VALUE FOR MONEY STATEMENT

Introduction:

All Registered Providers of Social Housing within England are required to produce, on an annual basis, a robust self-assessment, which sets out in a way that is transparent and accessible to stakeholders how they are achieving value for money in achieving their purpose and objectives.

The assessment shall:

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

The following pages include the Trust's value for money self-assessment.

Executive Summary:

Achieving and demonstrating Value for Money (VFM) is integrated into the way we work at the Trust. It is part of our values. We aim to deliver the best we can making the best use of the resources available to us. We want to ensure we deliver VFM for our customers, our communities and neighbourhoods.

We aim to provide good services that are both affordable for ourselves and our customers. We asked our customers if they feel that the Trust offers value for money for the rent that they pay. Based on our 2015 STAR survey 84.9% say that we do, and 89.1% are satisfied with the service that we provide.

In response to the 14% reduction in our income (£10 million) over the four years from 2016/17 to 2019/20, we have undertaken a significant amount of work and analysis to understand the detailed impact and potential savings. As a result we have changed how we think and work.

We have plans to build a further 803 new homes over the next seven years at a cost of £102m. We have also committed to invest an additional £7m (£20m in total) in our subsidiary company OSUK which specialises in market rent and market sale products. These homes will be funded by reserves of £37m, loans of £31m, sales receipts of £26m and grant of £15m.

Our key priorities for 2017/18 include:

- Secure the funding required to fulfil our long term growth plans
- Progress our Priority to "Grow and Diversify" and develop our Commercial Activities
- Establish a sales team and the capacity to deliver a variety of housing products for rent, sale and low cost homeownership
- Review our branding developing it to promote our commercial products
- Explore the opportunities to use off site construction to develop homes at a lower cost
- Where appropriate implement alternative proposals for our poorer performing stock
- Recruit a new Board Chair as the existing chairs term comes to an end
- Continue to develop strategic partnerships and explore merger and acquisition opportunities
- Review how we allocate our properties to customers and improve the sustainability of tenancies
- Continued delivery of our Digital First Programme
- Continue to enhance the modules within our core systems and processes
- Relocate into our new office accommodation
- Invest in our people, develop their skills and ensure that they have the knowledge and technology to work in a mobile way, efficiently, and securely
- Establish a stronger focus on CSR activity
- Move towards a medium three year budget setting process and review our Business Assurance framework
- Review our pensions strategy
- Develop an innovations lab that will enable us to use proof of concept techniques to try new ways of working and investigate technologies quickly and in a cost effective manner

Executive Summary (continued)

The Trust does not have a separate VFM Strategy. On pages 9 and 10 we describe how we use the Scenarios, Priorities and Principles within Our Direction (OD2.0) to underpin our strategic approach to delivering VFM.

By using Our Direction (OD2.0) our Board has a basis for making decisions using a framework that is cascaded, understood and utilised throughout all levels of our strategic, operational and decision making processes.

Return on Assets: On pages 11 to 16 we describe our approach in formulating our investment decisions. We have also included examples of how we have used this information to inform some of our major investment decisions.

How we compare to others: Our headline statutory results current, past and future compare favourably to the Global Accounts of English Housing Associations. Our analysis of our results is shown on pages 16 and 17.

Absolute and comparative costs: We have used our statutory accounts to compare our key operating performance to the Global accounts of English housing associations. Our analysis of our results is shown on pages 17 and 18.

VFM gains- the past and the future: Last year we identified a savings target of £2.3m for 2016/17. We have achieved VFM gains of £2.6m during 2016/17 compared to this plan. We aim to save £2.5m in 2017/18 and £2.9m in 2018/19. Pages 18 to 23 describe how these savings have been and are to be achieved.

Our Board has considered the range, type and quality of information and considers this to be a true and accurate reflection of our performance and approach to value for money in the context of our current and future strategic direction.

Our approach to decision making and the use of resources:

Since 2012 **Our Direction** has provided the framework for how we run Halton Housing Trust.

We have achieved a lot and we will continue to Improve People's Lives in the future.

External changes and better knowledge of our customers has led us to review our approach. Our Direction (OD2.0) is our framework for the next three years.

We expect the following trends will continue and have an impact on us: increasing demand for good quality housing, cuts in government spending on welfare and housing, government support for home ownership, the ageing population, rising energy costs and advances in digital technology.

For OD2.0 three of our current priorities are as important now as they were in 2012:
1. Protect Current Income - we haven't felt the full impact of universal credit yet.
2. Reduce Costs and Drive Efficiency - this needs to be an ongoing focus for us.
3. Focus Resources and Services - to ensure those who need the most support receive it.

We want to improve more people's lives in future and to do that, we believe we need to invest to become more flexible so that we can adapt.

This is the focus for our two new priorities:

4. Grow and Diversify

   We need more homes to achieve our vision. To achieve this we will focus on providing homes and new housing products for a wider group of people.

   Almost all our properties are for social rent, which means that we are very dependent on government policy, grants and internal subsidy. It also means that we can't help those who have different needs, which limits our ability to generate income and provide more homes.

   Our focus will also be on providing innovative, attractive, energy-efficient, flexible homes - which cost significantly less to build.

Our approach to decision making and the use of resources (continued):

5. Be more flexible

   There are a number of external factors, which are out of our control. Examples include the economy, both locally and nationally, Government Policy, as well as the changing nature of our customers and their expectations and requirements. We need to invest to become more flexible so that we can adapt to those factors as and when required.

   Our people are one of our biggest strengths, we need to keep evolving and we cannot expect our people or our systems to keep doing so without further investment.

   We will invest to make the organisation more flexible for the future and build a community where people feel they belong, feel valued, and where they can grow.

There are two Principles which remind us that (1) we all make choices and (2) should all take responsibility. We use the Principles to make decisions and shape our culture.

We have six Behaviours which we expect all of our colleagues to demonstrate.

1. Make decisions
2. Work with others
3. Adapt to change
4. Enjoy your job
5. Challenge how we do things
6. Take ownership

Our two Principles and six Behaviours remain unchanged. They have become part of our everyday working life, they help us make decisions and shape our culture.

We have developed 10 Personas which represent our existing and future customers. We use these Personas to keep our customers at the centre of our thinking.

We have developed a suite of seven Key Performance Indicators that link to our five Priorities. These performance indicators are reported to Board in accordance with the reporting frequency of each indicator.

Each year, as part of our annual budget setting and business planning process, we produce service area plans that identify the objectives to be achieved and the resources that are to be used for the forthcoming year. Performance against the annual budget is discussed at each Board meeting. The budget is reviewed every six months and the business plan is updated on a regular basis as the need arises.

During the last year the Trust has made several changes to improve performance:
- Merger of the Property Services and Housing Services Directorates.
- Relocation of the Debt Recovery Team into the Finance Directorate.
- Relocation of the Development and Growth Team to sit within the Business Services Directorate.
- Reallocation of the ‘OSUK Managing Director’ role from the Executive Director of Business Services to the Director of Development and Growth.
- The Director of HR and Director of OD roles made permanent, to provide additional capacity to drive forward the “Be More Flexible” priority.
- Appointment of a Commercial Manager to oversee the PRS activity within OSUK.
- Appointment of a CSR Officer to provide additional capacity to progress CSR related initiatives.
- Establishment of a Business Assurance Team.

A new additional Director role of Managing Director (OSUK) will also be recruited to the structure.

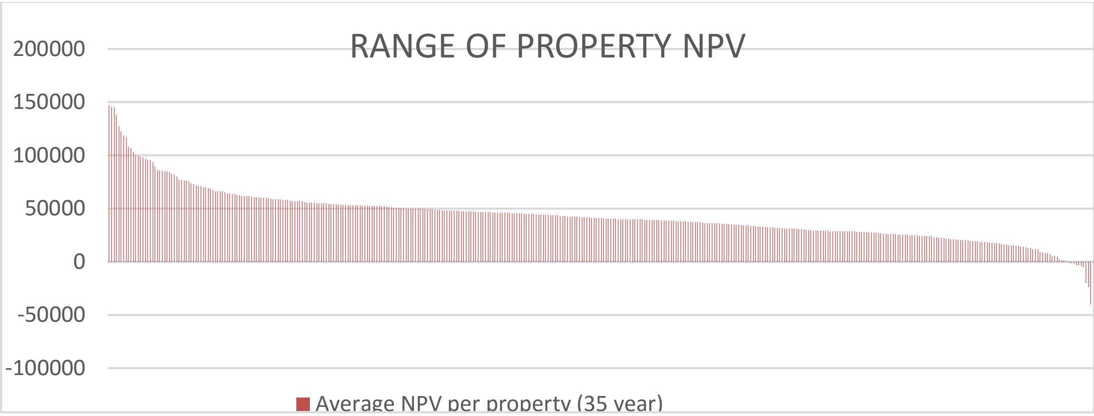
This role will drive the continued growth and diversification of both OSUK and HHT activities in accordance with our Growth Plan aspirations. This role will include responsibility for:
- Strategic lead for the delivery of any commercial activity, including OSUK, and any other non-social housing activities across the HHT Group.
- Business model diversification, reflecting the decision to diversify our core housing business model away from social rented housing to a wider portfolio.

Return on assets

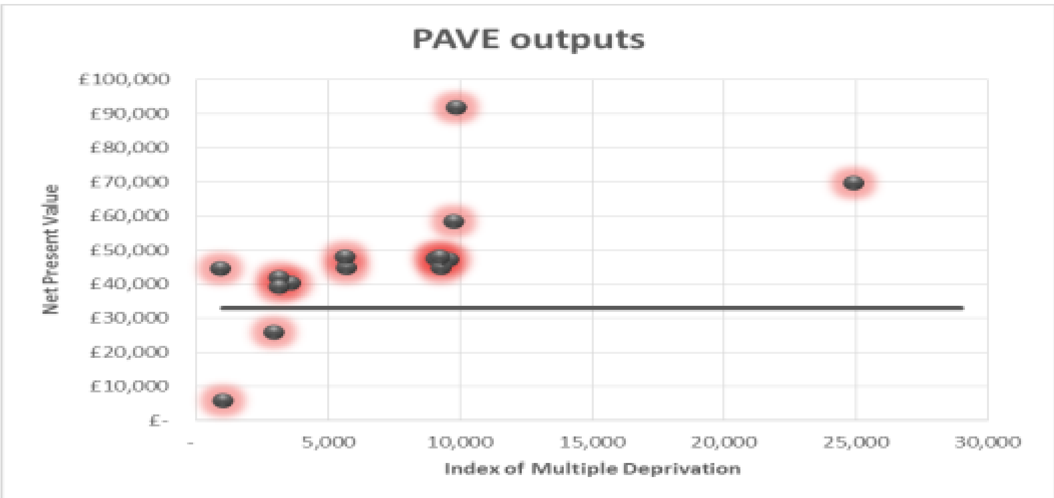
We have evaluated the return on all of our social housing assets using a system called PAVE (Portfolio Asset Valuation Evaluation). The model takes a variety of financial data including rents; arrears; development costs; outstanding property debt; repairs and future investment costs. These are then discounted back to current prices to determine each property's NPV. Our portfolio returns a range of NPV's from £122,769 to a negative return of £24,125.

The majority of our lowest value stock is represented by one-bedroom flats, one bedroomed bungalows, our sheltered housing schemes and our one high rise block. 80% of the stock has a NPV that is in a range between £56,876 and £17,394.

The distribution of values mirrors a normal distribution curve as shown below:



The average NPV is £32,900 per home and the average Index of Multiple Deprivation (IMD) is 4,631. IMD's measure relative levels of deprivation in 32,844 small areas or neighbourhoods. Higher IMDs indicate a more vibrant, desirable, accessible neighbourhood compared to our average. Income and Employment are the two domains of deprivation that contribute the most to the overall indicator. The other five domains cover: educations, skills and training; health and disability; crime; barriers to housing and services; the living environment. The following chart shows how the NPV of each neighbourhoods compares to the IMD:



The table below demonstrates how our Return on Assets (calculated as surplus on social housing lettings divided by gross book value of housing) compares with Global Accounts as a whole and with our peer group.

Our peer group consists of 30 other LSVT housing associations based in the North West of England.

Our results are comparable with our Peer Group and significantly healthier than that in Global Accounts. We continue to improve our results year on year. Our budgeted return for 2017/18 shows an anticipated reduction in the return we achieve. It incorporates the impact of a further rent reduction and our anticipated increase in the bad debt provision as a result of the impact that we are experiencing as a result of the full roll out of the digital Universal Credit service. We will endeavour to exceed the budgeted target for 2017/18 as we have done in previous years.

Return on assets (continued)

	Global Accounts All	Global Accounts Peer Group	HHT Company	HHT Company	HHT Company
	Actual	Actual	Actual	Actual	Budget
	2015/16	2015/16	2015/16	2016/17	2017/18
Return on Assets	3.56%	6.77%	6.34%	7.16%	4.91%

Consideration has been given to see if there would be any benefit in disposing of the higher performing stock and whether this might provide positive opportunities for the Trust. However, should a buyer be found for those homes, once any outstanding debt and grant has been repaid then the balance of the proceeds would be insufficient to fund the building of the same number of homes.

There are 32 schemes comprising 605 homes that form the bottom decile in terms of their NPV. However, only eight schemes comprising 148 homes have a negative value, with a further 11 schemes having a value less than £12,278. This represents 10% of the maximum NPV. A number of these homes are one bedroomed flats with a relatively low rent. If it was possible to increase these by a few pounds a week then their NPV would change considerably.

Further work needs to be carried out to consider whether there are any financial or practical options that would have an impact on improving the performance of these homes with a low NPV.

Alongside the work to update the PAVE model, a “Problem Properties Group” has been established. This includes representatives from housing, property, development and finance. The purpose is to consider in more detail specific groups of properties that have been identified as having management issues and in particular, longer letting times.

During the year we have completed the construction of 152 new homes, entered into Building Contracts for the delivery of a further 153 Affordable Homes and purchased additional properties for market rent and sale within our subsidiary company, Open Solutions (OSUK) Ltd. Further to this, we have also secured additional funding through the HCA’s Shared Ownership Affordable Housing Programme (SOAHP) for 62 new homes for Shared Ownership and Rent to Buy.

The growth in housing properties has been funded primarily through debt and reinvestment of operating surpluses supplemented by grant. We plan to increase our opening stock numbers by 2.95% in 2017/18 by building 204 new homes during 2017/18.

We have increased the provision for bad debts in the 2017/18 budget by £570k compared to the charge in 2016/17 as a result of the impact that we are starting to see from the full roll out of the digital Universal Credit service. This is having an impact on the return that we are budgeting for 2017/18. We will make every attempt to outperform the return on assets budgeted for in 2017/18.

During the year the Trust has developed its Growth Strategy. This Strategy will support the delivery of the priority “Grow and Diversify”. The Trust recognises that it has the opportunity and financial ability to be more ambitious about its growth and diversify its activity.

The Growth Strategy that has been developed is based on the following principles:

- There are sufficient homes available at social/affordable rent within Halton, certain areas are in higher demand than others. Customers are frequently on the ‘waiting list’ with very specific requirements in terms of area or property type.
- Diversification of income is required to spread the risk in the business model.
- Diversification can provide housing products for people that the Trust is not currently providing for.
- Diversification is necessary in order to generate profit that can be used to subsidise the replacement of social/affordable rent homes sold through RTB/ RTA.
- Profit from diversified activity is needed to effectively replace grant for the development of new social/affordable rented homes.
- Growth plans cannot be delivered unless the Trust develops outside Halton, which is already the case for OSUK.
- Growth may not always be seen in an increase in property numbers (e.g. homes developed for market sale will be growth and diversification but will not increase the number of homes in management) but will result in an increase in income.

Return on assets (continued)

A balanced programme of development/acquisition will be followed in future years. Future programmes could typically include affordable rent, shared ownership, market rent, market sale, rent to buy and rent to own.

Our **void levels are low**, the sector average for 2015/16 in the Global Accounts is 0.55 compared to our performance of 0.35. During the year we let 182 new homes, re-let 624 general needs and 24 supported homes and we had 33 properties that were empty at the year end. Our average turnaround time for non-major works voids for 2016/17 is 18.29 days, with rent loss of 0.48%.

We have developed an approach to develop our asset portfolio and identify when we will repair, refurbish or dispose of our existing homes and our other assets. This approach combines consideration of those poorer performing properties as identified by the PAVE model with knowledge on letting performance and general housing management issues. This information is used to identify which groups of properties would benefit from having an option appraisal to determine the most appropriate action to maximise their value to the Trust.

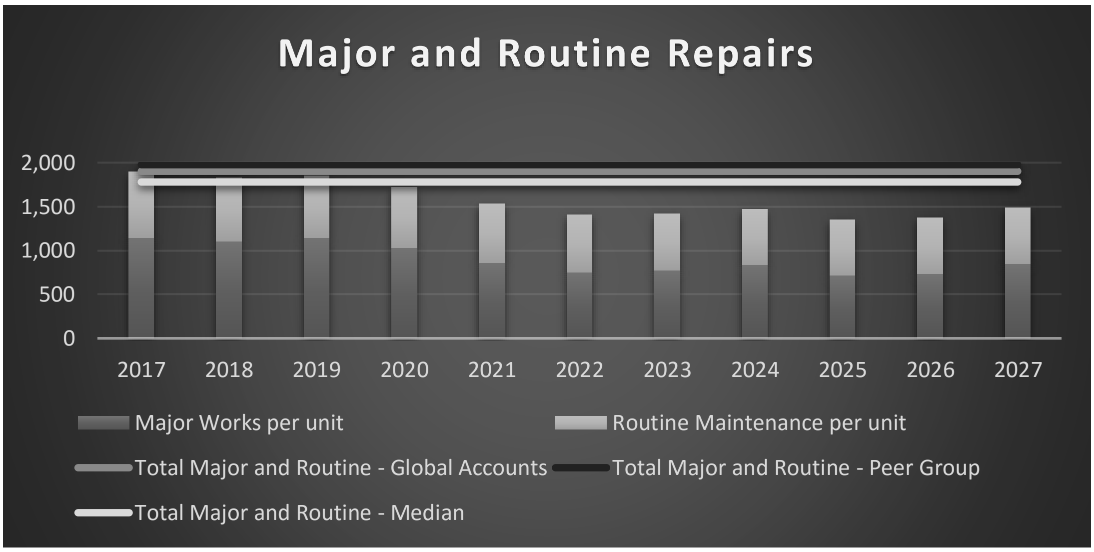
As a result of our focus on estate risk management and a programme of targeted improvements, we have started to see a significant decrease in the level of insurance claims due to slips, trips and falls throughout our neighbourhoods. This has reduced our insurance premiums by £97k per annum. We have continued to demonstrate to our insurers our ability to defend and deal with these risks in a determined and confident manner. We expect to see a continuation in the improvements that we have made to over the next few years and we are working hard with our brokers to achieve this. We continue to earmark budgets to address potential insurance hot spots that could lead to slips, trips and falls. We have taken a similar approach in ensuring that we do not expose ourselves to disrepair claims and we robustly defend speculative legal action.

Our latest stock valuation indicated that our portfolio of secured properties has increased by £8.5m during the past year to a EUV-SH value of £197.6m. There is an additional £34m of value within the stock developed and acquired since stock transfer. There is also an additional £10m of value within the committed development pipeline. Therefore, the Trust has stock with a total valuation of £241.36m (after allowing for the reduction due to the rent cut). This is sufficient to secure borrowing of around £210m. This projection does not include any subsequent new homes acquired and/or developed as part of the Growth Strategy.

During the year we secured an additional £20m of funds from one of our existing investors to increase our total borrowing facilities to £150m. This additional facility was received on 30th May 2017 and will be used to fund additional growth.

We are working towards putting in place additional borrowing facilities during 2017/18. We will use our existing unencumbered stock plus any future developments to secure this facility. We know that this unencumbered stock has good title and will enable us to grow beyond our current Business Plan.

We have completed almost 100% of the stock condition surveys on our homes. We are pleased to report that the results of our analysis demonstrate that our Investment Programme is affordable within the constraints of our Business Plan assumptions. We spend more on investment works but less on day to day repairs than the average organisation in Global Accounts and our peer group. Taken together our results are just below those of our peer group and slightly higher than the overall average in global accounts. However our plans demonstrate how our investment in major and routine repairs is expected to reduce over the next five years.



Return on assets (continued)

Our **Asset Investment Steering Group** comprises of Directors responsible for a variety of functions including finance, property and housing services and development. This group meets regularly to consider any issue that can impact on the value, viability and use of our assets and results in collective decisions that take account of impacts across all areas of the business. Our stock portfolio is continually reviewed to ensure that it is meeting the needs of our customers both now and in the future.

We have one **high rise block** in which we have considered significant investment. This block of 44 flats has six leaseholders. Any works that we undertake require a significant contribution from the leaseholders whose properties are difficult to secure mortgages against and have a market value of around £40k. The flats have recently had new infra-red heating systems installed to replace old electric storage heaters. This will increase the flats SAP rating from 40 to 65 (compared to our average of 72.6) and reduce customers' bills on average by 12%. A further major investment decision will be in relation to replacing the roof which is scheduled to commence in 2017/18.

As one of only a few high rise dwellings in the area, this block is subject to continuous inspection by Cheshire Fire and Rescue Service (CFRS). The last inspection, which was carried out on 19 June 2017, did not indicate any concerns with the fire safety systems. We take our responsibilities as a landlord very seriously, especially concerning fire safety. Over the last few years we have made considerable investment in this block to increase fire safety standards. We have invested heavily in fire prevention and detection systems and control measures, and we continue to work closely with CFRS, as the safety of our customers is of paramount importance to us.

We undertook a review of our **sheltered housing service** a number of years ago which considered both the physical environment and the services we deliver to our customers. Since we undertook the review, we have developed two extra care schemes, Naughton Fields and Barkla Fields, and redesigned our support service, branded as Amethyst Living. Whilst our sustainability toolkit tells us that two of our older sheltered schemes are only likely to be sustainable in the short to medium term, with one in particular that is the least sustainable, we continue to let properties within a reasonable timescale and do not have issues with properties standing empty. However, we recognise that, in the medium term, these properties are not going to meet the aspirations and needs of older people and we will undertake a more in-depth review of the these two schemes in the next 12 months with a view to evaluating medium term options, including refurbishment, development or disposal.

We receive a net income of £178k per year from our occupied garage sites. However, approximately 49% of our 884 **garages** are void and many are in need of investment or demolition. We have identified and decommissioned around 370 garages during the last three years. We have a policy of demolishing all our garages unless a business case can be made for the retention of individual sites. A three year programme of demolition commenced in 2016 and will be completed in 2019.

We have **59 shops** which we let out on commercial rents to support the needs of our communities. Demand continues to be very strong, void levels low and arrears continue to be minimal. Our approach continues to focus on each individual site to determine the best local solution. We have previously undertaken a review that has shown that each parade of shops has a viable future. However, there is a concern that where there are larger flats or maisonettes above the shops that this could become harder to let in the future and that the viability of each parade of shops will be revisited where necessary. It is proposed that options around two of these blocks will be presented to the Board during 2017 before any future decisions are made.

We continue to update our **CROHM stock analysis** which provides information on SAP ratings, model household energy costs and CO2 emissions for every home under a range of scenarios. The CROHM report showed that the average stock SAP score for Halton Housing Trust has increased from 72.6 in 2015 to 72.8 in 2016 and is well above average for the sector. We are considering a programme of work to achieve a minimum SAP score of 69 for all our properties by 2020.

Throughout the year we have upgraded the **cavity insulation** within 314 homes to modern standards. Improving customers thermal comfort, reducing their heating bills and combating potential damp and mould issues caused by cavity voids. The value of this work is in the region of £254k which was funded through Energy Company Obligation (ECO) funding based on carbon savings of the measures.

We are committed to the principles set out under our Single Equality Scheme. We acknowledge the fact that the makeup of Halton is very different to other areas of the North West and we are always looking for ways to tailor our approach to equality and diversity issues. Wherever practicable, this approach would look to ensure that equality and diversity becomes part of the everyday operational activities of the Trust.

Return on assets (continued)

Our **Adaptations Policy and innovative Gateway approach** reflects the financial cuts in local government for match funding in this area and promotes the better use of existing adapted properties which we know that our customers need. We carried out an independent review of our approach in January 2017 and this identified that during the first nine months of the financial year there had been 100 successful moves producing a saving of £260,000 compared to carrying out adaptations compared to an annual budget of £210,000. Recommendations from the review included undertaking a VFM review of contractors to identify if it was possible to make further savings. As a result of this it has been decided to carry out work as far as possible in-house in future which will yield significant savings. In addition the procurement of the supply and servicing of stair lifts is being retendered.

We are a member of the **Innovation Chain North West (ICNW),** a partnership of housing providers who share a fundamental commitment to sustainable development and communities. Together, members share learning, generate economies of scale, deliver efficiencies and drive forward construction innovation. We considered that the existing ICNW Framework was still appropriate and a new Framework has been in place since July 2016. The framework incorporates a small contractor lot within the Framework, which ensures that contractors suitable for smaller schemes will be able to submit more cost efficient tenders.

We have converted 517 properties from a social to an **affordable rent** which has generated £367k of additional rental income per annum to increase our financial capacity to build new homes. Our financial plans anticipate that we will continue to convert additional properties from social to affordable rents to support our development aspirations and bids for grant funding. The Board approved a number of changes to the Affordable Rents Policy during 2016. They agreed to broaden the type of property that will be converted so that all properties (flats, bungalows and houses) of any size will be included within the conversion process. This reduced the risk of not converting sufficient properties to achieve the required level of subsidy. We expect to reach this target during the first half of the 2017/18 financial year. This will achieve the £7.1m target of additional borrowing capacity, which has been used to subsidise the development of 755 new homes. The total number of affordable rented homes will be around 1,300, which equates to around 19% of the Trust's total housing stock by March 2018. This is within the 25% tolerance level agreed by Board.

We have set up a development company, **HHT Development Ltd (HD Ltd)**. HD Ltd will undertake some of the rented new build activity for the Trust and commercial subsidiary, OSUK. The company does not own any assets, nor does it have any loans. The company has been set up outside of the Trust's VAT group which will enable us to recover up to £500k in VAT savings in the period to 2020. We recovered £257k in VAT in 2016/17 and expect to recover an additional £158k in 2017/18.

Our commercial subsidiary company, **Open Solutions (OSUK) Ltd**, is delivering and developing commercial activities that will provide a return to the Trust to reinvest in the delivery of affordable homes and services for our customers. We have agreed to invest up to £20m in OSUK. The Return on Investment for 2016/17 (calculated as profit before fair value gains, interest and tax divided by total investment) was 4.84%.

As part of the large new build development project which we are undertaking in Widnes we have developed a **mixed tenure approach** which will diversify our property portfolio. We have worked in collaboration with a developer who has built 42 homes for outright sale whilst we build 123 Affordable Homes. As part of this scheme we also built 10 homes which are to be let at a market rent and we are also building our new office (enabling us to close our two existing leased office buildings). This approach could be replicated on other sites.

We recognise that the world in which we operate is undergoing massive change, and we need to change with it. One of the risks we face is a reduction in the levels of funding for new homes, coupled with the effects from Welfare Reform. In response we have taken the decision to focus on what we do best: improving people's lives by providing homes. In order to achieve this we need to review and change **the way we design and build homes in the future** as part of a diversification of our property portfolio. We need to research and think the unthinkable in how we build new homes, which are flexible, sustainable and intelligent at the lowest cost. We undertook a pilot scheme using our own in house Property Team to build four new homes. We concluded that that the system is exceptionally quick, requires minimal working space on site and is extremely flexible with internal layouts and external finishes. Although the product does fit within our in house Property Services skill set, as the internal fit out is still site based, a further review will take place to determine current capacity, capability and whether a new build delivery team should be formed. We are confident that the lessons learnt from the pilot scheme, can be taken forward. We have identified a site of eight houses which we will use for a 'system off'. Four homes will be constructed using the same system as used on the pilot scheme and the other four homes using an 'off site' system. This will enable us to compare and contrast the pros and the cons of each method and the different site management issues for the Property Services team, who will be undertaking the scheme.

Return on assets (continued)

During the last 12 months we have piloted sensors in our homes. These have been **Proof of Concept pilots** to assess whether this technology works in our homes and to see which sensors may be useful to us going forward. We have trialled sensors for damp, humidity, air pressure and temperature, smart heating and smart boilers. Further investigation and trials will continue over the coming months. We have learnt that the technology is not yet ready to be used on a large scale. It requires further development to bring it to the mass market and is currently cost prohibitive to roll-out on a large scale. However, our trials have helped to identify customer behaviour that is contributing to damp and humidity and to identify investment work that may be needed. We will continue to monitor and pilot technology as appropriate around these areas

We have previously identified that neither of our existing two rented office sites offer a single point solution for the long term. We committed £5m to fund the development of **new office accommodation** to bring both sites together. This project is well underway and is due to complete by September 2017. We will realise annual savings in rent and associated property costs of £250k per annum. It will enable a more efficient and cost effective approach resulting in consistency of culture and organisational behaviours and will further embed our approach to flexible working.

How we compare to others

Our headline statutory results current, past and future compare favourably to the Global Accounts of English housing associations. We have identified that:

- We have continued to improve our operating margins following a review of our approach to capitalising major repairs costs.
- Our gearing is higher than the norm. This is because a lot of our expenditure to achieve the Decent Homes Standard was charged as revenue but funded by loans and we increased our loans so that we could build more new homes when we re-financed in 2013.
- Our debt per unit has continued to increase following the completion of our re-financing exercise. The additional debt is being used to fund investment in our existing homes and the development of new homes.
- We are using our capacity to continue to build a high proportion of new homes compared to the size of our organisation.
- Our EBITDA MRI interest cover will outperform the targets that have been set with our funders.

	Global Accounts All Actual 2015/16	Global Accounts Peer Group Actual 2015/16	HHT Company Actual 2015/16	HHT Company Actual 2016/17	HHT Company Budget 2017/18
EBITDA MRI interest cover (social housing lettings)	167.70%	184.37%	157.90%	178.99%	132.38%
EBITDA MRI interest cover (including property sales)	189.65%	197.91%	169.75%	194.44%	141.19%
Operating Margin	27.63%	25.07%	25.28%	30.00%	23.89%
Effective Interest Rate	4.72%	5.60%	4.71%	4.60%	4.68%
Gearing	49.46%	55.52%	81.50%	79.07%	84.60%
Debt per unit	23,478	9,784	15,293	16,246	18,187
Number of new homes as a percentage of the opening stock	1.64%	0.64%	2.10%	2.25%	2.95%

How we compare to others (continued)

Our average rent is £87.32 (52 weeks) compared with an average of £90.84 (52 weeks) for Halton. The table below shows how our average rent compares with other RP's with properties in Halton.

Provider	Average Weekly Rent (with service charge) 2015/16 (52 weeks)
Liverpool Housing Trust Limited	£87.01
Halton Housing Trust Limited	£87.32
Places for People Homes Limited	£90.18
The Riverside Group Limited	£90.55
The Guinness Partnership Limited	£90.87
Arena Housing Group Limited	£91.07
Redwing Living Limited	£93.16
Affinity Sutton Homes Limited	£93.55
Plus Dane (Merseyside) Housing Association Limited	£93.82

In the latter part of 2015 we received the results from the **STAR survey**. The results indicate an overall increase in satisfaction with the services at 89.1%. We are repositioning our business in line with OD2.0.

- We know that 85% of our customers have digital access. We continue to channel shift and communicate more and more in this way. However we recognise that some of our more vulnerable customers require additional support and we use our customer analysis to focus our resources in this way.
- We have invested more in our Environmental Services team from 2016, we believe that reductions in council and other services are impacting satisfaction in our neighbourhoods. We have continued to maintain a tough stance on rent arrears and we are improving how we identify and charge for services provided to customers in addition to their rent.
- We are reviewing how we calculate satisfaction with repairs and maintenance. We undertake a 30 minute call back approach based on a model being operated by the Mears Group. This enables us to gain customer satisfaction information, including verbal comments which are fed back to colleagues, alongside addressing any issues or potential customer complaints, identifying when maintenance technicians have not used multiskilling to complete work and to book in any follow on works. This has improved efficiency by reducing the number of calls to the customer services team to chase outstanding repairs.

Absolute and comparative costs

The table below demonstrates how our operating performance compares to the Global Accounts of our peer group. Our peer group consists of 30 other LSVT housing associations based in the North West of England.

	Global Accounts All	Global Accounts Peer Group	HHT Company	HHT Company	HHT Company
	Actual	Actual	Actual	Actual	Budget
	2015/16	2015/16	2015/16	2016/17	2017/18
Management cost per unit £	1,036	1,129	1,059	1,067	1,144
Service charge per unit £	529	239	168	217	227
Routine/Planned maintenance cost per unit £	998	937	815	837	851
Major Repairs cost per unit £	876	1,043	1,223	1,108	1,049
Other social costs per unit £	158	93	76	74	100
Social Housing cost per unit £	3,597	3,441	3,342	3,304	3,371
Operating surplus per unit £	1,224	774	628	1,007	439
Current customer arrears	4.25%	4.42%	2.71%	1.97%	3.69%
Rent losses from bad debts	0.68%	0.97%	0.46%	1.37%	3.08%
Voids	1.55%	1.53%	0.35%	0.48%	1.00%

Absolute and comparative costs (continued)

Our **rent loss due to voids** is mirrored by our quick void turnaround times. Our **arrears performance** has remained consistently strong. We have provided wisely during the year for the Universal Credit cases that are in arrears and the higher balances that we are carrying from former arrears. We have set our void and bad debt budgets prudently knowing some of the challenges that we face.

Our **major repairs costs** are still higher than average but they have started to reduce year on year. We know that they will continue to reduce in line with our savings plan and Investment Programme review. However, our **routine and planned maintenance costs** are slightly lower than our peer group.

The table below demonstrates how our major repair costs will reduce in the future.

	2014/15 Actual	2015/16 Actual	2016/17 Actual	2017/18 Budget	2018/19 Plan	2019/20 Plan	2020/21 Plan
Major Works cost per unit (£)	1,442	1,223	1,143	1,107	1,148	1,034	864

We continue to track this information on an annual basis to see how our actual and forecasts compare and change.

We continue to subscribe to the HouseMark benchmarking club. The table below demonstrates how our operational performance for 2016/17 compared with others in our peer group. Our peer group consists of 14 Northern organisations that have more than 2,500 homes.

KPI	Performance	Quartile	
% of staff turnover in the year	6.3%		Upper Quartile
The average number of working days lost due to sickness absence	6.44 days		Upper Quartile
Current tenant arrears (net of late HB payments) as a % of the annual rent debit	2.2%		Upper Median
% of rent lost through properties being vacant	0.48%		Upper Quartile
Average re-let time (all re-lets)	18.29 days		Upper Quartile
% of properties with a valid gas safety certificate	100%		Upper Quartile

Satisfaction surveys are completed around the digital services customers use. Satisfaction with the service provided is currently running at 95%. We also have the ability to give customers a link to other surveys to complete as required. We are introducing push notifications onto the App which will enable push notifications to be sent to customers at any time.

VFM gains - the past

We review our 30 year Business Plan on a regular basis, taking into account changes in the external environment, our local context and Our Direction (OD2.0). We use our local knowledge as well as that from our sector specialists to ensure that our assumptions are prudent, consistent with the sector and reasonable for our local operating context.

Our Business Plan is ‘stress tested’ and supplemented by a Remediation Plan with a menu of options to consider to rectify our short term position should we ever face the ‘Perfect Storm’.

We use our Business Plan as the basis for the parameters to set our annual budget. Each year we build our budgets from a zero base. Each service area considers its role in delivering Our Direction (OD2.0) and those things that it will do to contribute to the delivery of the corporate objectives. We undertake this planning before we set our budgets.

VFM gains - the past (continued)

These plans are coordinated and calibrated to form the basis of our budget each year and the key performance targets that we set. The targets that we set are cascaded through service area and personal targets and objectives.

Our staff and teams have a clear focus. They understand their accountabilities, they know what it is that they need to do and how that will translate into good or exceptional performance.

The table below demonstrates that we have achieved savings of £2.6m during 2016/17:

	2016/17 net saving £'000
TOTAL	**2,671**
Repairs and Improvements to our Properties	1,096
Identifying, improving and charging for services to customers	671
Identification and effective delivery of new Developments	517
Transforming how we deliver services to our Customers	369
Operational efficiency collecting arrears	209
Keeping our properties let	59
Bringing all of our teams together	(250)

The narrative below summarises how this performance has been achieved:

Repairs and Improvements: We have already described how our approach is changing in relation to the Investment and repairing of our properties and we are satisfied with the savings that we have realised in this first transition year. We spent an additional £235k on repairs than we expected but we saved £1.3m on our Investment works. We acknowledge that this may occur as we begin to take more thoughtful and informed decisions as to whether we 'repair or invest' in our homes. We are on track to deliver the future savings that we have identified.

Service charges: We have reviewed the cost of our services to customers in detail to ensure that they are all being recorded and allocated correctly and that we are recovering what we should be. This has resulted in a reduction or reallocation of the attributable costs to other parts of our business by £344k. However, we have also recovered an additional £342k in income.

Development abortive costs: We prudently provided for £260k of development abortive costs but through careful programme management we did not incur any charges.

VAT Recovery: We set up a development company to enable us to recover the VAT on the non-build costs associated with building new homes. This has enabled us to recover £257k during the year.

Customer transactions: As our business model changes to offer more digital and self-serve options to our customers, we set ourselves a target for 70% of our households to access our services digitally throughout the year. We surpassed our expectations and by the year end 61% of households accessed our services compared to 50.7% in the previous year, many using multiple digital channels. As a result, one in every two of all contact made with customers is made via digital channels resulting in 77.4% of customer led transactions that were digital in March 2017. To help those less digitally enabled customers we have rolled out 250 devices to those with no internet access. The main uses of the applications are to request a repair or to check rent balances. We know that from the surveys we have conducted that 83% of our customers have internet access in their home and a further 11% have access elsewhere. Overall satisfaction with our online services is 93%.

VFM gains - the past (continued)

Some of the changes our digital transformation has enabled include:

- Reduction in telephone calls by more than 50% for inbound calls over 60% for outbound calls resulting in reduction in headcount of six.
- 150 front line staff with access to 16 mobile modules, saving at least 30 minutes per visit that is undertaken.
- Mobile up to date arrears data facilitating more constructive meetings with customers who are not up to date with their rent payments at anytime and anywhere. Overall 99% of rent balance enquiries are completed on line.
- More productive and focussed tenancy visits and more time available to support more vulnerable customers in the areas of debt recovery, tenancy support and tenancy enforcement.
- 39% of repairs requests and 67% of ASB instances reported on line.
- Improved document management facilitating a much more efficient sign up process, recording and approving documents such as electrical schedules.
- Instant recording of data without the need to rekey into multiple systems e.g., voids schedules, stock condition surveys, and timesheet data.
- Utilising additional capacity that has been made available to meet additional demands created by welfare Reform and Universal Credit without increasing the overall number of employees.
- Facilities for customers to self-serve at point of check in for face to face appointments.

Employee costs: We have spent £393k less on employee costs due to vacant posts and structural changes throughout the year.

Employee sickness absence: We recognised in the past that our employee sickness absence levels needed to be improved. Our sickness absence has increased this year compared to the previous year to 6.4 days from 4.4 days. This is as a result of an unprecedented number of long term sickness cases which has increased long term sickness from 2.0 days to 4.4 days. These cases are being carefully managed (as at 31/03/17 there was one long term case remaining). However, our short term sickness has reduced from 2.4 days to 2.0 days which has been achieved through more robust absence reporting via the HR system and a tighter approach to managing short term sickness absence via the Absence Management policy. Absence levels across the UK have reduced to 6.3 average days however, in comparison to the Housing sector, the average days lost due to sickness absence is 7.8 days (CIPD, Absence Management Survey 2016). The Trust's flexible working culture enables employees to achieve a good work/life balance and to work in ways that maximise their outputs as well as supporting their individual circumstances. The Trust's ongoing commitment to high trust/high engagement has also contributed to the reduction in short term absence levels.

Insurance Premium costs: We have reduced the cost of insurance premiums by £97k. This is primarily as a result of our proactive approach to managing trips, slips and falls hazards and our determination to fight claims that are not legitimate. We are robust in ensuring that we maintain data on our QL system which allows us to refute such claims. We also have a proactive approach to disrepair claims, making effective use of monitoring equipment and quickly closing off opportunistic claims. As a result, we have experienced significantly lower levels of disrepair claims than neighbouring associations.

Rent collection: We have previously reported that we had reviewed our approach to Income Collection. Rather than "income collection" we rebranded this service as "debt recovery", to reinforce our approach prior to the roll out of Universal Credit. The structures and skills within the team enable more time to deal with complex cases. We collected £31.6m which equates to 99.66% of the rent debit for the year. The full roll out of UC commenced in July 2016 in Halton.

As a result we have experienced the number of customers receiving UC increase from 218 to 915 throughout the course of the year which continues at a rate of around 20 new cases per week. Our current rent arrears at the year-end were £703k compared to our target of £680k and £614k in the previous year. We are proud of this performance given the issues we have encountered during the year with the full service roll out, which centre around communication, inconsistency of service from DWP leading to uncertainty on action and delays in processing claims. We have also received £103k in Discretionary Housing Payments during the year.

We are working hard with our customers to keep them informed and to help them to make changes and plan for the future. Over the last 12 months our Welfare Benefit Money Advice Team has been able to offer financial advice on 1,135 cases generating an additional £2.5m in income through additional benefits or grants including £761k in back payments and lump sum amounts.

VFM gains - the past (continued)

Void rent loss: We have through the course of the year **re-let 648 properties**. Our average re-let time is 18.29 days. This is more than the 15.8 days we achieved in 2015/16 and our 17 day target but is still top quartile performance. We continue to improve the number of back to back lettings; 95 (14.7%) were back to back lettings with a further 45.9% of properties returned and let within 14 days. The rent lost from vacant properties was £154k compared to the target of £147k but less than our budgeted loss of £181k. We expect to maintain this performance to continue in 2017/18 despite the pressures of under occupancy, Universal Credit, upward pressure on evictions and as customers take advantage of the opportunities to downsize when new developments become available. Our approach ensures a 'safe and clean standard' which is enhanced, if required, to ensure that harder to let properties are attractive to potential new customers. Maintaining sustainable tenancies is key for us and will ultimately reduce the number and pressures that result from void properties together with the associated bad debts and repairs costs arising. Communication, coordination and monitoring between our teams who form the void group are essential to maintain this performance. Our target for 2017/18 is set at 18 days.

Our **new office**, Waterfront Point, is almost complete. This will bring all of our teams together in one location. We have been able to bring forward some of the costs associated with the dilapidations of our current office into 2016/17 which will 'net out' with the costs that we anticipated in 2017/18.

VFM gains - the future

The table below demonstrates that we aim to achieve net savings of £2.5m during 2017/18 and an additional £2.9m during 2018/19.

	2016/17 net saving £'000	2017/18 net savings £'000	2018/19 forward look £'000
TOTAL	**2,671**	**2,536**	**2,995**
Repairs and Improvements to our Properties	1,096	1,408	1,922
Identifying, improving and charging for services to customers	671	(50)	0
Identification and effective delivery of new Developments	517	406	75
Transforming how we deliver services to our Customers	369	(82)	728
Operational efficiency collecting arrears	209	394	0
Keeping our properties let	59	25	0
Bringing all of our teams together	(250)	435	270

The narrative below summarises how this performance has been achieved:

Investment programme: In the past we have used both external data and our own stock condition surveys to formulate projections on an annual basis to build a 10 year Investment Programme. As a result of the rent reduction we have **reduced our Investment Programme** by £6.5 million over the next four years and by c£4.3million per year for the following 10 years (after inflation). This will have a major impact on our current approach and future planning process.

Our future spend projections are **validated every five years** by an external stock condition survey. Our latest report indicates that despite the reductions that we have made there is still sufficient funding in our Business Plan to maintain and to continue to increase the value of our assets.

We have undertaken a **100% stock survey** to ensure that we have good solid data to base our future plans on. We will use integrated live repairs and investment data to ensure that stock survey data is automatically updated, enabling "real time" investment planning. The approach needs careful ongoing analysis, especially with regard to the potential impact of increasing demand on day to day repairs and the potential for increased customer dissatisfaction or complaints. It will also be underpinned by more robust policies and clear customer communication to ensure that we manage customer expectations. We will undertake more sophisticated scenario modelling, which in turn will mean we can prioritise the investment we make and focus on delivering the improvements necessary to maintain the integrity and value of our assets.

VFM gains- the future (continued)

What is clear is that reductions of any significant size will need to come from the elemental replacements, which will mean that major decisions need to be made on where to focus reduced resources. The Trust has adopted **a new way of working** in order to achieve this and a number of approaches are now in place:

- Moving away from grouping work in five year neighbourhood areas.
- Extending the life cycles of individual elements, both through changing the standard to increase predicted lifespan expectancy and by undertaking repairs that will add to the life expectancy rather than simply replacing the element.
- Replacing elements solely on their due dates.
- Reviewing what non-elemental works are carried out during an investment cycle to preserve the integrity of the assets.
- Considering the scope of work to flatted blocks and other individual properties and taking a proportionate approach.

By **re-organising the management structure** of the Property Directorate from April 2017 we have positioned ourselves to better deal with these changes and challenges by: making best use of our systems and automating more of what we do, now that the full benefits of the QL suite of systems to manage and allocate work are flowing through; bringing more activities in house, such as gas servicing; increasing flexibility and reducing cost by creating flatter structures and bringing decision making closer to the point of delivery.

Aligned to this, is the need to **change the way that we manage our housing stock** with significant long term reductions in investment programmes and the need to re-appraise what repairs are carried out and when those are carried out. The changes to the structure of the Property Directorate have eliminated the final vestiges of the outmoded and expensive client/contractor split to create three key areas:

- Asset – covering strategy and planning and driving delivery;
- Systems and resources – consolidating the work force into a single flexible resource and optimising the use of systems; and
- Compliance – advising on and monitoring compliance across health & safety, gas, electrical, customer service standards, procurement etc.

Service charges: During the year we have continued to review service charge income and costs in detail. In 2017/18 we will recover more in service charge income of £81k than our initial plans anticipated. However, coupled with that we are investing more in the services that we provide to our customers, particularly in the areas of grounds and estate services. The associated costs are now comparable to the income that we are recovering.

VAT: We have established a subsidiary company which will undertake the development of new build schemes so that we can minimise the amount of irrecoverable VAT that we would otherwise incur on the associated professional fees. We expect further savings to be in the region of £240k until the completion of the approved committed schemes in our development pipeline to 2020. We have prudently not included anything beyond that.

Customer transactions: We have set a target that by December 2018, 90% of customer contact will be digital in nature. To achieve this we will:

- Continue to capture household digital information at every opportunity and customer contact point.
- Continue to promote on-line services at every opportunity and customer contact point.
- Review online access via various methods and establish who is using which method for what and also which methods and transactional functions are not being used and why.
- Continue to provide devices and access to those customers who do not have access to the internet.

Employee costs: We continue to review our structures and challenge any vacant posts when they arise. We have committed to savings in both employee and agency costs across our service areas as our business and approach to self-service customer services mature.

Office accommodation review: We have reviewed our future longer term office accommodation needs with the aim of bringing the whole Trust together under one roof rather than the current two office sites. The benefits will produce a more efficient and cost effective approach, consistency in terms of culture and organisational behaviours as 'one organisation', opportunities to further embed the approach to flexible working. Neither of the Trust's existing two office sites offers a single point solution for the long term. The project is nearing completion and we hope to be occupying our new home by summer 2017. It is estimated that annual running costs would potentially be reduced by £270k per annum but this will not start to be realised until later in 2017/18. In addition we have been able to accrue for the potential dilapidation costs in 2016/17 rather than incurring them in 2017/18. This has a negative impact on one 2016/17 but a positive one in the following year. Overall our savings are on track with what we expected.

Corporate Social Responsibility

As a major employer within Halton we recognise that we have responsibilities to the wider community. During the year we undertook the following activities:

- Supported our nominated charity – Halton Haven - by raising money through various fund raising events.
- Supported the Halton Credit Union which is used by over 1,100 of our Customers.
- Joint partnership with Power in Partnership (PIPS) – a local charity for NEET (Not in Employment, Education or Training) youths in Halton – through the provision of 10 paid work experience placements.
- Project UP – a joint partnership with Mersey Waste Recycling, Groundwork Trust, PIPS and Travis Perkins. We contributed by providing a shop unit complete with workshop for the up-cycling of furniture from our empty homes. The Project UP programme provide training opportunities for local young people and people with disabilities which are identified through partnership working with local colleges and training providers. Once renovated the furniture is sold, and the funds reinvested in the programme and sustain long term opportunities for training. The Trust is also supporting another Project Up programme starting June 2017 which repairs furniture left in empty properties, once repaired the furniture items will be gifted to customers in need identified via our tenancy support team.
- Supported local social enterprise 'Night stop Communities' who offer temporary accommodation for people under 25, together with support services covering counselling, mediation, anger management and education in relation to Anti-Social Behaviour. The Trust supported this organisation by promoting and taking part in their 'big sleep out'.
- Developed a successful grow your own programme, working in partnership with two of our key suppliers. The Trust provided planting beds and materials to encourage customers to plant and grow their own fruit and vegetables. This successful programme will be replicated with more customers during 2017/18 this time working in partnership with Princes Trust.
- Supported several local charities, schools, organisations and community groups by raising funds, awarding grants and donating labour.
- Secured over £2.5m of income for our customers by providing them with welfare benefit advice.
- Supported five apprentices and nine employees as part of an apprenticeship programme.
- Arranged work placements in conjunction with local schools.
- Attended local careers fairs and provided support and guidance to school age children.
- Represented on several local working groups, which include Employment, Business Development and Volunteer Opportunities.
- Provided support and training for involved customers.
- Provided 'Health Shield' for employees, which offers many benefits for staff, the main ones being staff are able to claim back the cost of dental, medical, physio therapy work. Staff can also opt to add their family members to the plan at a small cost covered by employees.
- Provided an independent and confidential support service, offering advice and counselling for staff.
- Actively communicated through our 'hearts and minds' group to all employees, with healthy initiatives covering both physical and mental health.
- Supported customers through dedicated Tenancy Support Team and Welfare Benefits Advice Teams.
- 'Auctioned' redundant IT equipment and kit to staff, and donated the funds raised to local charity.
- Supported Halton Foodbank by promoting awareness of their services, collecting and donating food.
- Introduced a dedicated CSR Officer role in March 2017 in recognition of the CSR work that we continue to support and develop.

We commissioned our Scrutiny Panel to review our approach to CSR. They made 17 recommendations to the Board. The recommendations were all reviewed. Five were given the highest priority are being investigated and developed. The priority areas that were agreed for further action were:

1. Continue to support social enterprise/partnership working, such as Project UP, Power in Partnership (PIP) and apprenticeships.
2. Offer some communal areas as Eco therapy locations to MIND, Halton as part of their Eco minds Project.
3. Identify existing areas that would benefit from raised beds or planting areas, i.e. disused coal bunkers at Rowan Close.
4. Prioritise funding for applications that directly benefit HHT customers.
5. For those in receipt of Community Sponsorship Funding, introduce a requirement to submit a statement of outcomes, which would be submitted into VFM self-assessment.

Customer Scrutiny Panel

VFM is the key driver for our Scrutiny Panel; they are constantly looking at innovative ways to improve efficiency and effectiveness within the organisation. From the outset they have had the input and buy in from staff, clear branding and clear communication of their purpose.

The Panel has contributed to our self-assessment and fully endorses the work that the Trust is undertaking to deliver value for money.

Statement from the Board

The Board considers that this value for money self-assessment meets the requirements of the Value for Money standard within the Regulatory Framework 2012. The assessment shows how we are achieving value for money in our purpose and objectives including:

- Our robust approach to making decisions on the use of resources to deliver our priorities and objectives.
- The return on our assets and how this is measured against our objectives.
- The absolute and specific costs of our key services.
- Evidence of the gains that have been made and how they will be realised over time.

A copy of the self-assessment will be available for our stakeholders on our website at www.haltonhousing.org

Our Direction is available on our website at www.haltonhousing.org/about-us/our-direction/