

A business with
social objectives

Southern
Housing
Group 
www.shgroup.org.uk



Value for Money Statement

2015 - 16

September update

We do not distribute our profits – every penny we make is reinvested
in new homes and improving our services



Introduction

For the Group, value for money is principally about doing more, better. We always want to control our costs, but it is equally important for us and our residents that we are an effective, well run social business that delivers good quality homes and services. Our value for money work is about becoming a modern and efficient housing organisation, improving the quality of our services to our customers, building more high quality homes and generating social value where ever we can. Some additional information will be available to the Group in September and the intention with this report is to update it then with further information as this is finalised.

Corporate strategy and value for money

During the year we revised our Corporate Strategy. The changes are relatively small and are designed to take into account changing circumstances and priorities. Our updated strategy was communicated to all staff and is set out in the diagram below.





In 2015/16 we set out a clear list of tasks to achieve improved value for money for the Group. The tasks all clearly link to our corporate objectives above.

2015 VfM Tasks	Value for money improvements
<p>Start work on our transformation programme, Building our Future, to develop an efficient customer-focused, digital by design housing service.</p> <p>Supporting corporate plan objectives Excelling at customer service Offering sustainable services Delivering value</p>	<p>The programme has delivered a new high level operating structure and significant operational improvements. Including clearer accountability, improved business and customer focus and rationalised operating regions from 5 to 2. We are now into the next stage, which will see further structural reforms and linked service improvement and efficiencies. Likely cost savings once implemented are expected to be in the region of £500,000 each year.</p>
<p>Continue to rationalise our use of office space</p> <p>Supporting corporate plan objective Delivering value</p>	<p>We remodelled the fourth and fifth floors of our head office in Clerkenwell, London and have leased space we have vacated to an external organisation, which will generate £400,000 each year. Our strategy for 2016-17 will see us become an agile working organisation. We will reduce our main operating offices to London, Horsham and the Isle of Wight, and will develop existing local facilities into low cost working hubs for mobile staff. This is a long term programme and while there will be some initial set up costs; we expect these changes to start delivering significant financial savings from April 2018.</p>
<p>Generate development funding by moving 160 homes each year from social to affordable tenure</p> <p>Supporting corporate plan objectives Building quality homes Delivering value</p>	<p>We converted 213 homes from social to affordable rent. We have now converted 661 homes from social rent to affordable rent, generating additional rental income of £250,000 per year. We have increased our projected new home building target from 300 to 500 new homes each year up to 2020.</p>

Expand Southern Maintenance Services' (SMS) work into our Thames Gateway region, saving money and improving service quality

Supporting corporate plan objectives

Excelling at customer service

Delivering value

£300,000 per year and increasing satisfaction from around 85% to 95.59%. We are now considering whether we expand Southern Maintenance Services further.

Procure two new value for money repairs contracts

Supporting corporate plan objectives

Delivering value

We completed procurement work on one new contract. The billing structure is radically different to the previous contract, so we do not yet have comparative figures. We do expect a cost saving. To reduce operational risks, we extended an existing contract with a view to re-procuring in 2016-17.

Build a new portfolio of market facing products that enhances the financial strength of our business and provides a wider range of housing options for our customers

Supporting corporate plan objectives

Offering sustainable services

Delivering value

We now have 85 private rented homes with more in our pipeline. This tenure currently generates £622,000 each year and produces a yield of 4.9% on our investment. This is an expanding area of our business and we have made certain that we have staff with the skills to manage this new business strand. As the income from social rented property reduces market rent may prove a valuable source of refunding.



New challenges

As the year progressed we were presented with two new external challenges. These need to be addressed in a way that allows us to continue delivering our corporate objectives. Doing that requires an approach that extracts the maximum amount of value from what we do.

VfM Challenge	VfM solution
Announcement of the voluntary right to buy scheme.	Put in place plans and procedures to manage the process effectively and quickly converting sales receipts into high quality new homes.
Annual 1% reduction in social rents charged for 4 years.	<p>Diversify our product range and increase our development programme, so that new more profitable market facing products act as a hedge to the reduced income from social housing products. We are already working to produce more private rented, shared ownership and outright sale properties.</p> <p>Set a 2016-17 target of making operating savings of £4.5 million per year.</p> <p>Savings of £3 million per year have already been identified.</p>





Our challenges for 2016-17 and beyond

All of our corporate objectives contain a value for money element. Delivering value is one of our overarching Corporate Strategy objectives. Our main VfM aims for 2016-17 and beyond are set out below.

VfM Challenge	VfM Solution
Simplify our customer service operating model to provide better quality services more efficiently.	<p>Embed our new Customer Relations software to enable a more effective and personalised service to our customers.</p> <p>Introduce a new less hierarchical operating structure with new procedures, focussed on providing excellent customer services.</p>
Reduce losses incurred through void property to maximise our income. This will involve streamlining work flows and new, more efficient procedures.	Roll out a new operating structure and new streamlined procedures for managing void property, with a target of reducing average void times to 14 days or less.
Build on the success of Southern Maintenance Services.	Consider expanding the role of SMS into void and cyclical works giving improved value and quality.
Review the structure and working of our Human Resources department to identify ways to work more efficiently and effectively.	Review operating structure of the department to drive improved value.
Maximise the value received from the approximately 30% of our spending which is dedicated to repairs and maintenance.	<p>Work to achieve over time a healthy 70/30 balance between spend on major and cyclical repairs and responsive maintenance.</p> <p>Bring in new customer responsive repairs arrangements for the London area to improve service quality.</p> <p>Procure a new gas appliance safety; servicing and repairs contract to improve service quality for residents across the whole Group.</p> <p>Launch a new, one number, repairs reporting service, which gives us improved control over the cost and quality of the repairs service and improves the customer experience.</p>

Closure of offices and move to a model of just 3 operating offices.	Close offices to reduce our operating costs and in time make more efficient use of our large high street site in Theale that we own outright.
Create a more agile work force.	Roll out technology and processes that enable an agile housing management workforce that is not office based and concentrates on delivering services where our residents live.
Build more high quality homes.	We have increased our new home building target from 300 to 500 properties per year, up until 2020. We have the resources to deliver this objective and our development pipeline indicates that the objective will be met.
Manage our assets better.	We will use our new Keystone software together with finance information to make better informed asset management decisions.
Reduce costs through sensible efficiency savings.	We aim to cut around £4.5 million from our annual operating costs, to help offset the government rent reduction.

Keeping Track

The table below is our Value for Money Score Card. It contains what we think are the key VfM indicators for the Group. We are members of HouseMark and we benchmark our results against the G15 group of housing associations. We choose this benchmarking group because its members are similar to us. We find that the information set below gives us a clear view of where we are achieving good VfM and where we need to improve our performance.

Value for Money Score Card

Process Performance	2015/16	2014/15	2013/14
Management cost per home	£ 1,560	£ 1,303	£ 1,230
Average re-let days for empty homes	28	30	43
Rent loss between lettings	0.4%	1.1%	1.5%
Social rent arrears as a % of annual rent due	3.22%	3.7%	3.51%
Customer Satisfaction	2015/16	2014/15	2013/14
Overall satisfaction with services	73%	75%	81%
Satisfaction with repairs and maintenance	81.8%	94%	96%
Maintenance & Repairs Costs	2015/16	2014/15	2013/14
Total housing management cost per Property*	£497.00	£557.24	£567.65
Total cost per property of responsive repairs*	£954.00	£930.54	£871.62
Average repair cost per property	£218.00	£222	**
Total cost per property of major works and cyclical maintenance*	£714.00	£920.18	£981.96
Major works cost per property*	£590.19	£641.57	£702.95
Cyclical maintenance cost per property	£278.61	£279.00	£233.43

Overheads	2015/16	Quartile	2014/15	2013/14
Total overhead costs as a % of turnover	12.2%	2	11.2%	10.0%
Cost of Finance Department as a % of turnover	2.17%	3	2.10%	2.14%
HR Costs as a % of turnover	1.44%	3	1.30%	** %
Cost of IT as a % of turnover	3.03%	M	2.20%	2.15%
Central Support at a % of turnover	4.46%	2	1.9%	** %

* Costs provided by SHG Finance Department. Costs in previous years provided by HouseMark

** Data not available

The statistics above are trip wires that make us stop and think about actions that we need to take to become more efficient and effective. The overarching picture is of a social business that works reasonably well, but has the potential to do better.

Customer Satisfaction

An overarching statistic that is important to us is how satisfied our customers are with our services? Our wish is to be a top performer, but surveys indicate that whilst our rating is consistently acceptable, we are in the third quartile. So taking action that improves our customer's view of us is a clear priority.

Void losses

Our void losses have improved over time, but our performance still lags behind some of our peer group. We see our void re-let processes as a VfM Hot Spot and our intention is to improve our re-let times to 14 days or less and become a top performer.

Repairs

The cost of our routine reactive repairs is relatively expensive when compared to our peer group, but we spend significantly less on major repairs and cyclical maintenance. So we need to work on reducing routine repairs costs firstly by developing repairs services that are more cost effective and secondly by intelligently spending money on major and cyclical works in a way that will reduce the demand for routine reactive repairs.

Overheads

The cost of the overheads to run our business, are relatively high and increasing. We need to reverse this trend and improve our effectiveness. Our current focus is on transforming departments and closing offices. In the short term we can expect our costs to be higher. Over time the effect of our changes will reduce costs and improve our effectiveness.



Value for money and our business

Our underlying operating surplus, which excludes any profits from the sale of properties, is a good guide to the value being derived from the Group. For 2015/16 our underlying operating surplus from our core activities was £50.3m. This demonstrates that we can operate comfortably without the need to sell homes or other assets.

Income and expenditure account – Group consolidated in £ millions

Year	2015/16 FRS102	2014/15 FRS102	2013/14 UKGAAP	2012/13 UKGAAP	2011/12 UKGAAP
Operating surplus	62.7	64.0	56.3	57.4	35.2
Operating margin	35.3%	34.6%	33.1%	30.8%	25.1%
Net surplus	50.2	34.7	37.3	38.8	17.9
Net margin	28.3%	18.8%	21.9%	20.8%	12.8%

Income and expenditure account, essential core activities underlying net surplus in £ millions

Year	2015/16 FRS102	2014/15 FRS102	2013/14 UKGAAP	2012/13 UKGAAP	2011/12 UKGAAP
Operating Surplus Underlying core activities only	50.3	52.6	42.6	35.5	28.7
Rental activity margin	31%	34.0%	31.0%	27.0%	23.0%



Value for money and our assets

Return on assets is a good measure of how efficiently the Group is using its assets and how operationally efficient it is. There is an upward trend in this indicator showing improved profitability and performance of the Group over time.

Looking at the operating surplus per unit under different categories we see how well different types of housing perform. The returns for the past two years are set out below.

	2015/16			2014/15		
	No of units	Operating surplus £000	Operating surplus £ per unit	No of units	Operating surplus £000	Operating surplus £ per unit
All social rented housing	19,831	36,113	1,821	20,452	33,811	1,653
Shared ownership housing	2,762	4,965	1,798	3,535	5,302	1,500
Affordable rented housing	926	1,722	1,860	635	961	1,513
Intermediate rented housing	953	4,305	4,517	987	4,697	4,759
Open market rented housing	70	144	2,057	56	24	429

All categories except IMR have an increased operating surplus indicating that we are driving improved return from the housing assets that we own.

The Group has recently invested in new asset management software called Keystone. This stores detailed information on all of our properties, including component renewal cycles with costings. This linked with other financial information will enable us to make accurate assessments of the value of each property to the Group. Using this new approach we will in future be able to identify property units and schemes that are performance outliers and make informed decisions to retain or dispose, invest or change use.





Clamping down on Tenancy Fraud

People obtaining social rented tenancies fraudulently are a drain on housing resources for people who are genuinely in housing need. The Group takes this type of fraud seriously and employs a specialist to investigate cases of fraud and recover property. During the year we recovered 17 properties that were fraudulently occupied. This work is ongoing and we have an active caseload.

Value from Procurement

During 2015-16 the Group entered into 47 contracts for a total contract value of £6.4M. Our procurement activity generated estimated savings of £705,000.

Project Type	N. of Contracts	Overall Spend (ex VAT)	Annual Spend (ex VAT)	Estimated Savings	% Savings
EU Compliant	11	£4,143,540	£3,340,572	£391,175	9.44%
Routine Non-EU	29	£1,663,810	£915,983	£3,177	0.19%
Estate Services Tenders	7	£637,155	£190,871	£310,575	48.74%
	47	£6,444,505	£4,447,427	£704,927	10.94%

Note: Some Reinvestment and Development projects are not part of this Summary.

In addition to financial savings our procurement work gives us an opportunity to improve the quality and effectiveness of our contracts and put in place management arrangements that afford the Group improved control.

Social Value

The Group is committed to using its resources to create strong communities and enhance the lives of its residents. During 2016-17 our social and economic regeneration work concentrated on four main areas of work detailed below. Much of this work is funded directly by the Group and forms part of our operating costs. We also lever in external grants whenever possible.

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SHG0114-SP-0716