

Northampton Partnership Homes **Value for Money Statement**

2017 - 2018



Introduction

At Northampton Partnership Homes (NPH) we strive to generate value in all we do. Our vision is “to provide homes which enable people to live happy and healthy lives in enriched communities”. To deliver this vision, it is essential that value for money (VfM) is central to our business.

Our key strategic priorities are:

- to deliver and maintain high quality homes and estates;
- to deliver high quality customer focussed housing services;
- to improve empowerment, opportunity and access for all;
- to develop and maximise partnerships to build stronger, safer and thriving communities in Northampton; and
- to be an open, inclusive, effectively managed and trusted organisation.

We believe that VfM means obtaining the maximum benefit from the resources available to meet the needs and aspirations of our tenants and leaseholders. This requires us to be effective in how we plan, manage and operate our business.

We think of VfM in terms of the following equation:

$$\text{VfM} = \text{cost} + \text{performance} + \text{quality}$$

Cost = the price paid for what goes into providing a service such as the cost of salaries, materials and other resources.

Performance = a measure of productivity. For example, how much is produced relative to the inputs.

This is associated with:

- staff performance;
- service delivery; and
- the efficacy of the procurement and management of contracts.

Quality = a measure of the impact achieved, which can be quantitative or qualitative. Quality is associated with outcomes for customers, primarily their satisfaction, which can translate to the social value achieved.

NPH does not believe VfM is solely concerned with achieving the lowest cost, we therefore maintain a strong focus on improving services for customers and reinvesting gains into the delivery of front line services. VfM is highest when there is an optimum balance between all three elements.

Executive Summary

Over the past year we have delivered VfM across NPH services in: performance, asset management, housing services, repairs & maintenance and procurement.



Satisfaction with overall service went up by 4% in 2017/18 to 76% compared with 2015/16.



Satisfaction with neighbourhoods went up by 4% in 2017/18 to 72% compared with 2015/16.



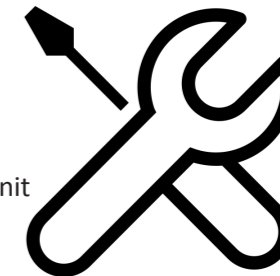
Satisfaction with overall quality of home went up by 4% in 2017/18 to 69% compared with 2015/16.



Value for money for rental income went up 12% in 2017/18 to 78% compared with 2015/16.



Headline social housing cost made a saving of £601 per unit compared with 2015/16.



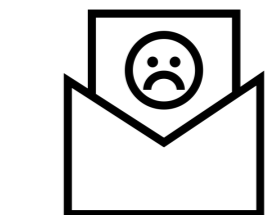
Satisfaction with repairs and maintenance service went up by 5% in 2017/18 to 72% compared with 2015/16.



Staff cost per unit went down by £18 in 2017/18 to £790 compared with 2016/17.



Around £519,000 savings made through procurement activity in 2017/18.



Evictions in 2017/18 are at their lowest level since 2014/15.

Value for Money 2017/18

VfM Indicators and Critical Success Factors

As an arms-length management organisation (ALMO), NPH is wholly owned by Northampton Borough Council (NBC). The performance of the Housing Revenue Account (HRA) is where overall financial performance can be demonstrated. This statement therefore uses metrics that take account of HRA performance and position, within which NPH’s accounts are the fundamental contributor. For example, the HRA has an annual revenue cost of approximately £27.1m (2017/18 business plan) and NPH had a budgeted management fee of £26.3m to enable the delivery of housing services across Northampton.

NPH was set up to provide and improve housing services. On transfer of the housing function from the Council to NPH, certain performance measures were put in place to monitor progress. These measures are the Tier 1 and 2 performance indicators that NBC review quarterly and annually. These are the critical success factors for NPH and feature in the metrics below.

Overall NPH Performance

	2015/16	2016/17	2017/18	2018/19
	Actual	Actual	Actual	Target
Headline Social Housing cost, £ per unit	4,778	4,521	4,177	4,000
% satisfied with overall service	72%	N/A	76%	80%
% satisfied with value for money of rent	66%	N/A	78%	80%
Return on assets (HRA)	7.3%	4.8%	TBC	TBC
Staff cost per unit	801	808	790	<i>No target</i>

Satisfaction with service and the value achieved from rents received are strategic, critical success factors. Tier 1 and Tier 2 performance measures include all service level satisfaction and cumulatively these result in the two satisfaction measures here. They are measured using the national Survey of Tenants and Residents (STAR). The last survey took place in October 2017 and there will be a mini, interim STAR carried out later in 2018. Improvement in these measures is clear when compared to the base position from 2015/16 which was the first year of operation for NPH.

Combine this improvement in service with the headline social housing and staff costs per unit reducing and it is clear that more has been delivered for less in the last 3 years. This is despite the need for investment in housing management and repairs services where the cost per unit has increased slightly as you can see in the sections below. We aim to continue the improvement in satisfaction and drive down the overall cost of delivery.

We recognise that while progress has been made the levels of satisfaction are still not where we would like them to be. When benchmarking externally against the best performing organisations we still have work to do in this area. Over the last three years, HouseMark recorded the median score for these indicators as between 85% and 90%.

Asset Management and Investment

	2015/16	2016/17	2017/18	2018/19
	Actual	Actual	Actual	Target
% satisfied with overall quality of home	65%	N/A	69%	75%
% satisfied with major repair team doing the job expected	N/A	N/A	88%	90%
Capital spend, £ per unit	2,706	2,322	2,052	2,093
Reinvestment % ¹	9.3%	5.9%	4.4%	4.6%
New Supply % ²	0%	0.1%	0.3%	0.7%

We have developed our programme of investment and regeneration over the past few years. The basis of this is to deliver a “whole home, whole neighbourhood” approach to regeneration in a systematic way. The rationale for this approach is that the internals of the stock base are in good condition, having recently gone through the Decent Homes Programme, however there has been a general lack of investment in the structures and externals of the stock. It therefore makes sense to improve a whole neighbourhood at a time, rather than taking a piecemeal approach across the whole portfolio. Of course this does not stop investment in essential works to areas that are later in the programme. Works will always be completed to ensure that homes and estates are safe, secure and comfortable.

Satisfaction has again improved here. 4% more tenants surveyed are satisfied with the overall quality of their homes than was the case at the start of the management agreement. As with the overall NPH picture, this increase in satisfaction has been achieved while reducing the cost of capital spend per unit of the service. In reality, most of the reduction is reflective of reducing rents and budget available following the Government’s four year programme of 1% rent reductions. However, it is pleasing to see that improvement in satisfaction has been made while spending less.

2018/19 will have a higher investment into new housing provision, which is why we see an increase in the capital spend numbers on the previous page. This is also demonstrated by the new supply percentage measure. The reinvestment percentage fluctuates depending on the programme of investment into existing stock. 2015/16 saw a large investment with the budget set prior to the announcement of the 1% rent reduction. That announcement led to the budget being restricted but as stated on the previous page, despite the lower investment cost we have seen satisfaction improve. Over the coming years and with more certainty now on a return to increasing rents, we should see this percentage start to rise again with both investment into current stock and new supply.

Investment in current and new stock is obviously important to the long-term viability of the HRA, but it is also essential for social value generation within Northampton particularly when considering the provision of new homes. There is currently a net loss to social housing across the Borough because the number of homes lost to Right to Buy, exceeds the number of new homes being built. This comes at a time when there are over 2,500 households on the housing register. We see it as one of our key responsibilities to reverse this trend by building new homes and adding to the net social housing stock. Plans are being developed to ensure that resources are available and in the right place so that NBC and NPH are able to maximise opportunities to add to Northampton's housing stock over the coming years.

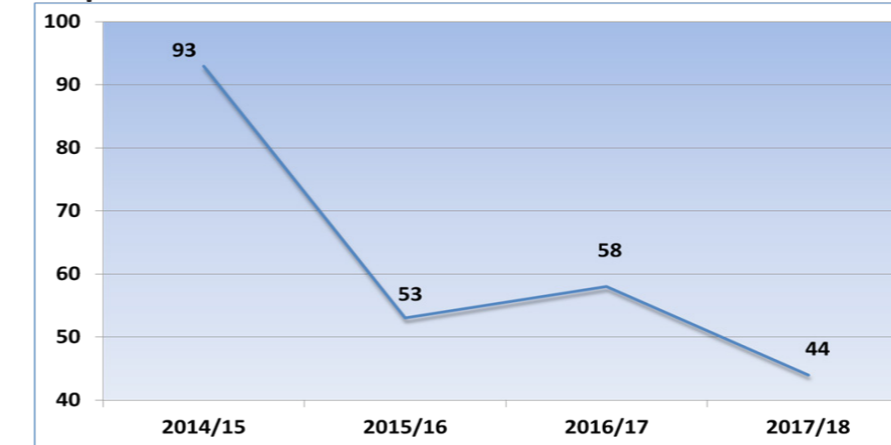
Housing Services

	2015/16	2016/17	2017/18	2018/19
	Actual	Actual	Actual	Target
% satisfied with neighbourhood	68%	N/A	72%	75%
Housing management cost per unit	937	1,020	1,037	1,033
Current tenant rent arrears (CTA) %	1.95%	2.01%	2.25%	3.0%
Former tenant rent arrears (FTA) %	0.79%	1.08%	1.11%	No target
CTA and FTA write off as % of rent roll	0.45%	0.51%	0.38%	No target

There has been a sustained improvement in satisfaction levels for housing services over 3 years, albeit for a slight increase in costs. Following creation of NPH, investment in the service has been much needed. The services delivered in this area are wide reaching and despite the increase in cost, it is clear that more is being delivered. Housing officers provide increasing levels of support with social issues that were previously dealt with by other Council budgets. It is impressive therefore that satisfaction continues to improve and highlights the quality of our team. Housing Management services are focussed on support and sustainment, which are key to ensuring value is achieved. The financial and social cost of tenancy failure by far exceeds the cost of working with tenants to sustain their tenancies into the long term.

Evictions in 2017/18 are at their lowest level for a number of years further evidencing the desire to see tenancies sustained.

Graph: Number of annual evictions



The Rehousing Service has a built in process to identify applicants with support needs through the allocation system. This enables the support team to develop a package of support at the earliest stage to help new tenants gain the necessary skills to sustain their tenancy. We have also been working with NBC and other social landlords on housing schemes such as Rentplus.

Tenancy management has dedicated ASB and support services. Support can be given to tenants both at times of immediate crisis and for longer periods ranging from six months to two years. Both teams are working towards nationally recognised accreditation.

Future work will see Housing Officers working with tenants to develop neighbourhood plans, profiling their neighbourhoods and taking action to tackle issues that are important to tenants.

During the year we have re-procured two large service contracts; one for Estates Services and one for Grounds Maintenance. These contracts are an investment into the future and were not in place at the time of the last satisfaction survey. They are cost neutral to NPH, but VfM was a key part of the procurement process.

The arrears position, and debt levels have an impact on value. The more rent collected, the more resource we have available to invest through the HRA. Although the rent collected during the year (collection rate) has increased, the arrears indicator shows a decreasing trend. To put this into context, it's important to understand that the biggest impact on collection rates in the last few years has been the Government's

welfare reform programme. This includes the introduction of Universal Credit (UC). All new benefit claimants in Northampton will start to receive UC in November 2018, which is expected to result in a further increase in the arrears percentage during 2018/19. Data from housing providers in regions where UC has already been introduced shows an initial increase in arrears. The longer-term implications and whether this will eventually lead to increased bad debts is largely unknown. Although we have seen an increasing arrears measure over the last few years, on the whole this has not resulted in higher bad debt to date and you can see from the write off indicator above that this has actually reduced in 2017/18. The arrears percentage also still benchmarks well and is above the median for HouseMark 2017/18.

Repairs and Maintenance

	2015/16	2016/17	2017/18	2018/19
	Actual	Actual	Actual	Target
% satisfied with repairs and maintenance service	67%	N/A	72%	75%
% satisfied with repairs team doing the job expected	N/A	N/A	89%	92%
Repairs service cost per unit, £ per unit	1,077	1,084	1,112	1,038

The trend of increased satisfaction continues with the repairs service. Costs per unit have increased slightly over the three years although this is due to reducing stock numbers rather than the cost of the overall service. Budgets have been adhered to and stock unit numbers have reduced as a result of Right to Buy. As with the other services however, satisfaction levels are below benchmark median positions, so we strive to continue to make improvements. The targeted (and budgeted) position for 2018/19 is to reduce the cost per unit of repairs. We expect to meet this target.

Satisfaction with the repairs team doing the job expected is a new measure. It helps us identify where we might be able to improve. At 89% satisfaction, performance is strong and when compared to satisfaction with the overall service, it leads us to conclude that we do get the repair done and when we do it is to a satisfactory standard. This is reassuring in that we have a good quality of tradesperson carrying out repairs. Work will continue to close the gap between these two measures. Initiatives are in place to look at repairs booking processes, which includes adding an online channel for reporting and booking repairs.

The voids process has been an area of focus during the year. Managing voids well achieves higher VfM by reducing the cost of getting properties back to lettable standards. Voids work has been incorporated into a newly formed voids control team. The process has been streamlined and this has resulted in a reduction in void properties and an increase in performance of £500k saving in void rent loss from our position in the previous year.

Procurement

Driving efficiencies in procurement activity creates one of the greatest opportunities to improve VfM at NPH. The function plays a key role in delivering VfM for all works or services we buy in from external companies. We have developed and embedded a procurement strategy which has VfM as one of its key objectives. The strategy was reviewed and refreshed at the end of 2017/18 and was approved by the Board in March 2018.

The procurement function is a central resource that supports all areas of the business with the whole process of procuring any contract required to deliver their services. This support includes the initial appraisal of options for delivering the work or service, developing specification and procurement documents, setting the tender evaluation criteria and assisting throughout the tender process until the contract is awarded.

Our approach to assessing value is to focus on the elements of each contract that are of most importance to the service area. This could be cost, service delivery improvements, efficient processes, risk management or social value, then to develop tender evaluation criteria that is weighted according to the importance of each for that particular contract. We don't have a standard price / quality split or standard evaluation criteria, as the factors are different for each contract.

Any efficiency delivered through the procurement process through cost reduction, process efficiency or any other factors, are captured and recorded centrally. A total cost saving of £519,000 was delivered through procurement activity in 2017/18. A summary of the key projects is given below.

- The re-procurement of the van fleet delivered a saving of £127,600. This was through a reduced lease cost and a reduction in the number of vehicles.
- The managed agency staff contract delivered a saving of £49,500 through lower rates.
- The gas servicing contract procured in 2015 continues to deliver year on year savings of around £140,000 in comparison to the previous contract.
- Energy supply contracts for communal areas delivered a saving of around £55,000 in comparison to the previous NBC contracts.

Other initiatives

Organisational Restructure

During 2017, we undertook an organisation-wide restructure to meet the demands of the Government cuts in rental income. Although prior to 2017 we had made savings through procurement, service reviews, reductions in support costs, and efficiencies in service delivery, there was still a significant savings target to be met.

The restructure focussed on 7 key principles:

- review all service areas;
- protect front line services;
- focus on management positions, including the Executive Management Team;
- review management layers and spans of control to ensure consistency across the organisation;
- remove overlaps and duplication between teams;
- avoid redundancies wherever possible by managing vacancies and redeployment; and
- monitor the savings generated to make sure they are sufficient to meet the agreed target of £1.2m.

The restructure was implemented on 1st September and resulted in a streamlined senior management structure, including a reduction in the number of executive directors from four to two. Heads of service positions were also reduced and there was an overall reduction in the cost of management. Service areas were amalgamated to remove duplication and overlap of functions and front line services were protected. The overall savings target of £1.2m was achieved with a minimum number of redundancies by not recruiting to vacant roles and redeploying staff to new roles where there was a suitable fit to skills and experience.

Community Interest Company (CIC)

In 2017/18 our Board resolved to create a CIC to facilitate the effective delivery of community initiatives. In 2018 we will launch the social enterprise subsidiary, Happy to Help.

Happy to Help will maximise the value that we can obtain from corporate social responsibility (CSR) contributions made by our partners and contractors. These will be channelled into Northampton in the form of new services that our customers have said they would like

to see. While Happy to Help will be commercial in outlook, it will also bring social value in the form of volunteering opportunities and environmental and economic benefits as well as helping our tenants sustain their tenancies.

Setting up Happy to Help fits perfectly with one of the founding principles of NPH – to provide additional value to tenants, the Council and to Northampton. NPH was set up to create empowerment opportunities for tenants and by providing them with seats on the Board of our social enterprise; we believe that we’re truly delivering on that promise.

Staff Volunteering

One thing that makes NPH stand out from other organisations is the generosity and public-spirited nature of our staff. That’s why we’re empowering our teams to support local charities, not-for-profit organisations and social enterprises in Northampton by introducing employer-supported volunteering. This scheme provides staff with the opportunity to volunteer up a day per year during work time. The two conditions that must be met are that the organisation for whom staff volunteer must be a positive force in the community and must be based in Northampton. This allows NPH and our teams to create even more value for the town.

In Summary

We are pleased with the direction of travel over the 3 years since NPH was founded. It is clear by many of the VfM measures above that there has been an increase in value to NPH’s tenants and the HRA in general. Quality has increased as measured by satisfaction and cost has decreased. Performance against strategic critical success factors is strong and we are looking towards improving the long-term value and viability of the HRA.

However, we do recognise that continued progression is essential. When compared to external benchmarks in a number of the areas above we still have much to do. The plan for the coming years is to continue to target improvement in the metrics seen above.

Services that are efficiently and effectively delivered at the right price mean that over the long-term NPH and NBC will be able to deliver happier and healthier communities that support more of those in need and most importantly, provide people with the strong foundation of a home that is essential to furthering aspiration.

(Footnotes)

1. Reinvestment is the cost of investment in current and new stock as a percentage of housing properties book value in total
2. New supply is the number of new units as a percentage of the closing stock for the year.