

VALUE FOR MONEY (VFM) SELF-ASSESSMENT 2016-17

Colne has reaffirmed its commitment to maintaining an absolute grip on value for money by putting in place a Value for Money framework during the year. This ensures that achieving good and improving Value for Money allows the delivery of the business strategy against our four driving goals:

- To increase our influence in the region by building on our status as a trusted partner, locally and regionally
- To use our strong balance sheet, financial performance and reputation to deliver a range of housing solutions that give rental and affordable home ownership opportunities to people in Essex, Suffolk and beyond; to build homes for market sale in areas which provide the best returns to allow Colne to invest in more affordable homes in East Anglia.
- To continue to provide the best services but in a way which reflects the needs of our customers, based on customer insight, their digital channels of choice and feedback. We will provide high quality, evidence-based support provision where required.
- Deliver our corporate social responsibilities through Colne Community Builders; ensuring that funding directly contributes to the lives of Colne residents and Colne communities.

Colne's headline VFM achievements for 2016/17 are:

- Delivering 176 new homes for people in need in our area
- Keeping our operating margin at 35% or greater (to provide money to invest); we achieved 35.8% margin in 2016/17
- Putting new loan facilities in place at rates that are best in class and will achieve about £300k per year savings in interest payable when fully implemented
- Reducing the office space we occupy and saving £45k or 50% in rent
- Improving procurement of some planned maintenance services and saving 5% of the cost of these by maximising the benefit of our relationship with Eastern Procurement
- Continuing to work with our development partner Icenl and receiving over £110k in gift aid this year as a regular source of additional income to the business
- Reviewing the services we deliver to third parties to evaluate whether there is efficiency in the use of our resources and that these activities are profitable if we continue to provide them

- Investing in training and development of our people to ensure they continue to have the skills they need to undertake their jobs into the future
- Investing in our ICT infrastructure to ensure it is secure, flexible and fit for purpose, and contributes to improved business continuity
- Investing in our new performance management framework to ensure we get the best possible performance from our people
- Investing in the support services we provide to Colne residents and other people who live in our communities to enable more individuals to continue living independent lives in their homes
- Investing in resident scrutineer development to enable our residents to help us to shape services according to need
- Launching a campaign to count our VFM achievements in terms of the numbers of new homes we can build

Colne's headline VFM plans for 2017/18

Colne's value for money 2017/18 plans are a direct reflection of our goals. In financial benchmarking terms Colne fares well against its peers. This means that the Board will focus on strategic drivers that deliver the greatest value for money for Colne whilst applying sound business judgements to efficiencies day to day. The key plans for 2017/18 are:

- Building on the successful Icen partnership model, we will add to our strategic alliances with Local authority partners and others to explore options for shared back office support services delivery to achieve greater efficiency
- Develop our disposals and staircasing policies to enable better use of our assets
- Delivering a model for an open market sale pilot in the year to achieve additional capacity for building affordable homes
- Developing needs based Customer service offers that apply more resource to our most vulnerable customers
- Evolving our services online to improve efficiency
- Continue to work with our development partner Icen to achieve further gift aid
- Maintain a good operating margin and our credit rating to ensure we can continue to access cheaper funding
- Ensure that budget and business planning considers VFM at its heart
- Continue saving money on the interest we pay on our loans having refinanced the most costly part of it

- Discontinue providing unprofitable third party services to release resources for core business activities
- Review our private sector lease model and improve its profitability
- Launching a revised approach to procurement and contract management to ensure we undertake this key activity as efficiently as possible
- Procuring our cleaning and grounds maintenance services more effectively saving at least 5% on costs
- Procuring our legal services more effectively, saving at least 5% on costs

OUR APPROACH TO VFM

In July 2016 the Board approved our Value for Money framework which sets out the approach we are taking to embed achieving VFM in all that we do. We launched a new initiative towards the end of the year which measures VFM achievements in terms of new homes or contributions to them. This is being rolled out and monitored in 2017/18.

Colne has set stretching key performance targets which support the approach of “doing the right thing in the right way”. The value for money perspective on these can be found in our published self-assessment which can be found at www.colnehousing.co.uk/vfm .

During 2017/18 Colne will focus on achieving value for money against three categories:

Economy	→	spending less
Efficiency	→	spending well
Effective	→	spending wisely

VALUE FOR MONEY - COMPARISON OF COSTS

It is important to us to understand how our costs of service delivery compare with other RPs and we do this through using the Global Accounts data available through the HQN Housing Finance Excellence Network and through Housemark which brings in the service delivery aspects of our performance.

The following data was provided by the HCA to show how our costs per unit compare with the sector as a whole.

Entity	Closing Social Housing Units Managed	Headline Social Housing costs CPU £k	Management CPU £k	Service charge CPU £k	Maintenance CPU £k	Major repairs CPU	Other social housing CPU £k
Colne Housing Society	3,066	2.88	1.21	0.28	0.52	0.49	0.39
Sector level data							
Upper quartile		4.35	1.32	0.60	1.18	1.08	0.45
Median		3.57	1.02	0.36	0.97	0.81	0.21
Lower quartile		3.12	0.74	0.24	0.79	0.54	0.08

Entity	% Supported housing	% Housing for older people	Provider type	Region	ASHE regional wage index (England = 1)	Group
Colne Housing Society	5.3%	11.5%	Traditional	East of England	1.00	Colne Housing Society
Sector level data						
Upper quartile	4%	15%				
Median	1%	8%				
Lower quartile	0%	4%				

For the 2015/16 financial year our social housing costs per unit at £2.88k compared favourably with the sector as a whole where the data shows the threshold for the top (i.e. most efficient) quartile is £3.12k. The main reason we compare well to other providers is that our stock profile is the majority of stock was constructed after 1975 and this means that the large and costly repairs required to older properties are not required yet. However we are keeping our stock condition data under review in the context of long term financial planning.

ACHIEVEMENT OF 2016/17 VALUE FOR MONEY PLANS

Most of our value for money objectives from the 2016/17 plan have been achieved. During the year we made a conscious decision to postpone some of the procurement items so that when undertaken these could benefit from our refreshed approach to procurement.

The critically important asset management strategy which drives value for money benefits from our assets was delivered in the year.

The objective to reduce interest costs was not achieved in year but we successfully obtained £75m new funding following a tender process. This is being drawn down to refinance our more expensive loans during 2017/18.

The detail against each of the items in the 2016/17 plan can be found in our published self-assessment which can be found at www.colnehousing.co.uk/vfm.

ASSETS AND VFM

We seek to achieve a balance between the achievement and continuation of homes being 'decent', within a framework of scheme and neighbourhood investment decisions. If achieved, all assets should ultimately be desirable from a customer perspective, able to sustain long term tenancies, cost effective to manage and maintain and make a positive financial contribution. In turn, Colne will maximise its capacity to invest in new homes.

The underlying theme to which Colne is committed is that of good, sound management of our asset base to ensure that we maximise housing provision and are not diverted by reacting to short term initiatives. The Board is committed to ensure that the business of providing affordable housing is exercised in the most efficient and effective way and thus embraces the responsibility that it is Colne's business plan and customer base that are central to our strategic Asset Management objectives which are:

- To maintain our asset base - our homes and neighbourhoods
- To protect the underlying value of assets
- Not to invest in assets that have completed their lifecycle
- To recycle assets to maximise the organisation's delivery of its objectives
- Based on a cost/benefit analysis, improve the energy efficiency of our assets and so reduce our residents energy costs
- To continually deliver best VALUE FOR MONEY
- In delivering our investment programmes, use our asset spend to maximise sustainable investment in local labour
- By managing our existing assets well maximise our growth and development capacity
- To use our data and systems intelligently
- To promote the use of sustainable materials working practices and best environmental practice through all of our asset management activities

The stock age profile of our owned and managed stock is as follow:

Built since 2010	812 units
Built 1990-2010	1,398 units
Built 1970-1990	677 units
Built before 1970	58 units

The relative young age of our stock has a profound impact on the need for expensive repairs and replacement of elements and this is the main reason our repairs costs are low compared to our peers.

Our Asset Management Strategy identifies that our top performing assets amount to around 80% of the total stock owned. Our medium performing assets are another 13% of the total leaving just 7% of our assets requiring detailed options reviews followed by specific decisions to either invest in these assets or dispose of them, whichever brings the greatest return.

Planned Programme Investment

Our Asset Management strategy indicates that an average cost per unit per annum (pupa) over the next 30 years of c. £900, this includes investment in external areas, which we estimate as around £200 pupa. At around £1,100 pupa average investment, this is directly in line with sector benchmarks for future planned elemental investment to maintain our stock in good condition.

Our replacement lifecycles for building elements are set out below, but in order to plan programme delivery efficiently and effectively we need to allow some modest flexibility on these timescales to smooth programmes elementally, group work geographically and ensure financial viability:

Building Component	House and Bungalows (years)	Flats below six storeys (years)
External Decoration	Appraised at 5	Appraised at 5
Electrical tests	5	5
Kitchen	20	20
Bathroom	25	25
Electrical systems	30	30
Electrical heating	20	20
Wall structures	80	80
Brickwork	30	30
Wall finish	60	60
Building Component	House and Bungalows (years)	Flats below six storeys (years)
Roof	50	30
Chimney	50	50
Windows	40	30
External Doors	40	30
Boiler	15	15
Heating distribution system	40	40

ASSETS AND COMPLIANCE

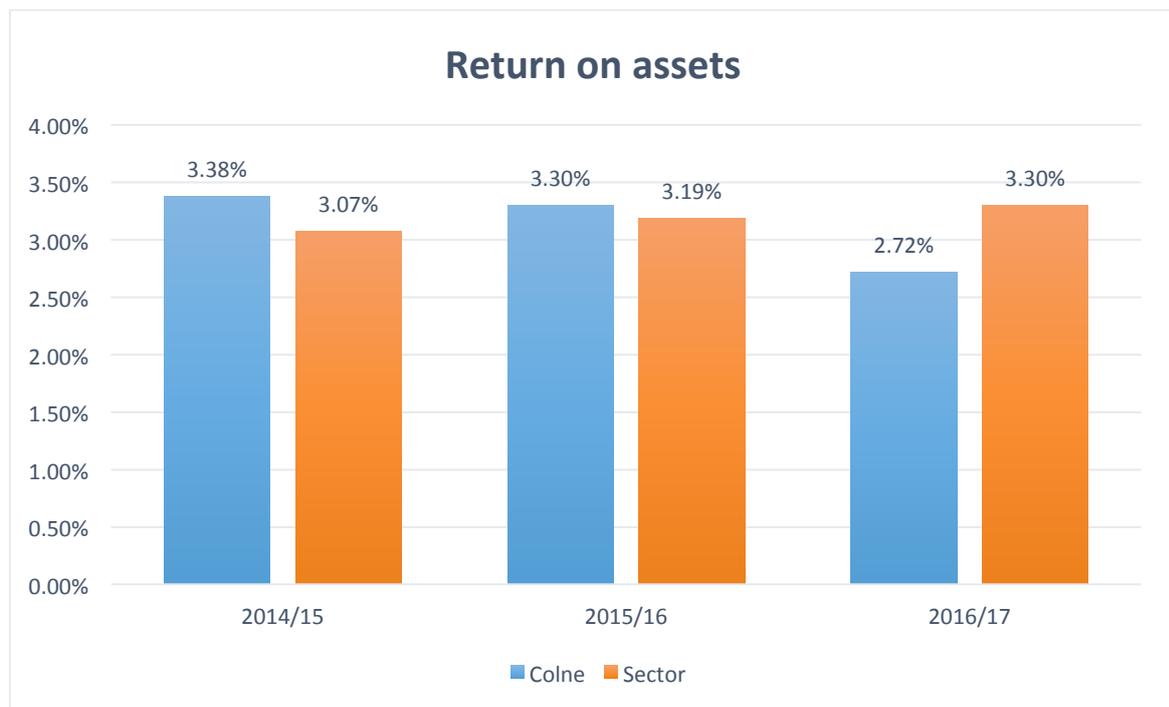
We have targeted compliance as a key area for cost saving but not to the detriment of our customers safety. We have worked to streamline the service offering and providing larger volume to fewer contractors thus cost saving, but also allowing for a more efficient service and quicker turnaround times from work commencing to completion. This has played a key role around fire risk assessments to sheltered schemes and has allowed planned programs to be created. Communication has been fed to customers to demonstrate this and this has been well received.

Our customer satisfaction has also been a key area of success achieving above the Colne KPI target and regularly achieving this on a monthly basis. Customer satisfaction is now in all our contractor meetings as an agenda item to make sure we are doing all we can to exceed targets and provide customers with a better service year on year.

FINANCIAL RETURN ON ASSETS

This is the measure we use to compare at the high level how we are using our assets (measured by the book value in the financial statements) to generate surpluses on our social housing lettings.

We have seen an appropriate trend improving trend over the past five years given our stock development program which indicates that we have managed costs whilst increasing income. Our return on assets performance as compared with the sector average is as shown below.



Colne Housing return on assets compared with the sector

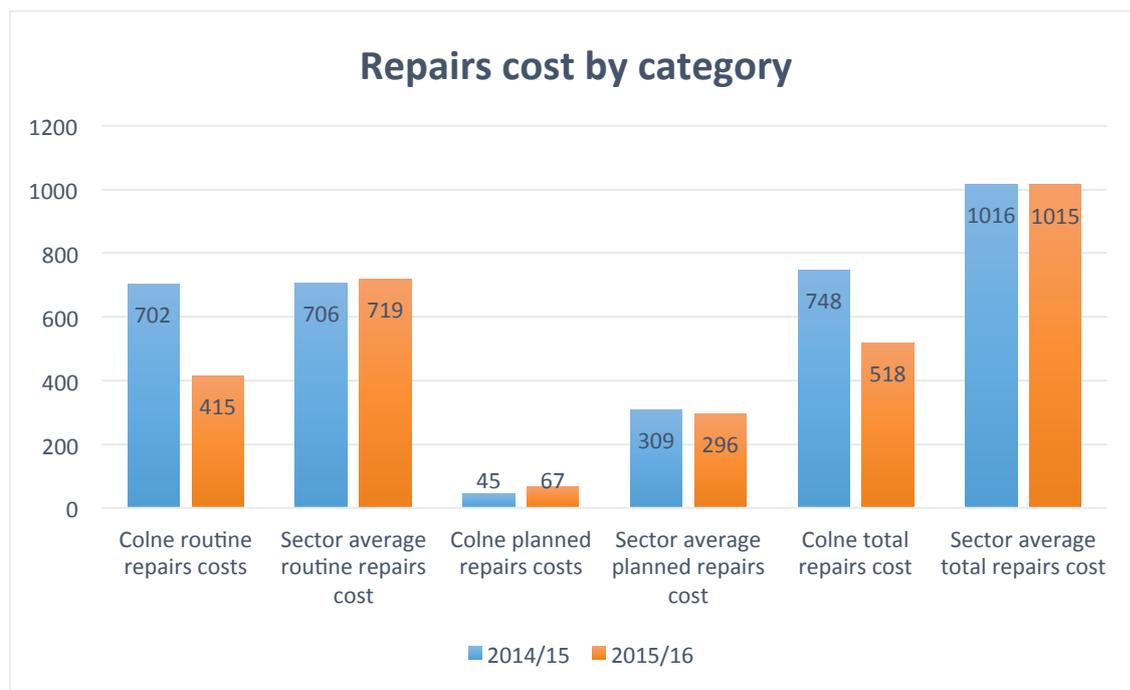
Colne’s refreshed Asset Strategy is a direct response to the need to have an absolute grip on value for money. Its intent is to spend well, when required and to understand the performance of its assets to drive improvements in business capacity. During 2016/17 one disposal (Neirholme) has been achieved. Ark consultancy completed a stock appraisal, and identified 170 Grade C properties. We have a target to review all grade C properties in 2017/18 to decide to either dispose of them or invest in them. All of the capacity released will fund greater delivery of new homes.

The program of fire risk assessments for sheltered housing blocks is annual and ongoing, and will cost £30K in 2017/18. The program of works resulting from these fire risk assessments is expected to cost £45K in 2017/18. Colne has invested £60k in fire risk assessments for general needs blocks in 2017/18. The investment required in respect of any works required will be assessed in year.

ASSETS AND INVESTMENT – ROUTINE MAINTENANCE AND MAJOR REPAIRS

A review of asset spend at Colne versus the sector average has been completed and key conclusions from this analysis are that our spend and service provision in respect of responsive repairs, voids, gas and other Mechanical and Electrical plant maintenance and compliance are better than the sector average.

This was further confirmed in the summary of organisational headline social housing costs per property provided by the HCA, which showed Colne’s maintenance and major repairs costs per unit as better than the lower quartile (i.e. most efficient) threshold. The details of our performance are shown below.



Repairs cost per unit – Colne compared with the sector

Set out below are average cost benchmarked against average sector rates:

Year	2014-15	2015-16	2016-17	3 yr average	Ark
No of Social Housing Units (from ASAP)	2449	2449	2449		
No of units (inc Leasehold)	2766	2766	2766		
Responsive repairs	£402	£403	£440	£415	£380
Voids	£121	£126	£139	£129	£190
Gas	£120	£128	£138	£129	£134
Cyclical Decs	£31	£34	£167	£77	£50
Specialist M&E	£22	£28	£29	£26	£116
Planned Investment	£258	£293	£251	£267	£1,130
SUB-total	£955	£1,012	£1,165	£1,044	£2,000
Leasehold stock budget	£17	£13	£8	£13	
TOTAL Expenditure	£862	£909	£1,039	£937	

The key conclusions from this analysis are that our spend and service provision in respect of responsive repairs, voids, gas and other Mechanical and Electrical plant maintenance and compliance is in line with sector averages. Our services provide reasonable value for money (£750 – £800 ppa) and we can expect these to continue at a similar level as the asset management strategy moves forward.

However, the analysis also shows our relatively low investment in planned work due to the low age profile of our stock. This is averaged at around 24% of the sector average over the last three years as our asset's increase in age this strategy needs to deliver a significant change at a level of planned investment moving forward.

ASSETS AND PROCUREMENT

Our membership of the EP provides regular and comprehensive annual testing of value for money for all elements of our expenditure on asset management. This ensures that the unit costs we are achieving for the elemental programmes (kitchens, bathrooms etc.) are market competitive. Each year we provide the upcoming capital works & work with EP to try and lower cost or provide better quality to the tenants at the same cost. Specifications of works are also looked at yearly to make sure we are providing customers with the best possible quality of fixtures and fittings but also keeping up to date with ever developing fixtures and fittings.

The planned program for 2017/18 is providing further component areas to target such as roofing and carparks; this allows for further improvement of assets and longer lifespans of the assets in which Colne have.

EP has procured the following additional frameworks in the year under review:

- Compliance framework
- DLO services DPS

In year Colne will continue its positive relationship with Eastern Procurement (EP). It uses its position on the Board to influence improvements for procurement in the

region and during 2017/18 this will include extending the EP service offer. In real terms it is forecast that Colne will achieve up to 5% savings on planned preventive maintenance contracts overall.

Through the gas servicing re-tender completed in 2016/17 Colne seeks to achieve a saving of £17k per annum - £51 k over the life time of the 3 year contract through the EP model.

Colne will re-tender its cleaning service in 2017/18 and will seek to improve quality whilst driving efficiency through transparent consultation. Colne currently has three service providers for its cleaning services. It is proposed to make the cleaning service more efficient and reduce costs by appointing a single contractor for all cleaning services including general needs, shared ownership and supported housing. Resident satisfaction for cleaning communal areas achieved 65% (Star Survey January 2017). Resident consultation will be undertaken as part of the procurement plan; residents will be to influence the specification and consider cost versus quality. Colne is planning to use the EP framework agreements to improve cost by an estimated 5-7%.

In 2017/18 Colne will review of its approach to contracts and procurement, particularly outside of the EP model to assess whether there are more efficient and effective ways of procuring goods and services.

SERVICES TO CUSTOMERS AND VFM

Colne has committed to continue to provide its core services in the best and most effective way possible in the year ahead. This means reassessing some of its more marginal business streams to assess whether these should stop, start or continue during the year. This reflects a commitment by the Board to release capacity to deliver more and to focus on providing core services to a high standard. As part of this work the Board will continue to look at strategic partnerships that make sense and add capacity and value. Colne will also develop its appraisal model for considering shared service opportunities.

As we continue to evolve and develop our services and our understanding of our costs we will be able to work with our customers to enable the use of technology to deliver self-service and digital communication. This will save costs and enable growth in stock numbers without the expected increase in costs.

In year Colne will review its private sector lease model and assuming the business stream continues, we expect to improve on current cost margins of 5%.

Colne's target within its Business Strategy 'Enabling Independent Living' is to develop three new Customer Service Offers. The new Customer service offers will fundamentally change the way we deliver services; this will involve a move away from a traditional service model, to a new service model that is tenure blind and customer needs lead. We term these options hands on, hands off and arm's length. Our customer profiling reveals that our customers only want to have contact with us when they need us, and that one size does not fit all. Our STAR survey in January

2017 said 87% of customers accessed Colne by telephone and 8% of customers used on-line services. We will be process mapping our customers' top three services during 2017/18 to prepare for digitalisation of services and prepare customers to channel shift.

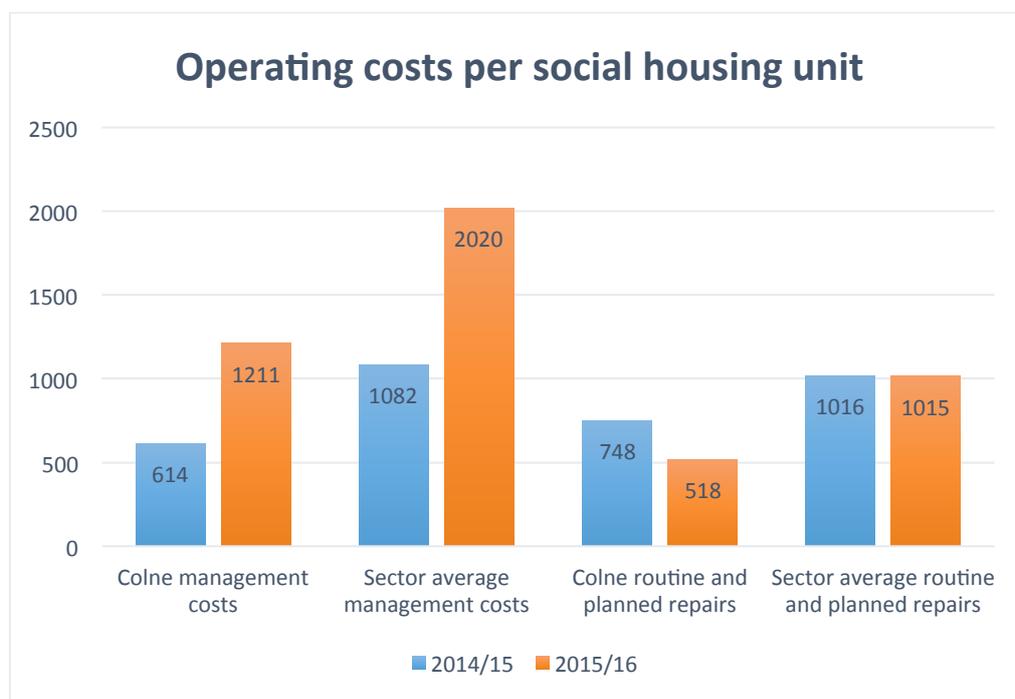
By using our customer profiling information we are able to identify which customers are more independent and able to self-serve. Colne will invest in a digitally based offer which is fast, efficient and effective but which will seek to optimise resources to achieve better value. This will allow more time to focus on the Customers who are most vulnerable and need more support; they will receive a hands on service that fully understands their needs and the complexities that come with those needs.

Resident support work will continue to focus on fuel poverty initiatives and training and skills to improve return to work or work opportunity. The additional income that has been achieved for our residents by the work of the Welfare Reform Officer for 2016-17 is £232,407. Our approach will continue to be to work with our residents who are impacted by welfare benefit changes.

This enables more financial capacity for our customers and improves their ability to pay their rent and so keep rent arrears down.

Community Investment activity will focus specifically on apprenticeships, training and capacity building with outcomes providing evidence of financial self-reliance. Colne has facilitated 44 Apprenticeships and 16 Traineeships in 2016/17 through Qube Learning achieving social value.

Using the data available through HQN we have undertaken further analysis by comparing ourselves to traditional RPs (i.e. excluding LSVTs); this data is set out in the tables shown below.



Operating costs per unit – Colne compared with the sector

HOUSING MANAGEMENT COSTS

Colne is reviewing the role responsibilities and functionality of the Operations team in July 2017 in preparation for the new customer service offers. The review will identify any gaps in service delivery but also seek to maximise efficiency in service delivery. The number of staff needed to deliver the front of house customer service team, will change as we model our new customer service offers and move to a needs lead service. Currently our repairs calls are being handling by our repairs contractor; this situation is currently under review, as we consider future options for procuring our repairs service. Any increase to front line service delivery receives a thorough and effective challenge before agreement; service managers have to submit a business case to the Executive Team with evidence of rationale and customer insight information for any growth in staff numbers. We seek to absorb functions within existing roles and work with partners who may be better placed to deliver the service at lower costs. This was supported by the move to zero based budgeting last year.

We are not complacent. There is ongoing work with the teams to ensure that we have clear systems and processes in place to capture future cost expenditure and profiles. There will be a re-tender of the cleaning contract during 2017/18. We will be working closely with customers to identify the service provision and with EP to support the tender process. In line with our procurement for repairs we have seen significant reductions in prices for re-tendered contracts. Our target is to achieve a 6–10% reduction in costs. We work closely with EP to ensure that the contract renewal will provide value for money, and will enable strong measures to be put in place for contract management and performance.

CARE AND SUPPORT AND VFM

We are re-modelling the delivery of our Care and Support services to respond to the cessation of Essex County Council Housing Related Support funding at the end .of 2016/17 financial year; the reduction is £80k. The Colne Board agreed to cross subsidise 50 % of the reduction in support costs to our customers. The intent is to pass on the full reduction during 2018/19.

An independent review of our care and support service was undertaken during May 2017 following completion of Phase 1 of the Care & Support service. A new Older Persons Housing Strategy is being developed to plan the implementation of Phase 2 of the re modelling. The re-modelling will have to take in account the reduction in funding, customers and staff will be fully consulted.

INCOME COLLECTION AND VFM

Benchmarking of our services through Housemark highlights key strengths in our income performance. Whilst these costs are indicated as high cost when considered against peers for 2015/16, Colne has continued to show top quartile performance without increasing staffing resources in 2016/17. Housemark 2016/17 performance data shows Colne is 5th in its peer group for the KPI Current Rent Arrears as a %

rent due (excluding voids) with performance at 2.48% compared to the median score for peer group is 2.63%. The challenges faced by the Income team will become greater with the Welfare Reform and the roll out of Universal Credit begin to impact our customers. Our learning from the pilots across the UK have indicated that rent arrears will increase. We are implementing a pre-tenancy service in April 2018 which will help to identify most at risk of financial difficulty.

We have a fulltime Welfare Officer who takes referrals from the team for customers who maybe experiencing financial difficulty with paying rent to provide debt advice and maximise any benefits they may be entitled too. The additional income that has been achieved for our residents by the work of the Welfare Reform Officer for 2016-17 amounted to £232,407.

In July 2017 we began testing an upgraded version of our arrears recovery software to provide a more automated approach to our working practices. We anticipate that once the new system has been embedded it will allow our Officers to be more proactive in collecting income and enable them to focus on complex case work. This approach also supports our overall strategy for mitigating the risk to our income stream posed by Welfare Reform changes, which are ongoing through to 2020. In addition to working with our DWP and Local Authority partners in our operating areas, we are ensuring that our teams receive training and up to date information, specifically on the roll out of Universal Credit, to equip them with the skills and knowledge they will need to effectively support and signpost our customers.

VOIDS AND PERFORMANCE IMPROVEMENT

Performance in our voids lettings management has reduced compared to the previous year; it took an average of 37 days to relet our properties at end of Q4 2016/17 whereas until the end of June 2016 Colne was achieving its 19 day re-let target.

We have experienced issues with our repairs contractor's performance and a high number of variations in costs. We will continue to negotiate these costs but we are planning to re-procure our repairs service in April 2018. Our customer satisfaction KPI for the Repairs service achieved 84% at the end of 2016/17.

We have reviewed the voids process in order to improve performance. We aim to return to our pre June 2016 performance position of 19 day letting target during 2017/18.

OVERHEADS AND VFM

The Board have recognised that the cost of debt is the biggest single number in the Colne cost structure. Its priority in year will be focussed on refinancing its most expensive debts to reduce the cost of that debt which in turn will release increased financial capacity to do more.

The estimated reduced cost of debt once the refinancing program is complete is approximately £300k per year and this contributes to increased capacity for building new homes.

As a resilient company Colne aims to keep operating margins at 35% and to maintain a credit rating of at least A+.

Colne benefits from the reduction of cost in relation to its development activity. In year it seeks to achieve £140k gift aid back from IcenI to allow it to re-invest in more homes. We received £116,161 gift aid in 2016-17.

Colne’s Board has approved an ICT Strategy that will invest to save. Its intent will be to reduce resources to achieve more. In year this will include investing in optimising Omni (the housing management platform) to reduce the administrative burden on rent collection and improving “touch button” KPI data to support decision making and business assurance. We will also start to develop our digital customer offerings around the most frequent reasons customers contact us.

A legal services re-tender is expected to achieve a minimum of 5% savings against current costs.

An organisational development programme will focus on performance, values and behaviour change. Training for staff will focus on capacity building to ensure that Colne people are highly skilled, fleet of foot and are able to influence spend and savings in a way that achieves value and drives improvement.

OUTCOMES (NEW HOMES) AND VFM

Central to our asset management strategy is the growth of our asset base, providing new homes for new residents to meet housing need. We develop new housing through our joint venture development agent, IcenI Homes. They will develop multi-tenure schemes on our behalf to provide a portfolio of social rented, shared ownership and open market sale properties; this maximises new housing provision within our operating area and invests our surpluses from the careful management of our existing asset base. We exceeded our development target of 150 new homes in 2016/17 and delivered 176 new homes.

Tenure of new property	
General Needs	129
Shared Ownership	47
	176
Location of new property	
Chelmsford	89

Colchester	55
Tendring	13
Uttlesford	19
	176
Size of new property	
1 Bed	52
2 Bed	105
3 Bed	19
	176
Configuration of new property	
Flat	127
House	48
Bungalow	1
	176

We will review our Development Strategy in 2017/18 to ensure it sets out clear priorities where the opportunities exceed the capacity to deliver new homes and we need to make choices between developments of different types in different areas.

Colne will deliver an Open Market Sales pilot proposal in 2017/18. We will apply a proportionate and cautious approach to this to ensure that a move into the sales market is right and adds measurable value back to Colne to allow us to continue to build affordable homes in our local areas.