



Value for Money Self-Assessment

April 2016-March 2017

Hightown Housing Association Limited

Value for Money Self-Assessment 2016/17

1. Summary

Hightown aims to build new homes and to provide excellent housing and support services that are good value for money.

The Government's Housing White Paper 2017 urges Housing Associations to "explore every avenue for building new homes" and acknowledges that housing associations have "a vital role to play if we are to build the homes we need."

Despite the Government's requirement for social housing providers to reduce general needs rents by 1% for each of the four years from April 2016 Hightown's Board has remained focused on the delivery of as many new homes as our assets and income will prudently allow.

This is because Hightown's Board has recognised for over 10 years that true efficiency and value for money is best demonstrated through maximising the use of resources to deliver new homes to help meet the high demand for affordable housing in our area of operation; an area where property and construction costs and demand are heavily influenced by our proximity to London. The Board's Strategic Plan captures its ambition to develop a significant number of homes for an association of Hightown's size. Over the next two years Hightown has over 1,200 new homes in the development pipeline. By carefully managing costs as our income grows from rents for our new homes, the Board believes Hightown will be able to deliver its investment plans and maintain a strong surplus to satisfy its lenders.

The Board also invests in existing homes and our values include being cost effective without compromising standards or safety. Hightown staff are experienced in managing both the size of the development programme and taking large numbers of new homes into management while continuing to provide excellent services to existing residents.

Hightown's Value for Money Self-Assessment for 2016/17 demonstrates that we are continuing to achieve Value for Money (VfM) in service delivery and in using our assets and income to build new homes, so meeting our key business objectives. It highlights VfM achievements in 2016/17 and our plans for 2017/18 and beyond. It shows how we are meeting the requirements of the Regulatory Standard set by the Homes & Communities Agency (HCA).

Our involved residents have added explanations of terms and highlighted matters that are important to them in the Preface to this document, available on the Hightown website.

Hightown's significant planned growth of around 700 new units in 2017/18 means that year-on-year our average operating costs will reduce and Hightown will continue to demonstrate Value for Money through reduced average costs on a per unit basis. In the last 4 years the average cost of Housing Management per property has reduced by 12%. The Board also wishes to improve the quality of services provided whilst keeping costs down.

The Board's development strategy aims to provide new homes within an hour's drive of our main office in Hemel Hempstead. This strategic decision to operate within a limited geographical area helps us to provide consistently good services across all of our homes and to build good working relationships with local authorities and other local partners. As part of our asset management strategy this year we have disposed of vacant properties identified for sale releasing surpluses of just under £3 million. This money is invested wisely in decent, efficient, well-managed new homes for our residents.

Hightown's successful transfer of a significant number of support contracts from another housing association working in our area during 2016 led to a large increase in Hightown's annual turnover

in its care and supported housing services; from £17 million to £25 million in 2016/17, rising from one third to almost 40% of the Association's total turnover. This part of our business operates in a highly competitive market and has to continually demonstrate to commissioners that our services represent excellent value for money. The need to keep costs down in all parts of the business to maintain the viability of Hightown's considerable supported housing offer has driven the VfM culture throughout the whole Association.

With a focus on excellent quality services we have taken the decision, where necessary, to withdraw from contracts where we do not feel able to continue to provide such services within the budget available to the commissioners.

Key points to note:

- The Board's efficiency aims for the coming year and beyond are that Hightown should continue to grow while keeping costs down, so that direct costs and overheads do not increase at the same rate as the growth in stock and services to be managed.
- Hightown will be taking part in the pilot for the new Value for Money Sector Score Card that is being developed to offer a consistent approach to capturing and benchmarking performance between housing organisations.
- Hightown has had the lowest central overheads cost per property of the organisations in its HouseMark benchmarking peer group for the last three years.
- Hightown has achieved top quartile performance on costs over the last three years for housing management, estate services, responsive and major repairs.
- Hightown has low rent arrears; fast letting times and high tenant satisfaction levels. Costs per property have reduced by 12% over the last 4 years.
- Hightown's stock grew by 6.1% in 2016/17 delivering 265 new homes.
- Hightown has increased its turnover by c£7m by taking a transfer of support contracts from another housing provider.
- Active asset management is demonstrated by the disposal of higher value properties and underperforming properties in 2016/17, realising funds of £860k to invest in new homes.
- Hightown continues to maintain very good financial headroom and to operate well within its loan covenants.
- Hightown is led by a Board of volunteers with current and past experience of working in both the public and commercial sectors with significant responsibility for delivering value for money in their own organisations.
- Following an independent review of the Board's effectiveness, which was highly complimentary about the current effectiveness of the Board, it was decided to reduce the number of Board sub-committees by two to further improve efficiency in governance arrangements.
- A new Social Lettings Agency set up in April 2016 is helping to add to the number of homes available locally for homeless households needing more settled temporary accommodation.
- We continue to develop the services that customers can use through digital access, which has the potential to reduce costs. Residents are being encouraged to use the 24/7

MyHightown portal for self-service on rent accounts, repairs reporting and other housing management matters; we have over 1,400 current users.

- A supported housing scheme was remodelled to house an alternative client group where the local need had changed; this increased the availability of move on accommodation from homelessness services for those with mental ill health.
- An independent report into the social value provided by Hightown through our homelessness services in our core area of St Albans concluded that Hightown achieved savings in excess of £600k for other agencies, such as the police, social services and NHS.
- Hightown has adopted the Five Ways to Wellbeing approach for both its care and support services and its staff. By focussing on the wellbeing of staff, it is believed that staff motivation will improve and the costs and business impact associated with staff sickness and turnover can be reduced.

2. Value for Money Strategy

The Board's Value for Money Strategy sets out how Hightown will deliver Value for Money and make best use of scarce and competing resources. During the budget setting and business planning process robust stress tests are carried out to understand the potential impact of risks to the viability of the Association.

Development investment opportunities are reviewed in detail by a sub-committee of the Board (the Development Committee, which includes a resident as a member) before recommendation to the Board where further scrutiny is carried out to ensure that they meet Hightown's objectives, the required cost and performance benchmarks and deliver VfM.

The Board understands the importance and value of measuring its costs and performance against other housing providers. Hightown participates in the independent HouseMark benchmarking service and uses data provided by the Social Housing Regulator, the Homes and Communities Agency (HCA), National Housing Federation (NHF), and data from the PlaceShapers group of 100 housing providers.

The Board receives the HouseMark benchmarking comparisons each year along with management explanations of the results. This tracks trends in Hightown's performance over three years and performance relative to other housing providers. It also informs the Board on how decisions taken impact Hightown's key performance data. This data has been shared with residents through the Housing Scrutiny Committee and in publications.

The Board receives assurance on the delivery of VfM through regular management information from the Executive, through the management accounts, key performance indicator reports, monthly information reports, and benchmarking reports. The production of this data is subject to periodic internal audits undertaken by an independent auditor. Board members also receives annual VfM reports on maintenance procurement and care and supported housing activities. The Board uses its sub-committees to monitor performance and action plans to improve services and Value for Money.

3. The different ways that Hightown achieves Value for Money (VfM)

The housing sector score card that is being piloted this year captures 15 value for money indicators across five categories: business health, development (capacity and supply), outcomes delivered, effective asset management and operating efficiencies.

These measures will be benchmarked later in the year with other organisations who are taking part in the pilot.

3.1 Procurement

Hightown achieves Value for Money through the way we buy services and arrange work to our homes (this is called procurement). Our small procurement team makes sure that larger contracts are properly tendered and that bids are robustly evaluated to strike a balance between cost and quality. For key customer-facing contracts, residents are involved in interviewing contractors as part of the tendering process, helping us to assess quality as well as the cost of the service.

The way we procure our day-to-day repairs service means that average works order costs per property are low compared to other providers. Reliable local contractors are used who are knowledgeable about our stock and who achieve a good level of 'right first time' fixes, keeping costs down and satisfaction levels high.

Hightown is a member of a number of buying consortia so we can achieve economies of scale through buying with others; these are Procurement for Housing, the Northern Housing Consortium, the London Housing Consortium, the Eastern Shires Purchasing Organisation, Fusion 21 and the Crown Commercial Service. Using these consortia also saves Hightown staff-time and the costs associated with the tendering process.

3.2 Residents' involvement

Involving residents maintains a focus on driving down costs. Residents are actively involved in a wide range of ways. Feedback from surveys and from residents involved in the tendering process; from those who undertake on-site inspections, attend meetings or who make complaints, helps us to target resources at improving the services that residents identify as important. An example of this in 2016/17 is an independent review commissioned into our approach to dealing with items left in void properties to support those with low incomes.

3.3 Partnership working

We work closely with local authorities to understand their priorities and deliver Value for Money services to meet their communities' needs. Some examples are: further regeneration of a town centre and an industrial estate where Hightown is helping to fulfil the local authority's ambitions to create new vibrant residential areas; the transformation of unused office blocks into much needed residential accommodation to meet local housing needs, and the provision of temporary accommodation for homeless people in particular to address the numbers of street homeless in one town centre. Working in partnership with other organisations means costs can be shared, for example on training of staff and the provision of community development and community safety initiatives.

3.4 Making the best use of our staff

Due to our consistent growth we keep staffing levels and structures under continuous review. During 2016/17 the structure of the Finance Team was reviewed and work was re-organised to better meet the needs of our fast growing organisation.

We have been investing in Business Transformation through new process design using technological solutions to help front-line staff work more efficiently, making best use of their time. This allows staffing levels to be kept at the minimum number needed to deliver excellent services given the growth in the number of homes and services we provide. We make sure tasks are undertaken at the right pay scale so that higher paid staff carry out more skilled work and our costs support the ongoing viability of our care and supported housing schemes. We have been successfully channel-shifting some services onto electronic platforms such as the repairs and other reporting and provision of rent statements. We have 1,450 residents accessing these services through the new residents portal, MyHightown. Services available through the portal are being developed further over the coming year.

Hightown embeds VfM in the day to day work of the staff teams through departmental operating plans which set out actions to be taken in order to deliver Hightown's Strategic Plan. All identified tasks are assessed for delivery of VfM. For the last nine years staff have recorded their savings in an "Efficiency Log" on the Intranet. This approach follows Kaizen principles of continuous improvement, which recognises that small incremental changes in processes accumulated over time improve efficiency and quality, that everyone should be involved and that big results can be achieved from small changes.

3.5 Income generation

Hightown reacts quickly to access grants to support new developments and services and finds ways to generate income to support our work. Examples from 2016/17 include:

- We received £4.6 million of new Social Housing Grant from the HCA and Local Authorities, to build new homes. Grant funded schemes that are on site and are due to be handed over in 2017/18 have attracted grant of £6.8 million.
- Revenue grants for our care and supported housing services increased from £12 million in the previous year to £20 million due to expansion in our learning disability services in Buckinghamshire and into Bracknell Forest.
- We worked with adult social care commissioners to close an outdated and loss making scheme successfully relocating the service users to more suitable accommodation, redeploying the staff team without redundancies and creating a more efficient management structure across remaining services.
- We continue to receive renewable heat incentive grant for having carried out energy efficiency improvements to our homes, and solar panels on our main office.

3.6 Independent assessments of Hightown's services

Our care and supported housing services are inspected and accredited by a variety of organisations, including the Care Quality Commission, Adult Care Services, Children's Services, and a number of smaller grant funding bodies.

We use independent organisations to help assess our services. We commission an in-depth report by an independent organisation into a key area of service each year as agreed with involved residents. Previous such reports have looked at Value for Money in Maintenance; our approach to dealing with anti-social behaviour; and service charges for home owners. This year the report covered how Hightown deals with items left in vacant homes so that may be of benefit to the next tenant, such as carpets. Recommendations from the reports result in an improvement action plan.

Our approach to investing in the development of our staff to enable them to deliver high quality services is accredited by Investors in People.

In addition to external assessment Hightown has a cost-effective Business Transformation team who produce performance data independently of the front line services and to help managers review the operation of their services and bring about efficiencies. During 2016/17 their main area of focus has been helping staff to work smarter by developing IT solutions that reduce the number of hours spent on tasks; improving logging and monitoring of key services and housing development activity; surveying general needs tenants for their views and improving accounts information for home owners.

4 Return On Assets

4.1 Financial measures

Hightown recognises the importance of understanding the return on assets in order to achieve its strategic objectives and to ensure that the use of our assets represents good value for money.

The key financial output measures in this area are provided below. The table below compares our financial performance over the last 5 years to show the trend of improvements over time and compared to similar sized traditional housing associations from both HouseMark and the HCA Global Accounts of Housing Providers data (where such data is available and comparable).

Performance	2016/17	2015/16	2014/15	2013/14	2012/13	HouseMark median # 2015/16	HCA Global Accounts * 2015/16 Average	Comments
Return on Assets (operating surplus before property sales as a % of average total assets)	3.7%	3.6%	3.6%	5.5%	4.9%	Not available	Not available	A rise of 0.1%. Pre 2014/15 figures are pre-SORP 2014 accounting changes
Debt per unit (debt/units owned)	£57,876	£52,595	£50,592	£49,823	£46,036	£34,956	£24,299	This is higher than our peers and rising as Hightown has built many new homes in recent years with little or no capital grant.
Adjusted net gearing (net borrowing, as a percentage of housing properties)	54.7%	53.6%	52.2%	48.0%	49.9%	Not available	49.5%	This has been rising as we have borrowed a higher proportion of new home costs due to lower government grants.
Average cost of borrowing	3.03%	3.37%	3.14%	3.12%	3.25%	Not available	4.9%	This shows that we are paying low rates of interest for the money we borrow compared to most of our peers.
Growth in Turnover	23.9%	9.7%	-1.5%	3.5%	31.6%	6.9%	7.6%	Increased turnover due to new Care & Support contracts and new build units
Turnover to total operating assets	11.2%	10.2%	9.7%	10.3%	11.4%	10.9%	Not available	Increased turnover due to new Care & Support contracts
Growth in total assets	12.6%	8.6%	10.8%	14.8%	5.5%	3.5%	Not available	This reflects the development programme of new build homes.
Operating margin	31.0%	32.9%	35.5%	31.7%	26.5%	29.8%	27.6%	A slight fall reflecting the

Performance	2016/17	2015/16	2014/15	2013/14	2012/13	HouseMark median # 2015/16	HCA Global Accounts * 2015/16 Average	Comments
(before property sales) (as percentage of turnover)			**					increase in Care & Support contracts at low margins
Interest Cover (Adjusted operating surplus before property sales divided by net interest payable)	305%	280%	260%	266%	237%	Not available	170%	This is the relationship of net interest paid to operating surplus. A higher interest cover reflects the greater affordability of our borrowings.

HouseMark Peer Group - Traditional housing associations in South England. *HCA Global Accounts 2016 Housing Providers. ** Figures from 2014/15 onwards are reported under the Housing SORP 2014 and so previous years may not be directly comparable in all areas.

4.2 Asset Management

Hightown understands that the Return on Assets is not just the financial return generated from its assets but also social and environmental impacts and the ability to deliver business objectives.

Hightown's largest asset is its stock of properties, which in 2016/17 passed over 5,300 homes. To manage and utilise our stock effectively, we need to understand its performance and sustainability.

Hightown holds a good asset register and has a good knowledge of both the stock and its condition. This detailed knowledge allows for a better understanding of the contribution made by each property, its energy efficiency and the return on the investment made. To understand how each property contributes we carry out an annual Net Present Value (NPV) review of our rented properties. This review looks at the future projected rental income of Hightown's properties versus the future projected expenditure for these properties over the next 30 years.

We incorporate the expected responsive repair, planned repair and major works costs for the property over the next 30 years together with the costs of managing the property and its anticipated void losses. This information is then compared to the income we expect to receive per property over the same period. The NPV calculation is a forward look i.e. the Net Present Value of future net income streams. It identifies whether we have any homes that do not meet future costs from future rents.

We use the results to inform business decisions on: retention and investment for current use, conversion, change of tenure or disposal. The following charts show some of the information we hold that helps us to take these decisions.

Figure 1 – NPV value for each individual rented property.

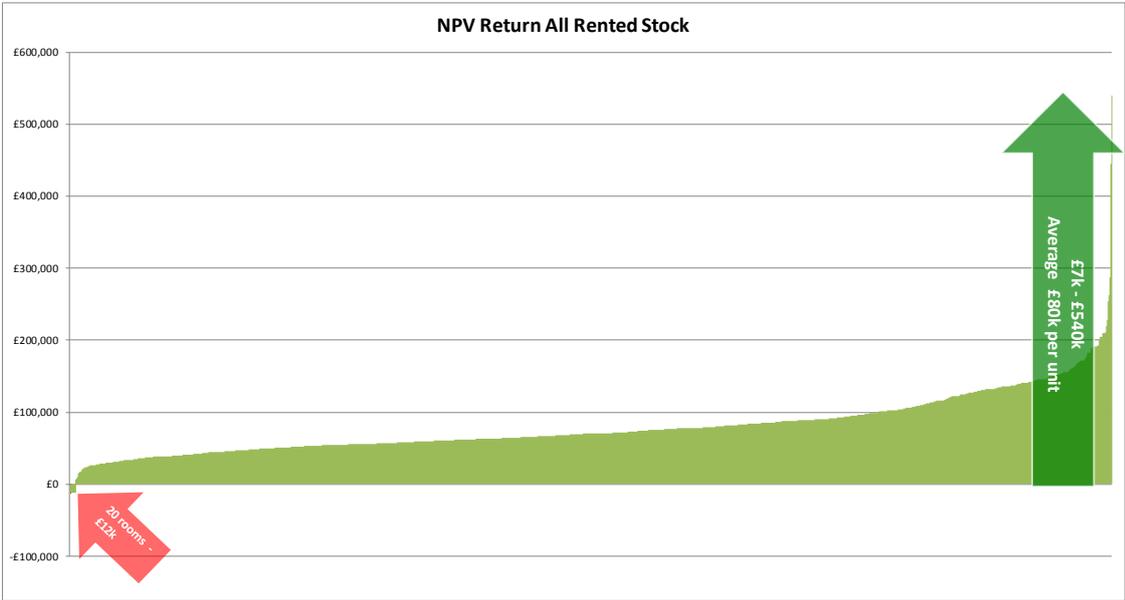


Figure 1 above shows the NPV across all our rented stock. The average value across the next 30 years is £80,000 per unit. Due to a higher discount rate in the calculation to reflect current market conditions, this is a decrease of £11,000 per unit when compared to the results from March 2016. The detail behind these results allows us to analyse the information further and split properties into different asset groups which may then identify any that may be underperforming or are of particular concern. These results also help us to identify where we are achieving the best value for money.

Figure 2 – NPV for each individual Care and Supported Housing property.

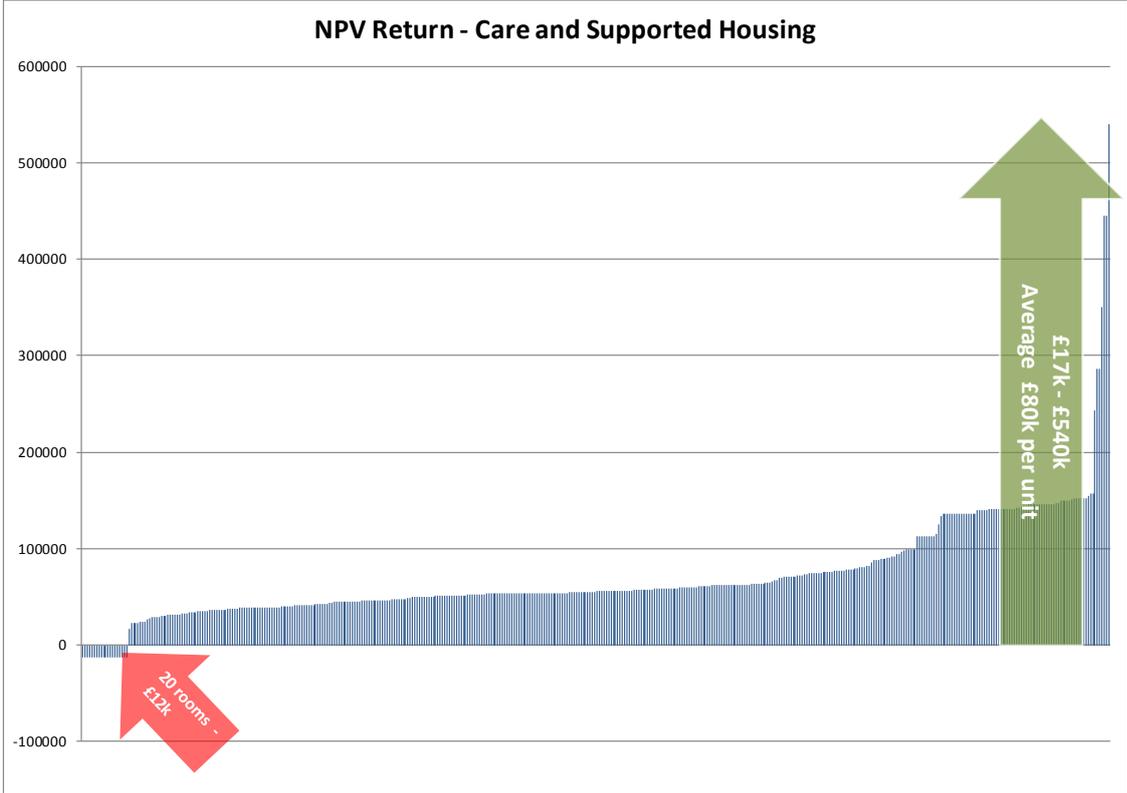
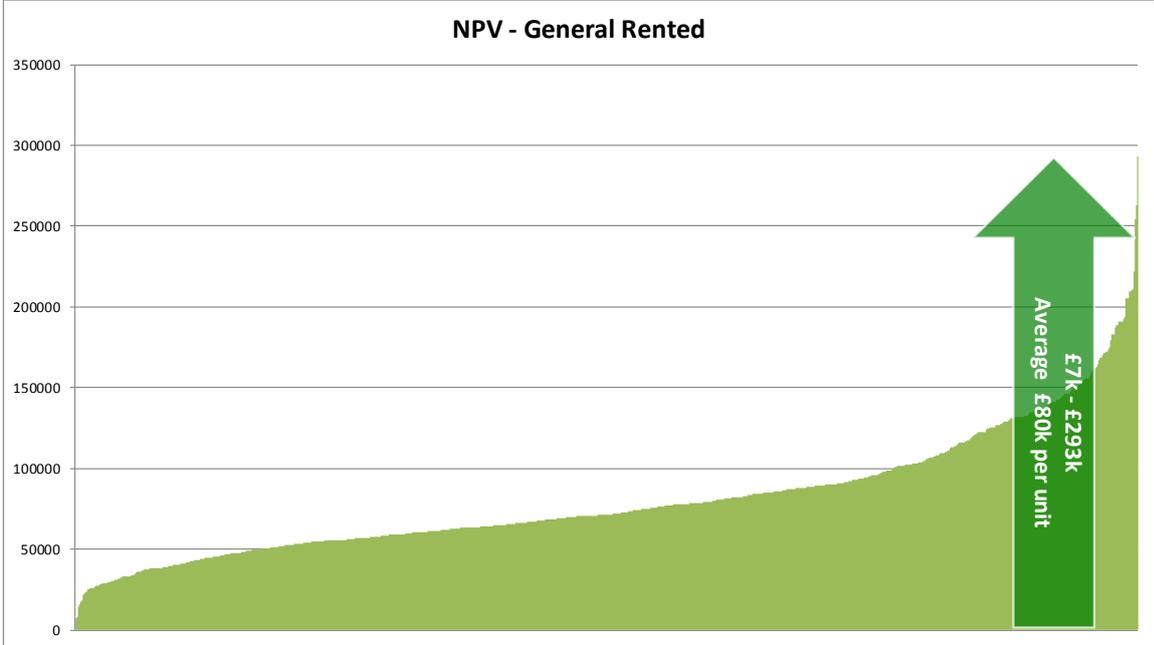


Figure 3 – The NPV for our General Rented properties.



The information shown above in figures 2 and 3 show the NPV return for our Care and Supported Housing and our General Rented stock. It can be seen from these charts that currently there are twenty care and supported housing room units with a negative NPV. The remainder of our rented stock is showing a positive return over the 30 year period.

Properties with a negative or marginal positive return are prioritised for further analysis to understand why they are underperforming and whether an options appraisal is required. There could of course be justifiable reasons as to why we would not wish to consider their disposal or

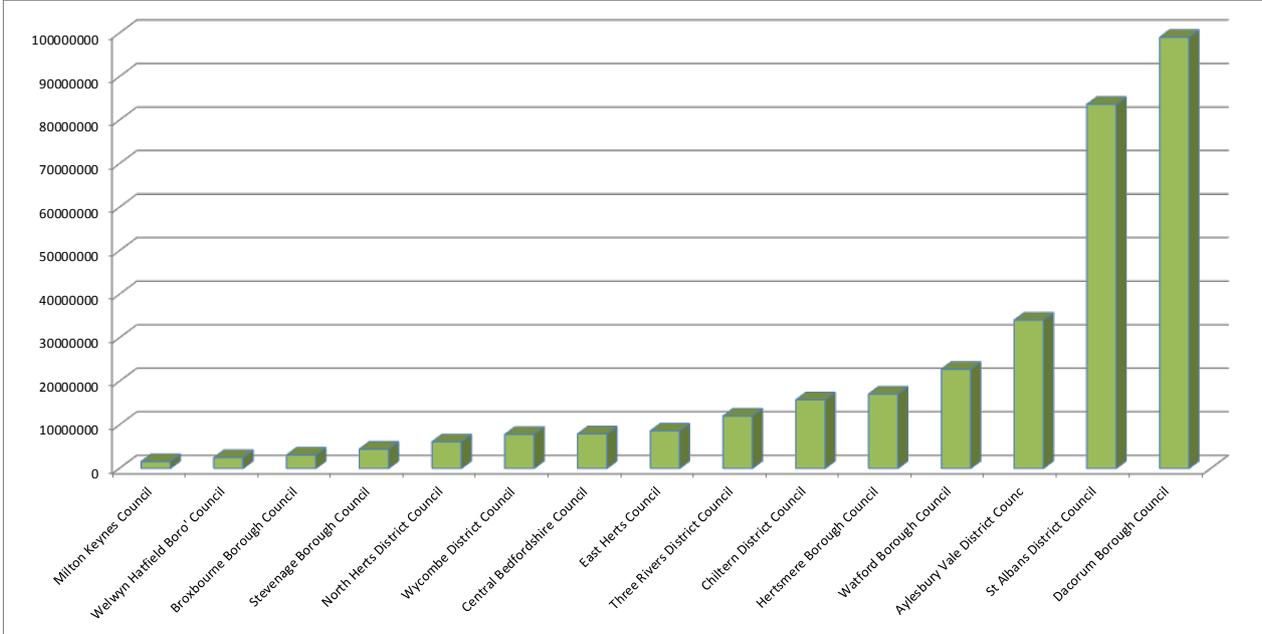
change of use. Hightown owns some homes of very high value as a result of the neighbourhoods in which we operate where demand and house prices are high. The Board generally wishes to retain such homes which would be difficult to replace within the local area, in order to continue to meet our charitable objectives of providing homes for those who are unable to afford such high housing costs. However, we also consider high value properties for disposal where it makes sense to release equity to be reinvested in the development of more replacement homes.

Our Land and Asset Management Group looks at options for individual properties, such as change of tenure and disposal, and makes recommendations to the Board. This year the Board approved the sale of 5 properties, mainly flats in blocks that Hightown does not own. Three of the properties were sold during the year for £862,000 with the proceeds reinvested locally in modern homes of a higher quality and more suited to meeting local housing need.

From our detailed NPV data analysis we can establish the geographical areas which provide the best return on investment. Figure 4 shows that the St. Albans and Dacorum local authority areas, where we have the most properties, continue to produce the best return on investment. As we manage a large number of properties in a limited geographical area we are able to achieve economies of scale by adding more local stock. By analysing the area data we are able to look at which areas are underperforming, which aids strategic decision making on further investment in areas where we can achieve economies of scale in the management of homes and so achieve long term sustainability of groups of properties.

We also continue to look at opportunities to purchase more homes, having previously bought around 200 homes from another housing association, or to take on services from other providers. In July 2016 we took over contracts for the provision of support to people with learning disabilities from another provider with income of around £7m pa. Increasing the number of homes we manage without significantly increasing staffing levels and other overheads reduces Hightown's costs per property.

Figure 4 - NPV by Local Authority area



4.2.1 Asset and Liability Register

Hightown has an Asset and Liability Dashboard to make it possible to quickly access detailed information on our assets and liabilities. We hold detailed information of past repairs and future programmed works expenditure for each property, and record information on the assets we own, what they have cost, whether they are charged as security to the bank, or available for new borrowings. We are also aware of the liabilities to others including our loans and major contracts.

4.2.2 Stock Condition

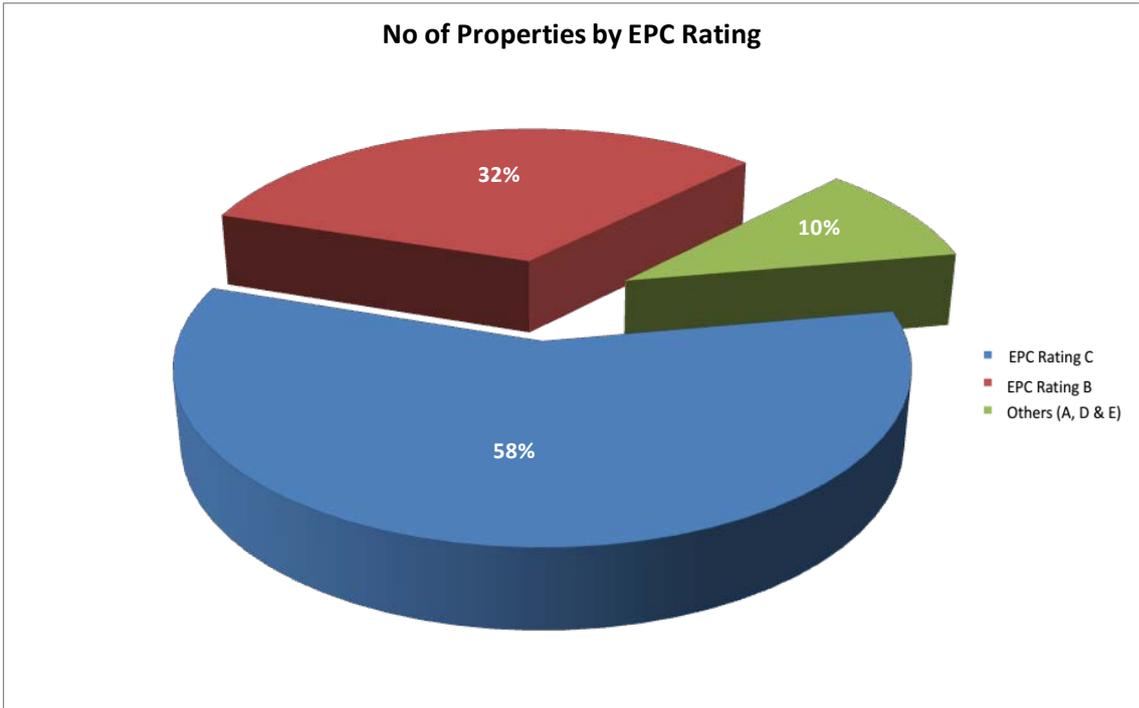
We have a robust method of planning and programming works using information from our rolling programme of stock condition surveys and our asset management software, Integrator. This feeds into the business plan and ensures that we will be able to continue to maintain our homes in good condition in the future.

In 2016/17 Hightown invested £736,000 in major works to keep homes in good condition and spent a further £1,065,000 on capital works, replacing property components such as boilers, bathrooms and kitchens. The way we arrange for works to be carried out (our methods of procurement) has made sure that we achieve Value for Money and is detailed elsewhere. At the end of 2016/17 all Hightown’s properties met the Regulator’s Decent Homes Standard meaning all properties are in good condition.

The fact that very little stock is underperforming reflects that approximately 46% of our stock is only 10 years old with strong rent levels locally.

We have continued our drive to invest in the energy efficiency of our stock to both help with reducing our properties carbon footprint and residents’ fuel bills; the average energy efficiency rating of our rented stock is an EPC Band C and we now have over 3,300 homes with an energy efficiency banding of grade C or above and only 1 property lower than a band D. We will look at the feasibility of carrying out work to increase its performance in 2017/18. Figure 5 below clearly shows that over 50% of our stock is rated a band C with 90% of the stock either a band C or band B. The remaining 10% is mostly made up of properties with a D banding.

Figure 5 – Energy Ratings



The energy efficiency works carried out during the year includes upgrading homes from electric heating systems to gas central heating systems, windows replaced with new double glazed windows and boilers replaced with more energy efficient models. In addition to this, a number of new build properties have had solar PV panels installed, which reduces tenants energy bills. This investment in energy efficiency helps to reduce our residents' energy bills whilst providing warmer homes in which to live.

The PV panels on the roof of our main office building in Hemel Hempstead installed in 2014, has saved in excess of 36,000kg of CO₂ and generated 82,798 kWh of energy (nearly 39,798 kWh in 2016/17). This has reduced the annual running costs of our office by around £4,000.

Our Development Quality Circle uses feedback from residents and housing managers to continuously improve technical documents and the specification for new homes.

4.2.3 Best use of stock

We continue to support households facing a loss of housing benefit through under-occupation, to consider a move through swapping their homes (called a mutual exchange); 69 mutual exchanges were completed during 2016/17.

We offer incentives to move to those who are under occupying their home in order to free up larger homes for those who are over occupying.

In 2016/17 whilst waiting for planning permission for a new development, we negotiated with an existing commercial tenant to remain on site for a further 3 months after the land was bought. This raised £15,000 in rental income for premises that would otherwise have remained empty and meant there was also a saving of business rates liability.

5 Financial Capacity

The Board aims to produce a healthy surplus each year to allow it to continue to invest in the delivery of new homes and to reduce the amount of new borrowing needed, thus saving interest costs in future years.

Hightown's Strategic Plan is to use its financial capacity to develop over 350 new homes each year to help meet local housing need for stakeholders – local residents, local authority partners, and the HCA. We delivered 265 new homes in 2016/17, with many more on-site due to be handed over in the coming year. The 2017/47 business plan shows this continued commitment to deliver new homes, with over 1,200 units planned for delivery in the next 2 years. In 2016/17 an independent audit was carried out on Business and Strategic Planning; the auditor was able to give assurance to the Board on the process.

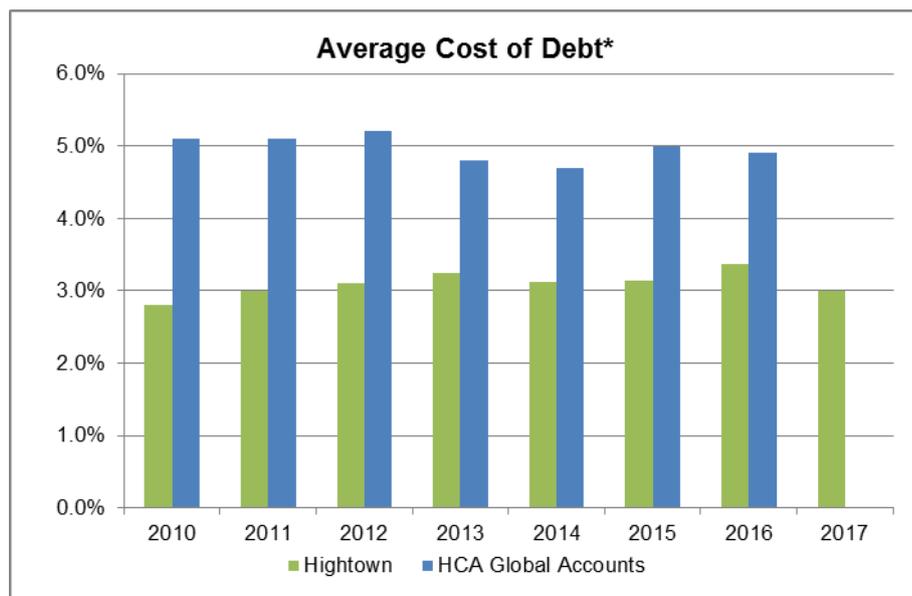
Hightown seeks at all times to maintain sufficient cash and committed but undrawn financing facilities (subject to the availability of security) to cover at least 12 months' anticipated forward expenditure after allowing for anticipated income and receipts. At 31 March 2017, we had £112 million of undrawn loan facilities and free cash of £13 million which should be sufficient to meet our borrowing needs well into 2018/19. These compare with our contracted capital commitments at 31 March 2017 of £74.9 million. As further funds are required we seek to raise these from banks or by accessing the capital markets.

As Hightown builds more homes with less Government grant, so the amount of money borrowed has grown both in absolute terms and on a per property basis. This can be seen in the rise in the gearing ratio in the accounts, which is the relationship of money borrowed as a proportion of the cost of the homes built and the debt per unit figures. The higher the percentage, the more Hightown is borrowing as a proportion of each home built. Hightown's net gearing ratio at 31 March 2017 rose slightly to 54.3% (2016: 52.1%), still well within the 65% gearing ratio set by our

lending banks. In addition, our interest cover, which measures the ongoing affordability of our borrowings, strengthened during the year to 305% (2016: 280%).

The rising gearing ratio reflects the Board's commitment to maximise development opportunities locally and to increase the supply of new housing in areas of very high demand whilst retaining Hightown's financial strength.

Hightown's approach to treasury management has led to us paying much lower interest rates than the sector average for at least the last 8 years, delivering large savings on interest payments which have been reinvested in the provision of new homes. Hightown's average cost of debt has been 3.1% over the last 7 years compared with 4.97% across the rest of the sector.



Source: HCA 2016 Global Accounts of Housing Providers

6 Performance

For the last seven years Hightown has participated in the independent HouseMark benchmarking club in order to measure our costs and performance to understand how Hightown's service to our general needs tenants compares with other housing providers. This helps us to focus attention on which services we might be able to improve; we also share best practice with HouseMark partners to learn lessons that we can use at Hightown.

We have a good understanding of our cost base and how it compares with similar housing associations. The STAR satisfaction survey results are used to assess and benchmark service delivery and customer satisfaction in general needs services. HouseMark does not assist with benchmarking of our care and supported housing services but these are delivered within a very competitive tendering environment. We continue to win bids to deliver services, so we consider that they demonstrate value for money for commissioners within that market place.

6.1 HouseMark Benchmarking Summary

The latest published HouseMark Value for Money data is for 2015/16. This shows that Hightown continues to deliver low cost services when compared with those providers selected by HouseMark as its peer group, with all Hightown services showing as low cost with, in the main, either good or average performance. The area of service that will receive a particular focus for improvement relates to satisfaction with dealing with anti-social behaviour, which was included in the HouseMark reporting by Hightown for the first time in 2015/16. The HouseMark data (overleaf) shows how the main areas of Hightown's housing activity compare against other associations.

6.2 Value for Money Dashboard

The HouseMark dashboard is made available to all Hightown staff via the Intranet.

The charts below show how Hightown compares in cost and performance to around 40 Housing Associations in the south of England on a number of key service areas. More detailed analysis of these costs appears later.

Almost all of Hightown's activities are low cost and most performance is good or moving towards good. The higher cost of the lettings function this year is to be expected with the large number of new homes being taken into management and the additional staff time spent on this area of activity compared to past years.

Value for Money Dashboard

2015/16



2014/15



2013/14



Key

1	Responsive Repairs and Void Works	5	Lettings
2	Rent Arrears and Collection	6	Tenancy Management
3	Anti-Social Behaviour <i>(from 2015/16)</i>	7	Resident Involvement
4	Major Works & Cyclical Maintenance	8	Estate Services <i>(ended 2014/15)</i>

6.3 Overheads

Hightown is still the lowest cost provider amongst the peer group allocated by HouseMark in terms of back office costs (overheads) -see table below.

6.4 Absolute and comparative costs of services

The extracted HouseMark table below provides an illustrative view of how Hightown's performance compares with other similar housing providers in 2015/16 and how we have made improvements in the last 5 years.

In all areas Hightown's comparative performance remains within the upper quartile (top 25%).

6.4.1 HouseMark efficiency summary for Hightown

Business Activity	Cost Key Performance Indicator (KPI)	Performance Quartile				
		2015/16	2014/15	2013/14	2012/13	2011/12
Overheads	Overhead costs as % adjusted turnover	★	★	★	★	☹
Major works and cyclical maintenance	Total Cost Per Property of Major Works & Cyclical Maintenance	★	★	★	★	★
Responsive Repairs & Void Works	Total Cost Per Property of Responsive Repairs & Void Works	★	★	★	★	★
Housing Management	Total Cost Per Property of Housing Management	★	★	★	★	★
Development	Staff involved in standard units developed per 100 units	★	★	☺	★	★
Estate Services	Total Cost Per Property of Estate Services	★	★	★	★	☹

Quartile Key				
Upper Quartile	Middle Upper	Median	Middle Lower	Lower Quartile
★	☹	○	☺	●

The following table gives numerical information about how the cost of Hightown's key general needs services compare with the HouseMark peer group of other traditional housing associations in the south of England.

Performance Indicator	Comparison with the best performing 2015/16 (latest available figures)		Hightown results for the last four years			
	Top 25% (Upper Quartile)	Top 50% (Median)	2015/16	2014/15	2013/14	2012/13
			Cost per property of:			
Total Housing Management	£453	£531	£369	£393	£390	£417
Direct Housing Management	£279	£310	£279	£294	£281	£296
Direct Rent Arrears & Collection	£82	£89	£83	£85	£87	£90
Direct Resident Involvement	£34	£44	£27	£37	£40	£42
Direct Anti-Social Behaviour	£34	£38	£37	£32	£33	£37
Direct Lettings	£36	£49	£60	£61	£48	£46
Direct Tenancy Management	£68	£83	£68	£79	£72	£81

This table shows that Hightown is achieving its objective of keeping management costs per property down as the organisation grows. Hightown's costs per property (cpp) are well below the cpp from four years ago, and have decreased by 12% over the last 4 years. Our costs compare very favourably with other housing associations. In most individual housing management service areas our costs per property have reduced over the last four years, with an expected increase in lettings costs given the large number of new homes to be let and relet.

Overall resident satisfaction of 84% places Hightown in the middle upper quartile. The 2016 Survey of Tenants And Residents (STAR) reported that 78% of residents were satisfied that they obtain good value for money from their rent; up from 73% in 2014.

6.4.2 General needs rented housing management key performance indicators

Performance remains strong in key management areas, placing Hightown as one of the top performers in keeping empty properties to a minimum. We concentrate on keeping re-let times low and remaining top quartile performers to keep void losses down, both benefiting applicants waiting for homes and our income stream.

Hightown has a small specialist team focussed on maximising rental income through good control and prevention of rent arrears. Our general needs rent arrears levels are top quartile. This has been achieved even with the significant increase in activity for the team with the large number of new homes coming into management and the welfare reform issues faced by our residents.

	HouseMark latest available top 25% 2015/16 (top quartile)	HCA Global Accounts 2016 Average	Hightown's results over five years				
			2016/17	2015/16	2014/15	2013/14	2012/13
Void Loss - % of income lost due to empty homes	0.47%	1.60%	0.40%	0.51%	0.47%	0.49%	0.44%
Average no of days taken to re-let a home excluding major works	18 days	Not available	15 days	15 days	15 days	14 days	13 days
Arrears (rent owed) - % of rent due	2.70%	4.5%	2.6%	3.10%	3.70%	3.99%	4.06%
Arrears attributable to unpaid housing benefit	0.70%	Not available	0.4%	1.1%	0.8%	2.5%	1.72%

Hightown aims to continuously reduce operating costs through increased efficiencies. Over many years we have concentrated our resources into front-line teams rather than back-office support services and this is shown below in the results of the HouseMark benchmarking. This highlights that we continue to keep our overhead costs low compared to others. In 2015/16 Hightown was again ranked as the top performer for overhead costs per property.

Performance Indicator	Comparison with the best performing 2015/16 (latest available figures)		Hightown results for the last four years			
	Top 25% (Upper Quartile)	Top 50% (Median)	2015/16	2014/15	2013/14	2012/13
Overhead cost breakdown per direct user						
Premises	£4,996	£6,260	£7,074	£7,327	£6,467	£8,150
ICT	£4,745	£7,775	£2,310	£2,470	£4,337	£3,228
Finance	£2,776	£4,488	£1,957	£1,828	£1,793	£1,724
Central	£6,752	£9,183	£3,121	£3,107	£3,130	£3,530

6.5 Comparison with PlaceShaper organisations

Hightown has also compared cost performance on five key measures with over 100 organisations that are part of the PlaceShapers network of social housing providers. The latest figures for 2015/16 taken from data in the HCA Global accounts, show Hightown remains in a favourable position within the group. However, Hightown has one of the highest debt per unit figures reflecting the continued growth of the Association in times of reduced development grant.

6.6 Global Accounts 2016

The HCA publishes top level performance data on the 334 housing associations which owned or managed over 1,000 units, in its Global Accounts 2016 publication. Again this shows Hightown in a favourable position within the sector. The Global Accounts Data published by the HCA is used by Hightown to review performance against the rest of the sector.

6.7 NHF Report – HA Operational Efficiency

The NHF and HouseMark recently jointly published a report on the operational efficiency of housing associations. The data included within the report published last June shows that Hightown delivers general needs housing management at a much lower cost than the median across the country, as shown in the graph below.



Hightown's figure for 2015/16 has fallen to £369 and although the comparators have yet to be published, we believe it is very likely that Hightown continues to deliver upper quartile performance.

6.8 HCA Report Delivering Better Value for Money – understanding differences in unit costs

The Board has considered the information provided by the HCA on Hightown's unit costs in conjunction with the HCA report on understanding differences in unit cost. After taking into account Hightown's 14% supported housing and proximity to London, which have an impact on Hightown's costs, the Board considers that the information supports the view that Hightown is

delivering value for money services. Hightown will continue to review updated reports in this area as they are made available.

7. Value for Money Gains – 2016/17

The information in this report demonstrates that we are keeping costs under control and have maintained low cost services despite the growth in the number of homes managed of almost 6% this financial year.

We delivered 265 new build homes; including shared ownership and affordable rented homes, to help meet our business objectives.

We are careful to keep our initial costs down and mitigate our exposure to risk and closely control spend on any development projects that might be at risk of not going forward. During 2016/17 fees spent on aborted project cost were just 0.10% of a development programme of over £69.6 million.

Our Procurement Team has continued to obtain best value through the use of framework agreements, the tendering of works and obtaining of quotes, in line with our financial regulations. During 2016/17 the contract for kitchen and bathroom replacements was awarded through the LHC EU Framework Agreement; the external and internal decoration programmes and window and door replacements were awarded through the Fusion 21 Framework agreement, leading to quantifiable savings at this stage of at least £100,000, and likely to be significantly more. Office cleaning and window cleaning was tendered on the open market and resulted in a contract with prices fixed at the current rate with no increases for the next three years, despite known wage inflation and other employee costs. The same process resulted in prices being held for servicing contracts and fire and alarm maintenance costs. By being vigorous in obtaining quotes for non-planned works costing in excess of £500 we have added value through cost avoidance of almost £350,000.

Completed new developments have come in below budget by 3.62% and the surplus on first tranche sales of shared ownership units was £2.1 million.

7.1 Service Improvements

We expected to make efficiencies and savings across a range of services and contracts during 2016/17.

The following were achieved:

- The implementation of DevApp and Reports (software designed to support relevant work areas) to lead to more efficient and consistent reporting of Development handover dates and new property information
- Clearer and more efficiently produced Leaseholder Service Charge Accounts
- A restructure of the Home Ownership Team and improved management of leases and charging of properties
- Changes to the Leasehold Management Fee
- The creation of further management information dashboards for live and automated reporting
- A new Hightown website
- Further development of the Residents Portal and a large increase in users
- Newsletters and Tenants Annual Report moved on-line, with the ability to request a hard copy

- New Complaints Log to increase the efficiency of monitoring of response times and progress
- Responsibility for income recovery in Supported Housing schemes and non-rent debts transferred to well-established specialist in-house team to improve recovery rates; supported by bespoke IT solution
- Efficiencies in business support for schemes transferred from another provider

Implementation of the following was also started during 2016/17 and will continue during 2017/18:

- A review of Sales and Lettings management and the Application Process
- Replacement of the Intranet to assist staff to locate relevant information more efficiently

7.2 Social and Environmental Return on Investment - examples of Hightown's Value for Money achievements that impact Hightown's residents and wider society

The social and environmental outcomes from Hightown's work that benefit Hightown's residents, service users and the wider community can be more difficult to calculate and quantify but nevertheless are as important as measurable financial outcomes.

Our VfM self-assessments have reported on the benefits of our services, with reference to independent research into other organisations providing similar outcomes, and from research commissioned by Hightown from RSM Consulting (RSM) to assess the impact of Hightown projects working with homeless people in Hertfordshire. That report evaluated a range of cost savings and value creation to the local area of almost £600,000 split across Healthcare (£300,000), Policing (£80,000) and the local authority, encompassing housing and employment (£220,000).

Working in partnership with local authorities to deliver a large number of new homes, Hightown is having a significant social impact, reducing the use of expensive temporary accommodation and improving the quality of life of a significant number of households. Government figures estimate that the average annual cost to a Local Authority of providing temporary accommodation for a homeless family is £18,000 per year. In 2016/17, Hightown provided general needs rented accommodation to 137 homeless households, 110 of these households were statutory homeless and owed a duty by the Local Authority; if they had not accessed permanent accommodation the Local Authority would have had an obligation to provide temporary accommodation to them, representing a potential saving to the Local Authorities of up to £1.98 million.

In 2016/17 Hightown rented homes to 317 general needs households, mainly through choice based lettings schemes, 43% of these were homeless; and facilitated 69 exchanges. We provided 63 new shared ownership homes. This has transformed the lives and well-being of 449 households.

From the Government's Housing Benefit Caseload Statistics claimants living in the Private Rented Sector (PRS) cost £23.41 per week more in housing benefit than in the social rented sector. The provision of affordable housing therefore reduces public costs. Hightown currently has 1404 working age tenants in receipt of Housing Benefit paid directly to Hightown. Many others will have housing benefit paid to them. The direct payments received alone represent a saving in housing costs to Local Authorities in our areas of operation of £32,868 per week, (£1.7million annually) compared to PRS accommodation.

A report for The Institute of Public Policy Research in 2014 found that for every "£1 of spending on construction a further £2.60–£2.84 in gross output will be generated across the economy as a whole". In 2016/17, Hightown invested approximately £70 million in developing new homes, which according to this research will have generated in the region of £182 million for the wider economy.

In 2016/17 Hightown invested over £200,000 in a range of measures, such as gas central heating to replace electric systems, boiler and hot water cylinder replacements, and loft insulation, to reduce heat loss and energy used, improve the warmth of people's homes and to provide savings in utility costs to residents. From The Energy Saving Trust figures it is estimated that individual households will save up to £560 per year on utility bills.

Tenants living in affordable housing can also use the provision of a stable high quality home to improve their financial circumstances. In general needs rented housing the lower cost rents can enable them to save to move into private sector housing. In 2016-17, twelve general needs tenants who gave notice on their tenancies moved into the private rented sector and two were moving out to buy a property. Two residents left their general needs accommodation to take up employment in the Army. One of these tenants had been unemployed throughout their tenancy. Over the coming year Hightown will be gathering more information from tenants to be able to evaluate the impact for individuals of accessing a stable home.

In our shared ownership homes 41 residents were able to increase the share of the property they owned with Hightown to 100%. This indicates that their financial circumstances had improved to enable them to do this.

Through the delivery of our care and supported housing services we improve the quality of life of a large proportion of our 950 service users. We provide around 21,000 hours of support each week.

Here are a few, more smaller scale illustrations of how Hightown's care and supported housing services has achieved a social return on investment during 2016/17:

None of the residents of our Buckinghamshire mental health services have been readmitted to hospital in over two years. This has been achieved by providing the residents with person centred support and developing skills to progress to more independence. Previously tenants with poor mental health had been on a revolving door in and out of hospital and institutional care services.

Our Watford based young people's services have built links with a local supermarket who now regularly donate food and toiletries to the service which make a significant difference in improving the wellbeing of individuals who often arrive at these services with nothing.

We have increased our focus on health and wellbeing in the past year with a view to improving the lives of our service users in terms of both overall health and participation in the community. Initiatives include:

- A walking group in High Wycombe that brought people together from a number of our mental health and learning disability services as well as partner agencies.
- Yoga classes in our Mably House homelessness service in Hatfield
- The introduction of exercise classes in one of our learning disability services in Tring
- Mindfulness sessions in our Kent House homelessness service in St Albans
- Cookery and healthy eating classes in numerous services

The results of these initiatives have been so impressive in transforming the lives of our service users that we will be incorporating health and wellbeing objectives into the support plan objectives of every service user.

8. Planned Value for Money improvements in 2017/18

In keeping with the Board's efficiency expectations for the coming year and beyond, Hightown plans to reduce management costs per rented property each year whilst the Government's -1% rent reduction is in force.

Hightown aims to achieve performance that falls within the low cost / high performance quadrant of the HouseMark Value for Money matrix for all key general needs services. Where costs are low, performance must be at least lower middle quartile; where performance is good costs must be at least lower middle quartile.

Hightown aims to reduce the overheads cost per property for central services charged to both its Care and Supported housing schemes and general needs housing. This will be done through efficiencies realised by Hightown's expansion of operations, full use of the Business Manager system that has been implemented and other invest-to-save decisions in IT systems, software and infrastructure. Hightown's Business Transformation team is expected to be instrumental in

delivering greater efficiencies in working arrangements. Their work plan for 2017/18 is shown at 8.2 below.

In 2017/18 Hightown is planning to deliver a net financial surplus. This surplus will be used to part fund the expected development spend on new housing. We expect to complete almost 700 new homes in 2017/18, meeting our strategic objective of delivering over 350 new homes per year. The schemes that are on site and will handover in 2017/18, have attracted £6.8 million in grant funding.

We intend to manage the extra homes with only marginal increases in our operating costs, reducing both our management cost per unit and if possible improving even further our comparative performance against our peers. This approach, which has continued over the years, as demonstrated earlier in this document, is the reason why Hightown is such a low cost organisation.

Hightown is embracing digital service delivery and the channel shift to self – service, via its residents portal, MyHightown, without impacting satisfaction with service levels. The aim is to increase interaction with general needs residents through the MyHightown portal again, by at least 15% in the coming financial year. In 2016/17 the number of users grew by 81% from 800 to 1,450.

Hightown has reduced the basic fee for the standard management service to shared owners and leaseholders and introducing charges for additional services requested or required, and will need to ensure the income from allowable fees covers the cost of the service.

The Board has reduced the risk of a future rise in interest rates by fixing more of its borrowings during 2016/17. This initially increased interest payments but will guard against potential future rate increases which would otherwise increase outgoings.

Hightown will continue to operate in a competitive environment for Care and Supported Housing. It will endeavour to work with commissioning bodies to deal with the impact of cost increases created by the increase in the National Living Wage.

The information below sets out in more detail the specific initiatives that will be implemented and the contracts that will be procured during 2017/18 to achieve VfM improvements. We will report the outcome of these in our 2016/17 self-assessment.

8.1 Key contracts to be procured during 2017/18

Over the coming year our Procurement Team, who are tasked with obtaining value for money from Hightown's key contracts, will be procuring, for example, the following: lift servicing; internal and external decorations; communal cleaning and window cleaning on estates; corporate telephony and mobile devices; ICT Support; and multifunctional devices for managed print. They will be tendering works and procuring through framework agreements as appropriate.

8.2 Service Improvements

The following areas have been identified for action during 2017/18 as part of our business transformation process to lead to further service improvements and efficiencies.

Key Projects involving significant changes to working practices:

- Implement application for managing Mutual Exchanges, Intermediate & Supported Lettings.
- Further development of on - line and mobile forms for use across the business.
- Deliver a system to measure outturns for Service Users.
- Implement Microsoft Dynamics to manage the sales process.

Continuous improvement of live and automated management reporting:

- Creation of further Management Dashboards, including, but not exclusively, C&SH Scheme Managers, Responsive Repairs, Contractors Performance, Sales, Lettings and Customer Contact.
- Produce Solicitors Enquiry Packs from Report Manager.
- Create a direct link between Windip (document management system) and Report Manager.

Digital Communications and Access to Services:

- Further development of online forms on the Hightown website and functionality of the residents' portal to further increase the use of the residents portal by at least 15%.
- Further development of the new Intranet to assist staff to locate relevant information efficiently.

Other Projects:

- Produce a range of video training tutorials on in house applications.
- Application to more efficiently monitor actions from Internal Audits and Peer Audits.
- Review of Finance software applications.

The expected savings in staff time will be redirected to the additional workload caused by the significant growth in the number of homes to be managed and services to be delivered, so that staff resource does not have to increase at the same rate, keeping costs per property down.