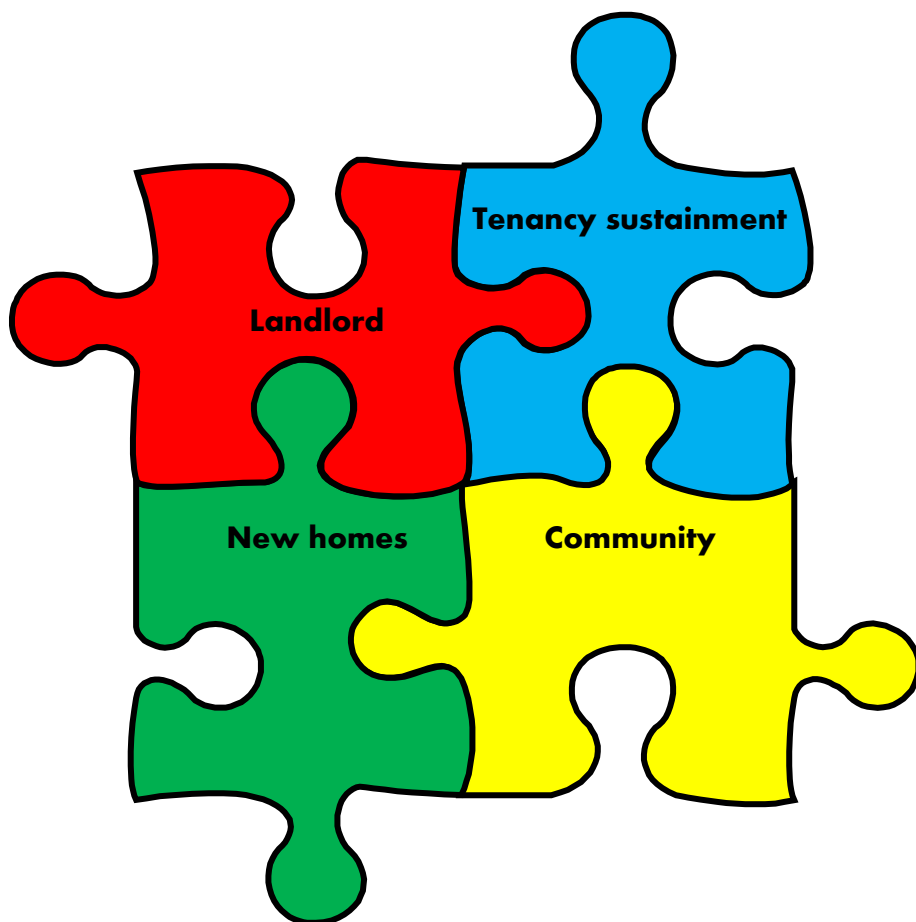


# WestKent

Places to live. Space to grow.

## Value for money self assessment 2016



## 1. Chair's statement

West Kent is committed to the pursuit of economy, efficiency and effectiveness. This self assessment sets out how value for money is embedded in our day to day activities. Our vision of 'being the leading community provider of affordable homes in Kent' includes that we will be 'renowned for offering great value for money to our residents and partners'. Our business planning and budgeting process supports this vision. Our Value for Money Strategy demonstrates our strategic approach to understanding our costs, our customers and the services we deliver. The board has put in place measurable outcomes to judge whether West Kent is fulfilling this vision.

This report sets out:

- The measurable outcomes of our VFM work in 2015
- How we achieved these outcomes across our four main business activities: landlord; tenancy sustainment; community; and new homes.
- The outcomes achieved by testing our costs and service delivery in cross-cutting areas that support our business: customer services; ICT; people; and financial viability
- Our plans for 2016.
- The measurable outcomes of our VFM work over time

The impact of the rent reductions will have a significant impact on our resources and how we allocate them. Our focus on value for money will ensure that West Kent continues to be a vibrant sustainable organisation for the benefit of our residents and the communities we serve.

Colin Wilby  
Chair

## 2. Value for money outcomes

West Kent has developed a balanced scorecard of value for money measures. The outcomes for 2015 and targets for 2016 are shown below. Appendix A shows how we have performed on these measures over time. Later sections of this report set out how we achieved these outcomes in 2015 and how we plan to achieve the targets for 2016.

<b>Financial Indicators</b>	<b>Actual 2015</b>	<b>Trend on 2014</b>	<b>Target 2016</b>
Earnings before interest tax depreciation and amortisation MRI per unit	£1,889 per unit	↑	£1,897 per unit
Operating margin	33%	↑	35%
Net debt per unit	£22,535	↑	£26,269
Effective interest rate	3.9%	↑	4.0%
Current tenant rent arrears	2.0%	↑	3.0%
Time taken to relet general needs	32 days	↓	21 days
Cost of new home (net)	Achieved and reported to Board	↔	Net cost per unit
Investment in new homes / Operating surplus	£1.88	↓	For every £1 of surplus invest £1.44 in delivering new homes
<b>Customer Indicators</b>	<b>Actual 2015</b>		<b>Target</b>
It's your call – Customer Access Strategy objectives	82%	↓	85% enquiries dealt with first time
Leverage in external funding to community offer	£1,125k	↓	£200k external funding
Decent homes	99% decent	↑	99% decent
Rents are in line with regional comparators	In line with regional comparators	↔	Monitor
<b>Process Indicators</b>	<b>Actual 2015</b>		<b>Target</b>
Process mapping	5 processes completed	↓	5 processes
Divestment of Stock	No non core areas	↔	Divest from non core areas
<b>People Indicators</b>	<b>Actual 2015</b>		<b>Target</b>
Employee engagement	82% Response rate	↑	80% Response rate
Pay and benefits	My total reward package is fair 73%	↓	In line with market
Cultural awareness	Examples included in this report	↑	Staff engagement with VfM

The table below gives a summary of the realisable cost savings demonstrated in this report.

<b>Description of gain (section)</b>	<b>Saving in year</b>	<b>Ongoing saving pa</b>
Just-in-time approach compared to replacing components at end of useful life (3.1)	£1,146,000	
Various InHomes service reviews (3.2)		£296,607
Block cleaning service (3.3)		£50,000
Increased rent collection (3.5)	£307,000	
Handling complaints (7.3)		£6,000
Office rent savings (7.4)		£10,000
Reduced ICT service downtime (8.1)	£170,000	
ICT procurement savings (8.1 & 8.3)		£68,000
Removal of essential car user allowance (9.2)		£100,000
Treasury management (10.3)	£722,000	
<b>Total</b>	<b>£2,345,000</b>	<b>£530,607</b>

Efficiency gains above are divided into in year and on going. In year means we spent £2.3m less in 2015 than we expected to. On going savings of £0.5m are recognised savings that will repeat in future years. Total efficiency savings for 2015 was £2.9m. This report also highlights investments to improve services and customer experience such as an investment of £50,000 in resident involvement 3.7.

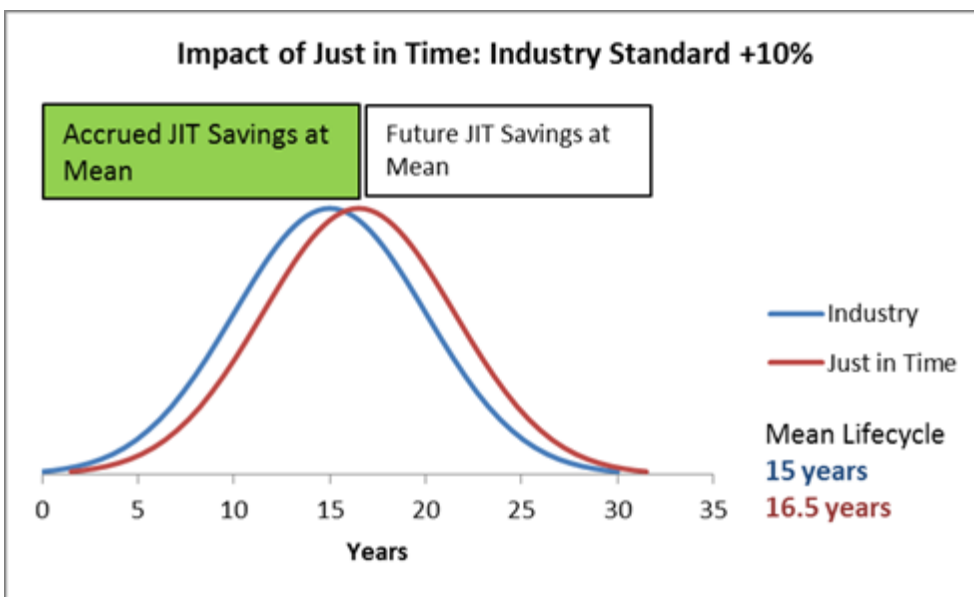


### 3. Landlord function – outcomes achieved

The landlord function covers West Kent’s legal responsibilities to our residents.

#### 3.1. Property management

West Kent’s Just-in-time approach to asset management has been embedded in our operations for over a decade. It ensures that our homes are properly maintained whilst replacing components in the home the most economically advantageous way. Gains in 2015 against our long term asset management plan were £1.2m. Over the last ten years the process of condition based assessments extending the life of components on average by 10% has generated savings of over £50m, had components been replaced according to their estimated life cycle.



At 31 December 2015, there were 23 homes that had not met the Decent Homes Standard for more than 12 months: 16 of these are tenant refusals. The other seven have a plan to get them to the required standard within the first quarter of 2016.

#### 3.2. InHomes service

2015 saw some significant changes in the way the team approached the delivery of services to our customers. The service reviews allowed the team to focus resources more effectively to deliver a customer focused, efficient and sustainable service. Savings of £296,607 were achieved.

##### 3.2.1. Customer Experience

A dynamic scheduling tool was used to provide appointments for customers at first point of contact. A systematic review of how long it takes to complete all work items led to streamlined processes and improved customer experience. Future gains will be monitored in 2016.

##### 3.2.2. Revised Gas Service Procedure

Servicing procedures were reviewed in the year to ensure the approach provides an effective service to meet our statutory duty as well as a preventative system review to predict system

failures and reduce call out rates. The outcome was a reduced service time of 20 minutes per service, saving £51,347pa.

### **3.2.3. Carbon Monoxide Alarms**

The carbon monoxide incident reporting process was reviewed leading to a reduction in the use of the external gas consultant. The outcome was Better use of resources, through initial investigations being completed in-house and an average saving is £450 per incident - saving £35,000pa.

### **3.2.4. Fleet review**

We reviewed the type of vans used for each activity alongside market testing. The outcome was savings of £80,660pa and a reduction in stock material breakages of £10,000.

### **3.2.5. New Boiler Install Team**

The in-house team complete the majority of new boiler installations. The install team have been set defined plans for the next five years. A five-year delivery plan has created efficiencies by delivering the install programme by geographical area. The outcome was the same number of engineers installing 383 new boilers in 2015 (2014: 176) - a 218% efficiency gain. The future aim is to deliver similar numbers in 2016, whilst reducing boiler install cost.

After reviewing industry practise and with the change in vehicle fleet a more flexible approach to access for the installation of gas flues has been possible. The future aim is to save in 2016 of £60,000 on reduced scaffolding costs.

### **3.2.6. Servicing and Breakdown Services**

The service and breakdown team has been restructured to match engineers to services. At the start of 2015 delivery areas for engineers was introduced to deliver service and breakdown services within a set community area. The outcome was reduced mileage and engineers travel time saving £40,000pa.

### **3.2.7. Material Review**

The boiler replacement programme includes designing in whole life costing and cost in use. The chosen boilers selected are forecast to have one of the lowest whole life costings and to save residents 34% on average on gas bills. The outcome was a saving of £19,600pa.

### **3.2.8. Electronic gas safety records**

The roll out of electronic gas safety records was designed to improve efficiency and reduce paper trails. The improved processes for gas safety checks resulted in no outstanding gas safety checks for the whole of 2015. This is the result of improved management of resources as well as tablets populating information to be used to complete the paper landlord's gas safety certificate. In 2016 this will become paperless.

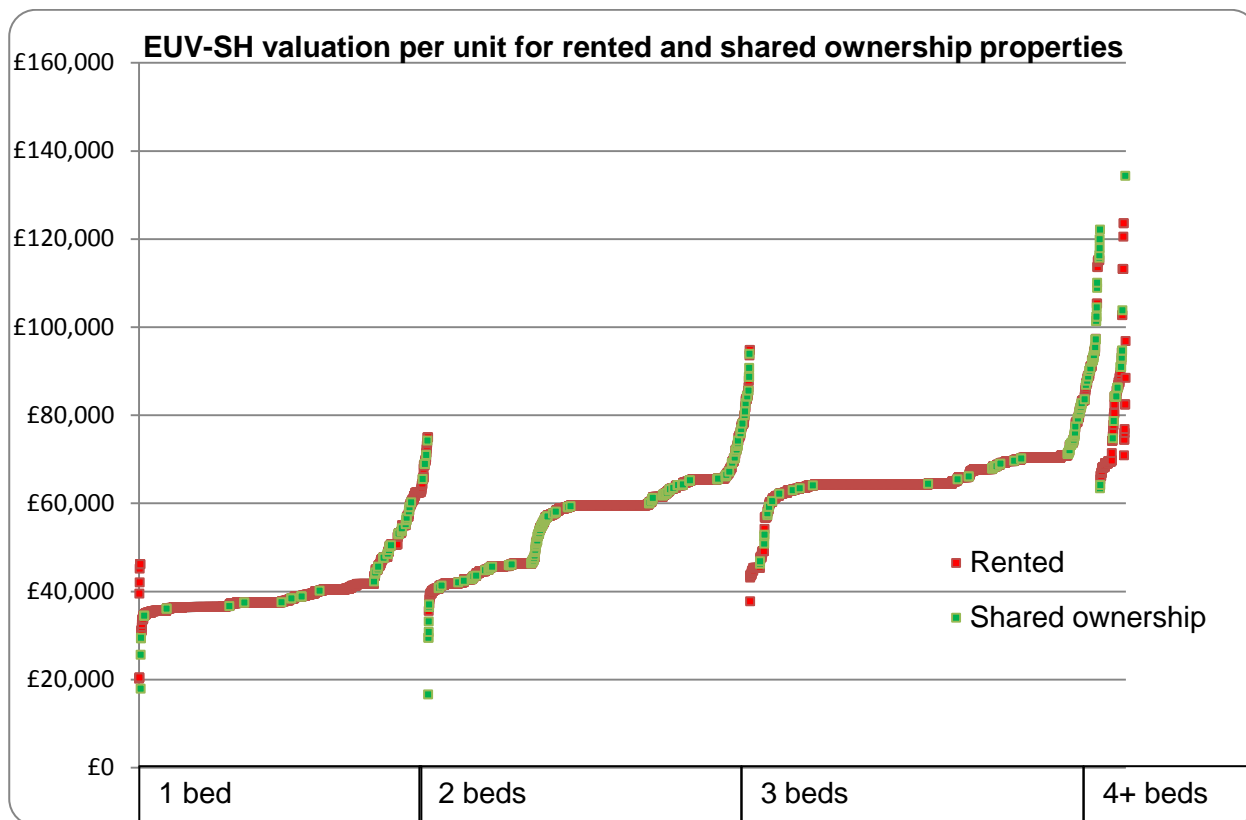
## **3.3. Block cleaning service review**

As part of our review of block cleaning we looked at different delivery models, as we currently part outsourced this service as well as having an in-house cleaning team. We conducted a full EU

procurement process in 2015, to start in 2016. This service is fully recovered through the service charge. Residents will see an increased service for a reduced cost. Reduced service charge totals of £50,000, all savings passed on to residents.

### 3.4. Return on our housing assets

As part of last years value for money assessment we completed a comprehensive review of all of our housing stock to assess the return on each asset.



As a result of the analysis above during 2015 two projects were identified as potential asset management review. Ash Close, a supported housing scheme in Edenbridge, is being redesigned and extended, which involves making them self contained dwellings. The focus of the Emerald accommodation strategy for 2015 was on a delivery model for Swanley. Centring our services around White Oak Court and Bonney Court, Swanley we are developing a hub and spoke arrangement. We are designing a solution which includes the sale of obsolete stock, decommissioning properties not suitable for the client group, demolishing and rebuilding a new older persons scheme. It also looks at how we can diversify tenure in both new and existing schemes; looking at shared home ownership for the elderly, leasehold and outright sale options.

### 3.5. Income management

Previous value for money assessments have shown that the work completed over the last three years to improve our systems has prepared us for the pressures on rent collection, due to welfare reform. The improvements made in 2013/14 such as 24/7 automated payments, new income system, regular text messages to those in low arrears and focus on tenant owning the responsibility of the rent debt, continue to improve collection rates. Improved rent collection in 2015 generated increased cash receipts of £307,000 compared to 2014 levels. The challenge for 2016 is to maintain the level of 2015 as further welfare reform changes start to kick in.

### 3.6. Letting our homes

West Kent was unable to maintain improvements in the number of days to turn around and re-let homes. Performance slipped to 32 days (2014: 28 days). Void rent losses reduced by £157,000 in 2015, due to fewer empty properties and lower average void rents. A full review of the whole void process is underway to improve the turn around time of empty properties.

On reviewing the volume of calls received by our Housing Options team it was clear that there was not sufficient information to potential customers on their options for housing. West Kent designed a sophisticated new online housing options self-assessment tool to help guide people about their housing options. This also supports the 'channel shift' objective of our Customer strategy.

### 3.7. Resident involvement

West Kent's resident involvement strategy has moved away from formal tenant meetings and groups and towards local focus sessions where the team go out to both engage and consult tenants in their communities. Our focus on removing barriers to engagement has seen more of our tenants get involved. The number of engagements made has doubled in two years. The cost of providing this service has increased by £50k but the rich source of tenant participation has enabled us to improve services directly from tenants feedback. We publish results of all consultations.

We have trained more than 30 new resident mystery shoppers who have now completed three mystery shops and made suggestions for improvements. West Kent has resident internal auditors. These auditors are trained by and work alongside our internal auditors to complete audits, preparing recommendations from the tenant's perspective. This has increased engagement towards our services, while the cost of this is significantly less than the cost of supporting a scrutiny team.

#### Outcome:

**41% of tenants consulted in 2015**

**Improved representation in consultations across tenure, area and profile**

 **15**  
CONSULTATIONS

 **263**  
RECOMMENDATIONS

 **4112**  
PEOPLE CONTACTED





#### 4. Tenancy sustainment – outcomes achieved

Tenancy sustainment is about supporting our landlord function by reducing tenancy failure and keeping tenants in their homes.

##### 4.1. Training and employment

Our training and employment work operates alongside financial wellbeing and digital inclusion work, to support residents affected by welfare reform and help make sure they can afford to pay their rent. Apprenticeships, work placements and volunteering opportunities were offered, as well as facilitated free training courses and two Pop Up Business Schools in Ramsgate and Medway. 178 customers accessing some level of our training and employment support in 2015 – aged from 16 to 96yrs!



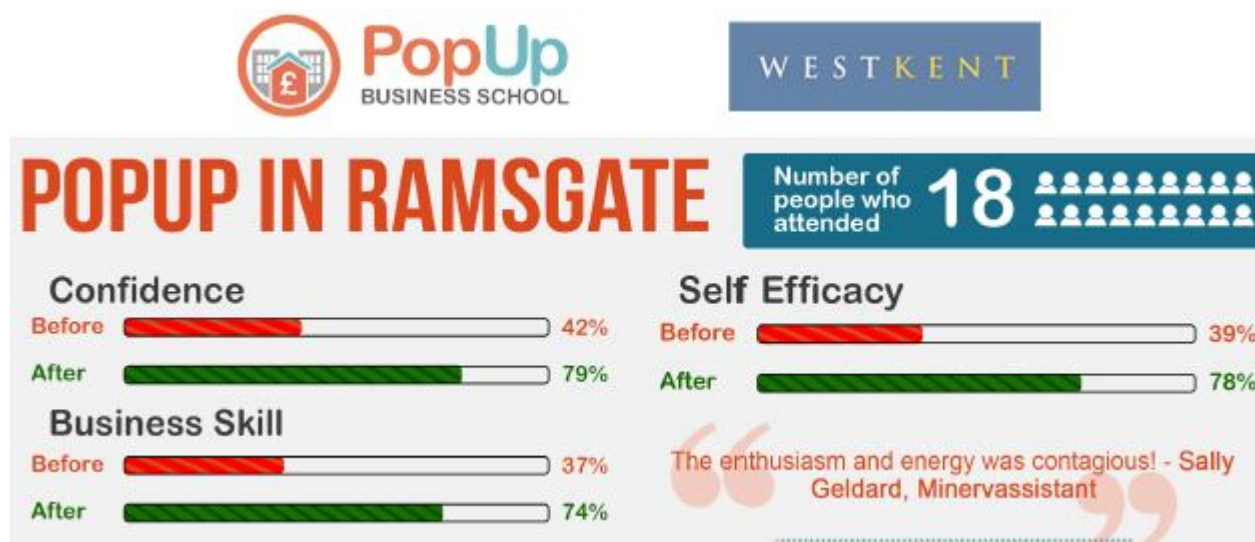
##### 4.2. Financial inclusion

The My Home Energy Switch scheme has proved to be a great success, with new residents starting their tenancies with clean and clear metering and help in signing up with the best value for money provider. We also pass metering details to My Home Energy at the point of a property becoming void. They then solve any metering issues on the property being re-let. In 2015, this enabled the letting of all our homes with zero debt on gas and electricity meters.

Through this partnership, West Kent has helped 81 new tenants make total savings of almost £10,000 per year on their gas and electricity bills. In the same period, the total debt removed from pre-payment meters through this partnership was £1,490.

### 4.3. Pop up business schools

Pop Up business school helps people who want to set themselves up in business. The aim is to help build sustainable communities by enabling people to create wealth. It consists of a dynamic and fast moving course, which is completely free to entrants. By day two, everyone has set up a website, by day three they are marketing their new business via social media. Two courses were run in 2015, with 52 attendees and 36 businesses set up.



### 4.4. Flying start

This initiative was fully funded by Sevenoaks District Council to explore different ways of supporting new tenants and prospective tenants of both social and private landlords. Support and information was offered around: securing accommodation, budgeting, benefits and support services, creating first impressions, landlord responsibilities, tenant responsibilities, private sector lettings scheme and Sevenoaks District Council Property Accreditation, being a good neighbour and, practicalities around taking care of the home. This programme started in 2015 and will continue into 2016. Early outcomes that have been noted are:

- six people have been housed after attending course (not necessarily with West Kent)
- 64 participants in the workshops so far with 100% stating they felt more confident in sustaining a tenancy
- 88 tailored 121's delivered
- one eviction prevented.



## 5. **Community – outcomes achieved**

The community function covers a wide range of services that are provided in the areas in which we operate. It works on the principle of identifying and responding to unmet need in relation to both homes and communities. Based on the principle of having somewhere to live, something to do and someone to love .

### **5.1. Social value – Abacus Furniture Project**

Abacus Furniture Project is a social enterprise which offers affordable furniture for those on low incomes and free home starter packs for homeless people starting a new tenancy. The three stores in Strood, Sevenoaks and Maidstone:

- Provide jobs, volunteering, training opportunities and apprenticeships for local residents.
- Provides rehabilitation opportunities for offenders through partnership working with local prisons.
- Recycles furniture which would otherwise have gone to landfill sites reducing waste and emissions.
- Generated £359,000 in income to help fund local community projects.

### **5.2. Social value – Relove A Bike**

This project is run through the furniture store aiming to re-cycle old bicycles, giving them a new lease of life with a new owner. This initiative was the winner of the National Recycling Awards for Best partnership project. ‘Relove a bike’ scheme has already seen more than 1,000 cycles or bike parts saved from landfill and several hundred machines repaired, cleaned up and sold to a new owner.

### **5.3. Anti-social behaviour and Community safety**

We are putting more emphasis on customers taking responsibility for first responses to low-level anti-social behaviour. This has resulted in a 30% reduction in cases.

### **5.4. External funding for community investment**

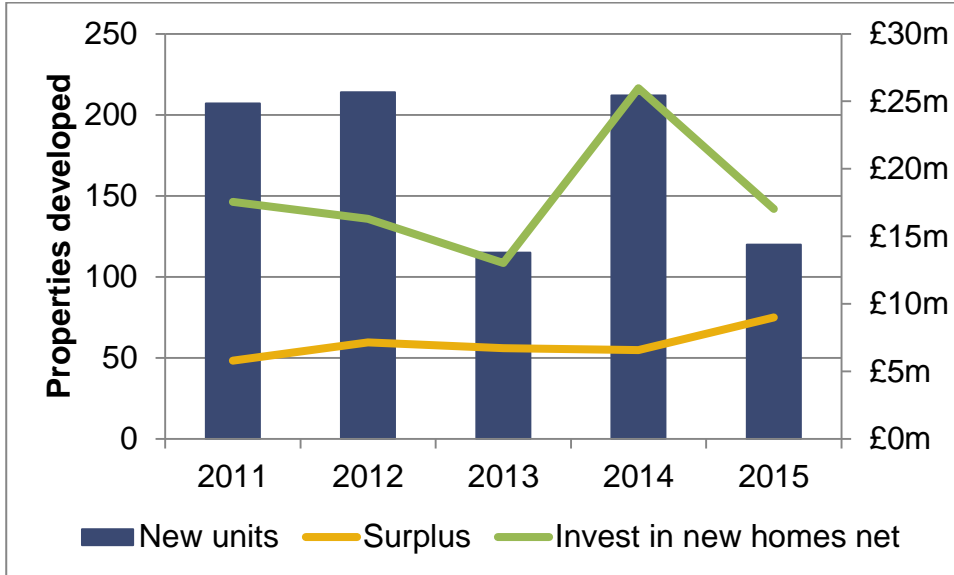
In 2015 external funding was £992,000, representing a return of around £1.15 of external and self generated income for every £1 spent by West Kent.



## 6. New homes – outcomes achieved

### 6.1. Return on assets invested in new homes

The savings and surplus we make from existing activities is put back into the delivery of new homes. We spent £112m in the last 5 years building or acquiring 868 homes. This equates to £2.50 invested in new homes for every £1 generated from surplus.



In 2015 140 new homes were completed, including 20 as part of the Kent Excellent Homes for All private finance initiative. 105 of these homes were for rent and 35 for shared ownership. This brought our contribution to the 2011-15 Homes and Communities programme to a successful completion. We have a plan for 2016 and a steady rise in our programme to be delivering net 200 new homes per year by 2018.

### 6.2. Kent Extra Care – Supported housing

A new move-on accommodation for homeless people in Ashford welcomed its first tenants just in time for Christmas 2015. Lantern House is one of the two supported schemes being managed by West Kent thanks to the Kent Excellent Homes for All Private Finance Initiative scheme led by Kent County Council (KCC).

West Kent worked directly with customers and stakeholders to design the housing management service which focuses on working with customers to ensure they have the skills to maintain their tenancies now and in the future and to prevent the cycle of homelessness. Lantern House offers a ‘stepping stone’ to independence, without the need for additional commissioned support services. The second supported scheme was Library House in Ramsgate this is specifically for residents with enduring mental health diagnosis. West Kent works closely with KCC and Kent and Medway Partnership Trust to assess and allocate the properties. Library House is a move on scheme to help resident gain the skills necessary to continue to live independently and manage a tenancy.

## 7. **Customer services – outcomes achieved**

In 2014 a new Customer strategy was agreed intending to deliver our five year objective to ‘re-define our relationship with our residents based on exceptional services, reciprocity and independence’.

### **7.1. Right person right answer first time**

West Kent has adopted a ‘Right Person, Right Answer, First Time’ approach to Customer Services. All Customer Service Advisors are multi-skilled and can answer queries across all disciplines providing a smoother and joined-up service for customers. For example, a tenant can report a repair and pay their rent on the same phone call, rather than having to make multiple contacts.

During 2015, around 89% of customer contacts were dealt with right first time by the Customer Services Team. This approach gives the customer a very positive customer experience and has freed up time and resources in other parts of the organisation, creating efficiency gains for West Kent overall. For example, Customer Services taking on enquiries about housing options has meant that the Housing Options team within West Kent are now able to process Housing Register applications quicker than previously.

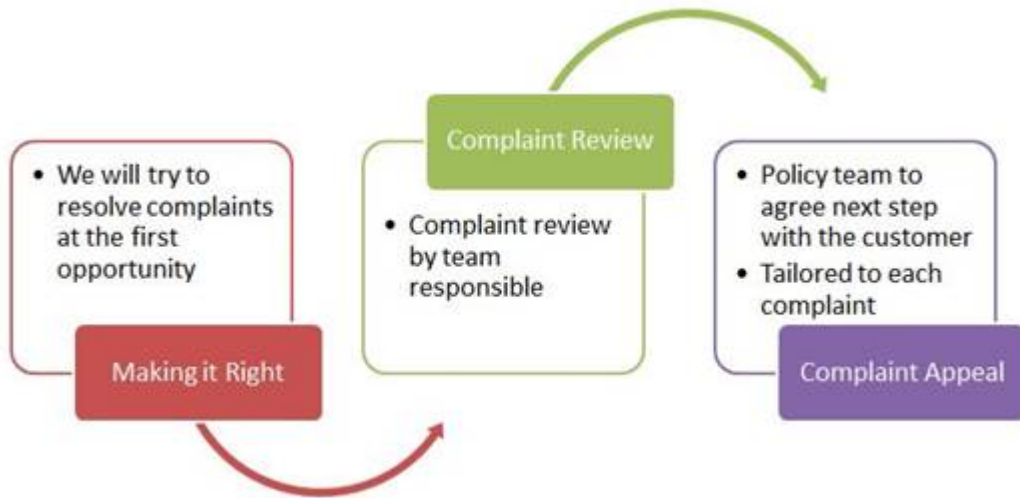
### **7.2. Online help guides - Knowledge bank and weekly customer service bulletins**

‘Right Person, Right Answer, First Time’ has also been supported by the introduction of the Customer Relationship Management system. The system is fully integrated with other West Kent ICT systems, and is a single access point for the majority of tenant and property information. The system also enables all members of West Kent staff to record any instances of customer contact, providing an audit trail and information for the Customer Services Team.

This ensures a consistent message is being delivered to our customers whomever they speak to. To support this there is a suite of helpful searchable guides, available via the West Kent intranet. This has resulted in less time wasted and downtime in trying to find answers to frequently asked questions. To keep teams up to date with the latest guides and topical issues there is a weekly customer services bulletin available to all staff but specifically about customer services.

### **7.3. Making it right**

In January 2015 a new process was introduced, making it easier and quicker to resolve customer complaints informally at the first point of contact. Called ‘Making it Right’ it encourages staff to talk to the customer and focus on resolution. By the second half of the year only 3.6% of ‘Making it Right’ events escalated to a formal complaint. We reduced the number of formal complaint stages from three to two and introducing flexibility as to how best to handle the complaint at appeal and if appropriate, halt the process, let the customer to go directly to a designated person or ombudsman if they wished. This reduced the cost of complaint handling by £6,000pa.



#### 7.4. Swanley Link

In August 2015 our local Swanley office moved to the Swanley Link, a multi-agency, multi-purpose building. This reduced operating costs by £10,000 pa. Sitting alongside other partners has enabled better customer service to our tenants, as referrals to other agencies can be completed directly there and then. It has been particularly helpful around housing benefit queries and getting people budgeting advice from Citizen’s Advice, and having the post office in the same building helps to ensure that tenants are able to pay their rent.

#### 7.5. Channel shift

Within the Swanley Link computers are available to the public, which assists our channel shift initiative - working with tenants to move interactions with West Kent online. This reduces transaction costs and frees up Customer Services to deal face-to-face with those more vulnerable tenants who are unable to make contact through other means.

#### 7.6. Mystery shoppers and Customer service excellence accreditation

Mystery shopping forms part of our scrutiny offer. We have trained over 30 mystery shoppers to conduct reviews on service areas within our business. Our shoppers use telephone, email, web and face to face contact and then attend a feedback session to discuss their findings. At the feedback session the shoppers work with staff from the service area to discuss and formulate an action plan.

West Kent has been re-accredited with the Customer Service Excellence standard. We achieved full compliance in all 57 elements with eight ‘compliance plus’. The assessor highlighted clear evidence of continued improvement “as far as customer service goes, staff seem to ‘get it’...there is a clear focus on the training and development of staff to make sure that all staff have the skills and knowledge they need to deliver good customer service; this has helped to develop a greater sense of empowerment and value for staff”.



## 8. ICT – outcomes achieved

In 2015 we started to implement our ICT Strategy 2015-18 and this has already brought benefits.

### 8.1. Infrastructure

An overhaul of our infrastructure included new storage, new hosts, network switches, and upgrading obsolete hardware. This reduced the cost of downtime by £170,000 compared with 2014.

Better procurement of leased lines has saved £18,000pa.

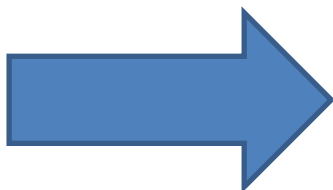
Better management of the ICT infrastructure produced value for money gains estimated at £30,000.

### 8.2. Voice communications

In 2013 we moved our telephony from traditional analogue phone lines to run through the internet. As there are no physical lines that need to be maintained, and because of the lower price structure, the new approach is considerably less expensive than traditional telephone services.



**4p per minute  
on all calls**



**Free of charge on 01, 02 & 03 numbers  
UK Mobiles now 3.5p per minute**

### 8.3. Mobile working

The majority of our frontline staff are now equipped with tablets so they can access emails and the 'Staff App' allows them to: access housing management and customer relationship management systems in real time, create and update cases, complete tasks, complaints, compliments and community safety workflows, view documents and upload photos direct to document management system. The real efficiencies and value for money gains will be monitored as we roll out the mobile forms across the teams in 2016 and reported in next years report.

As highlighted in section 3.2 West Kent has an in-house gas team and plumbers. They use mobile technology to complete jobs and record asbestos checks and gas servicing data as well as updating asset management system of component life. As improvements are made in technology we have been able to reduce the cost of replacing tablets for our operatives by £20,000 in 2015.



## 9. **People – outcomes achieved**

The attitude and professionalism of our staff is what makes West Kent different and makes the difference for our customers. This enables us to continue to attract, motivate and develop staff, to enhance our reputation for innovation and exceptional customer service, and sustain our success.

### **9.1. Investor In People and staff survey**

The strength of our People Strategy was evidenced in our staff survey and Investors in People results this year. Our Investors in People Assessor observed “West Kent is a different organisation to the one that was assessed three years ago such is the progress that has been made both in terms of the embedding of processes and procedures and the extremely positive approach being adopted by people across the organisation. The assessment highlighted numerous strengths in West Kent’s people management”. This is borne out in our 2015 Staff Survey where 97% of employees said they share West Kent’s values and 96% of employees said they were clear about what they are expected to achieve at work and they understand how their work contributes to West Kent’s objectives. The engagement score was 85% (2013:85%). The lowest indicator from the staff survey was “ICT systems help me to do my job well” where 41% agreed.

### **9.2. Vehicle review**

Essential car user allowances cost £100,000 per year in addition to paying over £200,000 in mileage payments. We reviewed the principles of this allowance and in consultation with staff agreed to buy out the allowance. This will save £100,000pa from 2016.

### **9.3. E-learning**

In 2015 a review of how we deliver learning throughout the organisation was completed. A new e-learning package starts in 2016. Benefits for West Kent include cost effective learning, reduced travel and time spent away from work attending courses, accessible when and where staff choose, even on tablet and smartphone.





## 10. Financial viability- outcomes achieved

### 10.1. Benchmarking our services

West Kent uses HouseMark to benchmark its cost and performance.

Housemark Business and Financial indicators show that the overall management and maintenance cost per property is below average, but has increased. Our cost management programme will review the housing management services we provide as part of our landlord function. Maintenance costs will also be reviewed as part of the end to end repair review. Operating margin is higher than the sector average.

Business & Financial					
	Value	Previous	Trend	Median	KPI
Total CPP of Housing Management	£440.99	£393.95	↑	£443.99	↓
Total CPP of Responsive Repairs & Void Works	£1,022.73	£901.23	↑	£806.22	↑
Total CPP of Major Works & Cyclical Maintenance	£1,240.02	£1,038.34	↑	£1,519.75	↓
Total overhead costs as % adjusted turnover	10.7%	10.1%	↑	11.0%	↓
Operating margin	34.0%	37.8%	●	27.7%	★

HouseMark People indicators show staff turnover increasing in 2014 and improving sickness rates.

People					
	Value	Previous	Trend	Median	KPI
Staff turnover in the year %	21.4%	18.3%	☀	13.9%	●
Sickness absence average days/shifts lost per employee	6.9	11.2	★	9.4	★

Housemark Process indicators show below average performance on re-let times. A full review of the voids process is currently being undertaken. Income collection performance is good.

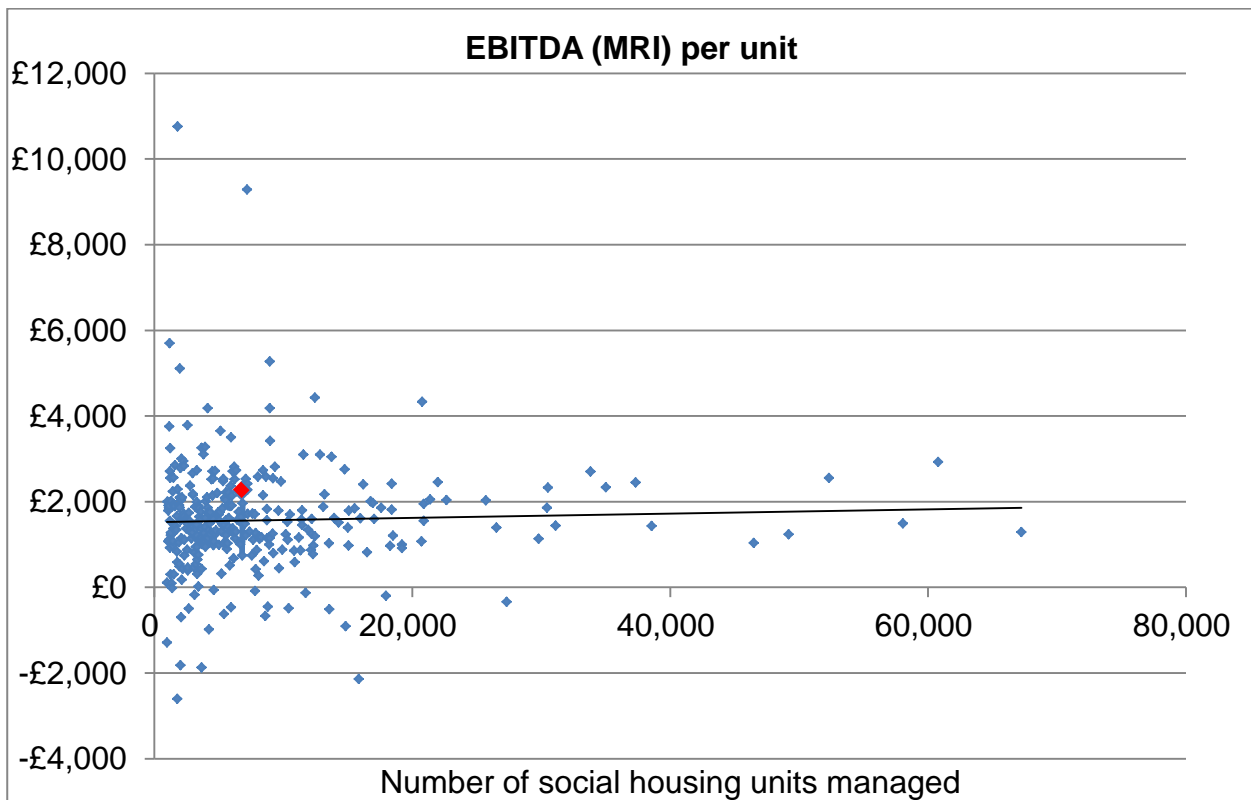
Process					
	Value	Previous	Trend	Median	KPI
Average re-let time (standard re-lets)	31.95	22.85	●	26.00	☀
Service charges collected as % service charges due (excl. arrears b/f)	97.8%	88.3%	★	100.4%	●
Current tenant arrears as % rent due (excluding voids)	2.57%	3.58%	★	2.89%	☀
Current & former tenant arrears as % rent due (excluding voids)	3.30%	3.88%	★	4.33%	☀
Satisfaction with complaints handling	67.0%	66.0%	☀	66.7%	☀

HouseMark Value indicators show improving satisfaction with ASB and complaints outcomes. We have a programme to improve our homes with the lowest SAP ratings.

Value	Value	Previous	Trend	Median	KPI
Average SAP rating of self-contained dwellings	66	69	●	70	●
Satisfaction with ASB case handling %	75.0%	67.0%	★	79.9%	☀
Appointments kept as % appointments made	98.6%	98.6%	☀	97.7%	☀
Satisfaction with complaints outcomes	73.0%	68.0%	☀	60.9%	☀
Percentage of calls answered	79.72%	79.06%	☀	92.78%	●

## 10.2. Return on assets

A key financial indicator for the housing sector is Earnings before interest, tax, depreciation and amortisation after charging back capitalised major repair improvements - known as EBITDA (MRI). The chart below plots all housing providers, included in the Homes and Communities Agency global accounts for 2015. West Kent (the red dot) is in the top 20% of Housing Associations for this measure. The trend shows that overall, there is little correlation between size of organisation and the relative financial efficiency.



### 10.3. Reduction in overall treasury costs from improved interest rate margins

A key financial measure is how well we manage our financial resources; one way this is done is by controlling the cost of capital. West Kent has improved its effective interest rate year on year and out performed the Homes and Communities Agency global accounts figures. It is expected that effective interest rate will be maintained or improve further in 2016.

	2012	2013	2014	2015	Expected 2016
Effective interest rate	5.4%	5.0%	4.3%	3.9%	4.0%
Interest payments	£8.45m	£8.74m	£7.61m	£6.93m	£7.02m

Interest rate management is affected by market conditions on variable rate loans, in 2015 this resulted in savings on interest payments of £722,000 compared to budget, this is due to continuing low base rates.

## **11. Aims for 2016 - Cost management programme**

This programme sets out our five-year plan to reduce costs and maximise income to ensure West Kent remains a vibrant, sustainable, independent organisation. The major strands and themes are outlined below.

**Employees** – we will contain costs and ensure value for money from our employee costs through a series of reviews, including our pension arrangements and team reorganisations. In April 2016 there was a pay freeze for all employees.

**Services** – we have major reviews underway including: defining our landlord offer during 2016; implementation of our 2015 cleaning outsourcing and procurement exercise; and, reviews of external contracts.

**Maintenance and development** – our end-to-end review of repairs will review our maintenance services to support our asset management strategy. We will trial a property MOT as part of a migration from responsive to planned maintenance. There will also be a review of fencing as part of redefining our offer to tenants

**Overheads** – includes consideration of the value of our office building in Sevenoaks; and embedding robust procurement practices following the updating of our Procurement Strategy and upskilling of staff to secure best value for money from procurement and contracts.

**Invest to save and priorities for new resources.** Our 2016 budget allocates additional resources to: ICT to reduce transaction costs across the business; to upgrade our website to support our digital journey and channel shift; and, to implement smarter use of our vehicle fleet. Further digital developments will include job applications, mobile working and online services.

**Income maximisation** – as well as looking at services and costs we will investigate how we can maximise our resources including treating garages as investment properties, promoting shared ownership stair-casing, how we handle former tenancy arrears and developing homes for sale.

Our financial model has assumed real savings on expected operating costs for the next 5 years of £6.8m, starting in 2017 at £0.6m and then £2m per year thereafter.



## Appendix A: Key value for money measures over time

Financial Indicators	Actual 2012	Actual 2013	Actual 2014	Actual 2015	Trend on 2014	Target 2016
Earnings before interest tax depreciation and amortisation MRI per unit	£1,968 per unit	£1,902 per unit	£1,811 per unit	£1,889 per unit	↑	£1,897 per unit
Operating margin	39%	38%	32%	33%	↑	35%
Net Debt per unit	£25,898	£27,360	£23,364	£22,535	↑	£26,269
Effective interest rate (global accounts 2014/15: 4.7%)	5.4%	5.0%	4.3%	3.9%	↑	4.0%
Current tenant rent arrears	3.7%	3.5%	2.8%	2.0%	↑	3.0%
Time taken to relet general needs	26 days	22 days	28 days	32 days	↓	21 days
Cost of new home (net)	Achieved and reported to Board	Achieved and reported to Board	Achieved and reported to Board	Achieved and reported to Board	↔	Net cost per unit
Investment in new homes / Operating surplus	£2.28	£1.94	£3.34	£1.88	↓	For every £1 of surplus invest £1.44 in delivering new homes

<b>Customer Indicators</b>	<b>Actual 2012</b>	<b>Actual 2013</b>	<b>Actual 2014</b>	<b>Actual 2015</b>	<b>Trend on 2014</b>	<b>Target 2016</b>
It's your call – Customer Access Strategy objectives	N/A	77%	84%	82%	↓	85% enquiries dealt with first time
Leverage in external funding to community offer	£292k	£807k	£1,305k	£1,125k	↓	£200k external funding
Decent homes	98% decent	99% decent	98% decent	99% decent	↑	99% decent
Rents are in line with regional comparators	In line with regional comparators	In line with regional comparators	In line with regional comparators	In line with regional comparators	↔	Monitor
<b>Process Indicators</b>	<b>Actual 2012</b>	<b>Actual 2013</b>	<b>Actual 2014</b>	<b>Actual 2015</b>		<b>Target 2016</b>
Process mapping	1 process completed	4 processes completed	7 processes completed	5 processes completed	↓	5 processes
Divestment of Stock	No non core areas	No non core areas	No non core areas	No non core areas	↔	Divest from non core areas
<b>People Indicators</b>	<b>Actual 2012</b>	<b>Actual 2013</b>	<b>Actual 2014</b>	<b>Actual 2015</b>		<b>Target 2016</b>
Employee engagement	71% Response rate	80% Response rate	N/a	82% Response rate	↑	80% Response rate
Pay and benefits	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	My total reward package is fair 73%	↓	In line with market
Cultural awareness	Examples included in 2013 report	Examples included in 2014 report	Examples included in 2015 report	Examples included in this report	↑	Staff engagement with VfM