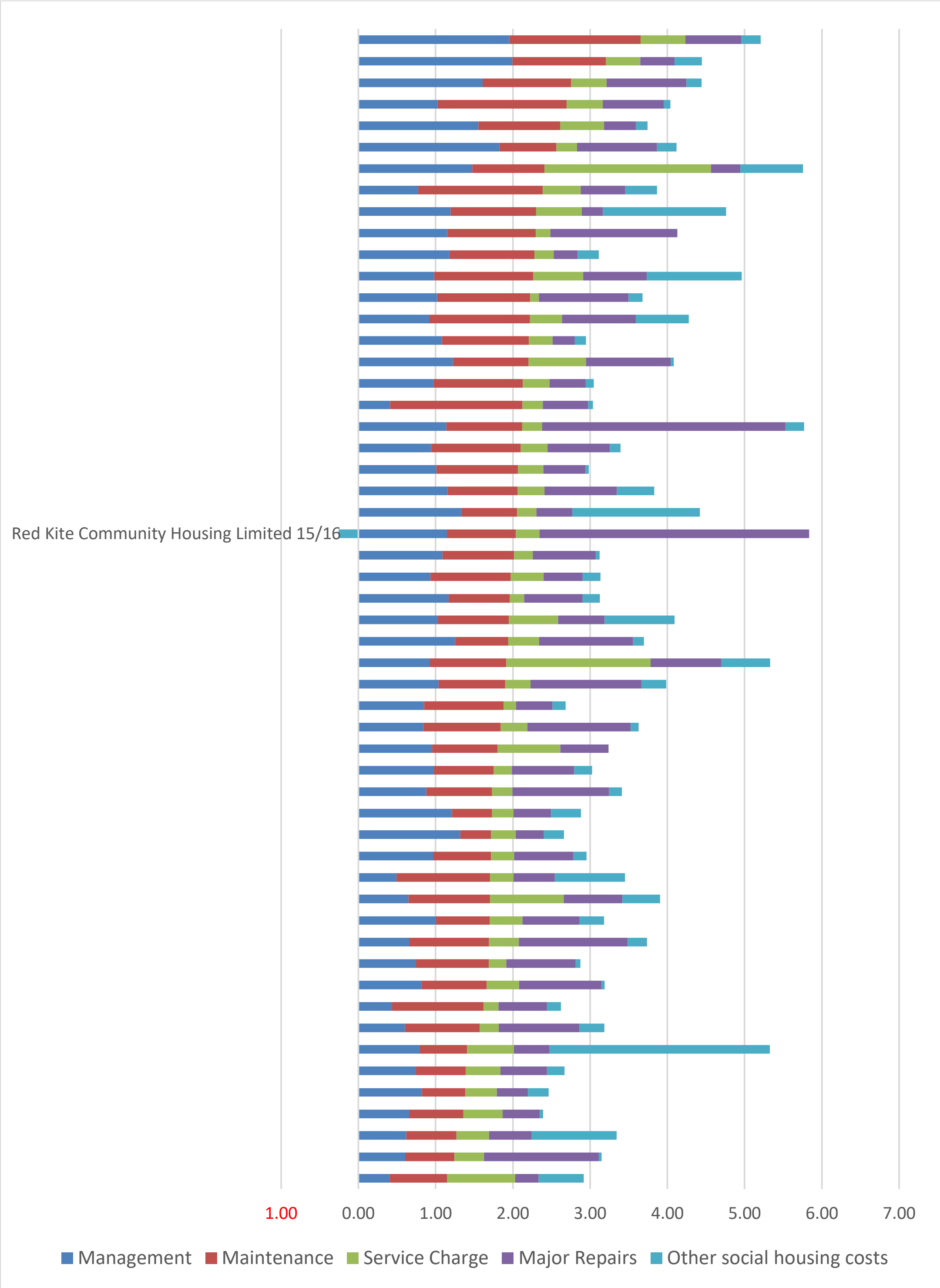

Diagram 3.2 - Cost per home comparison Red Kite 2016/17 against peer group 2015/16 – using unit cost analysis from HCA ranked by management and maintenance costs only

3.6 Setting a baseline - Our internal VfM KPIs

In section one we report on our internal VfM KPIs using the benchmarking group we have historically measured ourselves against. In this section we show where the baseline measure puts us against the peer group that we will be using going forward (HouseMark group for the South East and Eastern England with greater than 1,000 Homes). The baseline is shown below in the graphs that follow (Diagrams 3.3 to 3.7) with comment where relevant.

Average number of responsive repairs per property (Diagram 3.3 below)

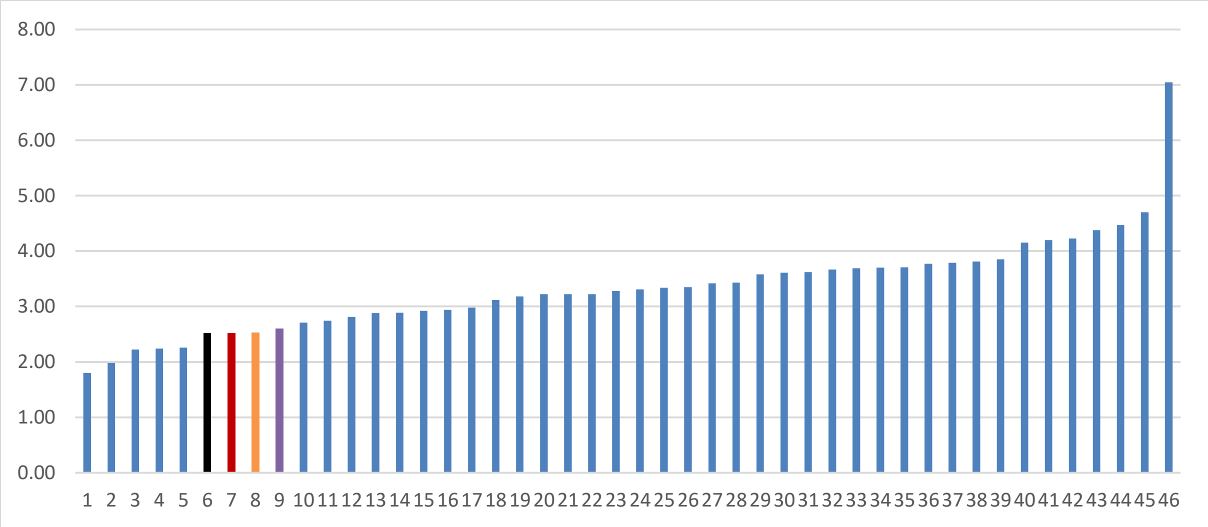

Diagram 3.3 – Average repairs per home – new peer group (HouseMark data)

Red Kite 2016/17	Red Kite 2015/16	Red Kite 2014/15	Red Kite 2013/14

We are in the top quartile for performance in our new peer group. We are reviewing our asset management strategy which aims to keep our responsive repairs low through effective investment in our stock.

Rent loss due to empty homes (voids) as a percentage of rent due (Diagram 3.4 below)

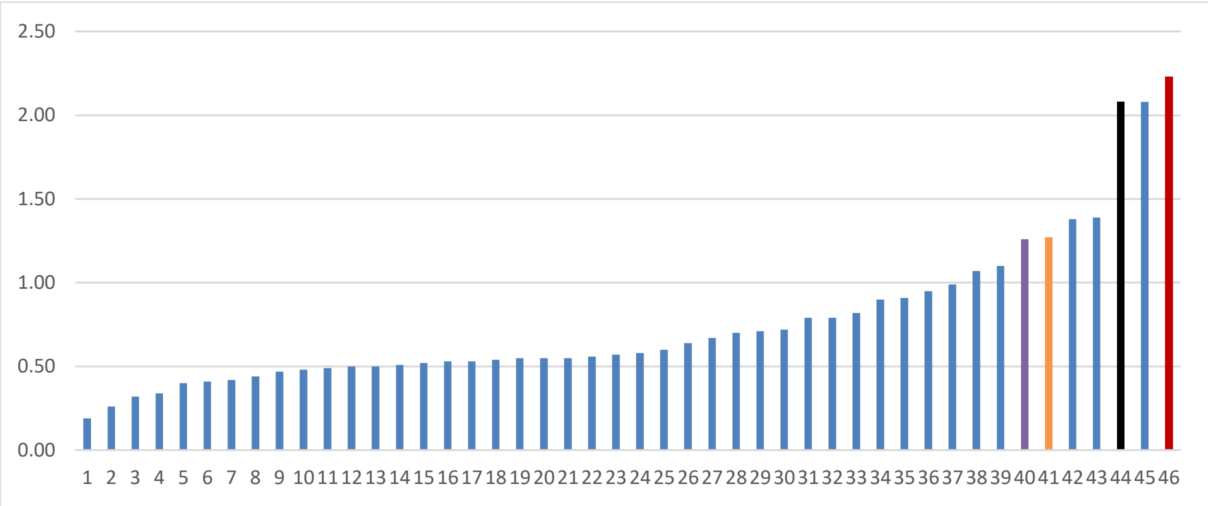

Diagram 3.4 – Rent loss due to voids – new peer group (HouseMark data)

Red Kite 2016/17 | Red Kite 2015/16 | Red Kite 2014/15 | Red Kite 2013/14

Our performance in 2017/18 demonstrates an improvement on previous years but still leaves us on the border between the lowest quartile and the third quartile for rent loss due to empty homes. We are actively working on improving our performance through a review of our void management and lettings process and delivering on our asset management strategy.

Current tenant rent arrears as % of rent due (Diagram 3.5 below)

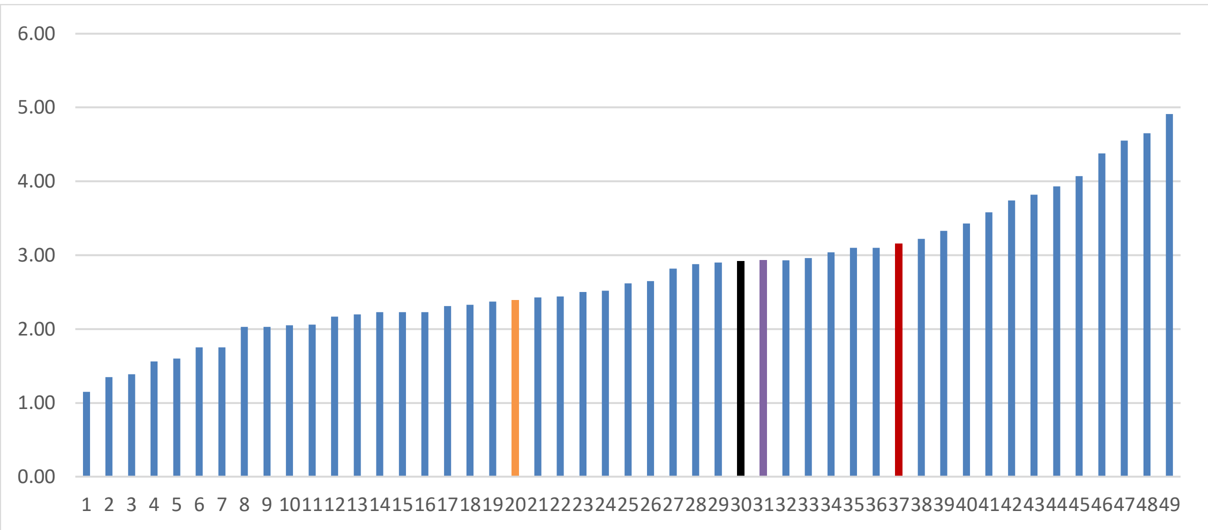

Diagram 3.5 – current tenant arrears (%) – new peer group HouseMark data

Red Kite 2016/17 | Red Kite 2015/16 | Red Kite 2014/15 | Red Kite 2013/14

Our performance for 2016/17 would put us above the peer group medium. We expect our performance to further improve in 2017/18 as we continue to deliver on our improvement plan and Welfare Reform Action Plan ahead of the full roll out of Universal Credit across the Wycombe area in May 2018.

Overall satisfaction (Diagram 3.6 below)

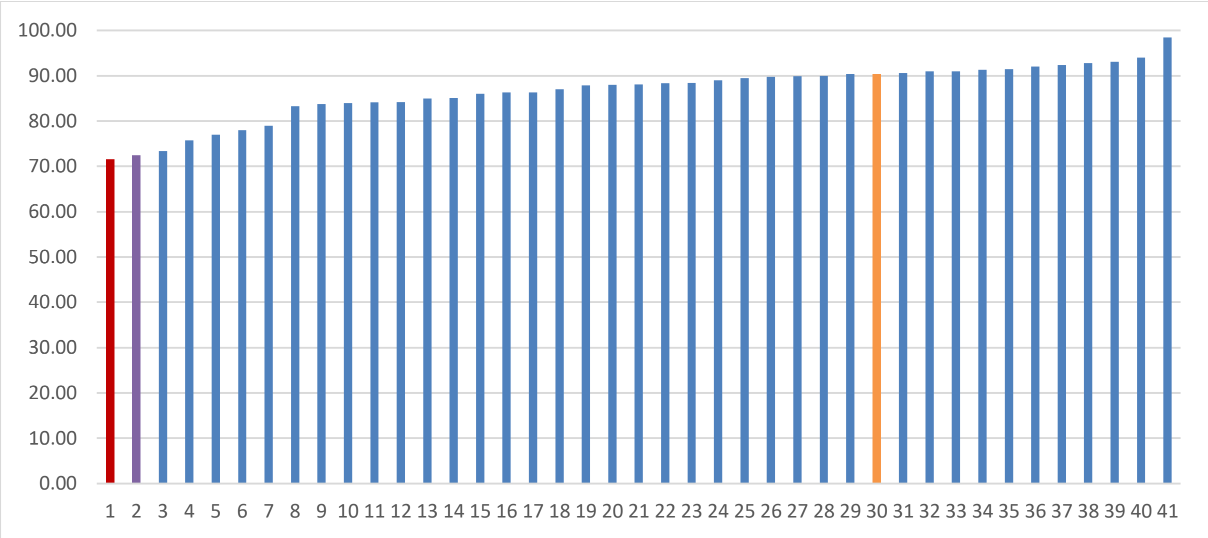

Diagram 3.6 – overall satisfaction (%) – new peer group HouseMark data

Red Kite 2016/17	Red Kite 2015/16	Red Kite 2014/15

Our overall customer satisfaction performance puts us just below the top quartile in our new peer group. Delivery of our new Corporate Journey with its continued focus on us being tenant led and responding to the changing aspirations of our tenants will enable us to maintain this high satisfaction level.

3.7 Return on Assets

Over the last year we have continued to demonstrate that we are committed to maximising the return on our assets, in particular we evidence this in the following activities described below.

3.7.1 Sheltered Housing Review

In our last self-assessment we detailed how an independent review of our Sheltered Schemes had highlighted we had an oversupply of sheltered accommodation. We identified eight schemes that were unsustainable and hard to let.

We worked with the residents affected to move to other schemes. This gave us the opportunity to sell three sites on the open market, to redevelop three to offer new homes to our community and to redesignate the remaining two as General Needs, working with the existing tenants affected to minimise the impact on them.

We have sold two of the three schemes and are in the process of completing the sale of the remaining one. The total value of these sales will be £6,800k (£800k more than originally valued). We also saved the £367k that we originally budgeted for improvement work as part of our transfer promises.

We have designs in place for the re-development of the other three schemes to create 67 new homes for the community across a range of tenures. We are working with planners in Wycombe District Council to finalise the plans, in line with local requirements. Once we have planning consent, all three should be started on site by the end of this financial year.

The proceeds of our sales of the first three sites and of properties for market sale and market rent in the redeveloped schemes will be reinvested in our communities for the delivery of our Corporate Strategy.

3.7.2 Bedsit Conversions

We have continued to configure 56 low-demand bedsits, former Scheme Manager accommodation and under-used communal areas into 65 homes that better fit the aspirations of future tenants.

These conversions have not progressed as quickly as we had originally planned, mainly due to problems with utility connection for the new properties. We have carried out a 'lessons learned' exercise and prioritised this with a senior manager to ensure blockages are managed effectively.

3.7.3 Development programme

Our Corporate Journey details our commitment to developing a minimum of 375 new homes for our community by 2021 across a range of tenures. We have started development projects that will deliver 240 new homes, including 169 through our regeneration of the Castlefield estate and the new homes to be delivered as a result of our initial Sheltered Housing review. The first of these new developments is due for completion towards the end of 2017.

We originally planned to build 180 new homes on the Castlefield estate, we are currently in negotiation with Wycombe District Council to finalise plans on this scheme but at a minimum we are looking at an increase of 24 homes than planned at the time of transfer. We are still working with planners to ensure the site is viable and meets the planning requirements.

Availability of affordable suitable land on which to develop is a risk to our development strategy. We have mitigated this risk by reviewing our non-residential property portfolio for sites with development potential; including garages, commercial sites and land. Through our new GIS system we were able to identify 105 potential sites and categorised these in terms of their development potential (category 1 = high development potential to category 4 = low/no potential). In this way we have identified 45 category 1 sites with high development potential on which we can build 159 new homes. This additional capacity means we can meet our ambition of 375 new homes without purchasing land on the open market.

3.7.4 *Funding our corporate strategy*

We have consistently outperformed our Business Plan since our foundation as a business in 2011.

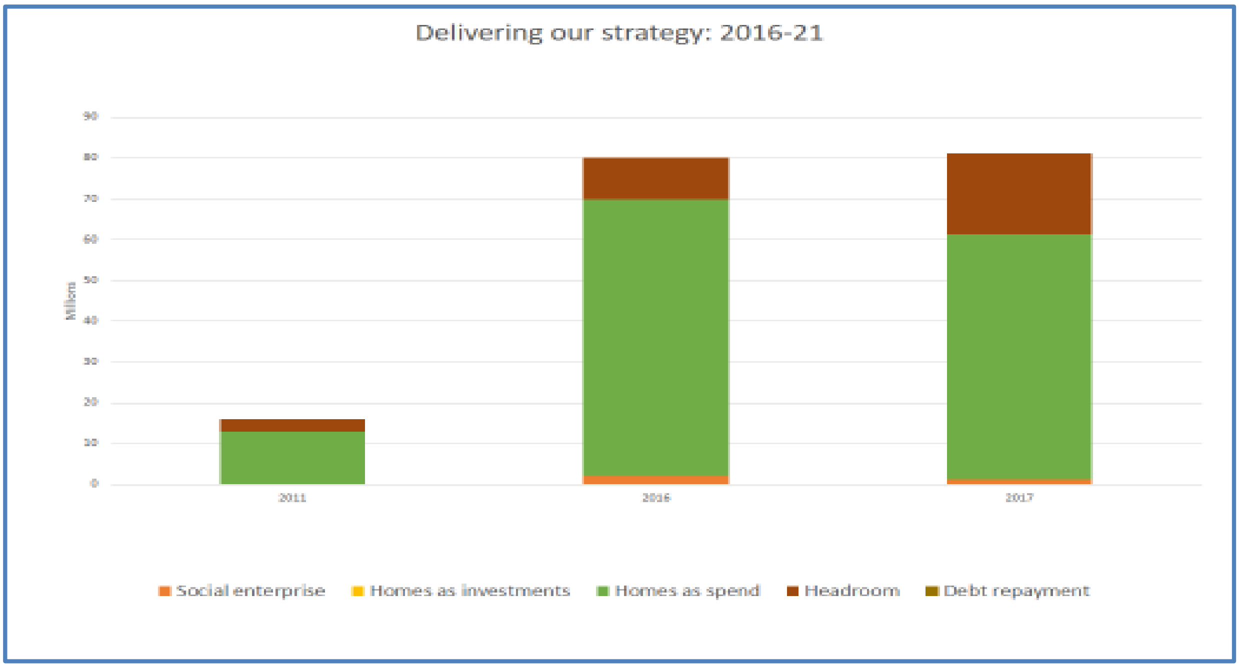

Diagram 3.7 – Changes to our funding to deliver our strategy – figures from Red Kite Business Plans

In March 2017 the existing use valuation of our homes (excluding the four sheltered schemes that have closed and properties to be demolished as part of the Castlefield regeneration scheme) increased to £309 million compared to £200 million 12 months earlier. The valuation also forecasts that this will increase to £317 million in 2021, despite the impact of the rent reductions over this period.

At transfer, our Business Plan had an overall peak debt of £137.6 million, reached in 2020, with a repayment by 2038. The only planned new development spend was £13 million for the provision of 34 extra homes on the Castlefield regeneration site. Since the current loan facility is £140 million, the transfer plan provided limited scope to invest in more new homes.

The transfer business plan projected that we would be spending £5.5 million on operating deficits in 2016-2021, whereas the 2017 business plan has a five year forecast of £17 million surpluses.

By 2017, the Business Plan has a net peak debt of £100.6m and a potential expenditure on developing 375 new homes of £82 million with £24 million sales income. This has been generated through a combination of savings on the delivery of the transfer promises, efficiency savings and sale of sites; and is further supported by the mix of development including some properties for market sale.

We have borrowed no additional funds since transfer (indeed we have repaid £5 million) and, excluding development, have reduced the peak debt in our business plan to £52.6 million. As a result, we have relatively low debt per home, meaning that we have capacity to increase our borrowing in future.

We started work, together with our independent treasury advisors, in 2016/17 on replacing our current loan facility to reduce our lending costs and align our future funding with our business model, to enable us to meet the ambitions laid out in our corporate strategy. We are in negotiations to replace our current facilities with £120m in funding facilities (a mixture of a revolving credit facility, a bank term loan and a private placement). This will generate anticipated savings of between £1m and £1.3m per annum (depending on the amount drawn down) with considerable flexibility to meet our development ambitions within the Corporate Strategy. It will also enable us to maintain a head-room of £20m for opportunities and managing risk. We are on course to complete the refinancing in the second quarter of the financial year.

Our development plans include some exposure to market sales (of £24m) which will be used to support development of homes for social rent. In order to manage the risk and to provide some funding for future development opportunities we have retained £20 million head-room in our projected borrowing from our loan facility, compared with £2.4 million at transfer. As noted above the 375 homes planned for development over the next four years is the first stage of our development ambitions; the increased valuation gives us the opportunity to do more later and gives us the potential to go back to the capital markets to fund this in 2020-21.

3.8 How can we best achieve our objectives?

We have shown above that we have created capacity to meet our objectives through the way we have managed and invested in our homes over the last five years. However we believe that this is the right time to take stock and ensure that going forward we consider how best we can achieve those objectives; most particularly our ambitions to do more and particularly to build more homes for the communities which we serve and other related ambitions which bring us back to our corporate purpose ‘to realise the potential in our communities’ and develop a track record of successful development.

With this in mind, in the first two quarters of 2017/18, we will carry out an options appraisal with our Board. As part of this process, we will consult with our tenant and leaseholders and run more in-depth consultation with shareholding members (of which we have over 800). We will use the Form Follows Function toolkit for this purpose through a facilitated process with our Board. Options will include staying as we are, creating new subsidiaries to more effectively deliver our purpose, joining in partnerships with other organisations to share costs, forming joint ventures with other organisations for specific purposes (for example to utilise development capacity) and merging with other organisations. The appraisal will consider which options best enable us to deliver and to maximise our corporate ambitions and will also consider whether this might be done by a combination of the options considered.

3.9 What should we measure going forward?

As we have already noted, we are actively involved in the discussion in the sector on how best to measure VfM going forward. We have taken a baseline measure against a combination of the current measures agreed for the Sector Scorecard pilot and the KPIs we have used in this year's look back (but against the new benchmarking group selected for the look forward).

We will engage in the continued discussion in the sector and finally settle upon which measures to use going forward as the debate progresses through the pilot of the Sector Scorecard (which we are signed up to) and the consultation over the new VfM Standard. Our final measures will be a combination of sector standard measures as defined by the HCA and additional measures, where they are useful in measuring our achievement against our Corporate Journey.