THE ASPIRE GROUP

2015 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.

This statement was substantially prepared prior to the announcement in the July emergency budget of the four year 1% rent cut from 2016. Since that announcement we have modelled the impact of the lost rental income on our future financial projections and we have quantified the additional efficiencies and cost reduction targets that will be required to offset this lost revenue, to which reference is made within the statement. In the light of this development, we are now carrying out a comprehensive review of our business plan and a revised plan will be presented to Board for approval in October.

2. VFM SELF-ASSESSMENT

Having considered our approach to delivering 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 are rigorous in our consideration of alternative service delivery models as a means of achieving VFM;
- 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.

Whilst we have made significant progress in the delivery of the VFM objectives and against the targets set out in last year's self-assessment, we recognise that there are a number of areas for improvement, 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 embedded as one of the key priorities of the Group as expressed in our core value of 'going further by delivering great value'. We have had a formal VFM strategy in place since 2005 and the current strategy, which was approved in May 2014, has been identified as one of the eight key strategies underpinning the 2014-19 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 include 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.

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

4. UNDERSTANDING AND OPTIMISING THE RETURNS ON OUR ASSETS

The Aspire Group seeks to understand and optimise the return on our assets in order to maximise the generation of resources which will be required in the first place to offset the impact of the government's four year rent cut policy. Any residual resources will be utilised for the delivery of new affordable homes.

In 2014-15, we approved new Group strategies for Asset Management and Growth, both of which are amongst the eight core strategies against which organisational success is measured.

Return on Assets
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 2015 was £229.5m (2014: £220.5m). Increasing the value of our housing assets will provide additional capacity to raise funds for the development of new homes. However this valuation was completed prior to the announcement of the rent cuts and there is an

on going debate amongst valuers as to whether or not this will have an adverse impact on future loan valuations, with a suggestion that valuations may fall by as much as 25%. Any fall in loan valuations will create a material constraint on our ability to provide new affordable homes.

In order to make effective asset management decisions as to whether to invest in, re-model or dispose of individual properties we continue to use a Net Present Value (NPV) model, based on existing use, for each of our housing properties, reflecting factors such as rent levels, turnover, demand, and management and maintenance costs.

Whole stock NPV analysis indicated that the overall average 30 year NPV of our housing properties was £16.5k per unit, however there was a wide spectrum of values dependent on location, condition, market value and other factors, in a range from -£14.5k (negative) to £38.7k. We have invested in the three asset groups with negative NPV and have developed Neighbourhood Plans for specific geographical areas, targeted through a combination of asset performance and sustainability indicators.

In 2015-16 we will update the whole stock NPV at individual property and asset group level in order to track progress of our active asset management strategy. We have invested in a software model that will facilitate the annual updating of NPV data and enable dynamic tracking of changes in the asset base. This financial analysis of the stock will be supplemented by asset quality grading, taking account of a range of indicators to give a rounded perspective for the purpose of strategic decision making at the macro level.

The four year rent cut policy will materially reduce these Net Present Values and this is likely to lead to a higher proportion of our properties having negative NPVs. Furthermore the reduction in revenues as a result of this policy will mean that we are unlikely to have sufficient resources to maintain our current level of neighbourhood investment.

Strategic Asset Management Strategy

A core principle of the Strategic Asset Management Strategy is our commitment to create successful communities by investing in our assets and their environment to ensure that our neighbourhoods are places in which people choose to live. The strategy acts as the framework within which decisions on investment, remodelling, disinvestment and disposal will be made in relation to the asset base. Key measures of success include improved NPV and the achievement of KPI quality targets relating to our asset base.

The strategy acknowledges the importance of recognising distinctions between different asset groups, and of establishing differential approaches in order to maximise our return on assets. We therefore maintain sub-strategies for specific asset groups and thematic areas of activity as set out below.

Sheltered Housing

The Aspire Housing Board approved a new Sheltered Housing Strategy in September 2014, which set out a framework to address underlying issues of low NPV and reducing demand within this asset group, against a requirement for significant additional investment to make these assets fit for the future. Detailed financial appraisal work will be undertaken in 2015-16 to establish a forward programme that delivers a long term value for money solution. In the meantime, work is currently in progress to convert unpopular bedsit bungalows into sustainable one-bed homes.

Non-traditional properties
A further review of our transfer legacy non-traditional properties was undertaken in 2014-15. Investment is planned in the majority of our BISF archetype, to provide major structural repairs and external wall insulation. In the absence of full business plan provision to invest in the balance of our untreated non-traditional homes (c100 units), we will dispose of these properties as they become void and ring-fence the proceeds for re-investment in retained stock until all of our retained non-traditional properties have received upgrade works. We consider that this approach offers best value for money in balancing the need to reduce our cost exposure from these assets against improving the quality of the retained properties for our customers.

Strategic disposals and low demand properties
Our approach to assessing properties for disposal on becoming void has evolved further since last year's self-assessment, particularly in the light of trends of increasing low demand amongst specific asset groups. The Aspire Housing Board has now approved the disposal of up to 50 void units per annum, with revised criteria specifically aligned to assessing 3-bed houses and 2-bed flats in identified neighbourhoods and blocks where low demand has become evident as a result of welfare reform.

We realised total proceeds of £773k (2013-14: £245k) through the strategic disposal of homes and land sites in 2014-15, which we intend to apply to our future development programme, subject to business plan capacity, and this would enable the delivery of between 15-40 new homes dependent upon the subsidy requirements of the schemes in question. We will be reviewing our capacity to utilise these receipts for the provision of new affordable homes in the light of the four year rent cut.

Stock investment
We continue to maintain a 30 year stock investment plan, aligned with the business plan, with regular reviews of priorities and realignment of funding to meet the needs of the asset base and of our customers. In 2015 the accuracy of our stock condition data was re-validated by Savills (our survey is 97% complete), which provided assurance that our investment plans have a firm evidential base and that our resources can be targeted effectively.

Our stock investment programme is delivered through a combination of an In-House Maintenance Team (IHMT) and external contractors. In order to ensure that we achieved value for money from the utilisation of our IHMT for planned maintenance works, in 2014-15 we commissioned external benchmarking of unit costs across planned component replacements through a procurement consortium. Of those components that could be directly compared, our IHMT was £347k more competitive than a comparable programme using the consortium average benchmark price. We will continue to undertake such benchmarking in future and our focus this year will be on reducing the cost of maintenance materials which was shown to be generally higher than the benchmark average.

Procurement
The review of the Asset Management Service recommended a transition to longer term Schedule of Rates (SOR) contracts to deliver better overall value for money. This will be progressed in 2015-16 through the re-procurement of a range of external services contracts.

We have also introduced a Social Value Template for our capital programme procurement which requires contractors, as part of their tender, to commit formally to a social value offer (e.g. learning places, volunteering hours), and this is subsequently captured in the contract documentation of the successful tenderer.

Management of land assets
Through active asset management we continue to maximise the return on our land assets either for disposal or for the development of new affordable homes. This is primarily delivered through the re-development of garage sites and in 2014-15 we demolished 110 garages to prepare selected sites for alternative uses offering better value.

23 affordable housing units were completed in 2014-15 on 5 Aspire land sites as part of our 2011-15 AHP commitment. In addition we achieved the following:

- disposal of 7 land sites with receipts of £154k
- planning permission secured on a further 11 land sites for future development or disposal.
- land subsidy with an estimated value of £465k for the development of 31 affordable housing units under the 2015-18 AHP

In late 2014 we began the tender process for our largest single land asset at Lower Milehouse in Cross Heath, where 188 homes were cleared through housing market renewal over the period from 2006 to 2009, and where it is estimated that 300-350 new homes could take their place. We are using the HCA's OJEU compliant DPP2 framework to procure a developer partner for the delivery of high quality open market and affordable housing. In addition to deriving best value from the land, this project will continue the long term regeneration of the neighbourhood and transformation of a housing market where Aspire owns around 50% of the total housing stock.

Growth Strategy and new homes provision
Following the approval of the Group Growth Strategy in 2014, we have secured additional borrowing capacity of £22m from our lenders to support the delivery of our strategic target of delivering at least 500 new affordable homes by 2019.

During 2014-15 we brought an additional 108 affordable homes into management and signed contracts for the delivery of a further 78 homes through s106 agreements. The sale of shared ownership homes is an important element of cross-subsidy in our development programme, and 22 sales were completed with a gross value of £1.27m in the last financial year.

Through the 2011-15 AHP we were initially allocated 92 units, but took up a further allocation of 37 units during the programme period, resulting in the practical completion of 129 affordable homes by March 2015.

We have been successful in bidding for 88 units through the 2015-18 AHP, the majority of which will be delivered on land sites already in Aspire ownership and contributed at nil value into the schemes. Opportunities to deliver over and above the initial commitment are being actively explored through the CME process.

We continue to 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.

Following the announcement of the four year rent cut we have carried out new financial appraisals on all of our uncommitted schemes, including the schemes bid for under the 2015-18 AHP. These appraisals indicate that the projected net present values for all of these schemes will be significantly lower than those that underpinned our bid, and that we will now require additional Social Housing Grant in order for these schemes to remain viable.

In developing new homes we seek to achieve best value through the use of a range of procurement methods bespoke to the schemes being developed. This includes using the HCA's Developer Partner Panel for major regeneration sites, local tenders to small contractors to develop infill sites and competitive bidding to secure opportunities through s106 planning agreements.

5. 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*".

Through Enterprising Futures, the social enterprise arm of the Aspire Group, and its subsidiaries, including PM Training and Furniture Mine, we provide support to customers and communities to access jobs and training. Enterprising Futures produced a net profit in 2014-15 of £396k (profit margin 5.0%).

We calculate a Social Return on Investment (SROI) using the SROI Network methodology, and the SROI of PM Training's activities in 2014-15 has been calculated at £4.61 of social value for every £1 spent. Some of PM's headline achievements in 2014-15 are summarised below:

- 602 young people have engaged in learning activities funded by the Education Funding Agency, and 61% 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 248 new 16-18 year old apprenticeship starts in 2014-15, and 519 were funded in total during this time period
- A total of 972 learners were funded by engagement in adult apprenticeship provision, including 488 starts during the year
- PM Training provided 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. The Homeworks teams provided c250 training and employment opportunities for young people

Other examples of the social return delivered by the Aspire Group during 2014-15 are set out below:

- Through our Information, Advice and Guidance (IAG) Service we offer employment and skills support to people living in our neighbourhoods, the majority of whom live in our properties. During 2014-15 317 customers accessed support from this service. 197 IAG customer cases were closed during the year and 160 (81%) of these customers positively progressed, 105 (55%) of whom gained employment
- 85 customers attended training during 2014-15 of which 46 gained a qualification/certificate for the training
- 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 62 apprentices employed by the Group, representing 10.6% of the workforce. The Group also has a target for Group apprentice positive progression, set at 75%, and the positive progression rate for the year was 81%
- The Realise Foundation, the Aspire Group's charitable arm, funded basic toolkit equipment for 127 apprentices in addition to providing 69 apprentices with support in the form of driving lessons, clothing and CSCS tests and cards. A further 61 apprentices were supported in the form of a wage subsidiary helping 43 local employers take on an apprentice. Financial support was provided to 246 employment and skills customers through the 'breaking down barriers, job clubs and volunteer' funds
- Neighbourhood plan engagement has delivered:
    - 305 individuals engaged with developed capacity and skills through numerous initiatives including healthy eating, qualification training, community action group, volunteering opportunities and building resilient families
    - 1,161 residents have attended community organised events supported by us
    - 1,946 residents have been involved in numerous re-engagement activities, ensuring positive engagement and reducing the propensity of low level ASB and nuisance

- c£325,000 was secured from external sources via funding applications to support a range of initiatives such as digital inclusion, social enterprise, employment and health

6. 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. The key performance indicators and targets set have been aligned to our 2014-19 group corporate strategy.

Overview of actual and projected operating returns and margins

	2012-13 Actual £'000s	2013-14 Actual £'000s	2014-15 Actual £'000s	2015-16 Forecast £'000s	2016-17 Forecast £'000s
Asset value (net book value)	128,256	136,272	143,030	154,882	166,901
Turnover from lettings	32,036	34,136	36,885	37,518	37,914
Operating surplus from lettings	8,403	8,960	11,137	11,339	13,656
Operating return on assets	6.5%	6.6%	7.8%	7.3%	8.2%
Operating margin on lettings	26.2%	26.3%	30.2%	30.2%	36.0%
Group net surplus/(deficit)	373	1,271	2,446	2,193	6,133

The 2016-17 forecast reflects the impact of the first year of the four year rent cut on Aspire's turnover as well as the planned cost reductions that will be implemented in order to offset this loss of revenue. The net impact of these assumptions on our 2016-17 projections is to increase significantly the operating return and to boost the net surplus. However the cumulative impact of the rent cuts is projected to reduce rental income by over £5m per annum by year 4 of the policy, and so cost reductions of this magnitude are necessary in order to maintain longer term financial viability.

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 2013-14		
	2012-13	2013-14	2014-15	Traditional	LSVT	WM LSVT Peer group
Operating return on assets	6.5%	6.6%	7.8%	7.3%	7.6%	7.6%
Operating margin on lettings	26.2%	26.3%	30.2%	30.7%	28.4%	28.4%
Rent and service charge per week	£72.00	£77.60	£81.29	£98.62	£85.82	£84.80
Management costs	£807	£800	£754	£1,033	£936	£880
Bad debt	£13	£33	£39	£45	£44	£39
Routine repair costs	£782	£827	£813	£705	£720	£759
Planned/Major Repairs (revenue)	£374	£528	£469	£295	£335	£505
Planned/Major Repairs (capital)	£1,172	£867	£902	£585	£837	n/a
Total repairs expenditure	£2,327	£2,222	£2,184	£1,585	£1,872	n/a

(All costs expressed as cost per unit)

The termination in 2015 of rent convergence is likely to maintain the differential between Aspire's rent levels and the sector benchmarks which in turn increases the importance of achieving cost efficiencies in order to maintain and grow our operating returns.

Aspire's management costs per unit have fallen from £800 to £756 compared to the previous financial year and are relatively low when benchmarked against both the 2013-14 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, and the improvement in cost per unit in 14-15 represents significant progress towards the achievement of that target. However we are now planning to achieve significantly greater efficiencies and cost reductions over the period to 2019 in order to offset the impact of the four year rent cuts, and the impact of these proposed actions on our financial projections is reflected in the improved operating margins and net surplus in the 2016-17 forecast as set out in section 6.

In contrast to management costs, Aspire Housing's routine maintenance costs are relatively high compared to both the sector and the LSVT peer group, and, whilst there has been a small reduction in cost per unit compared to 2013-14, these costs remain significantly higher than the benchmark comparators. The achievement of efficiencies and cost reductions in the delivery of our repairs service is a key priority for the Group, and a comprehensive review of this service was carried out in 2014.

This resulted in a wide ranging set of recommendations for improving service efficiency and quality, the implementation of which is currently in progress, and will be completed by the end of 2015.

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	2014-15	Trend (↑ +ve)	Quartile (2013-14 data)
Void rent loss (% of rent & service charges)	0.93%	1.12%	0.88%	↑	1st
Current rent arrears (% of rent & service charges)	1.13%	1.19%	1.03%	↑	1st
Rent collection (% of rent & service charges)	98.8%	98.9%	102.6%	↑	1st
Gas safety (% dwellings with gas safety certificate)	99.5%	99.9%	99.9%	-	4th
Number of days to let a property (all voids)	31	39	32	↑	3rd
Annual number of repairs per property	4.7	4.4	4.1	↑	3rd
Satisfaction with responsive repairs service	87.1%	87.4%	84.0%	↓	1st
Overall satisfaction with the service provided	88.9%	84.9%	93.0%	↑	1st
Satisfaction with the vfm of services provided	81.9%	77.4%	91.0%	↑	1st

This table presents the same performance indicators included in last year's VFM self-assessment and the 14-15 results reflect improved performance in most areas, with six of the nine indicators now in the top quartile of our benchmark group. Furthermore, all three of the customer satisfaction indicators are now reflecting top quartile performance, and, in particular, the percentage of customers who positively indicated satisfaction with the value for money provided by our services has increased from 77.4% in 2013-14 to 93.0% in the current year. As a result of the disappointing VFM satisfaction rating in 2013-14 we carried out a detailed analysis of the reasons that customers were dissatisfied with our services and we identified a number of common themes including a perceived lack of tenancy enforcement and issues relating to the communication of our neighbourhood investment programmes. Actions were taken to address these issues and we believe that this has been a key factor behind the improved satisfaction ratings in 2014-15.

Although our performance with regards gas safety is reported as fourth quartile in terms of the HouseMark benchmark group, we consistently have less than 0.1% of properties without a valid Landlord's Gas Certificate. In all difficult access cases, appropriate action is taken in a timely, consistent and coordinated manner and for the worst cases, where legal action is required, the access problem is remedied within 90 days of the anniversary date. We also commission regular independent audits of our gas safety performance from Morgan Lambert, a gas safety specialist, and the benchmark data from this source indicates first quartile performance.

The extent to which repairs are completed on first visit is a key factor with regards both customer satisfaction and reducing the number of repairs per property. Whilst some progress has been made on this during 2014-15, further changes are required to working practices in order to minimise the cost and frequency of multiple visits and to improve the customer experience. Current plans to transform the service are expected to deliver these improvements by the end of 2015.

There has been a reduction in the number of days taken to let our void properties during 2014-15, however our performance remains below the median and we will continue to take action to ensure that the positive trajectory of performance in this area is sustained.

7. VALUE FOR MONEY ACHIEVEMENTS AND FUTURE PLANS

In last year's statement, we reported the achievement of £534k in on going efficiencies that had been embedded in the 2013-14 budget, and had been realised. In addition to these savings, Aspire Housing had set efficiency targets of at least 10% savings in management and maintenance costs over the course of the 2014-19 corporate strategy which were projected to deliver minimum savings in operating costs of £1.5m per annum by 2019. Prior to the announcement of the four year rent cut, our development appraisal model indicated that this could provide sufficient additional resources to build c50 additional homes per annum, subject to business plan capacity. However the rent cut is projected to reduce revenue by £1.2m in the first year, rising to over £5m by 2019-20, and therefore we have now been required to establish new efficiency targets of much greater magnitude which, amongst other things, will require us to cease most activities that are not required by legislation or regulation, including regeneration work and stock investment work over and above the Decent Homes Standard. Furthermore, we will now require all of the resources generated by these efficiencies to offset the impact of the rent cuts and therefore we will no longer have the capacity to utilise them for the delivery of new affordable homes.

2014-15 VFM and efficiency gains

The financial results for 2014-15 indicate that significant progress had been made towards the achievement of the 10% efficiency target. The table below compares the out-turn costs per unit with the base year (2013-14) adjusted for inflation.

	2013-14 (uplifted)	2014-15	Cost reduction	5 year Target
Management cost per unit	£816	£754	7.6%	10.0%
Maintenance cost per unit	£844	£813	3.7%	10.0%

We have carried out a number of service reviews during the course of 2014-15 in year one of a three year programme of reviews. These reviews have covered the following areas:

- Legal Services
- Business Transformation
- Human Resources
- Business Improvement
- Marketing and Communication
- Health and Safety and Facilities
- In House Maintenance Services
- Asset Management
- Independent Living Services
- Housing Management
- External Audit
- Procurement
- Payroll services

In total these reviews have led to service changes, including outsourcing of some services previously delivered internally, which have secured £290k per annum in on going operational savings. There have been some one off costs incurred in the delivery of these changes, and so the full impact on the annual financial performance will not be evident until the next financial year.

The Aspire Housing budget establishment at the beginning of the 2014-15 financial year was 433 full time establishment (fte) posts, and this had reduced to 395 fte posts as at April 2015, a reduction of 38 posts (8.8%).

In addition to the service changes already implemented, following the review of housing management services, approval has been given to restructure proposals for this service which will be implemented during 2015-16, and this is projected to deliver annual operational cost savings of £250k by 2017.

The Aspire Maintenance Service Improvement Project is currently in the process of implementing a wide range of service changes with the long term objective of achieving a target of significant cost efficiencies in maintenance costs, along with improvements in service quality. This project has been informed by the work of our Customer Scrutiny Panel who carried out a review of the responsive repairs services during 2014-15 and reported their findings to the Aspire Housing Board. This report made a number of recommendations to improve the quality and efficiency of the repairs service, all of which were accepted by management and have been incorporated into the Service Improvement Project. In 2015-16 there is a target to achieve £350k in on going annual operational cost savings, albeit there will be one off costs incurred to implement these changes. The longer term efficiency target of this project, once fully implemented, is over £1m in annual and on going savings.

A key strand of our approach to Value for Money is the recognition that we will not continue to deliver services internally when those services can be delivered with greater efficiency through outsourcing, or where the continued internal delivery is assessed to represent an unacceptable drain on resources. In our 2014 statement we reported our decision not to tender for the provision of the Newcastle-under-Lyme housing agency service on the basis that we would incur losses in the delivery of this service, and consequently the service was transferred to a new provider which led to a saving of £75k per annum. Similarly a number of our 2014-15 service reviews have led to the partial or complete outsourcing of services previously delivered internally.

Supporting People funded services

Following the receipt of notice that Supporting People (SP) funding for our community alarm service would be withdrawn and that SP funding for elderly sheltered scheme services would be cut by 50% with effect from October 2014, we reviewed the delivery options for these services and a decision was taken to outsource the community alarm service. Having selected a suitable partner the transfer of these services was effected in January 2015, including the TUPE transfer of employees and these services are now delivered externally. We have also re-modelled our other SP funded services such that we continue to be able to provide important services to vulnerable customers that are financially viable and we have significantly reduced our exposure to the risk of further SP funding cuts.

The year end financial results for these services, which reflected the part year loss of SP income, and one off restructuring costs, were £309k better than the original budget.

Procurement

Our procurement plans for 2014-15 included targets for costs savings of 10% (£225k) based on an analysis of the contracts to be procured. During the year we completed procurement exercises which we estimate will deliver £303k (17%) per annum in cost savings, and whole contract savings of c£707k.

Inward investment

We have secured £555k of external funding in 2014-15 to provide funding for a range of activities including employment initiatives, specialist debt advice and public health initiatives.

8. 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 removed an estimated £30m of future revenue from the Aspire Group business plan over the period to 2030, and we expect further pressure on our revenue streams with the phased implementation of Universal Credit.

The four year rent cut announced in the July 2015 budget, is projected to reduce rental revenue by a cumulative total of c£13m over the five year period to 2020, and by £87m over the period to 2030. The first priority for the utilisation of efficiency gains will therefore be to offset the severe financial impact of the cuts and to ensure that we maintain a financially viable and robust business plan.

The sheer magnitude of the financial impact of these policies is such that there is likely to be limited scope in the short to medium term to utilise efficiencies for any other purpose than to maintain financial viability.