Value for Money

2016

Great homes. Great communities. Great people.

great places HOUSING GROUP

Contents

Great homes.
Great communities.
Great people.

Overview

Great Places understands the importance of getting the best out of our available resources to provide more high quality homes and a good customer service – thereby demonstrating value for money. We are a profit for purpose organisation aiming to maximise our surplus to enable us to deliver our identified priorities and to attain our vision of **Great Homes, Great Communities, Great People**.

Put simply: The more efficient we are the more resources we have to **a)** build new homes, **b)** improve existing homes, **c)** improve our services and **d)** fund other key corporate priorities.

For us, delivering value for money is an integral part of our overall strategy to deliver our corporate objectives, rather than as an add-on or standalone activity. Our Board regularly monitor progress against the 3-Year Corporate Plan, designed to **a)** ensure we maintain an emphasis on delivering core objectives, **b)** assist in becoming a more economic, efficient and effective business, **c)** provide openness and transparency, **d)** help us react swiftly and appropriately to the key challenges being faced.

During 2015/16, Great Places has continued work to embed our vision and values and our corporate priorities, which together provide a clear route map for a successful future, a focus on what matters most, and an emphasis on being a profit for purpose organisation.

Improving VFM is central to this view and is embedded in our vision, including 'maximising our investment in sustainable homes', in our values, including 'we promote partnerships, efficiency and value for money', and in our corporate priorities, which have value for money as a specific objective.

With this clear focus on what matters most, 2015/16 was a successful year with highlights including:

1| Record turnover and surplus

2| Significant increase in both overall customer and repairs satisfaction

3| Best ever arrears performance and record low void-loss

4| 462 new homes built and record property sales performance

5| Target met or exceeded for 9 outof 10 Critical Success Factors

The sections below provide more detail for each theme referred to above.

Where we have benchmarked our performance it is with a group of 25 organisations who are similar in terms of size, geography, stock and tenant profile. We have consistantly used this group for benchmarking purposes for a number of years and it consists of the following:

Comparator Organisations

- Accent Group
- Accord Group
- Adactus Housing Group
- Chevin Housing Association
- Cobalt Housing
- Contour Homes
- East Midlands Housing Association
- Equity Housing Group
- Friendship Care and Housing
- Irwell Valley Housing Association
- Isos Housing
- Johnnie Johnson Housing Trust
- Leeds Federated Housing Association
- Liverpool Housing Trust
- Longhurst and Havelock Homes
- Mosscare Housing Group
- Muir Group Housing Association
- Nottingham Community Housing Assocation
- Orbit Group
- Regenda Group (The)
- Riverside Group
- South Yorkshire Housing Association
- Stonewater Group
- Two Castles Housing Association
- Yorkshire Housing

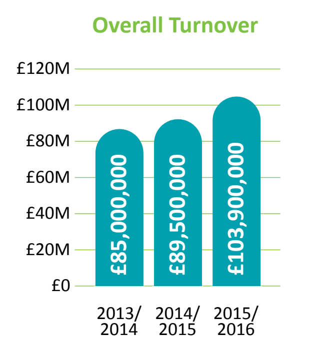
Overview

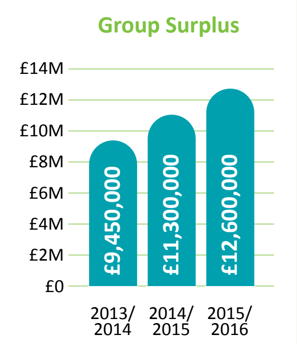
1 | Turnover and Surplus

If we compare the increase in our turnover and surplus since 13/14 then the surplus increase is 34.4% while the turnover increase is 22.2%, clearly demonstrating the impact of improved efficiency and reduced levels of costs. Underpinning details include:

- Turnover (excluding Joint ventures) was £103.9M (2014/15 restated: £89.5M) with the increase due primarily to the levels of outright sales and first tranche sales achieved.
- For 2015/16, the Group achieved a surplus after tax of £12.6M, an increase of (£1.3M/10.9%) over the surplus achieved in the year to March 2015.
- Social Housing lettings turnover increased from £78.5M (restated) to £82.9M (5.6%).
- During 2015/16 Great Places continued its very significant commitment to new and existing homes with nearly £70M invested in building new homes.
- £15M of expenditure facilitated nearly 2,300 programmed improvements to almost 1,700 properties in the existing portfolio, whilst there was also £10.8M outlay on the Group's responsive, relet and servicing maintenance activities. This included investment in the repairs material distribution centre of c£0.3M.

Great Places again allocated nearly £100M to grow or improve the homes it provides.



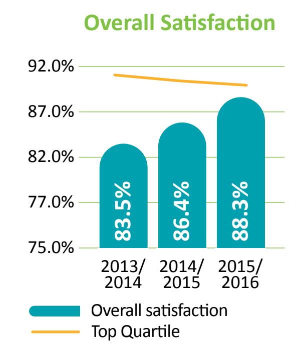


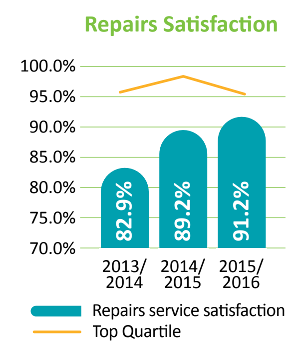
2 | Customer and Repairs Satisfaction

Top Quartile for our peer group in respect of Overall Satisfaction has reduced from 90.6% to 89.3% (a performance decrease of over 1%) while over the same period Great Places overall satisfaction has increased from 83.5% to 88.3% (an improvement of 5%).

Top Quartile for Repairs Satisfaction has reduced from 96.0% to 95.3%, while over the same period Great Places repairs satisfaction has increased from 82.9% to 91.2% (an improvement of 8%).

The increase in repairs satisfaction is driven by a big improvement in the time taken to complete repairs which was down to an average of 15 days for the last quarter of 2015/16.

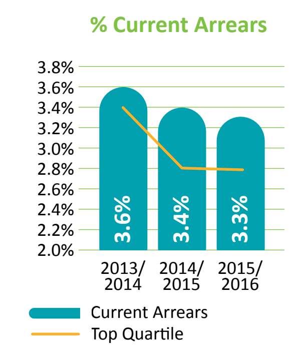


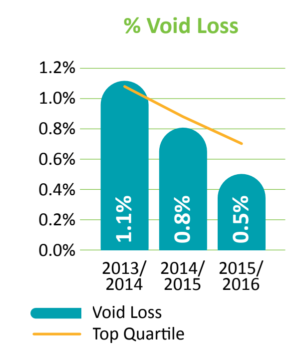


3 | Arrears and Void Loss

Great Places arrears performance has improved from 3.6% to 3.3% over the past 3 years and when compared to our 14-15 year-end position, the financial savings based on that improved performance amounts to almost £70k, and compared to our 13-14 year-end position we are better off by around £150k each year.

While top quartile for Void Loss has improved, Great Places also continues to improve year on year and remains comfortably better than top quartile. The financial savings based on our improved Void Loss performance for 15-16 amounts to almost £135k.





4 | Growth/New Homes Built/Sales

During 2015/16, Great Places saw a net growth of close to 900 units representing an increase in properties owned or managed of over 5%. Around 300 properties were disposed, handed back to landlords or staircased. There were 150 first tranche and outright sales. Around 1,100 new homes were brought into management – nearly 500 through development and around 600 through management arrangements at Tribe, Parkhill and with Sheffield Housing Company. During 2015/16 Great Places has therefore not only grown to 18,000 properties, but is well on the way to achieve 19,000 homes, and this ongoing growth underpins the Group's realisation of economies of scale.

We are responding to Government Policy on Homeownership and with 115 completions during 2015-16 Great Places, through its Plumlife brand, achieved an unprecedented volume of Shared Ownership sales. This was against a target of 79 and gave a total sales receipt for 2015/16 of £8.5M, exceeding budget by £3.5M. The average time to sell each home (from build completion to sale completion) was 15 weeks and customer satisfaction was 94%. Plumlife also sold 34 homes for outright sale for Cube and 100 new homes were sold as part of a contract with Matrix Homes (Manchester Housing Investment Fund). It is worth stressing that the proceeds from Plumlife sales and the profit from Cube, which is gift-aided, are ploughed back into the social business for us to do more around our purpose and objectives.

5 | Critical Success Factors

During 2015/16, Great Places focused on 10 critical success factors, key indicators which together give a clear overall picture of the health and the performance of the business. **In summary:**

Critical Success Factor	2014-15	2015-16 Minimum Target	2015-16 Stretch Target	2015-16 Actual Result	
Overall Satisfaction	86.4%	88.0%	90.0%	**88.3%**	Achieved
Repairs Satisfaction	89.2%	90.0%	92.0%	**91.2%**	Achieved
Satisfaction with quality of home	80.6%	84.2%	87.8%	**81.4%**	Missed
Group surplus before tax	£10.7M	£11.2M	£11.2M	**£12.6M**	Achieved
Current Arrears including HB	3.4%	3.8%	3.2%	**3.3%**	Achieved
Average re-let times (days)	28.5	27.0	24.0	**23.9**	Exceeded
Development programme completions*	730	301	301	**368**	Exceeded
Maintain G1 and V1 Ratings	Maintained	Maintained	Maintained	**Maintained**	Achieved
Average days sickness per employee	9.1	8.0	7.4	**7.1**	Exceeded
Number of households into work	44	70	100	**129**	Exceeded

* HCA programme. Overall development completions 462.

- We missed one minimum target (Quality of Home satisfaction) although performance improved on the previous year;
- For the 3 success factors with no stretch target, we have exceeded the minimum target (Surplus, Development Completions, and Retain G1/V1)
- For a further 3 we have exceeded the minimum target and improved performance (overall satisfaction, repairs satisfaction, and arrears)
- For the final 3 we have exceeded both the minimum and the stretch target (re-let times, sickness absence, and households into work)

Great Places key cost and performance trends are summarised in the VFM table below:

VFM highlights	2011 /2012	2012 /2013	2013 /2014	2014 /2015	2014 /2015 restated	2015 /2016
Financial VFM indicators						
Operating cost (excluding cost of sales) per home	£3,371	£3,129	£3,268	£2,993	£3,188	£3,488
Management cost per home	£810	£820	£881	£822	£791	£871
Planned and routine maintenance cost per home	£651	£607	£598	£597	£597	£584
Rent void loss per home	£75	£74	£80	£66	£66	£48
Housing management VFM indicators						
Current rent arrears	4.1%	3.5%	3.6%	3.4%	3.4%	3.3%
Relet times - general needs properties (days)	27	25	34	28	28	24
Resident satisfaction - overall	86.9%	88.2%	83.5%	86.4%	86.4%	88.3%
Resident satisfaction - repairs	92.1%	92.2%	82.9%	89.2%	89.2%	91.2%

Benchmarking

Top Rated G1/V1 by the Homes and Communities Agency

As well as monitoring our absolute costs and our performance, and how these change over time, we also understand the importance of the comparative costs of delivering specific services. We are contributors to the full suite of HouseMark benchmarking clubs and our monthly Balanced Scorecard report shows comparative graphs for a range of indicators of costs and performance, using the tailored and bespoke benchmarking 'family' referred to above. These are then used as key drivers for strategic decision-making and for ensuring assets are performing well, that we are delivering high quality cost-effective services and we are focused on what matters most in seeking improvement.

COSTS

HCA National Data

Entity	Social Housing Units Managed	Social Housing CPU (£K)	Management CPU (£K)	Service Charge CPU (£K)	Maintenance CPU (£K)	Major Repairs CPU (£K)	Other Social Housing Costs CPU (£K)
Great Places HA	15,077	3.06	0.94	0.29	0.68	0.86	0.28
Sector Level Data							
Upper Quartile		4.30	1.27	0.61	1.18	1.13	0.41
Median		3.55	0.95	0.36	0.98	0.80	0.20
Lower Quartile		3.19	0.70	0.23	0.81	0.53	0.08
Quartile		Best	2nd	2nd	Best	3rd	3rd

The table above was issued by the regulation of housing providers around unit costs in the Julian Ashby letter to Chairs on 8th June 2016. This clearly shows Great Places as an efficient organisation with costs under control and largely in the best-performing quartiles.

Key points include:

- The key drivers for 'Other Social Housing Costs' are mainly marketing costs in Plumlife and development costs in GPHA.
- We are comparatively big spenders around major works but this is a priority area linked to improving the quality of our homes.
- The Understanding Unit Costs paper from the HCA identifies Supported Housing as a key cost driver. With a comparatively high proportion of Supported provision within our stock we should be high cost.
- The figures provided are for Great Places Housing Association. If we consider the Great Places Housing Group position our headline costs reduce to £2.74k
- If we track back, our unit costs were over £4k in 2009/10.
- If we look forward, our unit costs for the Group will increase slightly to £2.80k for 2015/16, largely driven by an increase in SHPS pension liability.
- However by 2019/20 our Group unit costs will be down to £2.58k which is a 6% headline reduction and a decrease of 15% in real terms.

The table below shows cost information in relation to our Housemark family Group:

Benchmark Group Data

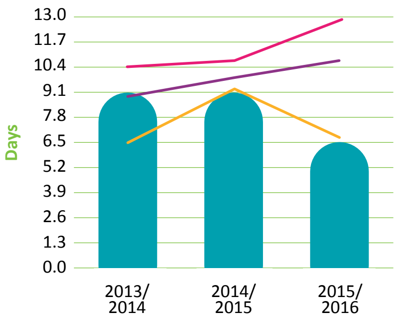
Entity	Social Housing CPU (£K)	Management CPU (£K)	Service Charge CPU (£K)	Maintenance CPU (£K)	Major Repairs CPU (£K)	Other Social Housing Costs CPU (£K)
Great Places HA	3.06	0.94	0.29	0.68	0.86	0.28
Average for Benchmark Group	**3.94**	**0.85**	**0.51**	**1.02**	**0.71**	**0.85**
Upper Quartile	3.23	0.68	0.32	0.80	0.55	0.19
Median	3.60	0.82	0.43	1.10	0.70	0.28
Lower Quartile	3.88	0.99	0.58	1.22	0.98	0.45
Quartile	Best	3rd	Best	Best	3rd	2nd

PERFORMANCE

In terms of benchmarking our comparative performance, the tables below show our position against peer organisations in respect of 6 out of 10 of our organisational Critical Success Factors.

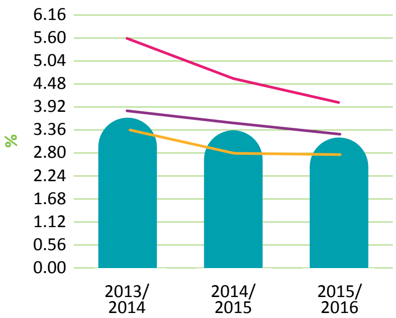
Overall satisfaction and surplus are referenced in the Highlights section above, and the remaining two (maintain G1/V1 and Number of households helped into work) don't lend themselves to any kind of sophisticated benchmarking.

Average working days/shifts lost to sickness absence per employee



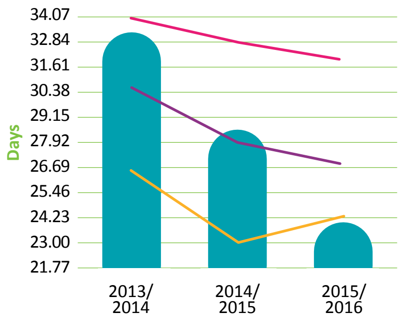
	2013/14	2014/15	2015/16
Kpi Value	9.1	9.1	7.1
Upper Quartile	6.7	9.3	7.6
Median	8.9	10.0	10.8
Lower Quartile	10.4	10.9	12.8
Sample	25	25	13

Rent arrears of current tenants as % rent due (excluding voids)



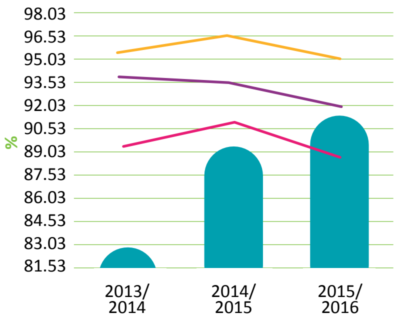
	2013/14	2014/15	2015/16
Kpi Value	3.59	3.42	3.32
Upper Quartile	3.41	2.88	2.85
Median	3.80	3.66	3.46
Lower Quartile	5.60	4.71	4.11
Sample	25	25	16

Average re-let time in days (standard re-lets)



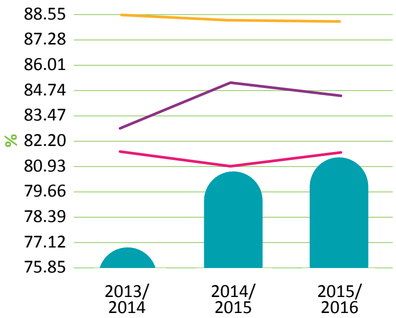
	2013/14	2014/15	2015/16
Kpi Value	33.40	28.50	23.90
Upper Quartile	26.50	22.89	24.47
Median	30.90	28.10	26.91
Lower Quartile	34.04	33.28	32.17
Sample	24	24	15

Percentage of residents satisfied with the most recent repair (own survey format)



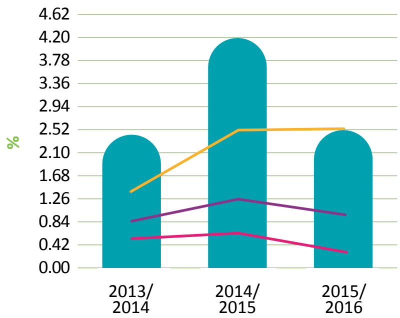
	2013/14	2014/15	2015/16
Kpi Value	82.90	89.20	91.20
Upper Quartile	95.40	96.58	94.98
Median	93.90	93.15	91.90
Lower Quartile	89.40	90.55	88.65
Sample	21	22	13

Tenant satisfaction with the overall quality of their home



	2013/14	2014/15	2015/16
Kpi Value	77.00	80.60	81.40
Upper Quartile	88.50	88.30	88.33
Median	83.00	85.00	84.60
Lower Quartile	81.80	81.00	81.50
Sample	21	23	22

Affordable units developed as % of current stock



	2013/14	2014/15	2015/16
Kpi Value	2.44	4.23	2.57
Upper Quartile	1.46	2.48	2.57
Median	0.90	1.34	0.99
Lower Quartile	0.62	0.79	0.35
Sample	23	25	13

During 2015/16, we have improved our performance for each of our 10 critical success factors, with the exception of affordable units developed.

This is obviously influenced by external financial factors but we are still in the top quartile for our peer group. By increasing our stock numbers by over 5%, through a combination of disposal, management arrangements and new build, we continue to have a good understanding of our assets and this is used to inform business decisions and to progress our corporate priority around business growth.

Embedding a Strategic Approach

Having a strategic overarching approach to VFM, and making decisions to ensure we make the best use of the Group's resources, is not new for Great Places and the significant improvement in financial performance and quality of service delivery over recent years is prime evidence of success in this regard.

Improving VFM is viewed as a sign of good governance in action, as a means of achieving corporate objectives and as a key determinant of business effectiveness.

Over the past year, Great Places has continued to embed a strategic and structured approach to VFM throughout the organisation, including:

- An increased emphasis on **business effectiveness** and value for money. This has helped to clearly define VFM in the context of the Group's purpose and objectives and to communicate this strategic approach in a wide range of ways, including Team Talks, roadshows, articles in the staff newsletter, announcements on the intranet and specific blogs from the Chief Executive and Directors. This is about more than a one dimensional 'on a page' strategy, but ensuring that it permeates everything we do.;
- This is particularly manifest in **Building Greatness**, our efficiency philosophy which includes, amongst others, a revised improvement methodology based around systems thinking, capturing procurement savings, a greater emphasis on professional standards, changes in working practices and team restructures. Building Greatness is overseen by a high level board, chaired by the Chief Executive, and is about improving efficiency and effectiveness to ensure we remain focused on achieving the savings articulated in our revised Business Plan.
- The scope, role and responsibility of our strategic **Great Value** group continues to be wide-ranging and challenging, now considering broader VFM issues beyond its original remit of procurement. This re-launched group, chaired by the Director of Finance, has representation from all parts of the business, with 3 principal objectives: **a)** to provide overall assurance on all aspects of the delivery of efficiency and improving business performance, **b)** to drive the efficiency agenda across all parts of the organisation, and **c)** ensure that savings quoted are real and hit the bottom line. Great Value now has a much greater profile, generates a better general understanding of the relationship between quality, cost, the needs of customers and the objectives of the organisation, and has become the group which acts as the '**guardian of the savings**.'
- The introduction of a small focused number of **critical success factors**, linked to corporate priorities and with minimum and aspirational stretch targets, helps to ensure performance management is focused on what matters most. Regular reporting against these critical success factors, and other measures of strategic achievement, has helped to increase the understanding of costs and outcomes including financial indicators, performance against target and trend analysis;
- During 2015/16 Board approved a new Business Systems Strategy developed to provide **a)** a modern portfolio of integrated services with infrastructure & systems that are reliable, efficient & minimise waste **b)** the right tools for colleagues to allow them to do their jobs effectively, including mobile working **c)** improved data quality **d)** increased options for customers to directly access our systems & to self service. Roles & responsibilities were re-aligned within the Business Systems team to ensure the delivery of these objectives and to embed further efficiencies througout the business.
- Increasingly we are focused on understanding the **return on our assets** as measured in terms of financial performance, customer satisfaction and environmental impact.
  Our maintenance costs have reduced despite an enhanced investment programme which is targeted on evidence-based priorities. During 2015/16 we sold over 75 properties which no longer fitted our desired stock profile, due to problematic location, issues of poor stock performance, and/or issues of cost. We now have a clear strategic approach to divest less profitable business streams and an asset management-led programme of property disposals.

91%
of customers were satisfied with our repairs service

85%
satisfaction with neighbourhood

88%
overall customer satisfaction with Great Places as a landlord

- We have **reviewed the structure and resourcing** of a number of key functions including social investment, and management teams in Development, and in Supported Housing. Changes are designed to ensure the most effective and efficient service delivery.
- Ensuring that factors **generating social value** are maximized, including debt advice, apprenticeships and financial inclusion, with an emphasis on getting our tenants into work.
- Our Executive annual plan is designed to further **embed VFM in everything we do,** and incorporate Business Efficiency into all of our processes. We do this through a steady stream of communication, by reporting regularly to Board, including a consideration of VFM in our report template so that all papers to any of the Executive Team, Committees and Board have an assessment of cost, quality and meeting customer need.
- During 2015/16 we opened our own **Distribution Centre** having identified that the material supply chain was a critical area of the repairs service that needed to improve. Feedback from customers was that we often couldn't complete repair jobs as we didn't have the right parts and this had negative impacts on the overall service with increased calls from customers having to chase us for updates; lost productivity from operatives who had to travel to locate materials; lost control over the prices charged from third party suppliers; increase in the planning and rebooking of jobs not completed; one off invoices that came into the system etc.
  The distribution centre has addressed these issues and we are already seeing significant efficiencies around waste disposal, fuel, and costs of materials and expect to benefit from savings resulting from increased productivity.

Through our strategic approach, VFM is incorporated into all decision-making with an acknowledgement that we cannot deliver our vision and values without delivering VFM. We always seek the optimum of low costs, high performance and high levels of customer satisfaction.

Achievement of Savings and Planned Savings for Future Years.

Having completed a revised business plan in October 2015, we have identified a number of explicit cost-saving assumptions. In putting together the budget and business plan for 2016/17 onwards, it has been possible to determine which of those immediate cost saving assumptions have actually been turned into real budget savings. We also regularly review progress against longer cost savings assumptions and efficiencies – where actions may be underway but results will not materialise until subsequent years. The table below is an updated version of the "Achievement of savings identified in the October 2015 revised Business Plan" which went to Board at the end of January 2016.

SCHEDULE OF SAVINGS	2016/17 planned	2017/18 planned	2018/19 planned	2019/20 planned	2020/21 planned	2021/22 planned
CHANGES TO ASSUMPTIONS AND OTHER KNOWN EFFICIENCIES						
SUB TOTAL	£423,000	£776,000	£1,410,000	£2,154,000	£2,525,000	£2,744,000
This includes changes to interest rates and inflation assumptions, bad debts, benefits from disposals, latent defects, fleet reprocurement, Distribution Centre cashable & non cashable savings						
Savings guranteed in the 16/17 budget include: £400k savings achieved on bad debts saving of £150k on fleet costs, savings on waste £60k, fuel £55k & materials £73k, savings of £75k for responsive subcontractors.						
OPERATIONAL SAVINGS TO BE DELIVERED (by Department)						
Supported Housing Savings being delivered in the 16/17 budget include: a management restructure resulting in a reduction of 5.25 FTEs and a reduction in agency staff of £35k,						
Investment Savings being delivered in the 16/17 budget include: asbestos reprocurement saving £50k and a reduction in discretionary payments saving £50k.						
Responsive Maintenance Savings being delivered in the 16/17 budget include: a £19k saving for the out of hours service and a £75k saving from the on-going work of the sub-contractor team						
Housing Services Savings being delivered in the 16/17 budget include: renegotiation of office rents, not filling office based vacancies amounting to almost £300k (11 FTEs), improved voids performance saving £150k.						
Development Savings being delivered in the 16/17 budget include: restructure savings.						
Central Services Savings being delivered in the 16/17 budget include: reprocurement of WAN and printers saves £55k. 2 FTEs vacant posts in Organisational Development left unfilled saving £70k.						
SUB TOTAL	£680,000	£1,840,000	£2,750,000	£3,400,000	£3,900,000	£4,000,000
TOTAL	£1,103,000	£2,616,000	£4,160,000	£5,554,000	£6,425,000	£6,744,000

The contents of this table provide a clear path to achieve the savings necessary to offset the impact of cuts in social rents and enable us to continue to provide quality services focused on improved VFM. It provides clarity over how we will increase operating efficiency over the next five years.

Over
100%
of rent collected
during 2015/16

A quarter of empty
properties relet within
10
days

Over
400
people helped into
employment and training

Improving our Approach to Procurement

The profile of the central Procurement Team has been raised considerably in the past 12 months with the team delivering a large number of successful procurement exercises which ensure compliance, generate cashable efficiencies along with driving social value from the Great Places supply chain.

The influence of the team has also increased substantially in line with the stated ambition to support all procurement activity and with an increasing organisational drive to achieve VFM. In light of budgetary pressures, key role for procurement to play in achieving costs savings while accepting that most of the 'low hanging fruit' has already been realised.

The impact of the team has also increased significantly and the table below details recent procurement activity and the savings expected over the course of the new contract. The total is around £3.5m and the team is actively working to improve our contract management arrangements to maximize the opportunities to achieve these savings in full.

Contract	Savings over the life of the contract	Length of Contract (Years)
Internal audit	£32,000	2
Energy	£156,000	5
IT storage	£58,894	3
Fleet	£370,000	5
Asbestos	£96,039	3
Investment	£1,600,000	4
Telephony	£16,915	3
Major works	£14,805	4
Grounds Maintenance	£800,000	3
Printers	£100,000	3
HCA Audit	£4,800	3
Commercial gas	£100,000	3
WAN (wide area network)	£120,000	3
Total saving	**£3,470,000**	

These savings are particularly high due to some of our highest value contracts being procured this year. An estimate of the total value of all the contracts planned to be procured in the next 12 months is £25million if we assume 4 year contract periods. If the Procurement team delivered a 10% saving that would work out as a total of £2.5 million.

It is worth emphasising that this list does not include the Innovation Chain North West (ICNW) development framework and approximately £90m is spent per annum through this framework by members. The expertise the Great Places procurement team has built up has meant that for this framework we have been able to substantially reduce the reliance on procurement consultancy. The previous ICNW framework cost in the region of £160,000 to procure. For the procurement of the new framework we are on target for the total spend on legal work and cost consultancy to be around £50,000.

£3.47m
savings expected over the course of new contracts

Responding to the Merger Code

At Great Places, we note the publication of the NHF merger Code and we recognise and understand the principles within it. We acknowledge the need for decisions about mergers, group structures and potential partnerships to be more objective than in the past and that merger can provide a clear and demonstrable route for achieving significant VFM savings.

Great Places itself is the result of several successful mergers and we are well aware of the benefits that can be realised. Indeed our growth to where we are now is largely the result of successful alternative delivery methods, with both failing and not-failing organisations. We strongly believe that 'washing line' structures will become a thing of the past and our efficient model, which had been out of favour, now puts us in a strong on-going position and is an approach which helps to draw out the full efficiency potential for organisations working together. We will continue to maintain a similarly objective approach to any opportunities in the future and are actively looking at options around shared services with other organisations.

The HCA understands our position and interest in being on their 'white knight' list and we acknowledge both the opportunities and the risks of following the principles in the Merger Code.

Sweating our Assets

A key driver of increasing our surplus has been a renewed focus on profitability, as higher surplus obviously helps to create financial strength and enhanced cash generation. In addition to the benefits arising from lower interest costs and lower maintenance costs, the Group has several initiatives in place designed to improve our operating margin and this includes actions to divest less profitable business streams and an asset management-led programme of property disposals, as we have moved from an operational to a strategic approach to divestment.

Great Places have developed a robust set of tools that allows us to understand the value of every property we own. A comprehensive suite of KPIs, informed by extensive asset information, enables us to report on each property by Open Market Value, Book Value, Existing Use Value and Net Present Value. By taking account of past and future performance factors such as, planned investment works, demand, energy performance and stock isolation, we are able to identify with some accuracy those properties which perform well and those which don't.

We have identified 168 neighbourhoods across all our General Needs stock (12,500 managed properties) enabling us to see how each is performing against key local indicators such as arrears, voids, relets, turnover, profitability etc. So we know that 3% of our stock doesn't achieve our target profitability over the next 30 years, i.e. under the threshold of net cash receipt, taking into account rent, voids and major repairs.

These properties are highlighted in a monitoring matrix and are analysed further to inform whether we may want to divest or not. Thresholds are applied to indicators which act as triggers for specific properties, buildings or neighbourhoods. Local neighbourhood teams play a key role in helping us to understand issues at play, particularly to feed in 'softer' more anecdotal feedback, and identifying actions required to deal with poor performance. Local context and partnerships also have a role in our decision-making process and, neighbourhood performance as a whole, as well as strategic or historic performance can influence and shape our eventual course of action.
This intelligence is used to identify neighbourhoods and properties which are profitable (or not) and those which perform well and those which don't and this monitoring allows us to identify top performers, but more importantly those which don't and where intervention is required / would be beneficial.
This approach helps us improve the sustainability of our stockholding; identify and sell unsustainable and unviable stock; divest less profitable business streams (e.g. key worker); reinvest sales proceeds in sustainable neighbourhoods; and identify our high value stock so we can decide if and when to make high cash-generative disposals.

Based on these processes and principles, we make informed, evidence-based VFM decisions using relative performance data. We divest where that is the best option, and invest where we wish to address performance in priority neighbourhoods. Key messages across our 168 neighbourhoods:

- Our overall tenancy turnover rate is 8.4% but this exercise has highlighted that one scheme in our Sheffield region has a turnover rate of 40%.
- 13% of our neighbourhoods have an abandonment rate above our current 3.3% average
- The two neighbourhoods with the highest arrears levels, compared to an average of 3.3%, are 13.3% for a neighbourhood in the Fylde Coast area and 10.1% in the Salford area
- With an average re-let time of 23.9 days, the worst 5% of neighbourhoods averaging 64 days

The impact and effectiveness of this sustainability toolkit is shown in that 4 of our top 5 previous worst performing neighbourhoods have improved by an average 22% across key metrics during the past year following specific interventions. Equally, during 2015/16, we used the data to dispose of 77 individual properties which performed poorly.

Other key considerations we use in our approach to assessing our return on investment are:

1 | Analysis by business stream; this shows General Needs and Shared Ownership properties produce strong returns, but Supported Housing and Keyworker less so. As a consequence of this information we have been gradually removing ourselves from the Keyworker business.

2 | Supported Housing comparison – this looks in-depth at contribution, after overheads, for 89 Supported schemes, including Extra Care and Sheltered. It provides a clear sense of which schemes make money and which don't. This then feeds into our Supported Housing strategy and into decisions such as which schemes to actively bid for, which to look to exit from.

We will continue to do more around understanding our return on assets, as measured against our objectives and in terms of getting a better idea of management 'effort' for each property and then costing it, as well as building in external factors such as crime, indices of multiple deprivation etc.

4 of our top 5 previous worst performing neighbourhoods have improved by an average of

22%

Conclusion

2015/16 was a good year for Great Places and there is much evidence to substantiate that. It is clear as the new vision and values have started to permeate all that we do, that there is a shared view of Great Places as a 'profit for purpose' organisation with a strong commitment to prioritise social impact in our activities. Nowhere is this more evident than in our commitment to build new affordable homes, activity we will continue to prioritise, as stated in our corporate plan.

We again claim that a simple output which shows the performance of Great Places standing out from the crowd is in delivery of new homes and growing our business.

Last year, we built 462 new homes and saw a net growth of 900 units, an increase in stock of 5%. Around 300 properties were disposed of, there were 150 first tranche and outright sales and around 1,100 new homes were brought into management – nearly 500 through development and around 600 through management arrangements at Tribe, Parkhill and with Sheffield Housing Company, helping to deliver high quality homes using the investment of others. In terms of what Great Places manages to achieve from its asset base, we consider that we are delivering exceptional VFM

The Board concludes that Great Places is meeting the HCA's regulatory requirement on VFM.

new homes built
in 2015/16

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