Value for money
Self assessment

Executive Summary
During the year we have focused on the delivery of the promises that were made to the tenants and leaseholders at the time of the transfer from Wycombe District Council in 2011. These promises included the improvement in the quality of tenants' homes to levels which exceed the decent homes standard. We have now completed 73% of the major components. This compares to 39% 12 months earlier. This 34% delivery during the year is greater than the residual work left to be completed in the remaining 21 months of the promises period.

In addition to the delivery of the promises, we have:

- Achieved £1,051,000 of recurring savings; this is 3% of operating revenue. Since transfer we have saved £2,269,000, over 7% of operating revenue;
- Increased the number of new homes that can be funded from the existing loan facility to over 330 and increased the number of new homes on the Castlefield regeneration by 18 (compared with the transfer business plan) to 149;
- Increased the value of our homes that can be utilised for debt security by £29 million to enable future borrowing to fund additional homes for the community; and
- Generated £10 of social value for every £1 invested in community projects.

More information can be found at www.redkitehousing.org.uk/value-for-money.

Introduction
The Board of Red Kite Community Housing has reviewed how well the Association is delivering Value for Money to tenants, leaseholders and other stakeholders. In preparing this self-assessment, the views of the association's Tenant & Leaseholder Committee have been considered.

The self-assessment considers the following questions:
- Do we have a robust approach to value for money?
- How are we making best use of the homes and property we own to meet the objectives of tenants, leaseholders and the business?
- How much does it cost us to provide services, how do these costs look given the quality of service we provide and what is our long-term approach to our overall running costs?
- How have we reduced the costs of service delivery over the past year and what are our plans for next year and beyond?
- How well are we complying with the Homes & Community Agency's (HCA) Regulatory Standard on Value for Money for 2014-15?

Our VFM self-assessment 2014-2015 addresses the following key questions:

- What is our VFM strategy?
- How are we making best use of our assets to meet the needs of our stakeholders?
- How does our performance and costing reflect value for money?
- How are we generating social value?
- What have we achieved and what are our plans for the future?
- Are we complying with the HCAs Regulatory standard on Value for Money?

Our 2011-2012 corporate objectives covering the first five years after transfer included 24 VFM strategic aims of which we reported:

- 15 of those completed by March 2014;
- A further 4 of these have been completed during 2014-2015; and
- A further 5 are planned for completion by 2016.

In April 2015 the Board approved new objectives for our Corporate Journey over the next 6 years that shall ensure we continue to deliver value for money for our customers.

What is our VFM strategy?

Our VFM Strategy is to strive for economy, efficiency and effectiveness in everything we do and focuses on the following:

- enabling stakeholders to understand the return on assets measured against our objectives;
- showing absolute and comparative costs of delivering specific services;
- evidencing our VFM gains (financial, social and environmental) that have been and will be made and how these have and will be realised over time;
- ensuring tenants and leaseholders inspire and influence service delivery so that outcomes recognised are providing value for money;
- ensuring the budget-setting process allocates resources to meet customer needs and fulfil our vision of delivering “excellent services for you and your community” and create social value;
- ensuring our procedures lead to effective delivery for tenants and leaseholders,
- ensuring the procurement of resources delivers cost-efficient outcomes whilst maintaining the balance between cost, quality and affordability;
- use of performance framework to monitor VFM; and
- embed a culture of VFM and continuous improvement across Red Kite.

Overall, we aim to fulfil the expectations of our stakeholders and meet the requirements of the HCA by addressing the above.

We strive to keep all our stakeholders fully and clearly informed of our Value for Money (VFM) aims and key results. Our VFM self assessment, annual accounts and key policy documents are fully accessible via our Red Kite Community Housing Website.

We have a robust performance management and tenant scrutiny arrangement for our VFM results. Our self assessment is scrutinised by our Insight and Governance teams, by our Finance Committee, and our Tenant and Leaseholder Committee before being reviewed by our Board.

Our Return on Assets - How are we making the best use of our assets to meet the needs of our stakeholders?

We use net present value (NPV) data on our homes to inform our investment decisions.

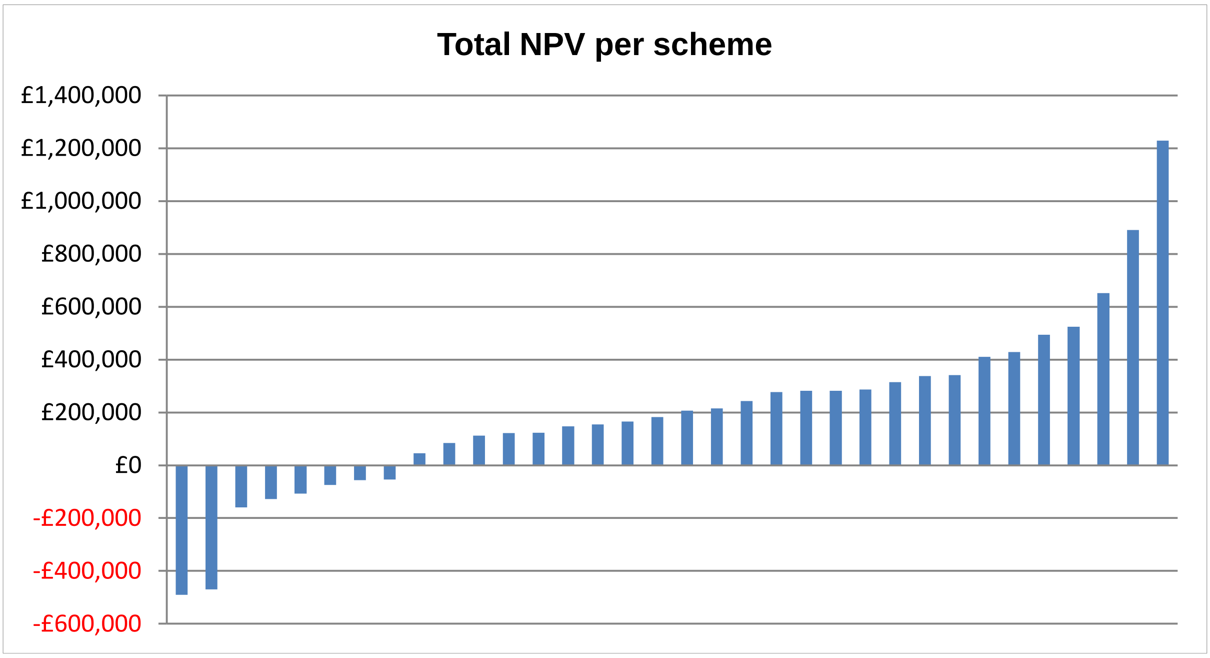
Investing in our existing homes

To maximise the future returns from our existing homes, we will invest in them where it is appropriate. In 2014-15 we have invested a further £23 million in our homes. This brings the total investment since transfer to £46 million with another £25 million forecasted for the next 12 months. As part of this investment we have commenced a bedsit conversion programme and at 31st March 2015 we had 2 fully completed, 11 completed and awaiting utility services to be connected and another 29 long term void properties in the process of being converted into 16 sustainable homes. A further 31 homes will be converted in the next 12 months.

Reviewing the viability of our homes

At the time of the transfer we had over 6,000 homes. To ensure that the community continues to enjoy the benefit from them and that the business continues to contribute to meeting the housing aspirations of the current and future generations we will continually review the financial performance of the homes and the assets that we own. This may result in some assets being sold to allow provision of more homes and changing the use of others e.g. garage sites into new homes.

Within 12 months of transfer we undertook a full stock condition survey of our homes and other assets and this confirmed the costs of bringing the existing homes up to the Red Kite Standard and allowed informed investment decisions to be made about all our sheltered housing.



Source: Savills stock survey 2012 – sheltered housing scheme total NPV by scheme
These decisions combined the NPV data with an assessment of the long-term sustainability of each scheme, considering current demand for the homes and the future suitability as a sheltered scheme.

This initial financial appraisal resulted in the Board deciding to close six sheltered schemes and in the last 12 months a decision has been made to sell two of the schemes and to consider the development options for the remaining sites. The proceeds of these disposals will be used to fund additional homes within the Wycombe district.

Regeneration
As a transfer promise the regeneration of the Castlefield area of the local community is a significant financial commitment for the business. A better use of the land will result in 50% more quality homes being built than we currently provide on the site, as we are increasing the number from the existing ninety seven to one hundred and forty nine. To ensure that we maximise the benefits to current and future tenants we have and will continue to engage with the community. This approach will deliver the homes that the community aspire to rent and own with potentially several housing options available, and to create a community that people want to live in.

Using our land and other assets
We have assessed the financial performance of our garages sites, which contain over 1,300 garages that are available to both tenants and to the local community. This review has indentified the sites where the future investment will lead to a reduction in the high level of empty garages and have a payback period of less than five years. Other sites will be evaluated for their potential for providing new homes.

Land for housing is at a premium in the High Wycombe area. To allow us to maximise the future financial and social benefits from the land that we own a full review has commenced.

Building new homes
We have a solid financial foundation as the result of sound financial management by the Board. This has enabled us to:

- increase the number of new homes proposed as part of the Castlefield regeneration scheme from 131 to 149;
- increase the number of new homes able to be funded from the existing loan facility from 295 to 330;
- created an additional £10 million of headroom in the existing loan facility to manage the changing business risks that we face.

In March 2015 the existing use valuation of our homes (excluding the 6 sheltered schemes that are to close and properties to be demolished as part of the Castlefield regeneration scheme) increased to £185 million compared to £156 million 12 months earlier. The valuation also forecasts that the existing use of the properties will increase to £259 million in 2020.

We have plans to develop housing solutions that meet the local community aspirations and we can utilise the following avenues to secure future debt to fund them:

- £15 million head room in the existing business plan;
- £259 million asset valuation in 2020 to allow additional debt to be secured
- 560 new homes funded by the existing loan facility that are not currently charged

Energy efficiency
We are developing a sustainability strategy that will support the reduction of fuel poverty and the enhancement of the internal living environment of our homes. Whilst we develop the future approach, in the last 12 months we have invested:

	Average annual saving to the tenant
A further £2 million into 146 Wimpey No Fines homes £527,000of grant was accessed to part-fund this	Between £180 and £270 depending on the property type
A further £169,000 into to another 19air source heat pumps £38,000 of grant was accessed to part-fund this	Up to £1,200

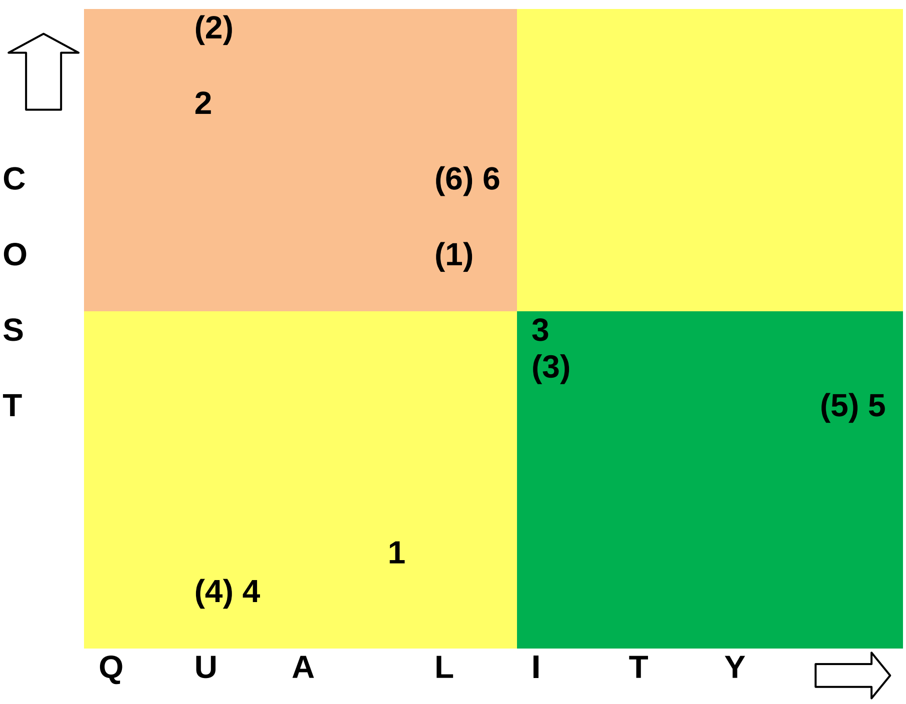
With this and other investment (e.g. new doors & windows) the energy efficiency of our homes is improving and is resulting in lower bills for the tenants. We have completed a baseline assessment of the overall SAP rating for our homes and at June 2015 the SAP rating is 67.7.

Our Performance and Key Service Costs - How do our costs and performance reflect value for money?

We collect and analyse our own data on the cost of delivering services and on tenant satisfaction with those services. We also subscribe to the HouseMark bench-marking club and this allows comparison with other providers and provides us with a base-line for our own performance. The most recent published data is for 2013-2014, and our designated HouseMark peer group compares us with 31 other housing providers. Our peer group is the Southern Group and this comprises of large scale voluntary transfers from an area that covers Cornwall, Kent and Oxfordshire.

When the 2014 HouseMark cost data is evaluated alongside the 2014 quality of service we can see where we perform well and where we need to improve in comparison to our peers.

Summary performance table 2014-15 (2013-14 in brackets)



AREAS OF SERVICE

1 Response repairs

2 Void repairs

3 Arrears management

4 Lettings management

5 Anti social behaviour management

6 Estate services

In summary, this suggests that:

- We have maintained the high quality outcomes to tenants at below average cost in some areas (e.g. anti-social behaviour management);
- We have reduced the costs for response repairs and void repairs, but without achieving the quality of service tenants desire;
- We have not resolved the poor void re-let performance in out lettings management service, and
- We provide other services that are about average for our peer group (e.g. arrears management), but have made changes that will see improved services at lower cost in 2015-16 (e.g. estate services).

Following the transfer we now have three full years of information to demonstrate the trend over a short period of time. The HouseMark data for 2014-15 is not yet available; we have therefore used provisional information. Where relevant we also review our costs using HQN as this allows us to compare ourselves against others from different sectors, including ALMOs and councils. Expenditure is in-line with our 5 year planned investment to fulfil the promises made in our transfer proposals. The regulator's Global Accounts 2014 report notes that newly created stock transfer providers will typically have higher major repairs costs linked to initial stock improvement programmes. This is the case for Red Kite.

As highlighted last year, we collect and analyse our own data relating to the cost and quality of those services. Our VFM methodology is to monitor VFM performance both qualitatively and quantitatively through a series of Key Performance Indicators (KPIs) on a monthly basis. We use trend analysis, graphs and bar charts to show the direction or "flight-paths" for key service costs. We are able to keep timely track of variances and feed performance results down to our operational teams to highlight and take corrective action where necessary. So in combination with our strategic VFM goals, we monitor achievement through key VFM performance indicators in our Performance Management System.

In addition we use the HouseMark Core Benchmarking System. This benchmarking system is widely used in the housing sector and is an established method for assessing an association's relative performance against a representative group of peers. We have again used HouseMark and HQN to compare performance results in key service delivery areas for 2012/13, 2013/14 compared against the association's results for 2014-2015.

Key Service Areas

Our VFM decision-making for key services is based on a decision desire-ability mix of 60% bias for quality and 40% for cost economy. Our view is that ensuring good quality e.g. in procurement of materials or contractors, will achieve greater VFM savings in the long-term.

We monitor our performance in key service areas and analyse the trends of our key service costs which are benchmarked using our chosen peer group in HouseMark's core benchmarking system.

Summary table for some of our key services (source: HouseMark)

Cost per property	2012-13		2013-14		2014-15*	
	Red Kite £	Peer Rank	Red Kite £	Peer Rank	Red Kite £	Peer Rank
Routine repairs	492	28	409	18	332	6
Void repairs	373	32	305	27	213	24
Housing management	186	2	204	4	212	6
Estate services	289	24	226	16	231	16
Overheads	534	19	514	17	562	25

**our provisional 2014-15 costs ranked against the peer group for 2013-14*

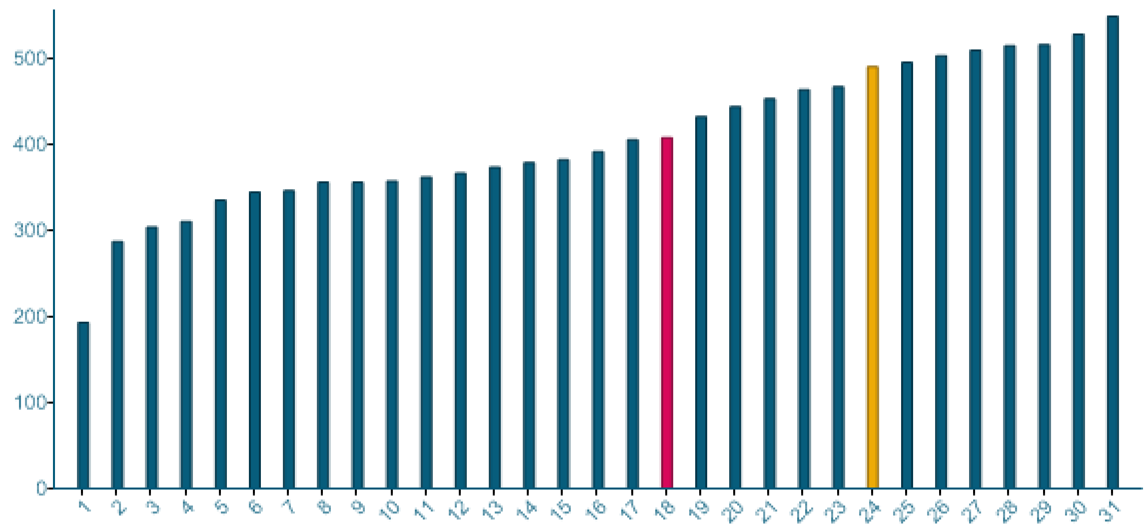
The above costs comparisons are explained in more detail below.

Repairs and Voids Performance

At transfer the existing contractual arrangements were reassigned to Red Kite and in August 2013 a new partner commenced delivery of the service for us. We have been able to deliver financial benefits from this re-procurement process. Last year was the first full year of the new contract. The delivery of the investment programme has also contributed to improved performance and together they have contributed to reduced costs.

Repair costs

The average cost per home has reduced in this 3 year period by 32% (£160)

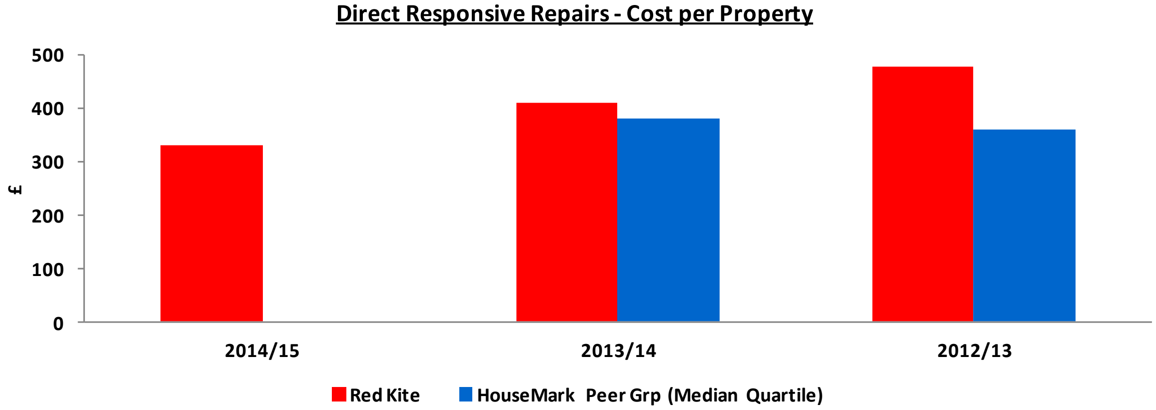


Red Kite (2012/2013) Red Kite (2013/2014)

Source - HouseMark 2013/14- Average repair cost per home

The above chart shows we are ranked 18th out of the peer group, for the direct costs per property in 2013-14, an improvement from 24th in the previous year. Based on the provisional information for 2014-15 our position has improved to 6th place. The graph below shows the average median quartile cost increasing, whilst our costs are decreasing per home.

The table below shows our trends over 3 years; which reflect a continual cost improvement.



	2012/13	2013/14	2014/15
Red Kite	£492	£407	£332
HouseMark peer group ranking*	28	18	6
HouseMark peer group quartile- 2013/14	**Upper**	**Median**	**Lower**
HouseMark peer group	£357	£388	£472

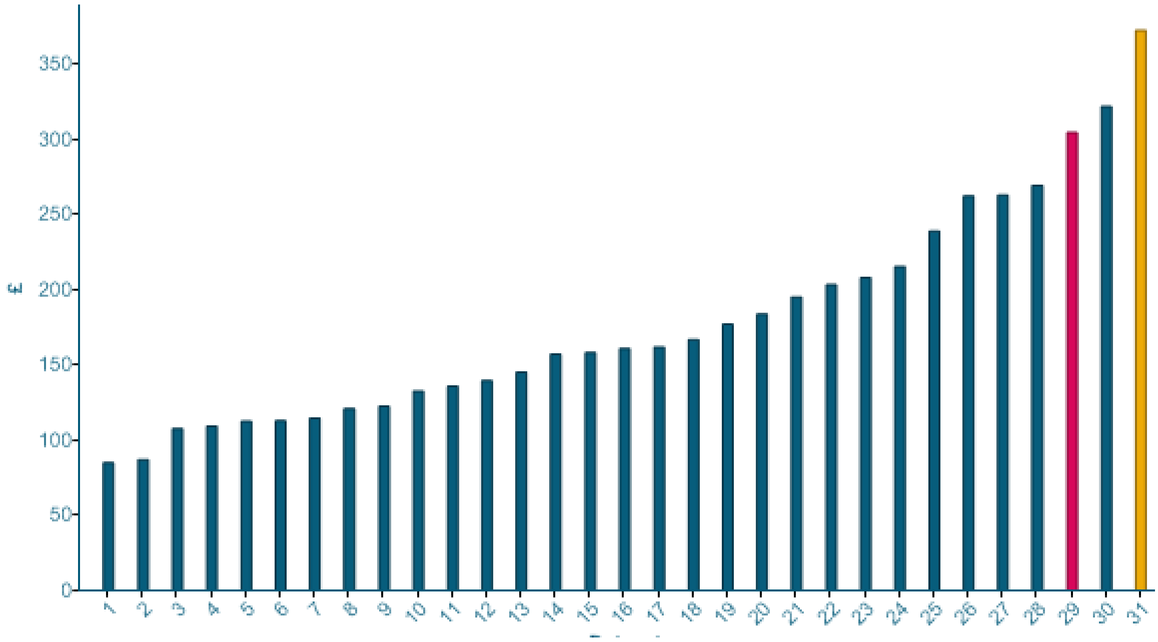
*provisional: our 2014-15 4 costs ranked against the peer group costs for 2013-14

Source – HouseMark & Red Kite – Average cost per home

The average cost per responsive repair is £95 in 2014-15, which is below the HQN average (£100 per repair).

Voids Costs

The average cost per home has reduced in this 3 year period by 43% (£160)



Red Kite (2012/2013) Red Kite (2013/2014)

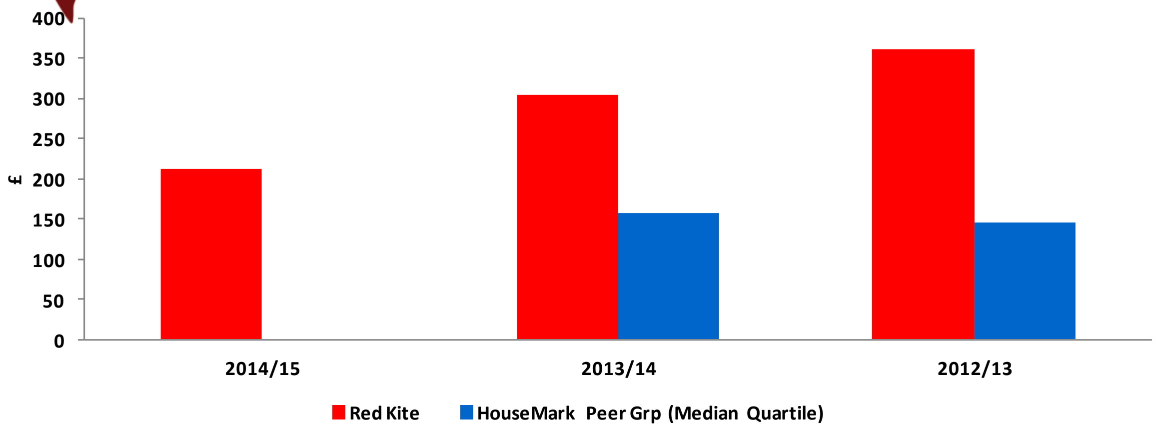
Source - HouseMark 2013/14- Average repair cost per home

The historical information above demonstrates that we had the highest average void cost per home in 2012-13 and that there was an improvement in 2013-14. This trend has continued in the last year with the average cost reducing by 43% over this period. The table below illustrates that the average median quartile costs are increasing whilst our costs are decreasing.

However, our average repair cost per void property (£2,500 in 2014-15) is below the HQN average (£3,000 per void property).

The HouseMark and HQN figures produce different outputs, one cost per property and ranked within a peer group and HQN a national average across different sectors. But both demonstrate that our costs have been reducing within the year.

Direct Void Works - Cost per Property



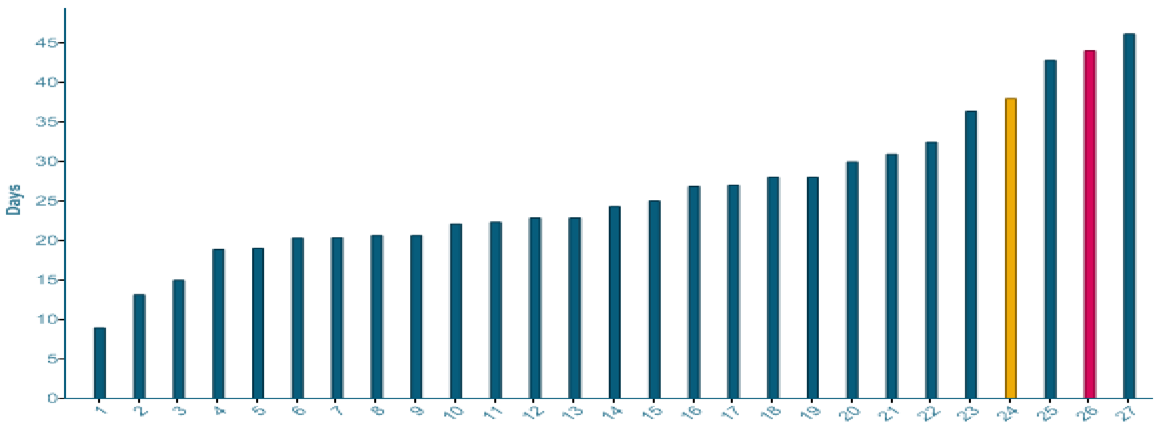
	2012/13	2013/14	2014/15
Red Kite	**£373**	**£305**	**£213**
Housemark peer group ranking *	32	27	24
Housemark peer group quartile- 2013/14	Upper	Median	Lower
Housemark peer group	£121	£160	£207

*provisional: our 2014-15 costs ranked against the peer group costs for 2013-14

Source – HouseMark & Red Kite – Average cost per home

Last year we were in the lower quartile of our Housemark peer group in terms of average days taken to re-let void properties and our performance has worsened in terms of this measure.

Empty properties during the year lost us 2% of rental income and this compares to an average of 1.7% for a stock transfer in the global accounts. This performance includes rent loss for homes that were held empty to allow tenants who had to relocate from the six sheltered housing schemes that are closing



Red Kite (2012/2013) Red Kite (2013/2014)

Source - HouseMark 2013/14- Average days to turn an empty property into a home

	2012/13	2013/14	2014/15
Red Kite- Average days	38	44	55
HouseMark peer group ranking *	24	26	27

HouseMark peer group quartile- 2013/14	Upper	Median	Lower
HouseMark peer group	20	24	29

*provisional: our 2014-15 4 performance ranked against the peer group for 2013-14

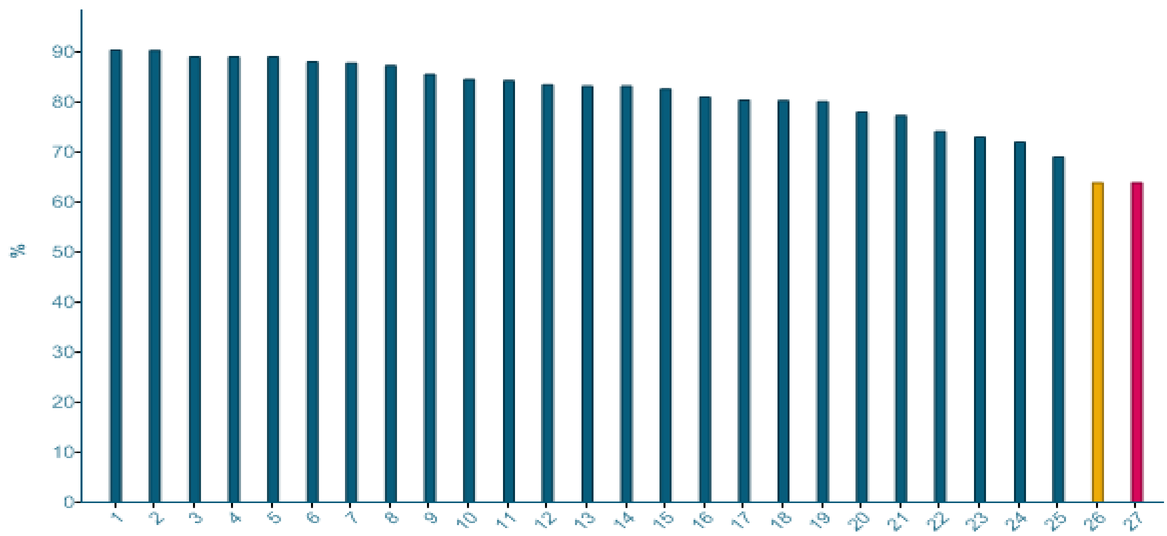
Source – HouseMark & Red Kite – Average days to turn an empty property into a home

During 2014-15 we reviewed our end-to-end void process with the intention of increasing customer satisfaction, reducing void re-let times and reducing associated costs. The voids process has now been redesigned to make better use of the 4 week notice period given prior to a home becoming empty. During this period we aim to carry out a pre-termination inspection where we can, which will ensure we can liaise with our contractors in advance to carry out any minor works to minimise void times and have the property re-let in the notice period. However, effective management of the process is key, by us and our contractor partner.

Last year we said that we will improve our performance of turning an empty property into a new home. In terms of average days, we did not deliver on this, but the new process that has been developed and embedded on new voids from February has done this and continues to do so in the early months of 2015-16.

Our ultimate target for voids is to have a turnaround of 15 days, subsequently reducing to 10 days following completion of the investment programme.

Repairs Satisfaction



Red Kite (2012/2013)   Red Kite (2013/2014)

Source – HouseMark 2013/14- Very or fairly satisfied with repairs and maintenance

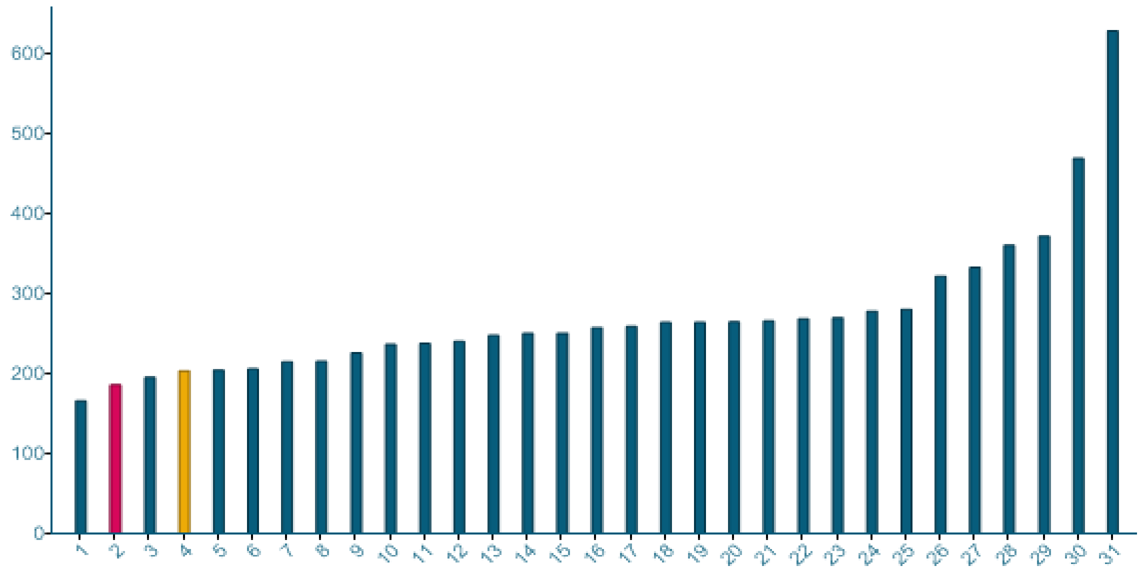
Satisfaction trends show minimal improvement versus our peer group and we still remain in the lower quartile. Feedback from tenants and leaseholders in 2013/14 shows we have work to do in satisfying our tenants' expectations and in response to this, we are reviewing the quality and response of repairs and voids works carried out by our partner contractors.

During 2014/15 we appraised and replaced our repairs partner in response to tenant feedback. While we re-procure this key service we have entered into an interim contract with one of our major works partners. Levels of satisfaction still remain below those desired.

Since August 2013 we have benefited from lower costs but levels of satisfaction have not improved, despite the procurement process emphasising the quality aspects of the service. During the current process we have rejected tender proposals that would have been unsustainable and will not lead to the delivery of the desired levels of service to our tenants. This approach will see a cost increase in the delivery of the service but there will be a decrease in costs in the long-term associated with getting it right first time.

Housing Management

As well as our ranking remaining in the upper quartile the graphical representation below shows our trends for 2 years, reflecting how our Housing Management cost per property has remained in the top quartile, with £202 being the latest cost per property



Red Kite (2012/2013) Red Kite (2013/2014)

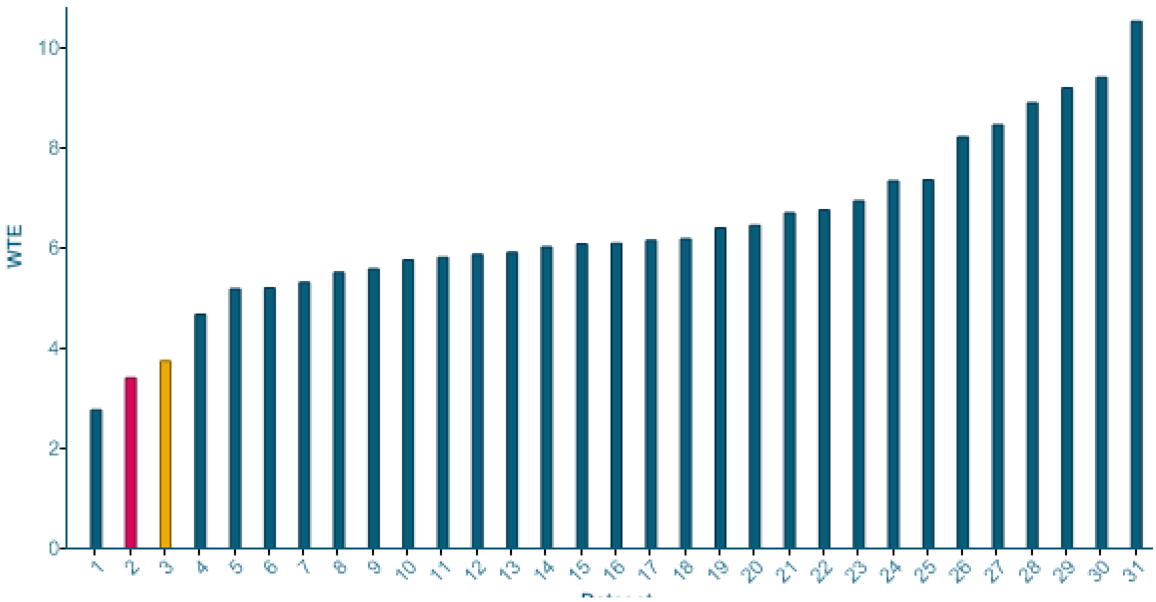
Source - HouseMark 2013/14- Average cost per home- housing management

	2012/13	2013/14	2014/15
	£204	£186	£212
Red Kite HouseMark peer group ranking*	2	4	6
HouseMark peer group quartile- 2013/14	**Upper**	**Median**	**Lower**
HouseMark peer group	£229	£259	£277

**provisional: our 2014-15 4 costs ranked against the peer group costs for 2013-14*

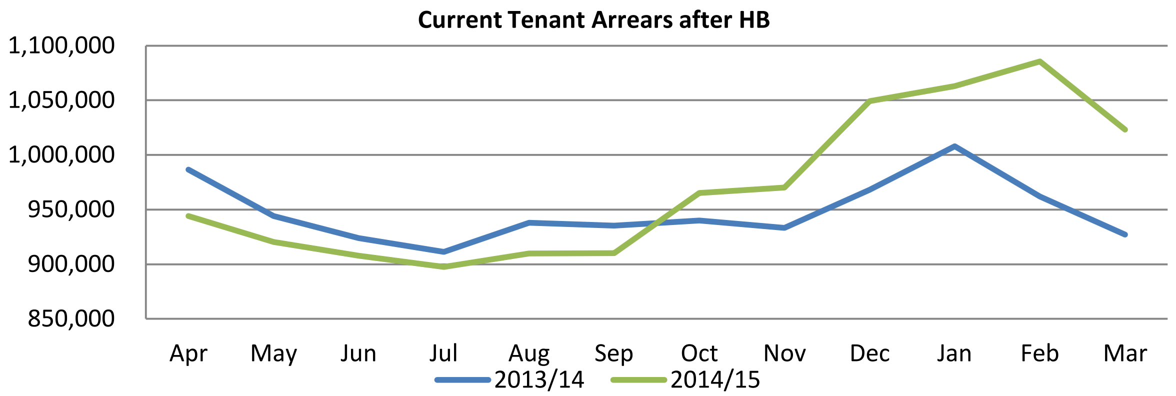
Source – HouseMark & Red Kite – Average cost per home

The costs have remained constant in the last 2 years and we have been able to employ more staff as we have moved away from the use of interim agency staff. The short term staffing solution gave us the flexibility that was needed as we restructured the delivery of frontline services. The major component of housing management costs is our staff. In addition, our proximity to London means that we incur higher average salaries compared with many of our peer group, but employ lower numbers of staff per property, compared with our peers.



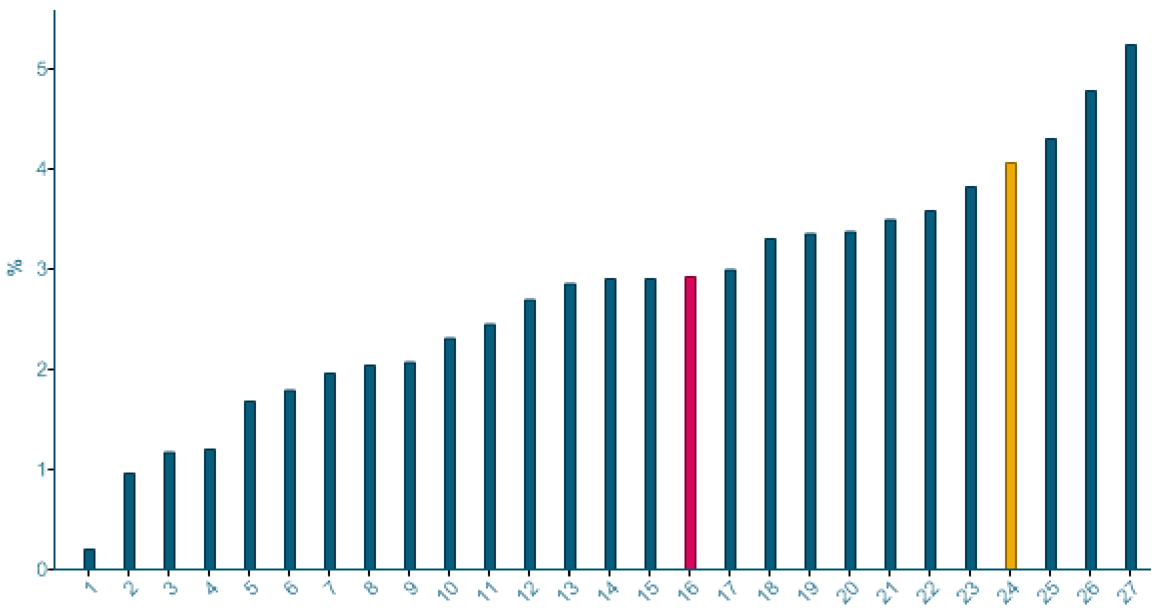
Red Kite (2012/2013) Red Kite (2013/2014)
Source - HouseMark 2013/14- Direct Housing Management employee per 1,000 homes

Tenant Arrears
Getting the best return from the homes that we own also involves collecting the rent due in an effective way. Since transfer we have made a solid improvement. However, over the last six months of 2014/15 the seasonal Christmas peak was higher than previous years and the recovery from this peak has been slower. This downward trend continued into the new financial year



The current tenant arrears as a percentage of the rent at the end of March are higher than 12 months ago. Despite this, performance is roughly consistent with that of 2013-14.

The current tenant arrears figure (excluding housing benefit owed) at the end of March was 3.1%. This compares to an average of 1.7% for a stock transfer in the global accounts.



Red Kite (2012/2013) Red Kite (2013/2014)

Source - HouseMark 2013/14- Rent arrears of current tenants as a % of the rent due

	2012/13	2013/14	2014/15
Red Kite	4.1	2.9	3.1
Housemark peer group ranking *	24	16	18
Housemark peer group quartile- 2013/14	**Upper**	**Median**	**Lower**
Housemark peer group	2.0	2.9	3.4

**provisional: our 2014-15 4 costs ranked against the peer group costs for 2013-14*

Source – HouseMark & Red Kite – Rent arrears of current tenants as a % of the rent due

The pressure on managing the collection of our income will only increase as a result of the cumulative effect of the 1% annual increase in most benefits over the last 3 years and the roll out of direct payments to tenants. On the other hand, rents over the last 3 years have increased at a greater level than benefits.

In addition, the new government has made a clear statement that it will reduce the welfare costs to the taxpayer. This is likely to have a detrimental impact on the business.

We have previously engaged with a leading specialist in the sector in order to ensure that our processes deliver best practice and this did ensure some early gains and we are working through an action plan to improve the effectiveness of the housing management system.

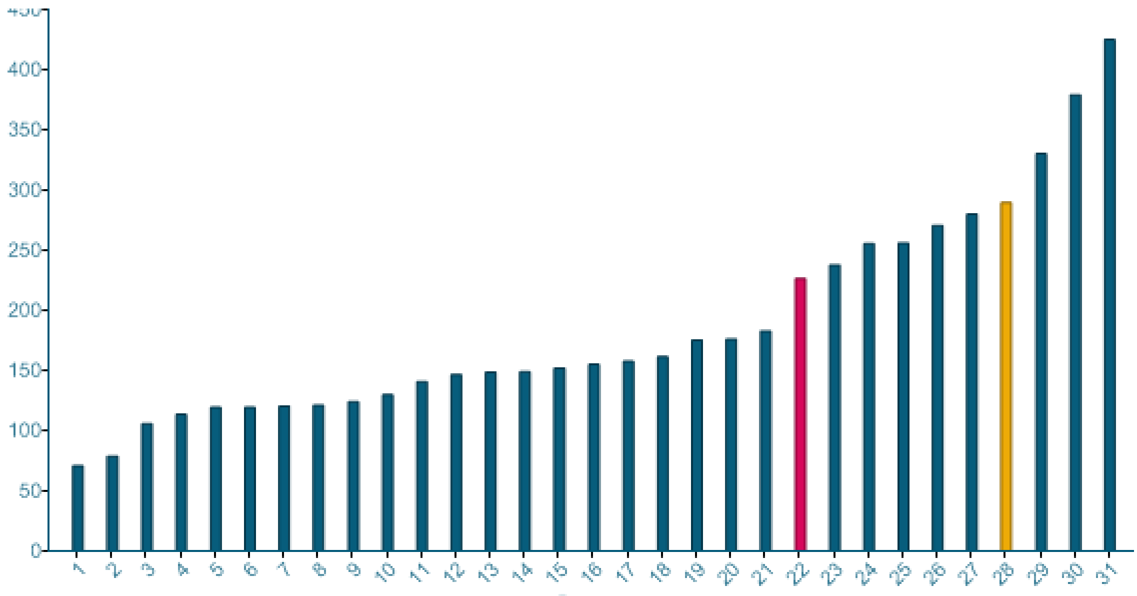
We have also undertaken a review of our Welfare Action Plan and this will be reviewed by our internal auditors within the next 12 months to see if they can add further value to it.

Chasing the cash once a tenant is in rent arrears is one method of collecting the income. However, we are keen to reduce the risk of new tenants commencing a tenancy in a home that they cannot afford. As part of our proactive approach we are working with the potential tenant(s) at sign up stage to assess their financial suitability to the proposed home and offer them the appropriate guidance if this is not the case.

We also have Board approval to work with Experian on an approach that will allow tenants to develop a credit history that may allow access to better lines of credit at more affordable rates, alleviate the need to go to high cost lenders and could allow them to rent more easily in the private sector or own their own home. With an improved credit history they also become more financially included in the banking sector

Estate Services

The costs for 2014/15 show an increase of £5 to £231 from the previous year. This is still a decrease from £289 (15%) over the 3 year period.



Red Kite (2012/2013) Red Kite (2013/2014)

Source - HouseMark 2013/14- Cost per home- cost of estate services

In 2014-15, following feedback from tenants and the wider community, we introduced communal litter picking which has increased costs in the year. However, this cost has now been included in the new estate cleaning contract at a reduced cost. This has led to positive feedback from the community and the tenants.

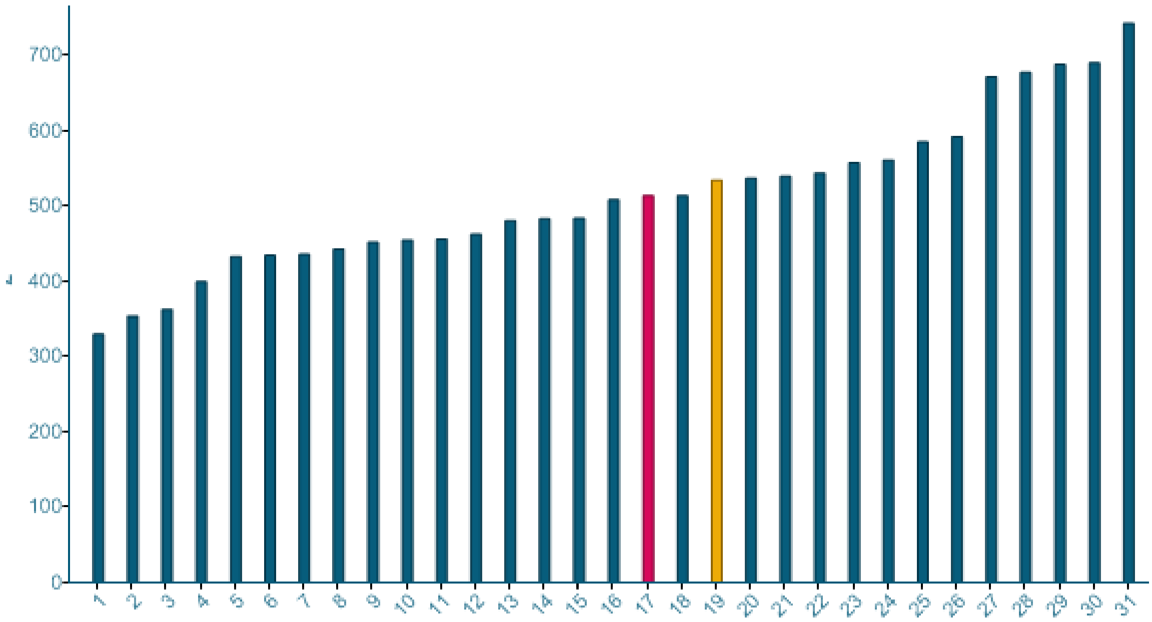
	2012/13	2013/14	2014/15
Red Kite	289	226	231
HouseMark peer group ranking*	24	16	16
HouseMark peer group quartile- 2013/14	**Upper**	**Median**	**Lower**
HouseMark peer group	123	156	242

**provisional: our 2014-15 4 costs ranked against the peer group costs for 2013-14*
Source – HouseMark & Red Kite – Cost per home of estate services

During 2014-15 we retendered the estate cleaning contract that had been transferred to us from Wycombe District Council. We included within the tendered contract our internally-delivered estate warden services. As a result of this process the costs for 2015-16 will be £67,000 per annum less and the overall costs for the leaseholders for this aspect of their service charge will reduce with no deterioration in the quality of the service.

Overheads

As a relatively new organisation we have invested in the staff and infrastructure necessary to support a major change in how we deliver customer services. In particular, we have invested in IT, project management and HR resources. We plan to invest further in strengthening our governance and compliance functions in 2015-16. Once the change programme is fully delivered, we will review the resources required to support the long-term delivery of customer services.



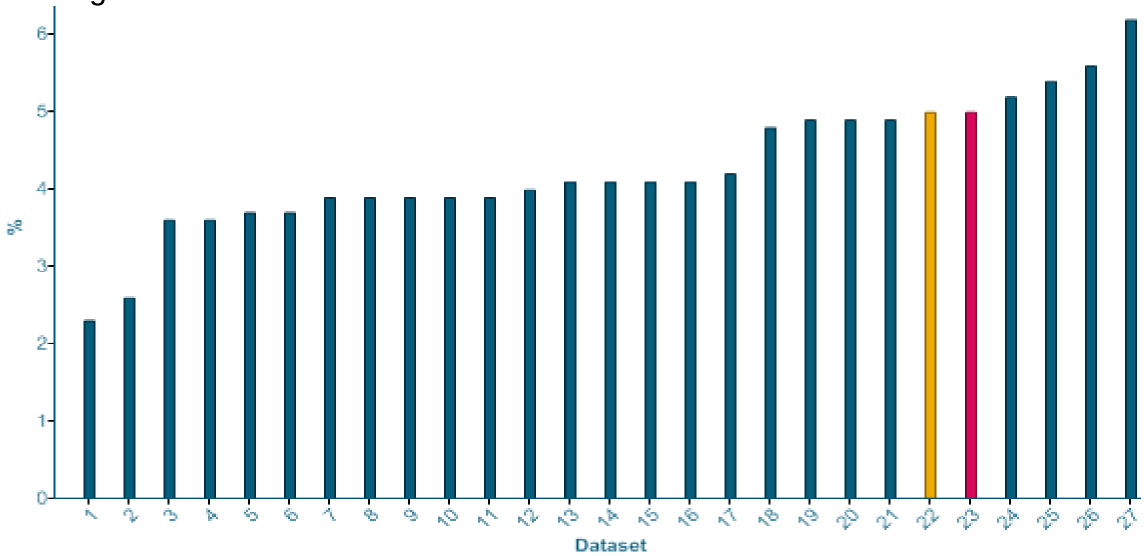
	2012/13	2013/14	2014/15
Red Kite	534	514	562
HouseMark peer group ranking*	19	17	25
HouseMark peer group quartile- 2013/14	**Upper**	**Median**	**Lower**
HouseMark peer group	445	497	560

**provisional: our 2014-15 4 costs ranked against the peer group costs for 2013-14*

Source – HouseMark & Red Kite – Overheads per home

Funding costs

Our average funding costs are relatively high. Our average cost of borrowing is 5% and in 2014-15 we paid £3,971,000 in interest on our borrowings, including the cost of having unutilised funding available. This is consistent with the previous years following transfer.



In 2014-15, all of our drawn loans were on interest rates fixed for between 2 and 12 years. In addition, we entered into our loan agreements in 2011 at a time when lenders were charging significantly higher margins than before 2008, when margins were significantly lower, and higher than margins being charged today. This results in our average cost of borrowing at 5%, which is higher than many other housing associations that have adopted a mix of fixed and variable interest rates and which have older loan agreements.

	2012/13	**2013/14**	**2014/15**
Red Kite	5.0	5.0	5.0
HouseMark peer group ranking*	22	22	22
HouseMark peer group quartile- 2013/14	**Upper**	**Median**	**Lower**
HouseMark peer group	3.9	4.1	4.9

**provisional: our 2014-15 4 costs ranked against the peer group costs for 2013-14*

Source – HouseMark & Red Kite – Weighted average cost of loans

As a result of our strong financial performance since transfer the forecasted maximum debt per home has reduced by 11.4% despite the development programme that is contained in the business plan and the additional development on the Castlefield Regeneration Scheme.

	March 2013	March 2014	March 2015
Red Kite	22,998	22,573	20,767
HouseMark peer group ranking*	16	16	16
HouseMark peer group quartile- 2013/14	**Upper**	**Median**	**Lower**
HouseMark peer group	11,175	23,444	30,892

**provisional: our 2014-15 4 costs ranked against the peer group costs for 2013-14*

The Global Accounts issued by the HCA has a sector debt per home of £22,474 and for a LSVT the average is £17,238.

Market interest rates are currently very low. However, we have assessed the risk that rising rates could present in respect of our ability to deliver the promises made to tenants and we decided that fixed interest rates provide greater risk mitigation for the organisation.

We will not be changing our overall approach in 2015-16, although we will increase our proportion of variable rate debt over the coming years so that our average cost of borrowing will reduce. We receive independent advice on our funding activities.

Our Social and Environmental impact - How are we generating Social Value?

Social Value
As a tenant led housing association, we provide social value by investing time and resources into many community initiatives which we have initiated and will continue to deliver to the community.

This year we conservatively measured the social value generated by our community projects by using the HACT Social Value Calculator. *Source:* www.socialvaluebank.org]. We calculate that we generated £10 of social value for every £1 invested in community projects. The investment included:

- £102,028 on 14 neighbourhood projects and generated £1,038,521 in additional social value,
- £175,143 on 8 environmental improvement initiatives and 16 community class room training programmes.
- £55,490 on environmental projects for which we gathered insufficient data to calculate the social value.
- refurbishment of 146 "Wimpey No Fines" non-traditional construction homes, in addition to the 8 completed previously. Over the next twelve months we will be completing another 124. As a result, this improvement project over the last two years has resulted in 154 families saving between £180 and £270 each per annum on heating bills and carbon savings of 26 tonnes per annum.
- installation of 21 ground source heat pumps for homes without a gas supply, saving each family up to £1,200 per annum in heating costs.
- facilitating 30 tenants to move to smaller, more affordable homes. This brings the total in the last two years to 63.
- completing a programme of installing carbon monoxide detectors into all our tenanted and leaseholder homes.
- awarding contracts to Small and Medium Enterprises (SMEs) for over £5 million pounds; this represents over 20% of the budget. When we tendered for the contracts to deliver the investment programme for our homes we aimed to allocate 10% of this investment to local Small and Medium Enterprises (SME).

In January 2015 the Board approved support for in a new social enterprise that will commence in 2015-16. This opportunity will allow us to give financial and business support to a project that will provide traineeships for young people in the local community.

How have we reduced the costs of service delivery over the past year and what are our plans for next year and beyond?

Overall we have reduced recurring costs and increased income in the last year by £1,051,000 compared with what we forecast to spend. This is equivalent to 3% of our annual operating turnover (as detailed below) and exceeded the target of £275,000.

	£'000
Maximising non social housing rental income streams	182
Delivery of handyperson service in a more efficient way	100
Procurement of new cleaning contract/ out sourcing estate warden service	67
Delivery of current services in a more efficient and effective way	352
Void maintenance costs reduced	350
	1,051

We are also taking action that will reduce costs by a further £840,000 (2.4%) over the next three years. We will do this by:

- Reviewing the ways services are delivered, through service reviews and decisions on outsourcing;
- Re-procuring major contracts;

Overall we have reduced costs in the last 3 years by £2,629,000. This is equivalent to over 7% of our annual operating turnover (as detailed below) and exceeded the target of £1,250,000 set by Board in March 2013.

Year	Saving £'000
2012/13	564
2013/14	1,014
2014/15	1,051
Total	2,629

In 2014-15 we approved a budget that included the reinvestment of savings to improve services. Specifically this was to invest in more customer service staff and IT resources to make our services more accessible to our customers and provide our staff with the right tools to deliver the most effective services. The impact of the investment in customer service staff has been offset by the failure in some of our key service areas that are delivered by others on our behalf, e.g. day to day repair works and the time taken to turn an empty property into a new home. We have taken action to resolve these issues.

The investment in IT resources has commenced with the implementation of phase 2 of the mobile working project being deferred to this year whilst we re-procured the contract to manage the IT network.

Over the next 2 years we have allocated approximately £1 million to invest in the IT structure and software applications. This investment will allow us to deliver services more effectively and enhance the customer experience. However, we will continue to achieve efficiency savings, ensuring that we reduce operating costs over the next 3 years.

The Supporting People contract to deliver services for Buckinghamshire County Council is made up of two elements. It has been making a significant loss for many years and in 2013-14 we reduced this by outsourcing one element of the contract. The costs for the other element which provides support activity continues to exceed the income generated. The BCC proposed new delivery model is still to be agreed. From 2016-17 this loss has been removed from the business plan.

Reviewing the way services are delivered

We approach cost reduction and quality of service in two ways. Firstly, we consider whether to deliver services in-house or through a third party. Secondly, we review of our in-house processes to deliver more value to our customers as efficiently as possible. This is a continuously ongoing process and it is expected that this initial review will cover a two year period.

For us, an efficient IT system is a “must have” to allow our staff to deliver the right services to our customers and in 2014-15 we undertook a review with the relevant stakeholders on the aims and the strategy going forward. We opted for a mixed provider approach with the network and servers being managed by an external partner who is tried and tested and can bring innovation into how we move forward. We recognised that others were best placed to deliver some services, but we retained other functions in-house that are best suited to remain with us.

In 2013-14 we decided that it would be better for users of the service and for us to replace the mixed approach of delivering the estate cleaning services to a fully outsourced one. During 2014-15 we delivered on this at a reduced cost and an increased scope of activities, i.e. communal litter picking. Our new partner has the skills to bring a fresh approach to how these services are delivered.

We acknowledge that at times others, as the result of their size, location or skills, are best placed to deliver services for us. We continue to share service contacts with Wycombe District Council and Buckinghamshire County Council for tree maintenance and occupational therapy services respectively.

As we have delivered the Investment Programme we have seen a difference of attitude and performance from the SME contractors when compared to others and this will influence our thinking going forward.

We have had problems since transfer in successfully indentifying a partner who can deliver the repairs service and empty homes element of the business. This issue is not unique to us and the sector as a whole is being more open about the failures of its partners to deliver. Our tenants hold our partners to account and improvements in service do follow but when these improvements still fall short of the expectations of the tenants then the relationship is reviewed and, if necessary, terminated. When we procured the major works framework agreement we set up a model that created the flexibility to allow us to move work quickly to other partners should this need arise. During the year we exercised this option on the repairs service and empty homes contract and we are in the process of appointing a new partner for a 2 year period. This will allow us sufficient time to consider all the options on how we deliver this key part of the service going forward. If we consider bringing this fully in house this may create an opportunity for us to generate a training route for the local community.

Our tenants want to communicate with us in different ways and we have embraced social media platforms to facilitate this, and an increase in our community engagement has led to a successful recruitment tool. It is also cheaper for us to engage using social media and there has been a change in how our tenants and the wider community communicate with us. Over the last twelve months the number of staff with individual Red Kite social media accounts has increased from three to eighteen. This allows for a more personalised contact to assist us to understand the needs of tenants and the wider community.

Tenant and leaseholder choice of how and when they interact with us is a key aspect of our customer service. We now have the tenant portal that allows repairs to be reported and for rent arrears to managed at a time that it convenient for them.

How well are we complying with the Homes & Community Agency's (HCA) Regulatory Standard on Value for Money for 2014-15?

The full text of the HCA's Value for Money Standard can be accessed here: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/419202/Value_for_Money_Standard_2015.pdf

So how have we delivered? There are many positive elements:

- We have a robust approach to Value For Money, with a strategic approach that will ensure that we continue to deliver better outcomes for customers at lower costs;
- We have delivered savings of £1,051,000 over the past year, equivalent to 3% of turnover, and made service improvements. This brings the savings for the last 3 years to £2,629,000, equivalent to over 7%;
- We have plans for further improvements of £840,000 built into our business plan over the next 3 years;
- We have decided that we will close 6 schemes and redevelop four of these into new models of providing homes to the local community. Decided that the other two schemes will be sold and the proceeds reinvested into providing new homes for the community
- We have increased the financial provision within the business plan to build new homes.

Areas that we want to improve or that we have not yet developed include:

- Tenant satisfaction levels with the overall service decreased during the year from 79.2% to 72.4%. This is a trend within sector and we are exploring how we receive more timely feedback about the services that we provide. This will allow us to respond to issues with a more appropriate timescale.
- Our performance on void management needs to improve. This is an area we are currently focusing on; and
- We need to better understand the drivers of the cost of service delivery. Our system reviews will ensure we focus on customer value, efficient processes and therefore lower costs.

This self-assessment by the Board is summarised in the annual Financial Statements, which are also available on our website. Information on value for money is shown in a transparent and accessible format within the annual report developed by tenants, which is also on our website.

Overall, this provides sufficient evidence of a robust approach to value for money for the Board to conclude that we comply with the requirements of the Homes & Communities Agency regulatory standards on value for money.