THE ASPIRE GROUP

2016 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.

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 HCA'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 responded quickly and decisively to the announcement of the four year rent cuts in the July 2015 budget, and took actions to deliver efficiencies and cost reductions which have created additional business plan capacity to be deployed in the delivery of more homes;
- As a result of actions taken in 2015-16 we have reduced our total social housing costs by c£4.5m per annum and our costs per unit from £3,333 in 2014-15 to £2,544 in the 2016-17 budget;
- We have increased our development programme by over 350 units without any additional financing requirement
- 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.

Significant progress has been made over the past year in areas previously identified as being weak, in particular our maintenance service, however we recognise that our maintenance costs are still comparatively high, and there remain a number of areas for improvement. We are committed to the continued drive to achieve greater efficiencies and value for money across our business.

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. We have had a formal VFM strategy in place since 2005 and this has been identified as one of the eight key strategies underpinning the corporate plan. Whilst the corporate plan and associated strategies are currently under review with the drive to sharpen and simplify our business, the VFM strategy will remain a key corporate strategy in the future. The strategy sets out how we will ensure continued compliance with the HCA's VFM Standard which forms part of the regulatory code for Registered Providers.

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 social impact.

The Group board co-created the VFM strategy and is responsible for overseeing its delivery. The board receives regular reports on the progress made towards the achievement of the strategic objectives. The most significant VFM driver for Aspire during 2015-16 has been the announcement of the four year rent cut in July and the board has played an active role in developing Aspire's response to this new challenge from start to finish, from the approval of the budget response action plan in July to signing off the revised business plan in October.

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 by creating sufficient financial headroom in the plan
- 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 to offset the impact of the government's four year rent cut policy and to deliver new affordable homes. Our asset management strategy was approved in May 2015.

Return on Assets
Through the restructuring of the business in response to the rent cut, which is covered in more detail elsewhere in this statement, we have managed both to protect core services for customers and to increase our development capacity from 500 units to 850 units over the 5 years to 2021.

In 2015-16 we carried out a fundamental root and branch review of stock investment and forward programmes in response to the social housing rent cut. The purpose of the review was to ensure that future business plan allocations would meet the requirements of the housing stock, as well as the expectations of both lenders and the Regulator. This review also tested the assumption in last year's VFM statement that it was unlikely we would have sufficient resources to maintain our current level of neighbourhood investment in environmental uplift works.

We commissioned Savills with the remit to forecast a robust and affordable investment position over 30 years, to achieve c£20m of investment reductions over the first 15 years of the revised business plan, and to produce a 5 year plan of work consistent with the revised outputs.

The review found that our underlying core data was robust and reflected the "as found" condition on site, and also confirmed that the component lifecycles adopted and the schedule of rates assumptions were consistent with expectations.

It is essential that the proposed forward programme strikes a balance between the resources available, essential works and enhancement works. On that basis, budgets for compliance activity were ring-fenced, Decent Homes core works were re-phased by a modest 10% and non-core or discretionary investment was re-phased more significantly by between 30-50%.

The resultant investment profile achieved the objective of creating additional £20m of business plan capacity over the next 15 years whilst maintaining £46.5k per unit of 30 year spend which is comfortably inside the sector benchmark range of £45.8k-£48.7k.

Follow-up work has now been carried out to repopulate the stock data with the revised programme profiles and is ongoing to validate future programmes on-site using our in-house surveyors. A key impact of the investment re-profiling has, as expected, been upon the resources available to carry out neighbourhood investment and environmental improvements, which will be significantly reduced over the next 15 years.

In order to make effective asset management decisions about whether to invest in, re-model or dispose of individual properties we will 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.

Progress was made in 2015-16 to update the whole stock npv at individual property and asset group level in order to track progress of our active asset management strategy. This has been extended into 2016-17 as a result of the significant work required to re-profile our investment programme and the impact that the re-alignment of the underlying stock data will ultimately have on the npv outputs. In the meantime we continue to use our Strategic Asset Management Strategy to guide our investment decisions and carry out individual npv assessments to inform decision making about specific assets or groups of assets.

The four year rent cut policy will materially reduce net present calues and this is likely to lead to a higher proportion of our properties having negative npvs.

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 was undertaken in 2015-16, following the rent cut and subsequent revisions to the 30 year forward investment programme. Work is now underway to consider the long term options for existing stock alongside the development of a new build older persons' housing offer, and to identify the future investment requirement.

Non-traditional properties

Investment in major structural repairs was planned in 2015-16 for the majority of our BISF archetype of c.120 units. Following revisions to the stock investment profile within the Business Plan, only essential roofing works were carried out and the major structural repairs were deferred. We will continue to sample survey our non-traditional properties on a 3-year cycle to ensure that their structural integrity remains consistent with our repair and maintenance obligations.

In line with our strategic approach to non-traditional properties, we have disposed of 6 untreated properties at auction and will continue to do so as they become void. We have also commissioned an options appraisal to establish whether there is a business case for incentivising accelerated disposal of the untreated elements of this asset group.

Strategic disposals and low demand properties

Our approach to assessing properties for disposal on becoming void continued in line with the criteria that were approved by Board in 2014-15, with a ceiling of up to 50 disposals per annum. In 2015-16 we increased our disposal activity significantly, having sold 30 properties either at auction or by private treaty, generating gross sales proceeds of £2.5m (£0.6m in 2014-15).

The majority of the properties sold have been 3-bed houses and the key factors resulting in disposal have been risk of reduced demand or the high cost of works required to re-let the property, with a combination of these factors being decisive in some cases. The average void or improvement works cost saved on disposals is in the region of £12k per unit, resulting in a saving of £348k in the last financial year.

The receipts generated from disposals will be recycled into the delivery of new homes, following our review of development capacity and our intention to expand future provision. Based solely on receipts from 2015-16 we will be able to provide up to 23 AHP units (net of grant) or s106 units as replacements for the units sold.

Stock investment
We continue to maintain a 30 year stock investment plan, aligned with the business plan, with regular reviews of priorities and re-alignment 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 98% 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, we continue to benchmark unit costs across planned component replacements. Of those components that could be directly compared, our IHMT was £35k more competitive than a comparable programme using the consortium average benchmark price. We will continue to undertake such benchmarking in future in order to ensure that our delivery routes remain competitive.

Procurement
The procurement programme for Asset Management was reviewed in light of the re-profiling of the long range stock investment programmes and is progressing in order to make the transition to longer term Schedule of Rates (SOR) contracts to deliver better overall value for money.

A key piece of external procurement undertaken in 2015-16 was the outsourcing of cyclical painting, UPVC over-cladding and responsive repairs to windows and doors, which formed part of the larger project to transform the in-house maintenance service. The contract commenced in September 2015 and a recent review of performance showed that the contract is delivering better value for money (range between 9%-24%) and increased levels of productivity (range between 3%-22%) across all work streams than the service previously provided in-house.

We are nearing completion of the re-procurement of our building materials contract, the largest corporate contract for supply of goods or services, and through which it is intended that we will deliver better long term value through our improvement programmes and responsive repairs.

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 2015-16 we demolished 86 garages to prepare selected sites for alternative uses offering better value.

In addition we achieved the following:

- disposal of 14 land sites and 11 garage plots generating a surplus on disposal of £463,000
- planning permission secured on a further 11 land sites for future development or disposal.
- land subsidy with an estimated value of £195k (based on £15k per plot)following receipt of planning permission for the development of 13 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. We have used the HCA's OJEU compliant DPP2 framework to procure Kier Living as our developer partner for the delivery of 275 high quality open market homes and it is expected that a planning application will be submitted this calendar year. In addition to deriving best value from the land, which will facilitate investment in new homes in other priority locations, 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

During 2015-16 we brought an additional 59 affordable homes into management and signed contracts for the delivery of a further 162 homes through the AHP and s106 agreements. The sale of shared ownership homes is an important element of cross-subsidy in our development programme, and 16 sales were completed with a gross value of £0.95m in the last financial year.

We were successful in bidding for 88 units through the initial bidding round for the 2015-18 AHP. Opportunities to deliver over and above the initial commitment were actively explored through the CME process in 2015-16 and as a result we increased our AHP commitment by a further 57 units to a total of 145. Of these, 100 of the units will be built on land already in Aspire ownership and contributed at nil value into the schemes.

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 carried out new financial appraisals on all of our uncommitted schemes, including the schemes bid for under the 2015-18 AHP. These appraisals indicated that the projected net present values for all of these schemes were significantly lower than those that under-pinned our bid. As a result we secured approval from the HCA to use an additional £455k of Disposal Proceeds Fund to support viability of our AHP commitments. In addition, we renegotiated a total of eight s106 schemes with developers, comprising 208 units, and secured total cost reductions of over £800k or £3.8k per unit in order to support viability of the schemes.

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.

Future issues for consideration

Local Housing Allowance Cap

The policy of limiting housing benefit to Local Housing Allowance rates from April 2018, for single under-35s without children and for those in supported housing, will have a significant impact on the potential rent stream for specific property types within our stock. A corporate project has been started to prepare for the impact of the policy, which from an asset perspective will require us to understand the implications and implement actions for at-risk property types such as 1-bed flats and sheltered housing.

Voluntary Right to Buy

The voluntary deal between Government and the social housing sector to offer the Right to Buy to all housing association customers will lead to a significant increase in the level of property disposals and we will need to develop or acquire new properties in order to achieve 1:1 replacement of the lost stock. A corporate project has been started to prepare for the impact of the policy, which will require us to assess the likely demand and put in place a policy framework setting out criteria for inclusion or exclusion of properties from the scheme.

5. 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 plan.

Overview of Aspire Housing actual and projected operating returns and margins

	2013-14 Actual £'000s	2014-15 Actual £'000s	2015-16 Actual £'000s	2016-17 Forecast £'000s	2017-18 Forecast £'000s
Operating margin	22.4%	24.9%	30.7%	34.5%	36.3%
Net margin	4.0%	6.0%	15.2%	17.6%	20.5%
Turnover from lettings	£34,136	£36,885	£37,961	£37,421	£38,366
Operating surplus from lettings	£8,960	£11,137	£13,456	£13,767	£14,309
Operating margin on lettings	26.3%	30.2%	35.4%	36.8%	37.3%
Group net surplus	£1,271	£2,446	£6,307	£7,372	£9,465

As is apparent from the above table Aspire Housing has achieved year on year increases in its operating and bottom line margins over the past two years, and the net surplus has increased from £2.4m in 2014-15 to £6.3m in 2015-16. The financial performance reported in 2015-16 is stated after accounting for c£1.9m of the one off costs of an organisational restructure which was carried out during the year as part of our plan to achieve on going annual cost reductions of at least £4.5m per annum.

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 RPs.

In June 2016, the HCA published an analysis of registered providers' unit costs using the 2014-15 Global Accounts as the source data. The Aspire Housing unit costs derived from this analysis are broadly consistent with those published in our previous VFM statements, however the HCA analysis provides a sector median comparator for each of the unit costs whereas we have in previous years published average rather than median comparator unit costs. For the purposes of this self-assessment we have utilised the HCA methodology for calculating unit costs and revised our historic cost data accordingly. We have also adopted median values as the benchmark comparator in the table below.

The HCA analysis identifies a number of cost drivers as contextual information which can explain variances between registered provider unit costs. These include the following:

- % of supported housing and housing for older people
- LSVT maturity (the analysis identifies that there is no significant cost impact for LSVTs of over 12 years' maturity)
- Regional Wage Index
- Neighbourhood deprivation indices for the areas where the stock is situated

The proportion of Aspire's stock that is classed as supported housing and housing for older people falls marginally below the median, and the regional wage index at 0.93 is also lower than the median of 1.0. No deprivation metrics are provided in the analysis.

In previous years we have used a peer group primarily comprising LSVTs operating in or around our region. However, given that the HCA regression analysis has found no significant cost differential for mature LSVTs, we have established a new regional peer group[1] of 24 traditional and LSVT RPs, as the comparator (source: HCA 2015 Global Accounts).

	Aspire Housing			**Global accounts 2014-15**	
	2013-14	2014-15	2015-16	Sector Median	Peer Group
Operating margin	22.4%	24.9%	30.7%	28.4%	28.6%
Operating margin on lettings	26.3%	30.2%	35.4%	31.4%	32.9%
Net margin	4.0%	6.0%	15.2%	15.9%	13.6%
Rent and service charge per week	£77.60	£82.41	£84.37	£92.07	£89.29
Management costs	£796	£750	£724	£950	£833
Service costs	£268	£281	£283	£360	£355
Maintenance repair costs (revenue)	£1,211	£1,177	£1,102	£980	£1,003
Planned/Major Repairs (capital)	£766	£831	£603	£800	£687
Other social housing costs	£324	£291	£307	£200	£167
Headline social housing cost	£3,365	£3,328	£3,019	£3,550	£3,384

(All costs expressed as cost per unit)

As indicated earlier, the costs per unit for Aspire Housing reported in the above table include significant business transformation costs (c£1.9m) incurred in the year to implement the business restructure approved by the board following the rent cut announcement. These are non-recurring costs and therefore the underlying and continuing costs per unit are significantly lower.

- The Aspire Housing headline social housing cost of £3,019 was 85% of the sector median cost and 89% of the regional peer group cost. Aspire's headline cost excluding the one off restructure costs was £2,809.

- Aspire's 2015-16 management cost per unit fell from £750 to £724 compared to the previous financial year and was 76% of the median costs for the sector as a whole and 87% of the peer group median.

[1] The peer group comprises: Accord HA, Black Country HG, Bournville Village Trust, Bromford HA, Cheshire Peaks and Plains HT, Festival Housing, Heart of England HA, Mercian HA, Midland Heart, Moorlands Housing, Plus Dane (Cheshire) HA, Severnside Housing, South Shropshire HA, South Staffordshire HA, Staffordshire HA, The Wrekin HT, Trent & Dove Housing, Trident HA, Walsall HG, Waterloo HA, West Mercia Homes, Whitefriars HG, Weaver Vale HT

- Whilst there was a reduction in Aspire's revenue maintenance cost per unit which fell from £1,177 in 2014-15 to £1,102 in 2015-16, this still remains 12.4% higher than the median sector costs and 9.9% higher than the peer group median (2014-15 global accounts).

- Aspire's total cost per unit for repairs and maintenance (including capitalised costs) fell from £2,008 in 2014-15 to £1,705 in 2015-16. This compares with the whole sector 2014-15 median cost of £1,780 and the peer group median of £1,690.

Other key performance indicators

We use HouseMark to benchmark the performance of our core housing management and maintenance services and, we have been consistent in our selection of the performance indicators we publish in this self-assessment. Our performance over time compared to the Housemark benchmark peer group[2] is presented below:

	2013-14	2014-15	2015-16	Trend	Quartile (2014-15 data)
Void rent loss (% of rent & service charges)	1.12%	0.88%	0.72%	↑	1st
Current arrears (% rent & service charges)	1.19%	1.03%	0.95%	↑	1st
Rent collection (% rent & service charges)	98.9%	102.6%	100.9%	↓	1st
Gas safety (%with gas safety certificate)	99.9%	99.9%	100.0%	↑	1st
Number of days to let a property (all voids)	39	32	23	↑	2nd
Annual number of repairs per property	4.4	4.1	3.5	↑	3rd
Satisfaction with responsive repairs service	87.4%	84.0%	84.2%	↑	3rd
Overall satisfaction with service provided	84.9%	93.0%	93.5%	↑	1st
Satisfaction with vfm of services provided	77.4%	91.0%	92.2%	↑	1st

The 15-16 results reflect improved performance in most areas, with six of the nine indicators in the top quartile of our benchmark group. However our objective is to achieve top quartile for all of these indicators and, whilst the year end measurements reflect improved performance for each of the KPIs that fall outside of the top quartile, we have action plans in place to drive further improvement. We will also review our KPI set in the context of the refreshed corporate plan, due to be launched later this year, to ensure that these KPIs are aligned with the new plan objectives.

[2] Housemark Northern LSVT Group

6. SOCIAL RETURN ON ASSETS

The achievement of positive social impact is a core element of the Aspire Group's corporate aims.

Through Enterprising Futures, the social enterprise arm of the Aspire Group, and its subsidiaries, including PM Training and Furniture Mine, we have provided support to customers and communities to access jobs and training. PM Training produced a profit before Gift Aid in 2015-16 of £340k, and £250k was donated via Gift Aid to our charitable arm, The Realise Foundation. Some of PM's headline achievements in 2015-16 are summarised below:

- 600 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
- 69% of the young learners supported by PM Training, and 62% 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 226 new 16-18 year old apprenticeship starts in 2015-16, and 492 were funded in total during this time period
- A total of 888 learners were funded by engagement in adult apprenticeship provision, including 546 starts during the year
- PM Training provided 32 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, supporting some 10,000 clients. 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 2015-16 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 2015-16 407 customers accessed support from this service. 340 IAG customer cases were closed during the year and 59% of these customers positively progressed, 143 (42%) of whom gained employment.
- 122 customers attended training during 2015-16 and 54 gained a qualification or certificate for the training.
- The Aspire Group is signed up to the national pledge for at least 5% of its staff to be apprentices. At the year end there were 30 apprentices employed by the Group, representing 8.5% of the workforce. We also monitor progression of apprenticeships into full time employment and this equates to 75%.
- Aspire promotes skills and training though its supply chain companies. In the past year our activity has supported a further 147 apprenticeships within our supply chain.

- The Realise Foundation, the Aspire Group's charitable arm, funded basic toolkit equipment for 165 apprentices. A further 68 apprenticeships were supported in the form of a wage subsidy helping local employers take on an apprentice. Financial support was provided to 325 employment and skills customers through the 'breaking down barriers, job clubs and volunteer' funds, and a further 18 people were supported into self-employment through support provided by UnLtd.
- £381k was secured from external sources via funding applications to support a range of initiatives such as energy efficiency, enterprise development and local area improvements

7. VALUE FOR MONEY ACHIEVEMENTS AND FUTURE PLANS

We reported in last year's VFM statement that the 10% efficiency target savings in management and maintenance unit costs set by the Aspire Housing board over the life of the 2014-19 corporate plan were no longer sufficient in the context of the four year rent cuts announced in the July 2015 budget. The 10% targets were projected to deliver annual savings of c£1.5m and good progress has been made in the achievement of these efficiencies. However the impact on our business plan of the rent cuts was such that total projected annual cost reductions of in excess of £4m will be required over the rent cut period in order to maintain a financially robust business plan.

A comprehensive review of all areas of the business was carried out with the objective of identifying all options where cost savings and efficiencies could be achieved in order to respond to the rent cuts. As part of this exercise, all of the service reviews that had been completed as part of the 2014-15 programme, and reported in the 2015 VFM self-assessment, were re-visited in order to identify any further options for efficiencies in those areas.

The board made an early decision to approve plans to achieve these cost reductions, and actions were taken to secure them sooner rather than later in order to build sufficient robustness into the plan to withstand any further financial shocks. Consequently, a major organisational restructure was completed in 2015-16.

These efficiencies have been achieved across all areas of the business, including both front and back offices.

As a result of the organisational restructure there has been a significant reduction in the number of full time equivalent (fte) establishment posts, and the comparative year end ftes compared to the previous year end are set out by business area in the table below:

Business area	31-03-15 FTEs	31-03-16 FTEs
AH Exec and central services	65	49
AH Housing and Customer Services	124	84
AH Aspire Response	159	127
AH Business Development	47	26
Aspire Housing Total	**395**	**286**
Enterprising Futures/PM Training	157	113
Furniture Mine	11	7
Aspire Group Total	**563**	**406**

The table below sets out the three year costs per unit, and projected 2016-17 costs, using the HCA's unit cost analysis headings and methodology. The £1.9m one off costs of the restructure are reflected in the 2015-16 gross costs per unit and are consistent with their presentation in the financial statements. The underlying costs per unit, excluding those one off costs are presented in the 2015-16 recurring costs column.

The projected costs per unit reflected in the 2016-17 budget represent a target cost reduction compared to 2015-16 from £3,018 to £2,544 per unit or c£4.5m in total.

The new corporate plan which is due to be launched in October 2016 will retain Value For Money as a key central strategy, and new VFM targets will be set in support of this strategy.

	2013-14 Actual £	2014-15 Actual £	2015-16 Actual (Gross) £	2015-16 Actual (Recurring) £	2016-17 Budget £
Management	796	749	724	658	655
Services	268	281	283	259	332
Maintenance (revenue)	1,211	1,181	1,102	1,021	962
Maintenance (capital)	766	831	603	603	471
Other social housing	324	297	307	267	124
Total social housing cost	**3,365**	**3,333**	**3,018**	**2,809**	**2,544**

The cumulative unit management cost reduction in 2015-16 compared to the 2013-14 base year was 9% including the restructuring costs and 17% excluding those costs. The equivalent cost reductions for maintenance costs were 9% and 16%. The 2016-17 budget for management and maintenance costs reflects the whole year impact of the actions taken in 2015-16 with further cost reductions projected.

Underlying service costs in 2015-16 were broadly equivalent to the 2013-14 base year, however there will be an increase in service cost per unit in 2016-17 from £259 to £332 as a result of activities that were previously funded from Supporting People grant being transferred into mainstream services and funded from service charges.

As well as the actions taken to reduce management and maintenance costs, we have also reviewed all of our broader social housing activities and costs, and decisions have been taken to discontinue some activities that have been assessed as both discretionary and not essential to the achievement of our core objectives. These include services such as assisted gardening that were previously provided to customers without charge. The impact of these actions is reflected in the significant reduction in other social costs per unit from £267 in 2015-16 to £124 in 2016-17.

The KPIs published in section 5 of this report provide evidence that, whilst securing the reduced costs set out in the above table, we have been able to maintain or improve our performance in most service areas. In particular, there have been increases in each of the three measures of customer satisfaction compared to the previous year.

Aspire Response Service Improvement Project
The Aspire Maintenance Service Improvement Project was commenced in 2014-15 and completed in 2015-16, and has successfully implemented a wide range of service improvements with the long term objective of achieving a target of significant cost efficiencies in maintenance costs, along with improvements in service quality.

The revenue cost of maintenance fell from £1,181 in 2014-15 to £1,102 in 2015-16, and the total cost of maintenance fell from £2,008 to £1,624. These cost reductions have been achieved through a combination of efficiencies achieved as a result of the Improvement Project and the cancellation of programmed works that were over and above Aspire's statutory and regulatory obligations. During the year we commissioned an independent review by Savills of the financial provision made in the business plan for future maintenance costs, which confirmed that there is adequate provision for these costs based on our stock condition and type, with a 30 year cost provision of £46.5k per unit compared to the benchmark range of £45.9k to £48.8k.

The final actions of the Aspire Response Project were implemented in April 2016, and these included revisions to working hours, and their more effective alignment to customer demand, including the offer of evening and weekend appointments to customers. There are early indications of improved productivity being generated by these changes and we expect to achieve additional annual efficiencies as a result.

As indicated in the table, the revenue cost of maintenance has reduced from £1,211 per unit in 2013-14 to £1,102 in 2015-16 and we have set a target cost per unit in 2016-17 of £962, which represents an absolute reduction of 20.6% compared to the base year.

Digital By Design
In our 2014 VFM self-assessment we highlighted the crucial role that our "Digital by Design" (DbD) project would play in our VFM strategy, by exploiting technology to improve our customer services and to deliver real and tangible efficiencies. The DbD project was completed on time in March 2016 and has delivered significant business improvements in the following key areas:

- Customer services have been improved through the simplification of processes through which Aspire interacts with customers, enabling colleagues to respond better and more quickly to customer queries and issues.
- DbD has significantly improved internal effectiveness as a result of a range of system improvements including the following:
  - Easier access to documents through Electronic Data Management
  - Agile systems which give colleagues access to core systems when working remotely
  - Data cleansing – removal of multiple databases holding the same data and improvement in data quality
- Implementation of HR self-service
- Systems resilience: a significant number of systems have been implemented and upgraded which have improved system efficiency and reduced the risk exposure from system breakdowns

The DbD project was delivered within budget at a cost of £226k and has a projected payback period of 1.4 years, with an on-going secured return on investment of 75% per annum.

Withdrawal of Supporting People funding
We reported in last year's VFM self-assessment that Supported People funding for our community alarm service had been withdrawn and that SP funding for elderly sheltered schemes had been cut by 50%. The community alarm service was outsourced in 2014-15 and we re-modelled our other services to accommodate the cut in SP funding. From April 2016, all SP funding has been terminated and during 2015-16 we have carried our further re-modelling of affected services and have in some cases secured alternative sources of funding in order to successfully maintain the financial viability of these services.

Governance simplification
Following a review by the Group Board a decision was taken in 2015 to simplify the Group's governance structures and processes by collapsing the group structure and reducing the number of entities within the Group. The key drivers for this decision were to removed complexity and duplication from the governance processes, to create closer working relationships between the entities and to achieve cost efficiencies.

This simplification which was completed on 1 July 2016 has reduced the number of group entities from 7 to 3, with Aspire Housing as the group parent, and PM Training and The Realise Foundation as subsidiaries.

The cost of completing the governance restructure was c£100k, however we estimate that this will deliver ongoing savings of c£200k per annum .

Procurement
In 2015, following a review of the strategic procurement function, we entered into a two year contract with a third party for the provision of procurement support to the Group. The annual cost saving arising from outsourcing procurement is c£60k

compared to the 2014-15 budget cost. The future procurement needs of the Group will be reviewed again at the end of the two year contract in 2017.

There was a relatively low volume of completed procurement exercises during 2015-16, with total identified savings of c£90k (22%) compared to the previous contract value.

We now maintain a three year pipeline schedule of future procurement activities with targeted savings for each area. The total targeted savings in 2016-17 is £350k, based on annual contract values.

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 the four year rent cut removed a further £87m over the same period. These events have driven the VFM strategy within the Aspire Group and through the decisive actions that we have taken to reduce costs and improve efficiency we have been able to re-shape the business plan to accommodate the severe financial impact of the lost revenue and at the same time we have strengthened the plan, increasing our margins and creating additional headroom to mitigate the impact of any further financial shocks.

The government had set stringent and challenging targets for deficit reduction over the lifetime of this parliament, albeit these targets have now been withdrawn following the vote to leave the EU, however we expect further pressure on our revenue streams from the full roll out of Universal Credit and the introduction of the Local Housing Allowance. The Leave vote has generated a high level of political and economic uncertainty to the environment in which we operate, and the first call on our VFM gains will always be to manage the risks of new shocks to our financial plans arising in this environment.

In this context we will continue to utilise additional resources generated from our VFM activities to invest in the provision of new homes, and the additional 350 units that we have been able to accommodate within our revised business plan reflects our commitment to this objective.