THE ASPIRE GROUP

2014 VALUE FOR MONEY SELF-ASSESSMENT STATEMENT

1. INTRODUCTION

It is a regulatory requirement of the Homes and Communities Agency (HCA) that the boards of Registered Providers shall demonstrate to stakeholders how they are meeting the HCA's value for money (VFM) standard, and that they should publish a robust self-assessment which sets out in a way that is both transparent and accessible to stakeholders how they are achieving value for money in delivering their purpose and objectives. In this statement we set out our strategic approach to the delivery of value for money led by the Aspire Group Board and how this underpins our Group Corporate Strategy.

During 2013-14 the Group has faced some significant challenges stemming from the political and economic environment in which we operate, not least the announcement that the current formula for target rent increases will cease from 2015, after which time convergence towards target rents will no longer be permitted. This has been a primary focus of the work that we have carried out during the year to stress test the business plan which is covered in Section 4 of this statement, and this work has been a key driver for the VFM strategy and the efficiency targets that we have set in our 2014-19 Corporate Strategy. Whilst the termination of rent convergence has a significant adverse impact on our business plan and reduces our capacity to achieve the economic and social impacts that are articulated in our corporate aims, our approved business plan has been prepared on the assumption that there will be no further convergence from 2015, and the achievement of significant efficiencies will therefore be necessary in order to maintain a financially robust and viable plan.

Having outlined our strategic approach to VFM and considered the business plan context, the remaining sections of the statement provide information to stakeholders which should enable them to understand how the Group meets the VFM standard, addressing in turn the following key areas:

- How we measure and optimise the return on our assets both in terms of our housing and land assets (Section 5) and the social return on our assets (Sections 6)
- The cost of our service delivery and our performance, both in absolute terms and in comparison to the Global Accounts and our peer groups (Section 7); and
- An overview of our 2013-14 VFM achievements and our future plans (Section 8)

2. VFM SELF-ASSESSMENT

Having considered our approach to the achievement of value for money, the actions that we have taken, and the plans that we have in place for the future, we believe that the Aspire Group meets the requirements of the Homes and Communities Agency's value for money standard. We believe that our self-assessment demonstrates that:

- We have a robust approach to making decisions on how we use our resources to achieve our strategic objectives;
- We understand the return on our assets and we use this information to optimise both the financial and social return on those assets;
- We have a robust approach to the achievement of VFM through the consideration of alternative service delivery models;
- We have effective performance management and scrutiny functions in place which have identified areas for improvement, and which have, in turn, informed our strategic plans, and
- We have a good understanding of the costs and outcomes of delivering our services, with future plans in place for further improvements.

We have identified a number of areas for improvement within this report, all of which have been incorporated into our action plans for the coming year and which will be monitored through regular reports to the board.

3. OUR STRATEGIC APPROACH TO VFM

The Aspire Group is committed to the achievement of value for money in the delivery of all of its services, and VFM is enshrined as one of the key priorities of the Group as articulated in our core value of 'going further by delivering great value'. We have had a formal VFM strategy in place since 2005 and the overall responsibility for ensuring the delivery of VFM rests with the Group Board. The strategy has been comprehensively reviewed and overhauled in 2014 to support our new five year group corporate strategy, and received board approval in May 2014. VFM has been identified as one of the eight key strategies that underpin the corporate plan.

We define value for money as the achievement of optimal value from the use of our resources as measured through the delivery of successful outcomes. As a social regeneration business, our criteria for the assessment of successful outcomes encompass traditional measures such as commercial and financial returns, high performance and high levels of customer satisfaction, as well as the social impact which we will measure with reference to the achievement of our three ultimate aims: "*successful communities, maximising people's potential, and supporting the local economy*".

The Group board is responsible for overseeing the delivery of the strategy, and the board receives regular reports on the progress made towards the achievement of the strategic objectives.

Our approach to VFM is informed by the political and economic environment which in recent years has become increasingly challenging both for us and for our customers. The successful delivery of our VFM strategy will help to ensure the following:

- That we maintain a financially viable business plan, and manage the risks that may threaten our financial viability
- That we provide services that are affordable and valued by our customers
- That we generate capacity for new investment, in particular for the development of new homes

The 2014-19 VFM strategy includes the following key strategic themes and related actions:

Service design and market testing
We will carry out a review of our organisational structures in order to ensure that our organisational design is optimised for the achievement of VFM and efficiency. We will challenge all parts of the business to review how services are delivered and to consider other models of service provision, and whether the service should be delivered at all. This will include service benchmarking and market testing and the potential for the delivery of shared services. We will give serious consideration to the outsourcing of services where we can demonstrate that this will deliver greater value for money.

Asset management
Asset management is central to our VFM strategy, and our asset management strategy sets out our approach to understanding and maximising the return on our assets in order to generate resources for investment in our strategic objectives, and in particular in the provision of new homes.

Resource allocation
Our resource allocation framework will appraise the future financial value of any proposals as well as taking account of non-financial considerations such as social impact and customer value. We will adopt a zero based budgeting approach to financial planning.

Understanding our costs and measuring value
We will carry out cost analyses of each service which will inform service reviews and service design decisions, and we will also review our reporting systems to ensure that colleagues have the right information to enable them to manage our resources effectively.

Benchmarking
We aim to improve how we use benchmarking information in order to assess our comparative performance and costs, to identify priority areas for actions, to aid our

understanding of poor performing areas and to identify good practice learning from other organisations.

Digital by Design
We aim to ensure that all of our services and systems are designed to exploit technology both as a means of enhancing our customers' experience and in a way that delivers real and tangible efficiencies. We will set ambitious and stretching targets for our 'Digital by Design' programme, and expect it to be a crucial element in the achievement of our VFM strategy.

Procurement
Our 2014-19 Procurement Strategy sets out our approach to the achievement of value for money through procurement, both in terms of driving cost reductions and of maximising the quality of procurement outcomes, as well as the positive social impact that we can have on the local economy through our procurement strategies.

Customer involvement
We have a Customer Scrutiny Panel which reports directly to the Aspire Housing Board and has an annual programme of service reviews based on customer determined priorities. We intend to sharpen the value for money focus of these reviews from the perspective of customer outcomes and to drive service improvements based on their findings. We also aim to actively involve customers in value for money activities, in particular procurement, through our Value For Money Customer Group.

External Funding
Over recent years we have been successful in securing external financial resources to help the Group meet its core strategic objectives. We will continue this approach and will seek to attract external funding via bids and contracts from a diverse range of sources in order to bring investment into the Group and to enable us to deliver key priorities.

4. BUSINESS PLANNING AND RISK MANAGEMENT

We maintain a 30 year business plan which provides long term financial projections for the business, based on our current operating base, with prudent assumptions regarding the future behaviour of key variables. This plan accommodates full provision for the cost of maintaining our properties to the required standard based on our detailed and up to date stock survey information, and also reflects our medium term development plans. We use our business plan to model the impact of variances in our key assumptions, and to help us understand and manage the financial risks that the Group is exposed to.

The structure of the Aspire Group, and the financial relationships between the subsidiaries, has been designed to ensure that the social housing business is not exposed to financial risk from the non-regulated subsidiaries. To this end, the Aspire Housing business plan is not dependent on the financial performance of the other subsidiaries. An inter-group loan of £2.75m is in place which represents the acquisition costs of the training companies, and this is supported by a formal loan agreement. From 2014, Enterprising Futures will commence annual capital repayments on this loan. We measure the social return on this investment by the social impact of the services delivered by Enterprising Futures, as set out in section 6, which is fundamental to the achievement of the Group's strategic objectives.

In early 2013 the board requested that a review of the business plan and assumptions be carried out in order to help them understand the resilience of the business plan to major financial shocks affecting key business plan assumptions. Following the announcement of the termination of rent convergence with effect from 2015, the plan was stress tested to assess the impact of this change in policy, and further sensitivity testing was also carried out on combined scenarios, in particular relating to the risk of a significant increase in pension costs. This review identified that the combined impact on the plan of the termination of rent convergence and the potential increase in pension costs was to remove over £60m from the plan over a period of fifteen years. Further work was carried out to explore the efficiencies that would be required in order to maintain the financial viability of the business plan in this event and this work has been used to inform the efficiency targets for management and maintenance costs which are now embedded in the corporate strategy. This work has also strengthened the board's understanding of the risk exposures faced by the business which in turn will inform the value for money strategy going forward.

5. UNDERSTANDING AND OPTIMISING THE RETURNS ON OUR ASSETS

There is an increased expectation that Registered Providers should adopt strategies that optimise the return on their assets in order to generate their own resources for investment in new affordable homes, and thereby to reduce their reliance on public subsidy. Our approach to the optimisation of the returns on our assets is based on the following principles:

- A formal asset management strategy which sets out how we will ensure that our properties are maintained to a high standard and how we will make the most effective use of our properties in the furtherance of our strategic objectives, and
- Operational plans which set out how we will improve the quality of our services whilst at the same time maximising our returns through the realisation of significant efficiencies.

As at 31 March 2014 we owned 8,561 properties, and we managed an additional 529 properties under management contracts with Stoke on Trent Housing Society and Hopkins and Sneyd Almshouse Charity. We also own over 100 commercial properties and c1,300 garages.

We commission an independent valuation of our properties on an annual basis. The most recent valuation (EUV-SH basis) of our properties as at 31 March 2014 was £220.5m, (2013: £217.5m). Increasing the value of our housing assets will provide additional capacity to raise funds for the development of new homes.

New homes provision

During 2013-14 we have developed and acquired an additional 124 homes. We were allocated 92 units in the 2011-15 NAHP programme and all of these units will be delivered on time and within budget by March 2015. We were also able to take up additional grant that other RPs had secured but were unable to utilise, and this will enable us to deliver a further 37 units.

We carry out comprehensive financial appraisals of proposed development schemes taking account of capital costs and future management and maintenance costs. The decision on whether to invest in a development scheme takes account of the projected long term (30 year) financial return from the scheme balanced with the social impact that the scheme will have.

There is a wide range of factors that influences the levels of subsidy required by our schemes to achieve a 30 year payback, such as scheme location, cost of land, rent levels, tenure and property types, and the source of funds. We have calculated that the subsidy required to develop new homes with a positive NPV over 30 years lies in a range from £16,300 to £52,500 dependent on these variables.

We have sought to achieve the best value in developing new homes through the use of a range of procurement methods bespoke to the schemes being developed. This has included using the HCA's Developer Partner Panel for major regeneration sites, joint procurement with partners in the public sector to benefit from economies of scale, and local tenders to small contractors to develop infill sites.

Affordable Rents

In order to maximise new build delivery capacity, Aspire Housing has committed to deliver Affordable Rents on new build and re-let conversions as part of the 2011-15 Affordable Homes Programme, including the conversion of our remaining 2008-11 new build units. In setting a prudent target of 413 conversions (5% of stock) to March 2015 it had been anticipated that Affordable Rents would be challenging in North Staffordshire, where the differential between target rent and Affordable Rent is marginal and in some cases (such as older persons' accommodation) non-existent.

A framework for re-let conversions was approved by the Board in 2012, which required a 15% uplift on target rent in order for an Affordable Rent conversion to proceed. The framework also excluded conversion of older persons' accommodation.

A review one year later indicated that the 15% threshold was too high in the context of the local market and a decision was made to convert any properties achieving a positive uplift above target rent and to include higher demand older persons' accommodation.

Despite the changes made to the conversion framework, it remains likely that there will be a shortfall on our original target of 413 properties, with 235 having been converted to the end of March 2014, although it should be noted that the business plan has ample capacity to deliver our 2011-15 AHP commitments.

The impact of the marginal nature of the Affordable Rent regime in the North Staffordshire market is that it necessitates higher AHP grant rates than in areas where rent and sales values are higher. In order to maximise the level of new affordable homes we build, it is necessary to seek and be supported with HCA grant rates that reflect the challenges presented by local market forces.

Approach to land assets
We own significant tracts of land which are not currently developed for residential use, including garage sites, cleared regeneration sites and other undeveloped sites. We have carried out an options appraisal of the highest priority sites and this has informed our decisions about how we can generate an optimal return.

This includes consideration of the development potential of the land, the market value and the comparative long term returns from developing plots for new social housing or generating receipts for the development of new homes through disposal of the land on the open market. In the absence of development or disposal potential, optimal return on the land can include allocation for beneficial community use.

In 2013-14 we disposed of 5 sites, with receipts of £164k, and in 2014-15 we have plans to dispose of a further 5 sites with projected receipts of £260k.

We are currently developing 23 affordable housing units on 5 Aspire land sites as part of our 2011-15 AHP commitment and have plans to develop a further 8 Aspire land sites for 67 affordable homes through the 2015-18 AHP. These sites are contributed at nil value into the schemes and we estimate that the land subsidy into these planned developments has a value of £1.4m based on a prudent average of £15k per plot.

Investment in existing stock
We have detailed and up to date information on the condition of our housing stock which is based on a rolling programme of stock surveys. This allows us to produce long term (30 year) projections of required stock investment expenditure, and the full cost of these works has been accommodated in our business plan. Every five years, we commission an independent review of our stock survey information and associated cost projections to validate the integrity of the data and the adequacy of the business plan provision.

Detailed return on assets
In order to inform our neighbourhood plans and to make effective asset management decisions as to whether to invest in, re-model or dispose of individual properties, we require a much deeper and more detailed understanding of the value of each of our assets to our business, and the factors that influence that value. To this end we have carried out a comprehensive review of the performance of our stock and have calculated a net present value, based on existing use, for each of our housing properties, reflecting factors such as rent levels, turnover, demand, and management and maintenance costs.

This work indicated that the overall average 30 year NPV of our housing properties was £16.5k per unit, however there is a wide spectrum of values dependent on location, condition, market value and other factors, in a range from -£14.5k to £38.7k.

A positive outcome of this work was confirmation that our targeted approach to investment resulted in only 53 properties (<1% of the stock) having a negative NPV, these being non-traditional properties requiring major structural works.

We have used the output from this work to identify underperforming assets, and to tailor our strategic response to the issues pertinent to the particular neighbourhoods and asset groups, utilising the following criteria:

- NPV of less than £10k per unit (26 asset groups, 1,337 units)
- void rate of more than 4% per unit (13 asset groups)
- turnover rate of more than 15% (17 asset groups)
- negative NPV (3 asset groups, 53 units)

This approach has helped us to identify 'hot spots', where properties have low value and low demand. For example, of the 1,087 non-sheltered properties where the 30 year NPV falls below £10k, there are 106 properties which are of a type that has been identified as being in low demand. We are able to analyse these properties down to neighbourhoods and property types as shown in the table below:

	Flat		House	Total
Neighbourhood	2 Bed	3 Bed	3 Bed	
Neighbourhood 1	65	1		66
Neighbourhood 2			22	22
Neighbourhood 3	16			16
Neighbourhood 4	1	1		2
Grand Total	**82**	**2**	**22**	**106**

This analysis indicates that the highest proportion of our low value and difficult to let properties are two bedroom flats in Neighbourhood 1, but that there is also particular issues in relation to 3 bedroom properties in Neighbourhood 2, which can be related to the impact of the spare room subsidy (bedroom tax). Our capacity to drill down to this level of detail forms an important part of our asset management strategy as well as informing our neighbourhood investment plans.

To date we have used the analysis to make a number of investment decisions and to undertake further analysis:

- Investment of £2.8m into the 53 non-traditional properties to improve thermal efficiency and ensure structural stability
- Review and categorisation of sheltered housing stock which has the lowest NPVs as an asset class and high rates of void and turnover
- Targeting of Neighbourhood Plans, based on NPV performance and Sustainability Indices, in the neighbourhoods of Crackley, Poolfields and Chesterton
- Introduction of a void appraisal process for disposal of properties hitting specific performance criteria

Second tier strategies have also been developed for our non-core properties including garages, premises and facilities, and commercial properties to ensure that investment and divestment decisions are grounded in a thorough knowledge of the performance of those assets.

Void appraisal process
Where vacant properties meet key triggers there is a requirement to carry out an appraisal of the future options. The triggers may include any of the following criteria:

- requiring two major components to be replaced,
- requiring one major component to be replaced plus £3,000 of void works
- being a non-conforming property type (age, type, area)
- identified by Lettings Team as potentially hard to let

The appraisal takes account of a number of factors including:

- net present value
- demand issues and historical frequency of turnover
- managed stock density in the relevant area
- stock condition and investment requirements
- market value

The decision as to whether to re-let or dispose is dependent on the outcome of this appraisal.

Where there is evidence that the property is relatively underperforming, and the strategic case for retention is not strong, then serious consideration will be given to the option to dispose of the property on the open market.

Where we can demonstrate that the disposal of an asset can deliver significant additional value over and above the value of any of the retention options, having taken account of social and other non-financial values, then we will dispose of the property and invest the receipts in the provision of new housing.

Strategic disposals

Our board has approved a programme of strategic disposals and during 2013-14 we disposed of six properties, realising total receipts of £410k. These funds will be re-invested in the provision of new housing properties and we expect to be able to deliver a ratio of two new properties for each disposal.

The evidence emerging from welfare reform and its correlation with low NPV has been reviewed by the Executive and Board in 2013-14 and we plan to increase the number of disposals per annum over the next five years, subject to the availability of suitable properties becoming vacant.

At an average of 20 disposals per year we project that this could generate net receipts of £1,300k per annum, at an average of £65k per unit, and that this in turn would fund the provision of between 25-80 new homes per annum dependent upon the subsidy requirements of the schemes in question.

6. SOCIAL RETURN ON ASSETS

The achievement of positive social impact is a core element of the Aspire Group's corporate strategy as articulated in our three ultimate aims: "*successful communities, maximising people's potential, and supporting the local economy*".

We calculate a Social Return on Investment (SROI)using the SROI Network methodology. This methodology maps outcomes to specific activities and assigns a financial value to those outcomes based on a measurement of their social, economic and environmental impact. This enables a ratio of benefits to costs to be calculated which expresses the Social Return on Investment (for example, a ratio of 2:1 would indicate that an investment of £1 has delivered £2 of social value).

Through Enterprising Futures, the social enterprise arm of the Aspire Group, we provide support to customers and communities to access jobs and training. An investment in the form of a £2.75m repayable inter-company loan, supported by a formal loan agreement, has been made by Aspire Housing into this part of the Group as programme related investment in order to further the objectives of Aspire Housing. The 2013-14 return on this investment as a result of services delivered by PM Training, measured in terms of the social impact, is set out below:

- 646 young people have engaged in learning activities funded by the Education Funding Agency, and 64% of learners who have left the programme have progressed into employment, education or further training;
- 48% of the young learners supported by PM Training, and 60% of those learners who live in Stoke and Newcastle-under-Lyme, came from areas that are amongst the 30% most deprived nationally;
- PM Training had 229 new apprenticeship starts in 2013-14, and 489 learners were funded in total during this time period;
- A total of 882 learners were funded by engagement in adult apprenticeship provision, including 476 starts during the year;
- PM Training provides 45 Homeworks teams which deliver a range of services including gardening, decorating, environmental improvements and estate caretaking both to Aspire Housing and to Stoke on Trent City Council. The cost of commissioning services from PM Training compared to other providers has been evaluated and shown to deliver value for money. In 2013-14 the Homeworks teams provided c250 training and employment opportunities for young people;
- The Social Return on Investment of PM Training's activities in 2013-14 has been calculated at £3.50 of social value for every £1 spent.

Other examples of the social return delivered by the Aspire Group during 2013-14 are set out below:

- Through our Advice and Guidance Service we offer employment and skills support to people living in our neighbourhoods, the majority of whom live in our properties. During 2013-14 398 customers accessed support from this service, and 83 customers gained employment through this support during the year.
- During 2013-14 Aspire agreed that it would aim to provide a Training Guarantee to its customers that all customers below aged 24 and under who live in Aspire properties would be given access to an accredited training course. The pilot commenced in February 2014 with 5 trainees, 3 of whom have since entered into employment. A second stage of the pilot commenced in 2014-15.
- The Aspire Group has set a target to have an apprentice workforce which is 10% of the total workforce and, at the year end, there were 67 apprentices employed by the Group, representing 10.6% of the workforce
- During 2013-14 The Realise Foundation, the Aspire Group's charitable arm, funded basic equipment for 138 apprentices, provided funding support for a further 83 apprentices, and financial support to 77 employment and skills customers through the 'breaking down barriers and volunteer' fund

7. MEASURING AND COMPARING PERFORMANCE

We have a performance management framework in place whereby key financial and other performance information is reported regularly to the executive team and to the group and subsidiary boards. Exception reports are provided where performance falls outside agreed parameters and performance interventions are agreed to deal with poor performance. This framework has been reviewed and overhauled during 2013-14 to ensure that the key performance indicators and targets are consistent with the new 2014-19 group corporate strategy.

Overview of actual and projected operating returns and margins

	2011-12 Actual £'000s	2012-13 Actual £'000s	2013-14 Actual £'000s	2014-15 Forecast £'000s	2015-16 Forecast £'000s
Asset value (net book value)	122,224	128,256	135,128	148,356	157,165
Turnover from lettings	29,386	32,036	34,136	35,798	37,602
Operating surplus from lettings	6,604	8,403	8,960	9,536	11,800
Operating return on assets	5.4%	6.5%	6.6%	6.4%	7.5%
Operating margin on lettings	22.5%	26.2%	26.3%	26.6%	31.4%
Group net surplus/(deficit)	(90)	373	1,271	1,578	3,136

Benchmarked financial performance against Global Accounts

We use the HCA global accounts as a source for benchmarking our financial performance, and we compare our performance against the sector as a whole as well as against a peer group of West Midlands LSVTs.

	Aspire Housing		Global Accounts 2012-13		
	2012-13	2013-14	Traditional	LSVT	WM LSVT Peer group
Operating return on assets	6.5%	6.6%	7.3%	7.6%	7.6%
Operating margin on lettings	26.2%	26.3%	30.1%	28.0%	30.1%
Rent and service charge per week	£72.00	£77.60	£94.63	£81.91	£80.29
Management costs	£807	£800	£1,012	£876	£828
Bad debt	£13	£33	£40	£32	£34
Routine repair costs	£782	£827	£683	£718	£754
Planned/Major Repairs (revenue)	£374	£528	£396	£660	£534
Planned/Major Repairs (capital)	£1,172	£867	£619	£960	n/a
Total repairs expenditure	£2,327	£2,222	£1,697	£2,338	n/a

(All costs expressed as cost per unit)

Aspire Housing's comparatively low operating margin on lettings activities and its low operating return on assets are to some degree a factor of our relatively low rents and service charges.

Management costs are relatively low when benchmarked against both the global accounts and to the peer group of regional housing providers. The Aspire Housing corporate strategy has a target of at least 10% efficiencies on management costs over the 5 year period to 2019.

Aspire Housing's routine maintenance costs are relatively expensive compared to both the sector and the LSVT peer group, and have increased in 2013-14 by 5.8% per unit (comparative 2013-14 global and peer group data is not yet available). There are a number of factors that have led to this increase including the severe winter weather and a high number of long established tenancies vacating from larger voids as a result of the spare room subsidy (bedroom tax) which significantly increased the cost of void repairs in the year. However, the achievement of efficiencies and cost reductions in the delivery of our repairs service will be a key priority for our value for money work in 2014-15.

Other key performance indicators
We use HouseMark to benchmark the performance of our core housing management and maintenance services and our performance over time compared to our benchmark peer group is presented below:

	2012-13	2013-14	Trend	Quartile (2012-13 data)
Void rent loss (% of rent & service charges)	0.93%	1.12%	↓	3rd
Current rent arrears (% of rent & service charges)	1.13%	1.19%	↓	1st
Rent collection (% of rent & service charges)	98.8%	98.9%	↑	1st
Gas safety (% dwellings with gas safety certificate)	99.5%	99.9%	↑	3rd
Number of days to let a property (all voids)	31	39	↓	3rd
Annual number of repairs per property	4.7	4.4	↑	3rd
Satisfaction with responsive repairs service	87.1%	87.4%	↑	1st
Overall satisfaction with the service provided	88.9%	84.9%	↓	3rd
Satisfaction with the vfm of services provided	81.9%	77.4%	↓	3rd

This table presents a picture of variable performance and trends, with a number of indicators reflecting top quartile performance in comparison to the peer group (in particular those relating to income management), whilst others reflecting below median performance. There is a high level of satisfaction with the repairs service but customers satisfaction with the overall service provided and the VFM of those services fell during 2013-14, and were both third quartile when compared to the 2012-13 benchmark data.

During 2013-14 we have reviewed those areas where service performance compares unfavourably and a number of actions have been taken to improve performance which include:

- Restructuring the voids and lettings service

  The introduction of a systematic approach to undertaking pre-termination visits coupled with the establishment of a specialist voids maintenance team is starting to improve the standard of property returned to us at tenancy end and has already reduced void time in maintenance to 14 days (as at May 2014). Overall letting times and average costs are also expected to improve as a result of these actions.

- Implementing a responsive repairs reduction strategy

  By initially targeting our most "maintenance hungry" properties we have reduced the average number of repairs undertaken from 4.7 to 4.4 per annum and reduced the spend on our worst 50 properties from £128,000 to £82, 000 (36%). This approach will be extended during 2014-15 to the highest 10% in terms of repairs (circa 880 properties)

- Undertaking further surveys of customers to better understand where and how they wanted services to improve

  The main impact of this action has been to highlight customers' concerns regarding the quality of communal areas of flatted blocks. This has resulted in a review of investment priorities which will be translated into a programme of improvements to these areas agreed with customers to address this issue during 2014-15

- Improving the manner in which we canvass the views of customers.

  Customer opinion surveys on the quality of services provided are now carried out on a continuous basis in order to capture and correct negative trends in a timelier manner. Where necessary service targets and commitments have been tightened and the early impact of this and other measures has been to record increases in satisfaction with the services provided to 91.6% as at June 2014)

- Understanding why VFM has deteriorated in the opinion of the customer.

  A detailed analysis of our survey results indicated that the communication and prioritisation of our neighbourhood investment programmes, as well as a perceived lack of tenancy enforcement, were key factors in influencing our customers' perception of the VFM of our services. Each of these issues is currently being addressed and as at June 2014, satisfaction levels, based on our continuous survey results, VFM satisfaction had increased to 84.5%.

8. VALUE FOR MONEY ACHIEVEMENTS AND FUTURE PLANS

2013-14 VFM and efficiency gains

We identified Group annual efficiencies of £534k through the 2013-14 budget challenge process, all of which were embedded in the 2013-14 budget, and which have been realised.

In addition to these budgeted efficiencies we have made further efficiencies of £100k in central overhead costs following the deletion of two posts as a result of service reviews. The full value of these efficiencies will be realised in 2014-15.

We have secured £825k of external funding in 2013-14 including £338k ECO funding, £178k floating support funding, £100k for various environmental projects and £75k for Furniture Mine.

Within PM Training we achieved total cost efficiencies of £360k as a result of reviewing and restructuring how we deliver our services. This has helped to generate additional profits which will be re-cycled through gift aid for re-investment in our neighbourhoods.

Since transfer in 2000 Aspire Housing has provided a housing agency service on behalf of Newcastle under Lyme Borough Council (NBC). The existing contract was due for renewal in March 2014, and Aspire was invited to tender for the continued provision of this service. However NBC indicated that it expected the tender price to be significantly lower than the previous contract price; our evaluation indicated that this service was already running at a loss and that to continue to provide the service at the indicative price would incur additional losses. A decision was taken not to tender for this contract, and consequently in April 2014 the service was transferred to a new provider, with 10 staff transferring to the new provider under TUPE arrangements. The termination of this service provision led to annual cost savings of c£75k.

Future efficiency targets

Aspire Housing has set efficiency targets of at least 10% saving in management and maintenance costs over the course of the 5 year corporate strategy. This is projected to deliver minimum savings in operating costs of £1.5m per annum by 2019. Based on current assumptions, our development appraisal model indicates that this will provide additional capacity to build c50 additional homes per annum.

£250k efficiencies have been identified through the 2014-15 budget challenge programme, to add to the £500k from last year’s exercise, which have been embedded in this year’s budgets. We have also adopted a zero based budgeting approach; we have aligned our inflation assumptions to CPI rather than RPI, and we have separately assessed any projected inflationary increases for each budget line, with a default target of zero uplift. This will create additional capacity in the business plan to offset the impact of the termination of rent convergence.

Procurement
Through our 2013-14 procurement activities we achieved contract savings of £177k and 7 new apprenticeships were created.

During 2013-14 we have undertaken a detailed review of expenditure activity in order to capture all contracts which are set to expire during the next twelve months and to identify areas of expenditure which are currently off contract. Our focus has been on suppliers where the annual expenditure levels have been over £25k, and this work has identified a number of areas, such as waste management and cleaning, where non-contract expenditure has been substantial and where there is the potential to secure significant savings through group contract procurement.

From the work that has been completed we have established a full schedule of procurement activity in order to focus our resources, ensure that our route to market is correct and timely, and that we achieve our strategic objectives through each procurement exercise.

Our procurement plans for 2014-15 include targets for costs savings of 10% (£225k) based on an analysis of the contracts to be procured. In addition we have set a target to create at least 12 apprenticeships in the year through procurement. Our performance against these targets will be reported periodically to Executive and to Board.

We are working with Staffordshire County Council and Newcastle under Lyme Borough Council to establish a regional procurement partnership which will allow us to exploit our significant combined purchasing power whilst ensuring that procurement activities support our shared values of investing in the local economy and delivering environmental and social benefits.

Information Systems and Digital Technology
We have recently launched our ‘Digital by Design’ programme which aims to transform our business systems through the use of technology with the key dual aims of delivering significant improvements in customer service whilst also delivering real and tangible efficiencies.

A key strand of our VFM strategy is to complete a programme of service reviews which will consider issues of service design as well as whether we can secure better value thought the outsourcing of services. In 2014-15 we will be carrying out reviews of three key services areas:

Legal services: we are currently in the process of completing an option appraisal of our legal services with a view to ensuring that the service specification is aligned to our corporate requirements and that the service is designed to deliver best value. This will include consideration of the optimal blend of outsourcing and insourcing, and our initial findings have led us to set a target for reduction in service delivery costs of 25% (£60k per annum) with targets also set for improvements to service quality and outcomes.

Elderly services: we have been notified by Staffordshire County Council of their future intention to significantly reduce or terminate Supporting People (SP) grant for a number of our services currently in receipt of SP funding. We plan to carry out a comprehensive review of all of our SP funded services, which will consider options for service re-design, as well as outsourcing and service closure. A full consultation exercise on the service options will be carried out with customers. A number of these services are currently run at a financial deficit and a key objective of the review will be to reduce or eliminate service deficits whilst balancing this with the value of the social return from the delivery of these services, in line with our VFM strategy.

Maintenance services: benchmarking comparisons indicate that our routine repairs service costs are significantly higher than sector and peer group averages, and some measures of service performance also place the service in the lower benchmark quartiles. We have a large In House Maintenance Organisation that provides both routine and planned maintenance services to the business. The full cost of the In house service (including overheads) is currently c£11.5m. During 2014-15 we will commission a review of this service. The review will assess the efficiency and effectiveness of our current service delivery, and explore whether we can optimise value by outsourcing part or all of the service. The outcome of this review will inform our future strategy for the delivery of the repairs service and will be central to the achievement of our target to reduce the cost of this service by at least 10% per unit over five years.

9. HOW WE UTILISE VALUE FOR MONEY AND EFFICIENCY GAINS

We utilise value for money and efficiency gains for three main purposes:

- to ensure that we maintain a strong and financially viable long term business plan;
- to invest in service areas that have been identified as being of high strategic priority, either to enhance or improve those services or to manage the risks presented by challenges such as welfare reform, and
- to invest in the provision of new affordable homes.

The termination of rent convergence from 2015 will take an estimated £30m of future revenue out of the Aspire Group business plan over the period to 2030. The first priority for the utilisation of efficiency gains during 2013-14 has been to offset the impact of this lost revenue and to ensure that we maintain a financially viable and robust business plan, and to build resilience against other potential future business plan shocks.

As part of our financial planning framework we aim to ensure that we can direct our resources into those areas which are considered to be of the highest strategic priority. For example, in preparing our 2013-14 financial plans we allocated £120k of the efficiencies secured in other budget areas as additional resources for income management and debt advice in order to manage the risks identified from the implementation of welfare reform. At the year end bad debts were £186k below budget, with rent collection and rent arrears levels maintained at pre-spare room subsidy (bedroom tax) levels.

We have also sought to utilise resources released through efficiencies in order to invest in service improvement, and in 2014-15 we have allocated additional resources to our Digital by Design programme which has twin objectives of improving customers services and achieving significant efficiencies.

Any receipts secured as a result of our asset management strategy, for example through strategic asset disposals, will be recycled into the provision of new homes and we expect that the 6 disposals in 2013-14 will provide sufficient resources to fund 12 new homes. As indicated in Section 5, a strategic disposal programme of 20 units per annum will fund the provision of up to 80 new homes per annum dependent upon the subsidy requirements of the particular schemes.