

Value for Money Assessment 2015



West Kent Value for Money Assessment 2015

Contents Page

| | |
|--|----|
| Executive Summary | 2 |
| 1 Introduction | 4 |
| 2 Financial | 4 |
| 2.1 Adjusted Operating surplus per unit | 5 |
| 2.2 Development appraisal assumptions..... | 7 |
| 2.3 Repay debt..... | 7 |
| 2.4 Rent arrears | 8 |
| 2.4 Void loss..... | 8 |
| 2.5 Average cost of capital | 9 |
| 2.6 Assessment of current asset base | 9 |
| 2.6 Financial conclusion | 11 |
| 3 Customer/Stakeholder | 11 |
| 3.1 It's your call – Customer Access Strategy objectives | 11 |
| 3.2 Leverage in external funding to West Kent Extra | 12 |
| 3.4 Decent homes | 14 |
| 3.5 Rents are in line with regional comparators | 16 |
| 3.6 Customer/Stakeholder conclusion..... | 17 |
| 4 Internal process | 17 |
| 4.1 Process mapping..... | 17 |
| 4.2 Benchmarking our services | 18 |
| 4.4 Divestment of Stock | 20 |
| 4.5 Internal process conclusion..... | 21 |
| 5 Learning and growth | 21 |
| 5.1 Employee engagement | 21 |
| 5.2 Pay and benefits..... | 21 |
| 5.3 Cultural awareness..... | 22 |
| 5.4 Learning and growth conclusion..... | 22 |
| 6 Overall conclusion..... | 23 |

West Kent Value for Money Assessment 2015

Executive Summary

Value for Money (VfM) is a strategic cross-cutting theme which encompasses all aspects of service delivery and puts into place effective arrangements to ensure that VfM is fully embedded and actively maximised. It is a core activity of West Kent's business culture, a prerequisite in terms of procurement and embedded in the roles and responsibilities of our employees, customers and stakeholders.

This VfM Assessment is aimed at our stakeholders, to assess West Kent's approach to VfM. The key stakeholders are the Homes and Communities Agency (HCA), our funders, grant providers, local authorities and residents of West Kent. VfM is also considered within the Resident Annual Report which can be found at www.westkent.org.

The decisions made by West Kent are influenced by our locality, history and trajectory. West Kent operate within Kent where land values are high, and in turn market rents are unaffordable in some areas for the average working family. There are pockets of high deprivation but conversely accessing inward investment can be challenging due to the prosperous areas we operate within.

Demand for West Kent's services is constantly increasing yet resources are limited. To meet this challenge efficient management of resources continues to be one of West Kent's highest priorities. There is a constant search for savings for reinvestment into services.

West Kent sees VfM as the balance between cost and customer satisfaction. When understanding who our customers are we need to consider our future customers and our overall objective of meeting housing need in Kent. We therefore review all our activities from a financial and customer performance basis. We take a balanced and holistic approach in assessing our VfM using a balanced scorecard methodology covering financial, customer/ stakeholder, internal process and learning and growth.

The financial parameters that we work to ensure best use of our assets whilst also understanding we have a commitment to providing services that may be difficult or impossible to be provided in another way. It can be demonstrated that our understanding of the margins generated from activities of West Kent show how we balance the needs of future residents in the provision of new affordable housing alongside meeting the overall needs of the community, by investing the majority of returns from West Kent Extra back into the community.

Our customers have direct access to staff and we are able to offer the 'right person, right answer, first time' response 84% of the time. Giving residents value for money in the service they receive. Customers have access to high quality training and employment opportunities as well as a high level of involvement through various channels in reviewing and challenging the services they receive. All this comes with the promise of a home that is fit for purpose and components in their home to be replaced when they are ready 'just in time'. Using this method has saved West Kent £50m over the last 10 years which has enabled us to meet the decent homes criteria.

West Kent processes are designed to reduce waste and improve the customer experience, the processes reviewed in 2014 have done both these things. The housing options tool is an excellent piece of software which uses technology to offer a tailored service on an individuals housing options, not just our tenants. Our benchmarking information has shown an overall increase in costs and mixed performance. Reviewing the locations of all our homes ensures we are considering the costs involved in having a dispersed stock. It also challenges our understanding of those communities and the services we provide. Some of our properties are in rural communities within Kent, an affordable housing presence could be at threat if selling high value properties in areas we operate was a purely balance sheet exercise.

This is the last year of our three year Value for Money Strategy and therefore follows a similar reporting style to the last two reports. We will be reviewing our approach to VfM during 2015 and agreeing a new strategy.

West Kent Value for Money Assessment 2015

| Category | Indicators | Target | Actual 2012 | Actual 2013 | Actual 2014 | |
|--------------------------|--|---|--|---|--|---|
| Financial | Adjusted Operating Surplus per unit | £2,477 per unit | £2,317 per unit | £2,260 per unit | £2,220 per unit |  |
| | Development appraisal assumptions | Net cost per unit | Achieved and reported to Board | Achieved and reported to Board | Achieved and reported to Board |  |
| | Long term model | Zero net debt within 30 years | Zero net debt by 2031 | Zero net debt by 2033 | Zero net debt by 2036 |  |
| | Rent arrears | 4.0% current tenants | 3.7% | 3.5% | 2.8% |  |
| | Void loss | 21 days to let general needs | 26 days | 22 days | 30 days |  |
| | Average cost of capital | Better than global accounts (2013/14: 4.7%) | 5.0% | 4.9% | 4.2% |  |
| | Assessment of current asset base | Positive cash contributions | Achieved | Achieved | Achieved |  |
| Customer/ Stakeholder | It's your call – Customer Access Strategy objectives | 80% enquiries dealt with first time | N/A | 77% | 84% |  |
| | Leverage in external funding to WKE | £200k external funding | £292k | £807k | £1,305k |  |
| | Decent homes | 99% decent | 98% decent | 99% decent | 98% decent |  |
| | Rents are in line with regional comparators | Monitor | In line with regional comparators | In line with regional comparators | In line with regional comparators |  |
| Internal process | Process mapping | 5 processes | 1 process completed | 4 processes completed | 7 processes completed |  |
| | Benchmarking our services | Better cost with improving performance | 6 out of 8 | 6 out of 8 | 5 out of 8 |  |
| | Divestment of Stock | Divest from non core areas | No non core areas | No non core areas | No non core areas |  |
| Learning and growth | Employee engagement | 80% Response rate | 71% Response rate | 80% Response rate | N/a |  |
| | Pay and benefits | In line with market | 56% of staff value there total benefits package (2011) | 98% of staff value there total benefits package | 86% posts were within 10% of median salary |  |
| | Cultural awareness | Staff engagement with VfM | Examples included in 2013 report | Examples included in 2014 report | Examples included in this report |  |

West Kent Value for Money Assessment 2015

1 Introduction

This report demonstrates, in a way that is transparent and accessible to stakeholders, how we are achieving value for money in delivering our overall purpose and objectives.

The HCA regulatory standard on Value for Money (VfM) states the assessment shall:

- enable stakeholders to understand the return on assets measured against the organisation's objectives
- set out the absolute and comparative costs of delivering specific services
- evidence the value for money gains that have been and will be made and how these have and will be realised over time

The West Kent VfM Strategy map is broken down using a balanced scorecard framework including:

- Financial
- Customer/Stakeholder
- Internal Process
- Learning and growth

An assessment of each measure is undertaken and a traffic light rating of green, amber or red is concluded. Green being measure has been met, amber it has been partially met or Red it has not been met. Where no indicator has been given, it is white, this indicates that the measure was not planned to be met this year but will be measured in the future.

2 Financial

To assess our VfM in this area we ask three questions:

1. What are the key drivers in this area of the balanced scorecard assessment of West Kent?
2. Do we understand our cost base?
3. How do we ensure the methodologies we use assist in decision making to work towards these objectives?

The objectives under the heading financial are:

- To increase our capacity
- To develop new homes
- To understand how current asset base impacts on future strategies
- To achieve lower cost
- To increase/maintain revenue
- To procure capital funding

These are the key drivers for assessing West Kent's financial impact on VfM. They are assessed through various initiatives and supported from evidence reported to Board.

The next section explains some key metrics West Kent uses to assess our financial VfM credentials.

West Kent Value for Money Assessment 2015

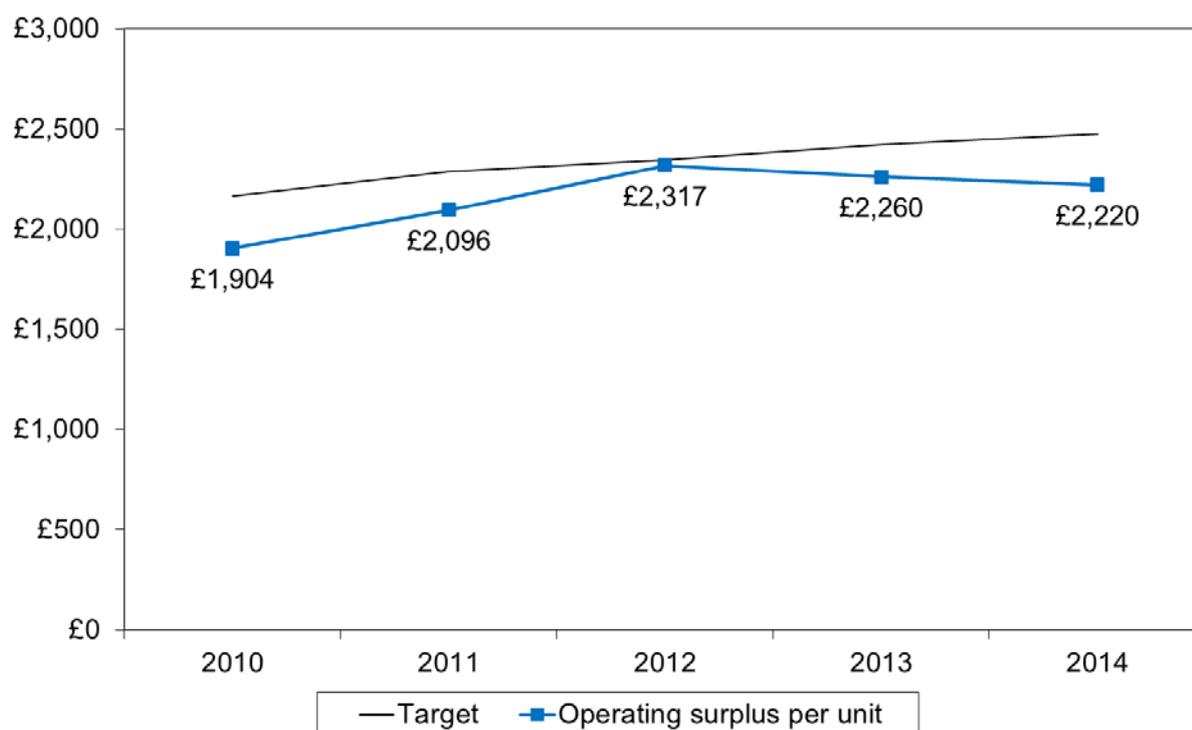
2.1 Adjusted Operating surplus per unit

(Target: £2,477 per unit)

This is a long term target based on discussions had with the Board and the Executive team. The operating surplus per unit gives a useful indicator as a way to measure the overall VfM gains that contribute to West Kent's capacity. We recognise that investment in services and specific projects should not be unreasonably constrained to achieve this target.

As West Kent makes strategic choices as to how it allocates resources we have started to diverge from our medium term target. We will review the underlying target and what we wish to achieve from such an indicator during 2015. This measure is useful to set parameters when making choices about resource and assist managers in budget setting and monitoring. It also gives a framework for understanding the amount of surplus West Kent should make to ensure we continue to be financially viable and can continue to invest in our stock in perpetuity.

Adjusted Operating surplus per unit



A reduction in our operating surplus per unit is in line with budget expectations and managing the resources of the organisation to meet the objectives set. The main factors affecting the operating surplus per unit in 2014 was an increase in resources to mitigate the threat of welfare reform changes, a one off cost in shared ownership activities, and our sales programme of shared ownership first tranche sales.

| Operating margin | West Kent HA | West Kent Extra | Group Actual | Global Accounts (All) | Global Accounts (LSVT) |
|------------------|--------------|-----------------|--------------|-----------------------|------------------------|
| | Actual | Actual | | | |
| 2014 | 34% | 0% | 33% | | |
| 2013 | 38% | 8% | 37% | 26% | 27% |
| 2012 | 39% | 16% | 38% | 26% | 27% |

West Kent margins perform well against our peers.

West Kent Value for Money Assessment 2015

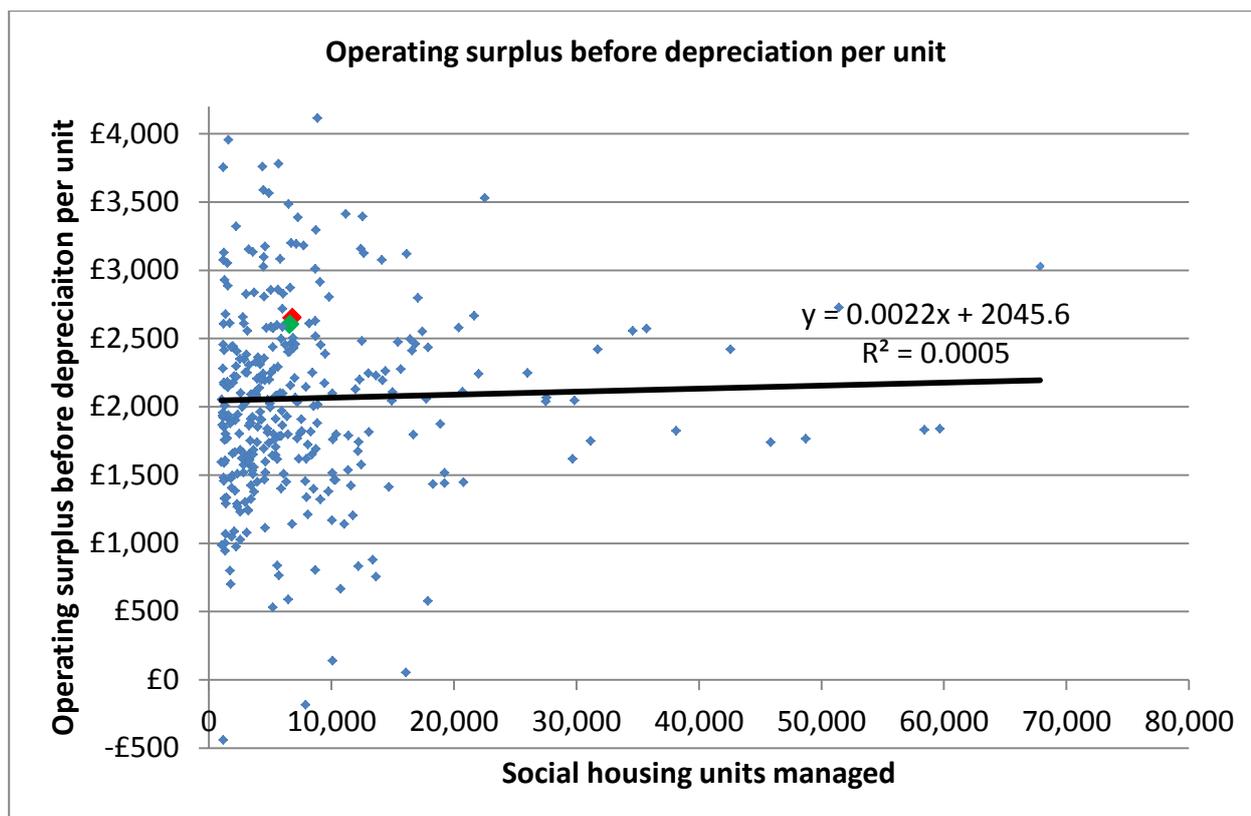
West Kent's margins can be broken down further by the activities we perform.

| Housing Association only | Turnover £'000 | Operating costs and cost of sales £'000 | Operating surplus £'000 | Operating margin 2014 | Operating margin 2013 |
|-----------------------------------|-------------------|--|----------------------------|--------------------------|--------------------------|
| General housing | 30,295 | (17,776) | 12,519 | 41% | 41% |
| Supported and older persons | 6,880 | (5,713) | 1,167 | 17% | 21% |
| Shared ownership and leaseholders | 1,596 | (1,864) | (268) | (17%) | 51% |
| Shared ownership sales | 2,910 | (2,166) | 744 | 26% | 20% |
| | 41,681 | (23,187) | 14,162 | 34% | 38% |

We have seen a continued reduction in margins in our support activities mainly due to reducing provisions in supporting people funding. A decision was taken that the support provided to our tenants, if not funded through external funding will be funded from our resources.

West Kent Extra (WKE) uses its operating surpluses to be reinvested within the year into its four strands and it consciously runs with limited unrestricted reserves. The impact of this decision will be seen throughout this document in social return as the group make a commitment in its activities for the community as a whole.

The scatter chart below, which plots 334 housing association's operating surplus per unit for 2013/14, not only shows that West Kent is in the top quartile for operating surplus per unit, but also that there is no clear correlation between size of organisation and efficiency. West Kent is shown by the red diamond (2014) and green diamond (2013).



West Kent Value for Money Assessment 2015

2.2 Development appraisal assumptions

(Agreed targeted net cost)

The resources being generated within section 2.1 allow for continued commitment to fund new housing supply.

The Board have agreed a framework for how we appraise and manage the risks of undertaking new projects. Our financial capacity to develop new homes is finite the appraisal assumptions measures the level of investment we are prepared to make and how this impacts on our capacity. All development appraisals are controlled by these assumptions. Each year the completed schemes for that year are reviewed in line with those assumptions and reported back to Board.

The completed schemes for 2014 have met the criteria set down. This ensures the financial parameters of the development programme are well managed.

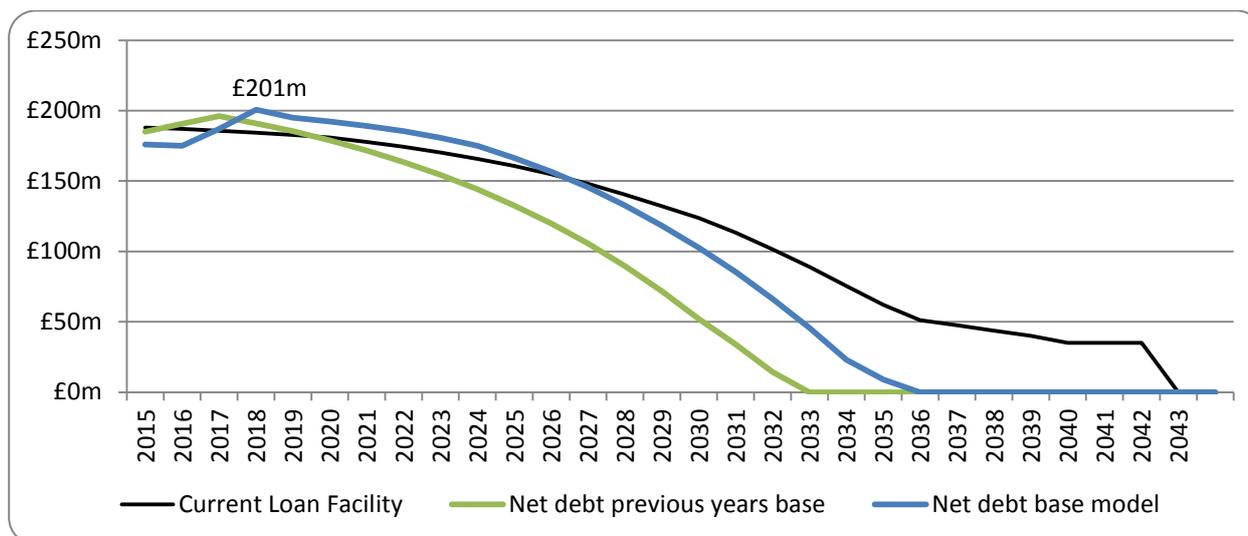
To ensure we protect our assets whilst also making the best use of our resources we are investigating opportunities for mixed developments to ensure we can continue to offer affordable housing in the areas we operate.

2.3 Repay debt

(Target: Zero debt within 30 years)

The long term financial model projects our financial position over 30 years. The model underpins our annual budget and three-year plan. It demonstrates our ability to comply with the financial covenants contained in our loan agreements. The model is reviewed by the Board annually and shows the key decisions and the long term impact they have on our capacity.

| | 2015 model | 2014 model |
|-----------------------|------------|------------|
| Peak debt | £200.6m | £196.1m |
| Peak debt in year | 2018 | 2017 |
| Zero Net Debt in year | 2036 | 2033 |



West Kent's net debt per unit at the end of 2014 is £22,792, in the HCA global accounts 2014 the average net debt is £17,796.

West Kent's commitment to funding new housing supply is achievable in our current model and decisions taken on treasury management has meant we can contribute to the 2015/18 HCA affordable homes programme.

West Kent Value for Money Assessment 2015

2.4 Rent arrears

(Target: 4.0% current tenants)

| | 2012 | 2013 | 2014 |
|--------------------------------|------|------|------|
| Rent arrears – current tenants | 3.7% | 3.5% | 2.8% |

In 2014 we implemented lots of changes to how we collect the rent. The team were given new tools and began to implement the new way of working. Thanks to residents taking responsibility for making sure their rent account is kept up to date and responding to our calls and texts about arrears, together, we managed to keep arrears down to 2.8% a reduction of 0.7% from 2013. Sadly, despite our best efforts, we did evict 16 households who were in arrears and were unable to work with us to prevent this last resort action being taken.

What did we do to achieve this by:

- Launching a 24 hour automated payment line in July 2014
- Implemented a new income system in September 2014
- Redrafted all the arrears letters with clearer messages
- Sent an average of 350 texts a week to anyone with arrears of under £175
- Spent more time with people to prevent further action.

The new processes, automated payment line and text messaging reduced our costs. These resources were reinvested into the service so that designated staff could spend more time preventing further action than actually proceeding to legal routes.

2.4 Void loss

(Target: 21 days to let general needs and emerald accommodation)

| | 2012 | 2013 | 2014 |
|--------------------------------------|---------|---------|---------|
| Average re-let times – general needs | 26 days | 22 days | 30 days |

A complete review of the whole relet process implemented in 2013 contributed to the improved turnover of empty properties. This was not replicated in 2014 where a number of different factors caused us to fall short of our target, principally demand for Emerald properties (for people aged over 55) dropped substantially as a result of changes to allocations policies. We discussed the issues with local authorities and are pleased to report that changes were put in place which has improved demand.

We housed 685 households in 2014, this is more than any previous year. The increase in re-lets was mainly due to downsizing requests arising from welfare reform, and the success of our joint project with Sevenoaks District Council to fund an under-occupation officer to deliver the Small is Beautiful scheme. The 2014 changes to allocations and moving to a daily bidding will help us to improve performance in 2015.

Small is Beautiful is an incentive scheme to help people move when their home becomes too big for their needs. During the 2014 Small is Beautiful helped 50 residents downsize, at a total cost of £79,000. This released 64 unused beds or £1,234 per bedroom released.

Almost every property released through downsizing has been re-let to applicants who were living in overcrowded conditions, or to help with homelessness prevention. At any given time, there are around 50 West Kent residents looking to downsize with the help of the under-occupation officer.

West Kent Value for Money Assessment 2015

2.5 Average cost of capital

(Target: Better than global accounts)

To ensure we make the best use of our assets, we borrow against our housing properties to build new homes. There is an agreed treasury management policy which seeks to effectively control the risks associated with interest management.

In the current economic climate base rates are low (0.5%) and even with margins increasing the overall cost of capital has resulted in low cost of finance. The Housing sector for the year to March 2014 achieved an overall average effective interest rate of 4.7%. West Kent's average cost of capital was 4.2% for the year to 31 December 2014.

| | 2012 | 2013 | 2014 |
|-----------------|------|------|------|
| Cost of capital | 5.0% | 4.9% | 4.2% |

Our current gearing is 46% on a loan to value ratio. Our ability to cover our interest through operations is a constraint on borrowing. Assuming our interest cover is the limiting factor we have borrowing capacity of a further £60m. This could be higher as the use of this resource for new developments will increase turnover and subsequently increase the amount of borrowing West Kent can sustain.

Efficiencies in cost of capital have benefited our development programme in recent years. The reduction of 0.8% on cost of capital has meant average interest savings annually of £1.6m.

We continue to review our treasury strategy to reduce the interest on our loans, whilst still protecting those assets from any fluctuations in the in market.

2.6 Assessment of current asset base

(Target: Best use of assets)

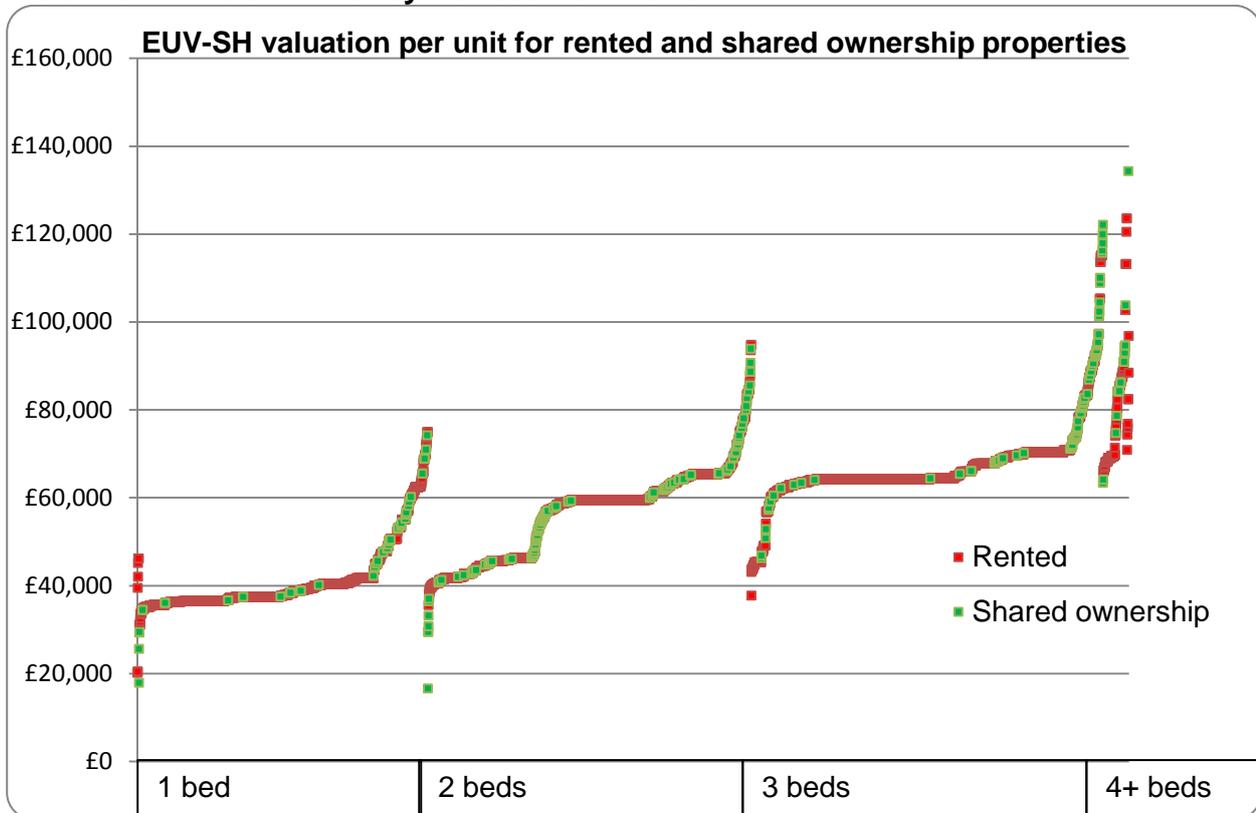
West Kent seeks to maximise the return it obtains from investment in its assets. During 2014 we had an external party provide a valuation of our stock on an existing use basis using discounted cashflows. From this data we can make decisions on the economic benefit of each asset. This information will influence decisions on stock retention and maximising capacity.

The charts below show the net contribution of every single property for rent and shared ownership. This shows that every one of our properties makes a net contribution taking into account maintaining each property and properly managing it.

This information can influence rent policy in areas where we could maximise our rental capacity and potentially dispose of properties where the valuation is disproportionately low.

The use of our assets and our decision to remain in areas where to sell high value properties is taken up further in section 4.4 Divestment of Stock.

West Kent Value for Money Assessment 2015



The shared ownership valuation is on an existing use basis which may be hiding some potential asset value as we are not assuming any staircasing where evidence proves otherwise. We will review this in 2015 to see if there is latent capacity in these assets.

Bowers Road – Asset review

In reviewing our stock during 2014 we identified seven properties that we owned that would cost more to maintain than the income they would generate. The decision was made to sell three on the open market, demolish four and redevelop the demolished site to build seven new units. We used Social housing grant and the disposal values to fund the development. This meant zero net loss of affordable housing but allowed for uneconomical properties to be replaced for new.



The example above shows that decisions as to the VfM for all our properties is embedded into our asset management strategy.

West Kent Value for Money Assessment 2015

2.6 Financial conclusion

The financial parameters that we work to ensure best use of our assets whilst also understanding we have a commitment to providing services that may be difficult or impossible to be provided in another way. It has been demonstrated that our understanding of the margins generated from activities of West Kent show how we balance the needs of future residents in the provision of new affordable housing along side meeting the overall needs of the community by investing the majority of returns from West Kent Extra back into the community.

3 Customer/Stakeholder

To assess our VfM in this area we ask three questions:

1. What are the key drivers in this area of the balanced scorecard assessment of West Kent?
2. How do we ensure we are delivering good customer service?
3. Are we meeting customers' expectations?

The objectives under the heading customer/stakeholder are:

- To improve customer service
- To improve neighbourhoods and communities
- To provide decent homes that give high levels of resident satisfaction
- To keep rents affordable

These are the key drivers for assessing West Kent's customer/stakeholder impact on VfM. They are assessed through various initiatives and supported from evidence reported to Board.

The next section explains some key metrics West Kent uses to assess our customer/stakeholder VfM credentials.

3.1 It's your call – Customer Access Strategy objectives

(Target: 80% enquiries dealt with first time)

The year saw the first full year affect of the benefits arising from our 2011-13 Customer Access Strategy: this change project involved investment in technology, a new telephone system and Customer Relationship Management software, reorganisation of key processes and front-line teams, and staff development to support the culture change.

Looking back at what has been achieved are aligned to the original concept:

- Multi-skilled Customer Services Advisors handling enquiries on rent accounts and payments, housing advice, and all types of repairs
- Customer Service team now acts as advocates and leaders in the use of new technology, especially the Customer Relationship Management (CRM) and the telephony system
- The customer service function provides leadership of the Customer Service Coach network
- A strong customer service presence has been established with all prime contractors at Partnering and Core meetings
- A single point has been established for the management of customer care.
- Achievement of 84% of customer enquiries dealt with at the initial point of contact.

We are now moving forward to implement our Customer Strategy 2014-19 with its emphasis on the five year aim to 'redefine the relationship with residents based on exceptional services, reciprocity and independence'. During 2014 this meant further work on three essential strands within the strategy: firstly, channel shift – exemplified by the launch of a 24/7 automated phone line with immediate results in terms of rent paid and steadily increasing popularity. In December 700

West Kent Value for Money Assessment 2015

payments were made in this way, releasing time for customer services to spend on other calls. We also made headway on our second strand of 'consolidation' - evidenced by staff reporting they had been able to deliver a 'right person, right answer, first time' response for 84% of transactions – exceeding our target of 80% for the first year of full implementation of the CAS Strategy. And, last but by no means least, the culture shift that makes these outcomes possible and readies us to move forward to the next phase of the strategy – embedding further measures to ensure staff are able and ready to live our values

3.2 Leverage in external funding to West Kent Extra

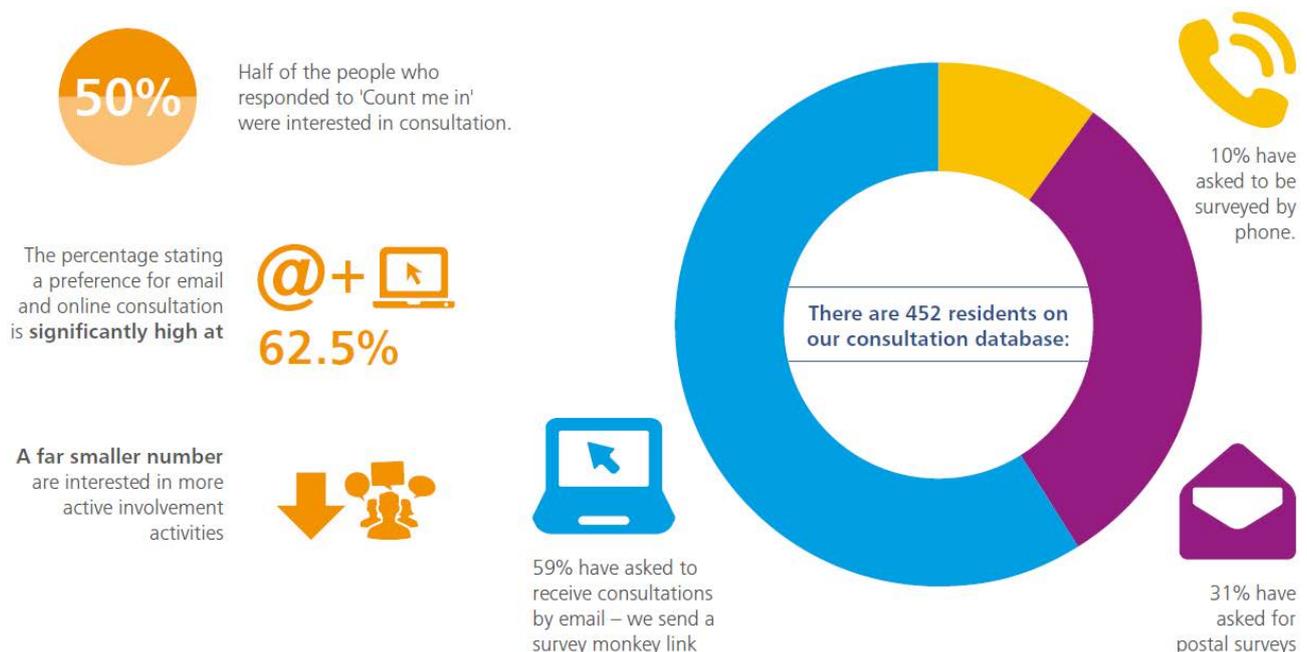
(Target: £200k external funding)

Over the past five years West Kent Extra (WKE) has grown significantly to offer a wider range of services in a larger geographical area. This growth and success is driven in large part by the significant growth in demand for our services as the period of political change, financial austerity and uncertainty about the future may hold. This backdrop creates a dual challenge where our services are in high demand but external funding to deliver such work is both more scarce and where it does exist is subject to a much more competitive bidding process.

WKE has a core source of funding from West Kent Housing Association (West Kent) to provide services of mutual benefit to both organisations across the four strands of WKE: Resident Involvement, Training and Employment, Community Involvement and Social Enterprise. For this investment WKE are able to maximise each £1 invested by sourcing inward investment that West Kent may not be able to access. In 2014 funding received excluding West Kent's contribution was £1,304,698 this was WKE's best performance to date and represents a return of around £2.09 of external and self generated income for every £1 donated to West Kent.

The approach by WKE to the commitment in meeting unmet need is by delivering high quality and innovative services in partnership with organisations that share our passion. It also makes clear that where it cannot deliver directly it will support others to do so either directly or by being an advocate and lobbying for support of vulnerable groups and the value of the third sector in meeting such need in Kent.

Our new resident involvement strategy 2014-2016 was approved in Spring 2014 and sets out our core commitment to keep residents at the heart of what we do. The strategy set out several aims focussed on continuing to develop our resident involvement offer and widen the number of residents we engage with regularly.

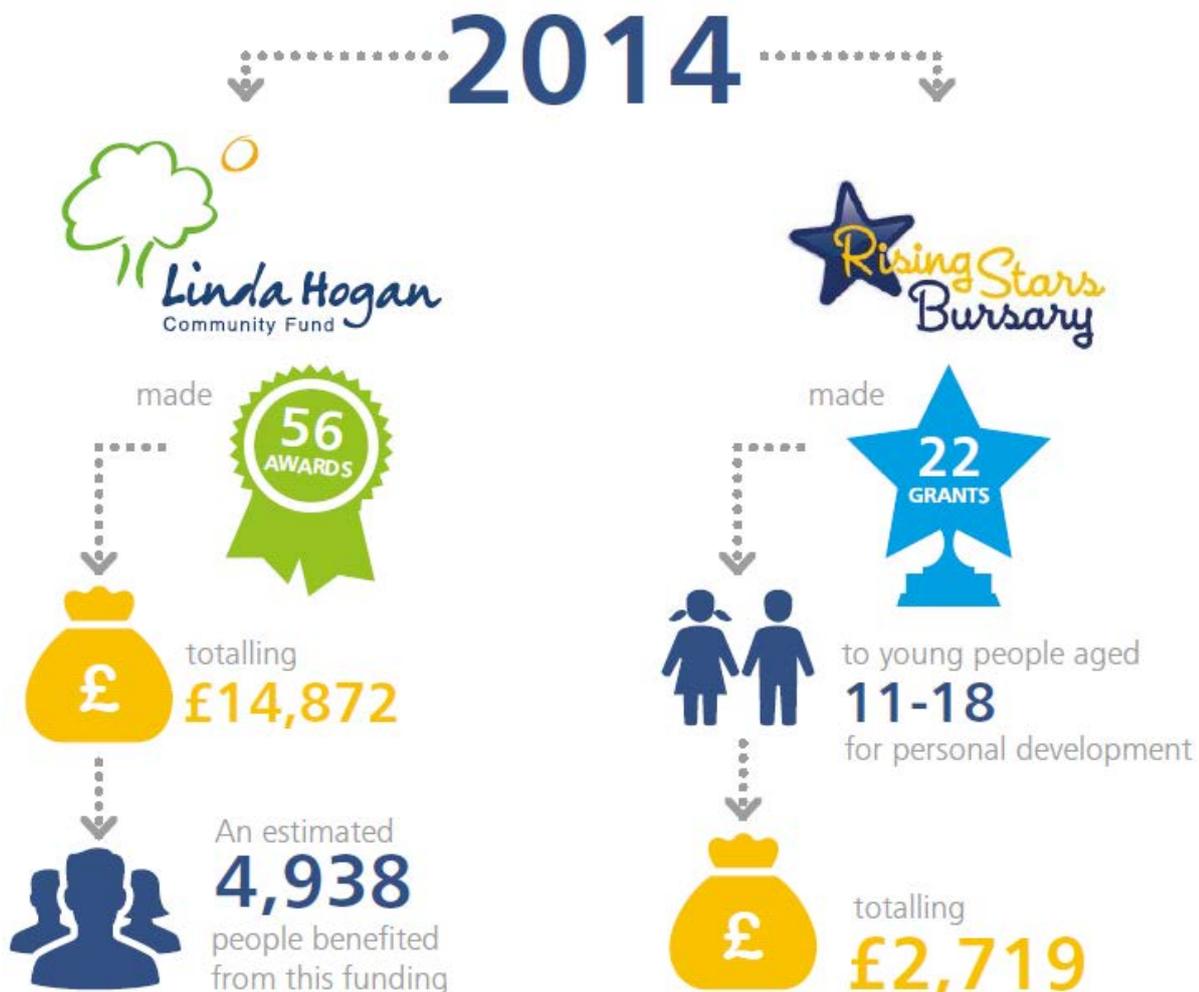


West Kent Value for Money Assessment 2015

In 2014 we completed seven resident consultations including a website tool survey, engineer and plumber appointments questionnaire and a survey of our code of conduct policy. We used our new resident involvement database of over 450 residents for most of our consultations, however we have also carried out several face to face surveys giving us the opportunity to talk and engage with residents about their aspirations and needs. Results and recommendations from our resident consultations are published on our website and links to any live consultations can also be found there, this allows residents to clearly identify the impact and benefit of their engagement. Where we have identified needs for individuals we have noted those and followed up, providing additional support for residents. We have also targeted local consultations with people directly affected by specific policies and strategies to ensure meaningful consultation. As well as community consultations with individuals we have used local meeting venues to offer focus groups and group consultation sessions which have also proved popular.

We have found that having resident involvement processes tailored to how residents wish to engage with West Kent allows us to get a higher volume of involved residents over a greater demographic and geography, which means the response is richer and has reduced a reliance on tenants being dictated by West Kent as to when and how a consultation will occur, they can do it in their own time when it suits them. This has also been cheaper to operate but with greater return on investment.

WKE runs projects on behalf of the community not just West Kent residents. In 2014 it help facilitate Pop Up Business Schools in Swanley, these are run throughout the UK helping people start their own businesses. The 8-12s Project supported 144 children, with weekly clubs running in Swanley, Sevenoaks, New Ash Green and West Kingsdown. As part of WKE bursary funds it assisted over 5,000 individuals in pursuit of personal development.



West Kent Value for Money Assessment 2015

These projects bring a far greater return in social value and in 2015 WKE has been working through how this benefit can be quantified or illustrated. WKE have commissioned some work on tracing how their impact over the last 10 years has changed peoples lives, but also where we have not been successful so we can target gaps in delivery.

WKE has a dedicated training and employment officer and along with West Kent offers placements in our organisations or with our partners.

13
YOUNG PEOPLE

took part in work experience or placements in 2014

18

APPRENTICES IN POST THROUGHOUT 2014

(includes some in their second year, e.g. Gas Engineer apprentice)

THE TRAINING AND EMPLOYMENT OFFICER SUPPORTED

48 RESIDENTS

in 2014 offering advice on the opportunities available to them.

22 TRAINING COURSES

were offered to adults in 2014, resulting in

141 ATTENDANCES
82 ACCREDITATIONS

Young people achieved

198 RECORDED OUTCOMES

and **27** ACCREDITED OUTCOMES

through our youth work

There were

26 ACTIVE VOLUNTEERS

across West Kent projects

15 NEW BUSINESSES WERE CREATED

as a result of our Pop Up Business School

(38 PEOPLE TOOK PART)

22

YOUNG PEOPLE RECEIVED RISING STARS BURSARIES

to fund their own personal development activities

20

COMMUNITY WORK PLACEMENTS

hosted for offenders preparing for release

3.4 Decent homes

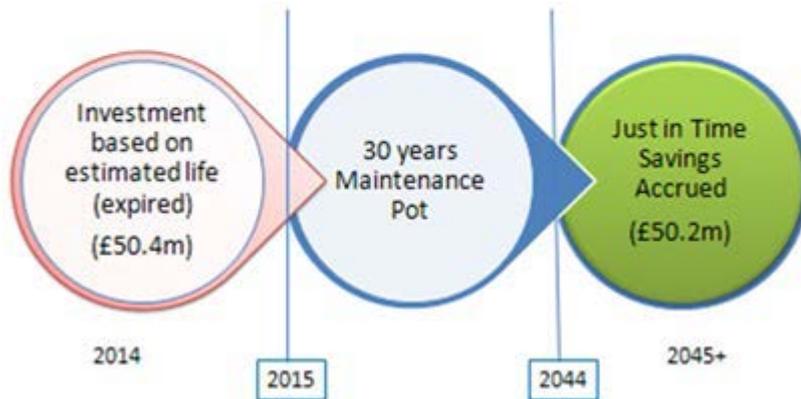
(Target: 99% decent)

| | 2012 | 2013 | 2014 |
|------------------------------------|------|------|------|
| Decent Homes | 98% | 99% | 98% |
| Resident satisfaction with repairs | 94% | 94% | 93% |

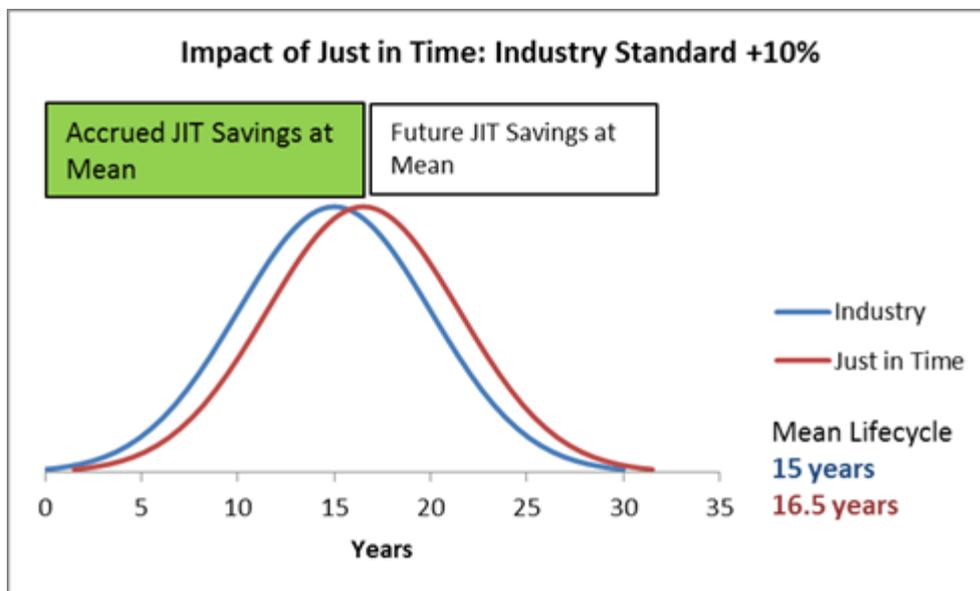
The maintenance cost model currently identifies components which are in good condition and do not need replacement now although their estimated lives have expired. This equates to £50.4m of works that are currently not required but would be expected to be done within the next five years. The components in the model that are planned to be replaced in these years are also likely to be in good condition and not need replacing, as this flows through the model there will be components that are planned to be completed within 30 years but actually get pushed out of this time horizon, currently these postponed works are estimated to be worth £50.2m.

West Kent Value for Money Assessment 2015

Impact on Maintenance Pot



West Kent's "Just in time" strategy over the last ten years has led to stretching out the life of components on average by 10% which equates to £50m, which would have been spent in the last 10 years had components been replaced when their estimated replacement date had lapsed.



Decent Homes target was not met in 2014. 98 properties were deemed non decent, 22 due to tenant refusal. When a property has been identified as non-decent West Kent has set a standard that any works that are required will be completed within a 12 month period.

| Primary Reason for Decent Homes failure | Number of properties |
|---|----------------------|
| Doors | 58 |
| Kitchen/ bathroom/insulation | 12 |
| Heating | 5 |
| Below SAP38 rating | 17 |
| Windows | 1 |
| Housing Health and Safety Rating System | 5 |

West Kent Value for Money Assessment 2015

The 2014 programme of works included:



We use South East Consortium (SEC) for procurement frameworks. This membership costs West Kent £16,000 per year. We helped shape three frameworks – Pest Control, Asbestos Removals and Sewage Treatment Plants, Cesspools and Pumping Stations. SEC procured 54 contracts from these and existing frameworks exceeding £41m in total in 2013/14. SEC carried out the tender for West Kent’s door replacement programme. This delivered savings against the budget of £54,000.

SEC consultancy framework allowed West Kent to appoint a lift consultant. The internal and external building works framework allowed us to directly appoint Anglian Windows to carry out window replacements. This saved time by avoiding going through a full tender process. This saving is typically £20,000 per tender.

As part of the fee West Kent can also access training courses and round table events. Three colleagues attended one or more courses in the year. These were free seminars, many of which were CPD accredited, that we introduced this year.

SEC worked with West Kent on completing a knowledge sharing report covering printing and mailing. SEC overall produced 44 of these types of report on various subjects. West Kent contributed to four of these reports for other members.

During 2015 we will approve a new procurement strategy which encourages the use of procurement frameworks by default.

3.5 Rents are in line with regional comparators

West Kent rents are annually assessed against local registered providers to ensure we are in line. This comparison is reviewed during the approval of the following year’s rent increase policy. The 2015 rent review showed West Kent was in line with other providers in the areas we operate.

When our rent charge is compared to the local authority averages by bed space we are below the average in 12 of the 16 rent archetypes. The remaining four rent archetypes we are within 5% of the local authority average.

Having our rents at below average by local authority ensures our rents are value for money for our residents.

West Kent Value for Money Assessment 2015

3.6 Customer/Stakeholder conclusion

Our customers have direct access to staff and we are able to offer the 'right person, right answer, first time' response 84% of the time. Giving residents value for money in the service they receive. Customers have access to high quality training and employment opportunities as well as a high level of involvement through various channels in reviewing and challenging the services they receive. All this comes with the promise of a home that is fit for purpose and components in their home to be replaced when they are ready 'just in time'. Using this method has saved West Kent £50m over the last 10 years which has enabled us to meet the decent homes criteria.

4 Internal process

To assess our VfM in this area we ask three questions:

1. What are the key drivers in this area of the balanced scorecard assessment of West Kent?
2. How are we using process reviews to improve Value for Money?
3. How do we measure the success of these?

The objectives under the heading internal process are:

- To provide excellent service delivery
- To ensure information is easily accessible
- To understand costs and performance

These are the key drivers for assessing our internal processes and how they impact on VfM.

The next section explains some key metrics West Kent uses to assess our internal processes.

4.1 Process mapping

In 2014 we completed on seven key process areas as part of our ICT suite of systems. These were:

- Income recovery
- Defects management
- Housing options web tool
- Empty property management
- Making it right (complaints process upgrade)
- Mobile Electronic Document Management
- Out of hours

Income recovery – with the changes to welfare reform we acknowledged our income processes were not equipped to deal with the changes on the horizon. We completely redesigned our processes with the help of Wakefield and District Housing. As can be seen in section 2.4 above our rent arrears reduced in the period. We will use the systems we have developed to mitigate the future risk of rent collection from changes in Universal Credit.

Defects management – we designed and implemented a tool to monitor and control our defects process during the period after a new build is handed over to us. This has freed up time to be able to deal with the issues and making sure the works are completed. This will improve tenant satisfaction with their new home.

West Kent Value for Money Assessment 2015

Housing options web tool - we developed a sophisticated housing tool for our website to help guide people through their housing options. It helps people understand quickly if they are eligible for housing and if not, what their other options are. It produces an 'action plan' that lists what they should do next and any documentation they will need. This is very personal service and asks questions to arrive at a tailored plan for that individual something that would require a large resource if it were to be handled by staff. <http://www.westkent.org/Move-or-Stay-Survey>

Empty property management – letting our homes is a critical aspect of the housing cycle and we used our case management system to bring in areas of the process that did not fit with our current systems, this joined up steps with existing systems allowing for the process to be recorded at each step. This in turn will allow for a quicker turnaround of empty properties as the joint up nature of the system will mean there is less waste.

Making it right - we reviewed the way we handle complaints and our new process has a key focus on first time resolution. This means that when we are first contacted about a problem we will focus on trying to solve the issue. This cuts out a large amount of time in acknowledging the complaint in writing and stating how we are going to resolve it. Instead we just resolve the issue. If a resident is still not satisfied with our response they can ask for a complaint review and we will log the complaint. The process is all contained within our case management system so even the first contact is recorded but with far less administrative time used.



Mobile Electronic Document Management – we have been moving our paper documents into a shared repositories for the last two years. In 2014 we made this accessible to staff via tablets. This means all documents held can be accessed by staff whilst in tenants homes, or from any office.

An action from 2013 was a review of our out of hours service. This was completed and tendered during 2014. The process involved relooking at the way we organize out of hours and during this process we decided to split the service. Mears now operate our out of hours call centre and Centra pulse continue to provide lifeline services.

We have reviewed our block cleaning service and will be tendering out this process in 2015.

4.2 Benchmarking our services

(Target: Better cost with improving performance)

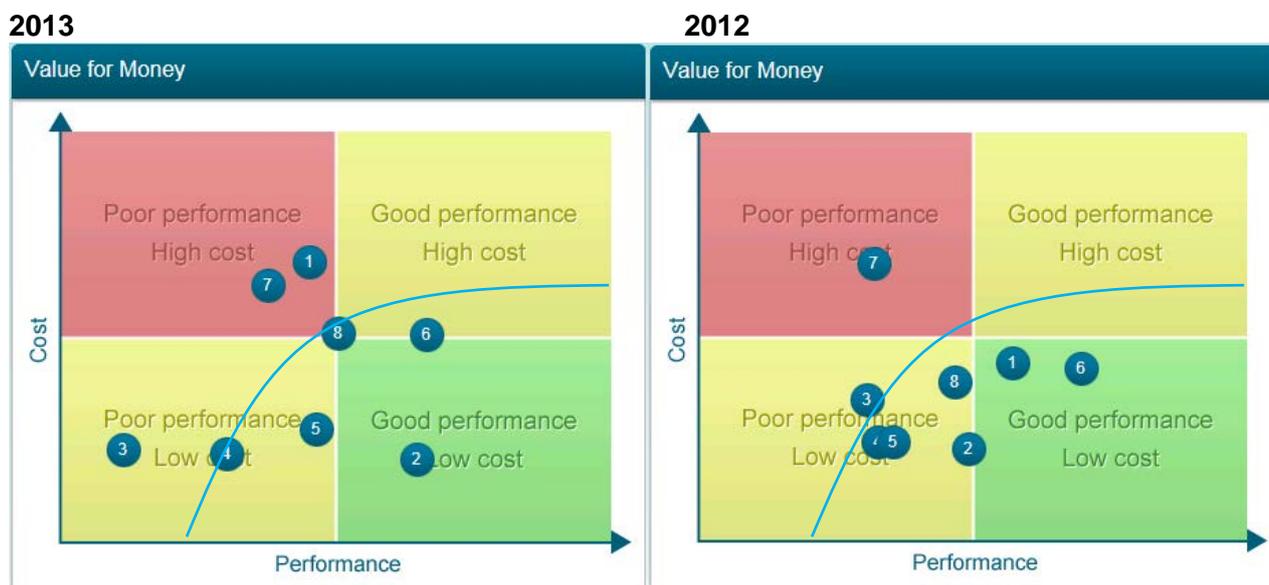
The main facility West Kent use to monitor the relationship between cost and performance, comparing West Kent with other organisations, is through HouseMark. As HouseMark data is linked to year end accounts and year end performance the most up to date benchmarking is for West Kent's year ending 31 December 2013. HouseMark uses a four section graph to illustrate how an organisation is performing on eight key functions.

West Kent prides itself on being efficient in its service delivery and understands the relationship between the cost in providing the service and the performance of that service. There is a choice to be made on how much more money is required in a service to see a material change in performance.

West Kent Value for Money Assessment 2015

We have six core areas in the low cost zone of comparison with our peers (196 housing associations in England with more than 1,000 properties). Two activities in 2013 are in the high cost area, repairs maintenance has joined resident involvement from 2012. We understand our costs for resident involvement feel the resource allocation is appropriate for our organisation. Maintenance expenditure has increased in 2013 and 2014, this is being investigated in detail. During 2013 we changed our approach to customer service and accessing our services this has contributed to more jobs being completed.

The light blue line is the area we expect our services to be within, accepting that the relationship between cost and performance are not always linear, so a £1 of spend does not always equal a proportionate improvement in performance. However more have moved away from this zone in 2013.



1. Responsive repairs and void works – Increased costs, performance reduced with increased completion time.
 - 2015 costs are likely to increase with improved performance.
2. Rent arrears and collection – Costs reduced and performance improved.
 - Resources have been allocated to this area of the business over the last two years and continue to be a focus of resources into 2015. We have seen improvements throughout 2014 on rent collection. Our processes have been reviewed in preparation for the impact of changes to welfare reform, particularly universal credit and potential reduction in benefit cap.
 - 2015 predict costs remaining level and expect performance to reduce as welfare impact kicks in.
3. Anti-social behaviour (ASB) – Slightly reduced costs as we have moved towards tenant led solutions, performance has reduced which may reflect the new approach where we are dealing with less low level ASB and more serious, complicated cases. These cases may not always get the solution desired by tenants. This has led to reduced resolution rates and satisfaction. During 2014 this performance continued.
 - 2015 predict cost to be maintained and performance to remain the same.
4. Major works and cyclical maintenance – Slightly reduced costs, performance declined. There were contractual issues with two suppliers during 2013 reducing our response to keeping our homes decent. 2014 non decent rate continued to decline whilst new contractors were secured.

West Kent Value for Money Assessment 2015

- 2015 predict that costs will remain low and performance will improve as our new contractors settle in.
5. Lettings – Costs maintained, performance improved. Relet times reduced in 2013 after a full review of the way we let our homes. This has not been maintained in 2014 due to changes in local authority allocations policies.
 - 2015 predict costs to remain same and performance to improve from 2014 and remain same as 2013. This is a result of daily bidding on choice based lettings being introduced in 2015.
 6. Tenancy management – Slightly increased costs, performance maintained
 - 2015 predict that we will remain in low cost high performance area, although we are likely to see increased evictions due to rent arrears.
 7. Resident involvement – Reduced costs, performance slightly improved
 - 2015 predict that our costs will still be high. The work of West Kent Extra means that the work we do for our communities as well as our residents has a positive impact on our residents wellbeing. Performance will continue to improve as new ICT allows the capture of resident information to assist in understanding the services we offer to diverse groups.
 8. Estate services – Slightly increased costs, performance slightly improved
 - 2015 predict to be in the low cost area and performance to remain static.

4.4 Divestment of Stock

(Target: Divest from non core areas)

West Kent aims to grow our stock in Kent and build a critical mass of properties in all areas. To ensure West Kent owns stock in areas it can make a difference it reviews all the areas it has a presence in. We have concluded the areas we currently work in or plan to work in in the next five years are our core areas and will not be divesting from any of these areas. The below table includes 238 homes being built as part of the Kent County Council – Excellent homes for all private finance initiative, which will see West Kent in new areas of Kent including Thanet and Dover.

| | 2014 | 2016 (inc. PFI) |
|-----------------------|--------------|-----------------|
| Sevenoaks | 5,774 | 5,800 |
| Medway | 362 | 392 |
| Maidstone | 262 | 322 |
| Ashford | 214 | 305 |
| Tonbridge and Malling | 78 | 78 |
| Tunbridge Wells | 22 | 70 |
| Thanet | 0 | 58 |
| Dartford | 11 | 51 |
| Dover | 0 | 40 |
| Gravesend | 37 | 37 |
| Swale | 12 | 12 |
| | <u>6,771</u> | <u>7,165</u> |

The areas we operate within contain some high value properties especially in rural areas of Sevenoaks district. A decision to sell these properties may mean the end of an affordable housing presence within that community.

West Kent Value for Money Assessment 2015

4.5 Internal process conclusion

West Kent processes are designed to reduce waste and improve the customer experience, the processes reviewed in 2014 have done both these things. The housing options tool is an excellent piece of software which uses technology to offer a tailored service on housing need, not only for the tenants of West Kent. Our benchmarking information has shown an overall increase in costs and mixed performance. Reviewing the locations of all our homes ensures we are considering the costs involved in having a dispersed stock. It also challenges our understanding of those communities and the service we provide. Some of our properties are in rural communities within Kent, an affordable housing presence could be at threat if selling high value properties in areas we operate was a purely balance sheet exercise.

5 Learning and growth

To assess our VfM in this area we ask three questions:

1. What are the key drivers in this area of the balanced scorecard assessment of West Kent?
2. How do we ensure our human resource is properly equipped to meet the organisation's objectives?
3. How do we test this to be true?

The objectives under the heading internal process are:

- To ensure staff are aligned with our values and objectives
- To have highly motivated skilled staff
- To ensure VfM is embedded into West Kent

These are the key drivers for assessing our learning and growth and how they impact on VfM.

The next section explains some key metrics West Kent uses to assess our learning and growth.

5.1 Employee engagement

(Target: 70% Response rate)

We only complete a staff survey every 2 years the last one was in 2013.

At the end of 2014 we were visited by the Customer Service Excellence assessor and were delighted to be told we had passed again. Even better, we were told we had achieved 'compliance plus' in five areas. Compliance plus demonstrates that we are delivering over and above what would normally be expected of an organisation like ours.

The compliance plus areas were:

- Developing customer insight and the impacts of learning gained.
- Embedding our values and core behaviours into our staff appraisal process
- The degree of empowerment shown by staff
- The development of short DIY videos on You Tube
- Training and employment that goes beyond the core business.

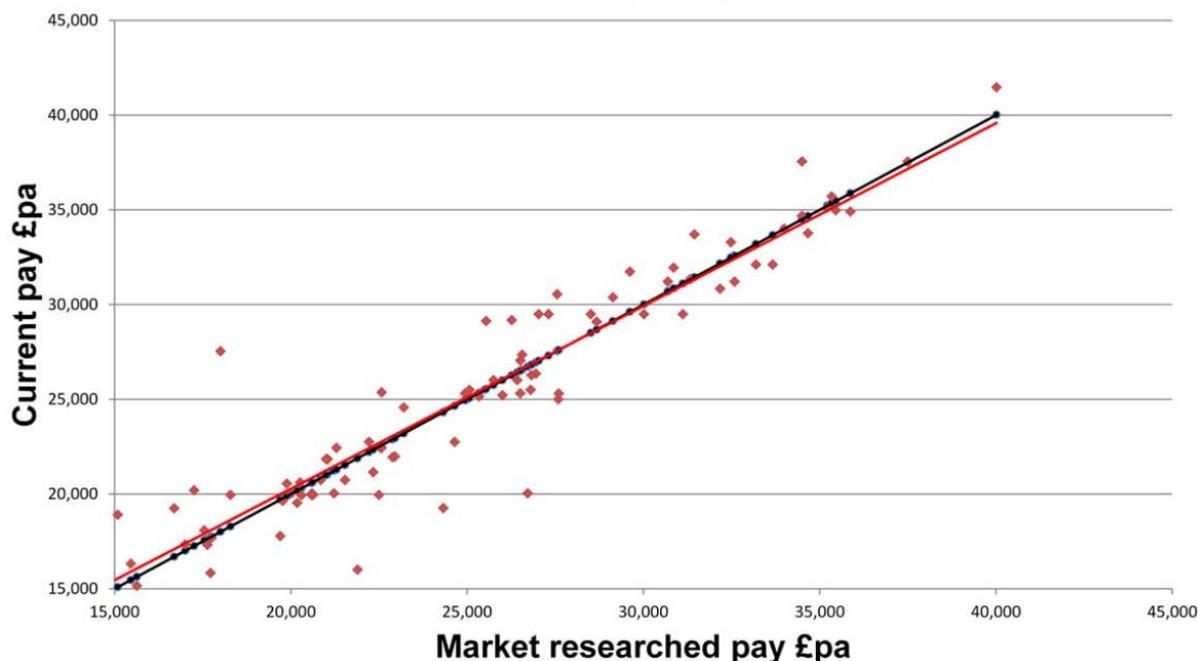
5.2 Pay and benefits

(Target: In line with market)

In 2014 we carried out a pay review of all our employee posts. We aim to pay market median. The bi-ennial review ensures we are keeping with the market. The 2014 review identified some outliers but 86% of posts were paid market median.

West Kent Value for Money Assessment 2015

Chart showing current pay against market



5.3 Cultural awareness

(Target: Staff engagement with VfM)

Team briefs, which are all staff monthly meetings, during 2014 included various subjects highlighted above to engage them with VfM and ensure it is not just the concern of the finance team but embedded in the whole of West Kent. Our team briefs are a unique way for all staff to have direct access to directors of West Kent on a monthly basis. This facilitates communication as well as being able to tap into the health of the organisation.

West Kent has invested £270k in our staff development during 2014, which is just over £1,000 per full time equivalent. Over 5,000 hours of training were delivered in 69 different courses. This has included training in activities around their roles, but also a large proportion was on personal development, including mindfulness, culture and self care.

5.4 Learning and growth conclusion

West Kent's staff are aligned to the values of West Kent: honesty, compassion, learning, delivering on our promises, flexibility, self awareness, integrity, and working hard and having fun. These values along with the culture instill an understanding of the value in the work done by West Kent.

Using the balanced scorecard approach to our value for money assessment allows us to review the whole business and how the resources we allocate to each function contributes to our overall objectives of meeting housing need in Kent. This assessment has shown that West Kent:

- understand the return on assets through detailed analysis of our stock and our appetite for remaining and not divesting in any areas in which we operate
- can show our past delivery of absolute and comparative costs of delivering specific services and a view as to the future performance, we also understand that cost and performance are related, but a choice must be made to spending more for a disproportionate impact on performance.
- can evidence the value for money gains that have been and will be made and how these have and will be realised over time. Such as the decision on applying a “Just in time” methodology to asset component replacements has meant £50m of savings over the last 10 years.

The main actions for 2015 on Value for Money are:

- Reduction in overall treasury costs from improved interest rate margins
- Introduce electronic gas safety records
- Further develop our customer relationship management system
- Tender our block cleaning service
- Carry out a staff survey.