Longhurst Group

Value-for-money 2017

Self Assessment

Value-for-money 2017

Contents

Benchmarking

Benchmarking our performance is critical to ensuring we understand our relative costs and performance. We joined Vantage Improvement Club in early 2016 and participate in quarterly comparison of key financial and operating indicators. We have utilised this network to carry out bespoke benchmarking in key areas such as capital expenditure on repairs and overhead analysis.

Operational benchmarking data in this report compares our 2016/17 performance against Vantage benchmarking Group's 2016/17 performance.

Throughout this assessment, the following are used to denote performance quartiles:

Upper quartile (green) | Upper median quartile (yellow) | Lower median quartile (orange) | Lower quartile (red)

Longhurst Group

Value-for-money 2017

Introductory Statement from the Chief Executive

Achieving value-for-money in everything we do is absolutely crucial to the success of Longhurst Group and it's something that we have embraced right across the organisation. It doesn't mean spending less for the sake of it, scaling back on the services we provide or building less homes. Far from it: we are building more than ever before, completing 406 new homes in 2016/17, and constantly looking at ways to grow.

Value-for-money means ensuring that the investments we make are sound, that our growth strategy is well-costed and achievable, and that we have the right people in place to protect the future of the Group.

In last year's value-for-money statement, I considered the challenges faced by the housing sector. Issues like the rent reduction, Welfare Reform and, of course, Brexit. These challenges still exist, but we, like many other housing associations, have been agile enough to embrace them and find the best way forward.

Cuts to care and support services have been particularly noticeable, but we continue to work hard to provide our own solutions and currently support 4,000 people through our range of care and support services.

To meet all of these challenges head on, and deliver more of the services our customers value the most, we have reconsidered our Business Plan and discovered ways to work more efficiently. This has included reviewing our governance and restructuring some of our teams to make our 'One Team, One Vision' ambition a reality.

Following an in-depth assessment earlier this year, we received further assurances that the Group is both well-governed and financially strong, after we retained the highest possible 'G1V1 rating' from the Homes and Communities Agency.

We are using the latest technology to ensure we work smarter as well has harder. The geography of the different housing associations that form our Group provides a considerable challenge, but the introduction of Skype for Business and the alignment of other software has enabled better communication, collaboration and consistency, right across the organisation.

By aligning contractors, we have also been able to spend less on repairs, maintenance and procurement. Through detailed asset management analysis, we have also been pragmatic enough to recognise when some of our stock isn't performing well and taken measures to maximise the potential of those properties.

We have also focused on the external environment and sought further opportunities to grow, as illustrated by the recent announcement of Axiom Housing Association joining the Group.

With the challenges I've already mentioned, there is a greater pressure for the sector to do more for our customers and this partnership will strengthen our finances and enhance our resources, knowledge and expertise. All of this will mean that we can provide even better services for customers right across the Group.

More than just a vision, value-for-money can be quantified by the success of our financial performance. In the last financial year, the Group's turnover was £110 million and, through our efficiency programme we have achieved total cash savings of £1.8 million. That equates to 1.6 per cent of the Group's turnover.

We are always open to new possibilities and partnerships and that appetite to grow, coupled with our value-for-money vision, will ensure a sustainable and successful future.

For access to any of our other reports or latest news visit our website longhurst-group.org.uk.

Julie Doyle
Chief Executive

Longhurst Group

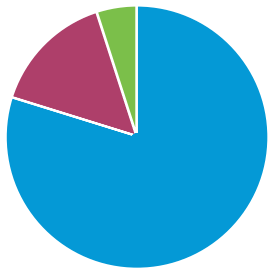
Business Performance

The financial performance reported in this section is in accordance with the Accounting Policy Changes - FRS 102 and SORP 2014.

The impacts of these changes for Longhurst Group and the sector as a whole, are the way in which Government grants, pensions and former local authority transfer stock are treated.

The consolidated Group net surplus for the year was £17.025 million compared to £7.24 million in 2015/16.

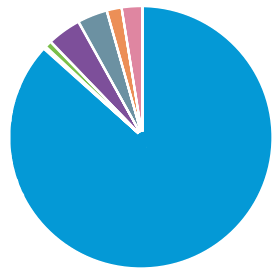
Activities Driving Turnover (£000s)



Activities Driving Turnover	2016/17
Social housing lettings	£88,390
Other social housing activities	£17,039
Non social housing activities	£5,414

Turnover has reduced slightly to just under £111 million from £113 million in 2015/16. This decrease is largely owing to a reduction in the level of turnover on first tranche shared ownership sales compared to 2015/16. Offsetting this reduction was a three per cent increase in social housing lettings turnover bringing this up to 80 per cent of total activity.

Activities Driving Operating Costs



Activities Driving Operating Costs	2016/17
Social housing lettings	52801
Other social housing activities	130
Changes for support services	645
Supporting people	2488
Managed associations	2183
Development services	1157
Other non social (lettings)	41
Other non social (community based)	1526

Operating costs reduced by eight per cent per cent from £57.42 million to £52.8 million which results in a reduction in our operating costs per unit. The Group's consolidated cost per unit is £2,978 remaining well below the sector average £3,970.

Key factors driving reduction in operating costs are significantly lower costs in social housing lettings from £57.4 million in 2015/16 to £52.7 million in 2016/17. Lower management costs and planned, routine and major repairs and maintenance costs have contributed to this overall cost reduction.

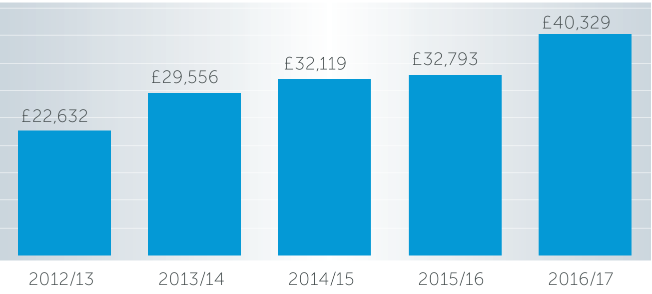
This position is further improved by the additional stock coming into management which has further diluted our cost per unit.

Together we are one team with one vision and are excited for the opportunities ahead and what we can achieve.

Longhurst Group

Business Performance

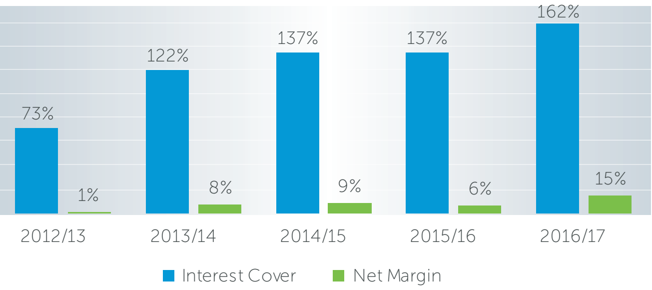
Operating Surplus (£000)



The operating surplus for the Group has increased significantly to £40.3 million compared to £32.8 million in 2015/16. We achieved 36 per cent operating margin against a target of 33 per cent for 2016/17.

Trends in Performance

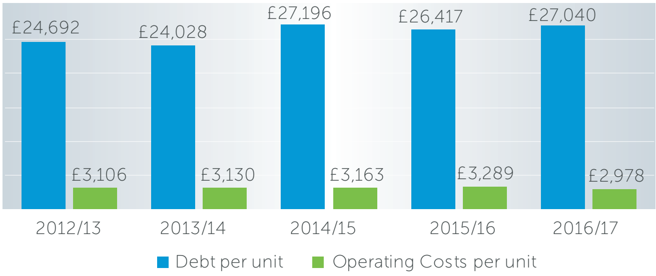
Interest Cover and Net Margin



The increased headroom on interest cover and higher operating margin achieved in 2016/17 provide greater assurance on our ability to service the additional borrowings required for our current and future development programme.

The debt per unit has increased which is consistent with our assumptions and strategy for delivering 2,500 homes by 2020. Increasingly these units are being developed in higher cost areas.

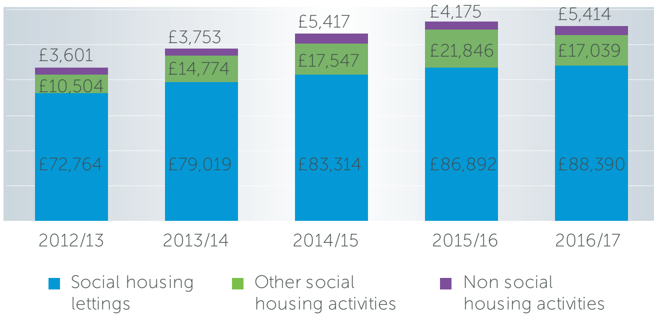
Debt and Operating Cost Per Unit



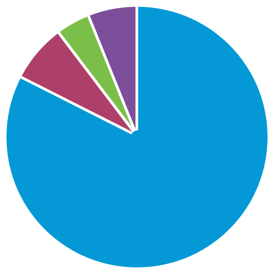
Protecting our Income Streams

Revenue Breakdown (£000s)

Revenue Breakdown (£000)

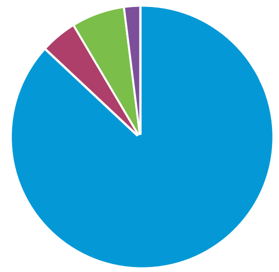


Social Housing Letting Revenue Streams (£,000)



Social Housing Lettings Revenue Streams (£000s)	2016/17
General needs housing	£72,983
Supported housing and housing for older people	£6,404
Low cost home ownership	£3,574
Care homes	£5,429

Social Housing Lettings Operating Surplus (£,000)



Social Housing Lettings Operating Surplus (£000s)

General needs housing	£32,179	2016/17
	£26,565	2015/16
	£26,634	2014/15
Supported housing and housing for older people	£1,652	2016/17
	£1,693	2015/16
	£1,748	2014/15
Low cost home ownership	£2,460	2016/17
	£2,071	2015/16
	£1,691	2014/15
Care homes	-£702	2016/17
	-£854	2015/16
	-£1,992	2014/15

As universal Credit continues to roll out across our area of operation, our proactive approach to supporting tenants and rent first policy is paying dividend.

Despite the ongoing challenges with the funding of care and support sector, we have continued to make improvements to our financial performance, whilst still providing a high quality service to our customers. We have reduced the deficit position to £702 thousand this year compared with a deficit of nearly £2 million in 2014/15.

Understanding our Costs - Unit Cost Analysis

The Homes and Communities Agency (HCA) published the 2015/16 global accounts and updated unit cost analysis in February 2017, providing a consistent measure of costs across providers.

The information contained in the table below shows the results from HCA units cost analysis on the 2015/16 financial statements, which has been updated to show the results for 2016/17 using the same methodology as used by the HCA. The global quartiles have been updated to reflect the movements in the SHPS pension deficit contributions across the sector.

The results from the analysis shows that the headline cost per unit have reduced by £440 per unit over the course of the last 12 months. Of this, £190 is due to the SHPS pension movement not being repeated in 2016/17. The remaining balance of £250 per unit is due to efficiency savings across our cost base and new units coming into management only attracting a marginal increase in key cost areas.

	2015-16 Consolidated	2015-16 Friendship	2015-16 Spire	2015-16 L&H	2015-16 Consolidated	2015-16 Friendship	2015-16 Spire	2015-16 L&H
Closing owned and managed units	18,690	4,540	5,291	8,853	19,111	4,517	5,645	8,949
HCA figures (£'000s)								
Headline social housing CPU	3.23	4.57	2.77	2.60	2.79	4.20	2.25	2.40
Management CPU	0.89	1.28	0.73	0.73	0.68	1.04	0.62	0.52
Service charge CPU	0.50	0.95	0.26	0.42	0.52	1.04	0.23	0.45
Maintenance CPU	0.85	1.15	0.87	0.67	0.73	1.16	0.74	0.60
Major repairs CPU	0.63	0.81	0.68	0.51	0.51	0.75	0.45	0.42
Other social housing CPU	0.37	0.38	0.23	0.41	0.35	0.40	0.20	0.41

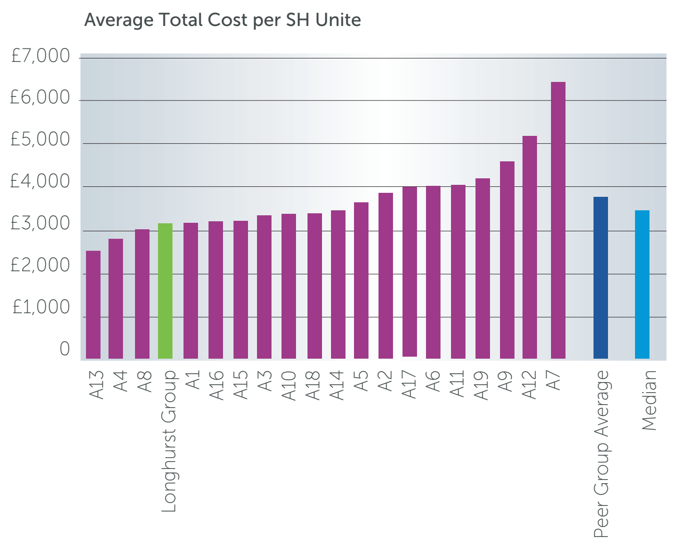
The information in the table below follows a similar logic to that used by the HCA but has been updated to show a position which we believe is more reflective of our business. The calculation for service charges and other social housing has been based on the net position after income for each business area rather than just on the costs.

The alternative basis for looking at costs per unit shows an improved position for Friendship Care and Housing, where there is a higher proportion of care and support activity. On this basis, service charges are showing as being bottom quartile performance, this is in part due to higher rents being charged on care and support services which wouldn't be reflected in a lower net cost position.

	2015-16 Consolidated	2015-16 Friendship	2015-16 Spire	2015-16 L&H	2015-16 Consolidated	2015-16 Friendship	2015-16 Spire	2015-16 L&H
LG Comparison **(£'000s)								
Headline social housing CPU	2.43	3.27	2.33	1.87	1.93	2.76	1.79	1.63
Management CPU	0.89	1.28	0.73	0.73	0.68	1.04	0.62	0.52
Service charge CPU	0.08	0.02	0.07	0.13	0.07	-0.06	0.06	0.15
Maintenance CPU	0.85	1.15	0.87	0.67	0.73	1.16	0.74	0.60
Major repairs CPU	0.63	0.81	0.68	0.51	0.51	0.75	0.45	0.42
Other social housing CPU	-0.02	0.02	-0.02	-0.03	-0.05	0.05	-0.08	-0.07

How we compare with our peers

We have compared our performance to our chosen peer group. This includes providers who share a similar business profile and similar characteristics to the Group.



Return on Assets

Operating in 48 local authority areas across the Midlands and East of England, we own and manage over 19,100 homes.

Longhurst Group	2012/13	2013/14	2014/15	2015/16	2016/17
General needs housing	12,997	13,215	14,314	14,530	14,720
Supported and sheltered housing	1,990	1,987	1,179	1,179	1,170
Shared ownership	1,282	1,388	1,309	1,406	1,518
Registered care housing	177	177	114	116	96
Leasehold schemes for elderly	1,038	1,040	1,074	1,080	1,226
All owned social housing units	17,484	17,807	17,990	18,311	18,730
Market rent housing	12	12	47	47	47
Student accommodation	7	7	0	0	0
All owned units	17,503	17,826	18,037	18,358	18,777
Units managed for other agencies	474	388	387	379	378
All owned and managed units	**17,977**	**18,214**	**18,424**	**18,737**	**19,155**

The historic cost of the Group's housing assets rose by £19 million to £912 million.

Investing in our Homes

In 2016/17, our revenue investment in housing repairs and maintenance totalled £16 million (down from £18.28 million in 2015/16). Our capital investment programme on works to existing properties was £6.19 million (£9.3 million in 2015/16).

	2013/14	2014/15	2015/16	2016/17	Benchmark 2016/17
% stock at Decent Homes standard	99.04%	100.00%	100.0%	100.0%	
Satisfaction with quality of home	85%	85%	83.57%	83.58%	N/a

Understanding our assets

In 2016/17, our key asset management focus was to embed Group-wide processes to ensure that we continue to manage our assets efficiently and effectively and focus our efforts on our weakest performing stock.

Introducing a single stock condition template had identified areas where there were some gaps in our data was unreliable: we targeted 2016/17 surveys at the properties we had least confidence in or which required Decent Homes validation, to maximise the benefit of the information collected, reduce the risk of disrepair claims and improve our compliance management. We will continue this in 2017/18.

We reviewed the processes in place for options appraisal and stock disposal, and developed a Group policy to ensure we make consistent decisions and address poorer performing properties. The new process is managed by our new Asset Management Holding Group, which oversees delivery of the Asset Management Strategy; this will significantly speed up decision-making.

During the year, the Group has disposed of seven poorly-performing properties that required significant investment. The seven properties were sold for a combined capital receipt of £407,487. This has been re-invested in the provision of new homes by reducing the private finance required for our on-going development programme.

Priorities for 2017/18

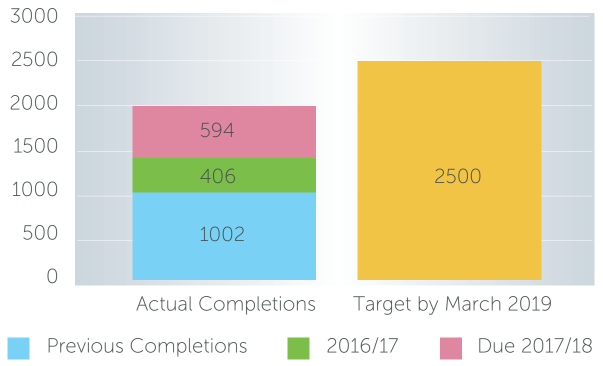
We will continue with our asset management analysis, identifying units that perform poorly (whether generally or relative to their value), and carry out options appraisals to identify the appropriate course of action.

Delivering New Homes

Our development programme remains robust. In 2016/17 we completed 406 new homes and we remain on target to meet our business objective of providing at least 2,500 new homes between April 2014 and March 2019.

As in previous years, our programme has been achieved with minimal grant funding: £930k in 2016/17 with all other funds coming from a combination of private finance and surpluses from our day to day operations. During 2016/17, we were successful in achieving an average for first tranche sales of shared ownership properties of 48.5 per cent (an increase of nearly 10 per cent since 2015/16). Our sales turnover was £4.9 million better than budgeted for the year, and our surplus on sales being £2.5 million a £1.3 million ahead of the budgeted plans.

New Builds Against Development Target



Property sales have remained strong. However, an increased programme of private market sale and low-cost home ownership sales increases risk. We manage this by modelling different tenure splits when planning schemes so we understand the impact on viability of changing tenure from home ownership to rent.

We use robust scheme appraisal process and adopt a cautious approach to predicting sales completions within our Business Plan. We ensure we are not over committed on our development and sales programme at any one time ensuring we phase our commitments as part of our approach to managing development and sales risk. Our development and sales programme is extensively stress tested as part of the development of the Business Plan which is monitored and updated during the year. In early 2017, we bought HomeTrack software, which provides market analysis and appraisal to support our assessment of development potential.

Our market sale programme is delivered through Keystone Developments (LG) Ltd. Our approach to funding commercial development projects through Keystone relies on funding secured through the use of housing assets from across the Group. We have a limit on the amount of funding which Keystone can access and all schemes are robustly appraised and are required to achieve a commercial return before they can proceed.

Shared Ownership

Shared Ownership sales have remained strong. Customers are now required to buy the maximum tranche that they can reasonably afford. This has increased first tranche sales to 48.5 per cent in 2016/17, and exceed target on every scheme. This has enabled us to recycle the funding into further development. We also phase property releases and revalue properties for sale for each phase.

Shared Ownership Sales	2013/14	2014/15	2015/16	2016/17
Total number SO properties sold	100	123	179	106
Total value of SO properties sold	£5,007,734	£7,163,010	£14,905,153	£8,881,016
Average tranche sold (%)	38%	39%	43%	48.5%
Average sales period (months)	5	3	3.5	3.5

The additional income from increasing the tranche sold and revaluing properties enabled us to achieve an income of £8.88 million in 2016/17 (against a target of £5.22 million) from newbuild shared ownership sales.

Although the sales period remained higher than we would like, this has largely been due to Land Registry delays. We have addressed this by providing assurance that properties will be registered, but this has not been accepted by all buyers' solicitors. We are planning to set up a panel of solicitors who will accept this assurance and incentivise buyers to use one of these solicitors to reduce void periods and our liability for utilities in 2017/18.

An increasing portion of new build homes were for low-cost home ownership in 2016/17, around 50 per cent of the homes we built were for sale (including shared ownership), with the reminder for rent. We still expect the split between rented and low cost home ownership to move towards 40 per cent/60 per cent in the future.

In 2016/17, our average costs per unit fell to £103,409 (from around £112,000 in 2015/16). This was lower than forecast and mainly the result of a higher than expected percentage acquired through s.106 agreements. However, due to the higher specification of these units, we still expect average build costs to rise to around £120,000 in the future, as the portion of ownership homes increases.

LG Development Programme	
Units completed in 2016/17	406
Units started in 2016/17	600
Completions due in 2017/18	594
% of s.106 units in 2016/17 completions	80%
Grant received for units completed 2016/17	£576,436
Other grant (including RCGF and DPF) for units completed 2016/17	£353,993
Average cost per unit for units completed in 2016/17	£103,409

Development Programme by Tenure	Completions 2016/17	Starts Due 2017/18	Completions Due 2017/18
Social rent	82	17	35
Affordable rent	71	225	104
Intermediate rent	100	162	94
Shared ownership	146	376	198
Deferred equity	0	0	0
Market rent	0	26	0
Outright sale	6	42	163
Office	1	0	0
Total	**406**	**848**	**594**

Development Savings

We are assessing the viability of a trial development in East Northamptonshire involving off-site manufacture, as a way of reducing costs. This approach has the potential to significantly increase the number of homes built nationally and retain skills within the building industry.

Governance and Structures Review

In 2015/16, we completed a comprehensive review of our governance arrangements and management structures, and restructured our Board and Executive Leadership Team. Over the past 12 months we have embedded these structure and embarked on the delivery of our 'One Team One Vision' transformational plan.

A streamlined Board and executive structure is now in place (From 1 January 2016, we moved from having 19 boards and committees across the Group to 6), enabling a quicker decision-making processes, more clarity on risk and responsibilities, and better positioning for growth. The new structure brings significant opportunities to streamline how we work, reduce costs, and share skills more effectively across the Group. We have delivered significant savings of over £500k through these changes in 2016/17.

One of the key challenges has been to harness the expertise and good practice across the different parts of the Group and create a consistent approach to both infrastructure and front line services. Significant inroads have been made in to our alignment programme:

- 15 policies have been reviewed and approved in accordance with our policy development framework. These include key code of conduct, probity and financial regulations as well as income collection and property compliance policies
- Supporting policy implementation, a single process mapping approach has been created to enable consistency of service delivery across multiples teams and sites and to identify waste and areas for improvement
- Rolled out a case management system to all our Money Guidance Team, enabling us to monitor the service consistently
- Creating a single brand to strengthen our Group identity: our Sales Team now has one brand for all sales material, saving money and helping us to develop a recognised identity
- The Communications Team is developing a single Group website and in 2016, we published our first single Group tenant report
- We moved to a single Group membership of Rightmove; this saved £3,792 in 2016/17 and extended this way of tackling hard to let properties across the Group. A more systematic approach to using Rightmove has been one factor that helped reduce rent loss due to voids.

There is further work to progress during 2017/18 on restructures across some of our key service areas. Some of this work was put on hold during the year whilst we progressed the work to bring Axiom into the Group.

Delivering value-for-money through Housing Services

When we published our Business Plan in 2016, we set out our intention to review our housing and income management structures. We opted to delay the implementation of these changes, to take account of our discussions with Axiom joining the Group. We expect the revised structures to be implemented for the whole Group by March 2018.

We are committed to providing value-for-money services that respond to the changing needs of our customers.

Repairs and Maintenance

In 2016/17, we reviewed how best to deliver our repair service in the future. We are now preparing to tender a Group contract for response and void repairs, along with kitchen, bathroom and electrical planned maintenance, with the option to include external planned works if it is cost-effective to do so. We expect the new contract to start in April 2018.

We also moved all gas servicing of rented properties to a price per property contract, saving £64,110 in 2016/17 (against predicted savings of £71,000). This saving will recur annually.

We are aligning other contracts to enable single contracts in the future. In 2016/17, we extended Friendship Care and Housing (FCH), kitchen and bathroom contract and extended the gas servicing contract for leasehold for the elderly homes, so that we can procure larger contracts later. We also tendered new cleaning and grounds maintenance contracts for FCH and Longhurst & Havelok Homes (L&H). When Spire Home's contracts end, we have the option to add additional properties into these contracts without further procurement.

Tendering one Group contact instead of three company contracts generates significant savings. Procurement costs for our main repairs contract are typically around £46,000 per contract, so reducing the number of contracts from three to one saves around £92,000. However, moving to a single contract also creates additional risk, which is fully considered as part of our contract tendering process. We remain members of CHIC because this allows us to procure services quickly in the event of problems arising.

Rent Collection

Following a successful trial in 2015 at Spire Homes, we introduced the RentSense application across the Group in October 2016. This has enabled our income teams to work more proactively on the prioritisation of arrears recovery. This cost around £104,000 for the year but was instrumental in reducing rent arrears significantly.

We also focssed on our Rent First culture. The importance of paying rent is highlighted to prospective tenants, and new tenants are asked to pay four weeks rent in advance to provide a buffer if difficulties arise (individual cases where new tenants are unable to afford this are assessed on their own merits). Our Customer Services Team raises arrears issues with most tenants when they contact us about other issues, and this approach will be rolled out Group-wide in 2017/18.

Our combined actions reduced arrears for current general needs and housing for older people tenants from 2.70 per cent at March 2016 to 2.27 per cent at March 2017, with a resulting increase in income of £323,461. This gives a net additional income, after taking account of the cost of RentSense, of £219,461.

In March 2016, we closed the Just Rewards (tenant incentive scheme) operating in part of the Group, which had been intended to incentivise the payment of rent, but cost £117,000 in administrative and reward costs. Despite the closure of this scheme, rent arrears of current tenants in that part of the Group fell from 2.50 per cent at the end of 2015/16 to 2.16 per cent at the end of 2016/17, so the impact of the scheme closure was minimal.

Former tenant arrears also fell significantly from 1.56 per cent at March 2016 to 1.13 per cent at March 2017, largely as a result of recovering £590,137 in former tenant arrears over the year.

Empty Homes

We reduced our void rate for general needs and housing for older people homes from 0.72 per cent in 2015/16 to 0.54 per cent in 2016/17, saving around £136,134. This was achieved through the creation of a dedicated lettings team, more systematic use of Rightmove for difficult to let housing, a rigorous enforcement of nomination agreements with local authorities and better working relationship with contractors (targeting properties for repair where a new tenant was waiting to move in).

We reduced void repair expenditure by 6.1 per cent across the Group, saving £126,016.

We started working with Spark Energy to manage fuel utilities on empty homes. This saves the cost of transferring utilities into our name during the void period, and generates an income from Spark. We expected this to be around £22,500; this generated savings for part year in 2016/17 of £11,295, and now expect future annual savings of around £14,246 pa. This income will be used to support energy efficiency projects across our housing stock.

As part of our work to streamline services across the Group, we harmonised affordability and tenancy sustainment checks for prospective tenants. This allowed us to target tenancy sustainment advice, via the Money Guidance service, at customers who most needed it.

Digital Services

Our digital programme has been largely on hold pending the Axiom merger. However, we did aim for some quick wins. Customer teams have promoted the on-line portal to callers, and we specifically targeted the area of the business with lowest usage. The number of customers using our online portal, My Account, each month increased by 40 per cent over the year, the total number of logins increased by 31 per cent, and the number of repairs reported and rent statements requested through the portal both increased by 20 per cent. Overall usage remains low (nine per cent of tenants), and there is clearly the potential to increase gains from online services. The additional repair orders saved around £1,605 in 2016/17.

We are rationalising our customer surveys and increasing our use of e-surveys with the aim of improving response rates and to ensure we only collect the data that is valuable.

Over the next three years, we will be implementing a CRM solution through Microsoft Dynamics, which will enable us to further develop online services and automate appointment reminders and surveys.

Customer Insight

Good quality customer data is critical in ensuring we can target services effectively. In 2016/17, we used our data, for example, to target advice and support towards customers likely to be affected by the reduced benefit cap and the changes to Housing Benefit entitlement for 18-21 year olds. We then contacted these customers individually to help them address the risk proactively and ensure they could maintain their tenancy; as well as helping the tenants concerned. This also minimised the impact of the changes on rent arrears and void loss.

We have previously had an individual company approach to collecting data and surveying customers. In 2016/17, we identified all customer insight data across the Group and any gaps (primarily in data on leasehold tenants), with a view to standardising data collection across the Group.

In Spring/Summer 2018, we will carry out a Group-wide STAR survey, to refresh our understanding of customers' needs. In comparison to running three individual surveys, this will lead to significant savings.

Complaints

In January 2017, we introduced a single stage complaints policy across the Group. As expected, staff training and increased awareness led to an increase in the volume of complaints recorded (from 116 in the quarter before implementation to 236 in the first quarter following implementation). In the first quarter of the new policy, the number of days to respond to complaints increased slightly from 12.9 days to 14.4 days, and the number of complaints responded to within target times fell from 85 per cent to 77 per cent. However, we expect these initial teething problems to subside and that using a single policy will improve response times for customers in 2017/18.

Delivering Value-for-money through Housing Services

Performance

	2013/14	2014/15	2015/16	2016/17	Benchmark 2016/17
SAP rating	70	70.38	71.69	70.65	N/a
Rent arrears of current tenants as % rent due (GN and HOP)	4.71%	3.75%	2.70%	2.27%	
Rent arrears of former tenants as % rent due (GN and HOP)	1.68%	1.64%	1.57%	1.13%	N/a
Void loss (GN and HOP)	0.88/%	0.82%	0.72%	0.54%	N/a
Void loss (GN only)	N/a	N/a	0.62%	0.47%	
Average days to relet GN homes	N/a	N/a	25 days	16 days	
Rent collected as % rent due (GN and HOP)	98.71%	100.83%	100.15%	100.80%	
Customer satisfaction overall	87%	87%	85.61%	85.62%	N/a
Satisfaction – rent is value-for-money	82%	82%	82.51%	82.45%	N/a
Satisfaction – service charge is value-for-money	New PI	65%	64.84%	64.72%	N/a
Satisfaction – overall repairs and maintenance service	79%	81%	79.56%	79.57%	N/a
Satisfaction – landlord listens and acts on views	New PI	73%	73.48%	73.45%	N/a
Satisfaction – with neighbourhood	87%	84%	82.74%	82.77%	N/a

Note: N/a = Not available

It should be noted that STAR satisfaction results remain unchanged from our last survey in 2014/15. Changes since then, are solely the result of stock number changes. As above, we will be carrying out a Group-wide STAR in Winter 2017/18.

We also measure customer satisfaction with the overall repairs service internally and, in 2016/17. Performance on this was at 96.65 per cent, up from 95 per cent in 2015/16.

VFM Gains – Housing Services

Services and innovation	Property Services	Gas contract	Ongoing	Saving	£64,110
	Income	Reduction in rent arrears	One off Saving	Saving	£219,461
	Income	Closure of Just Rewards	Ongoing	Saving	£117,000
	Housing	Reduction in void loss	One off Saving	Saving	£136,134
	Property	Reduction in void repairs costs	One off Saving	Saving	£126,016
	Property	Void utility management through Spark Energy	Ongoing	Saving	£11,295
	Digital Services	More repairs reported online	Ongoing	Saving	£1,605
					£675,621

Delivering Value-for-money through Care & Support Services

Longhurst Group is committed to improving the quality of life for our customers and the communities we operate in. Providing high quality care and support services is a significant part of our business.

Care and Support

In July 2017 a new three-year strategic plan for the Care and Support division was introduced, setting out proposals to ensure the sustainability of services through the retention of existing contracts and planned growth in targeted areas.

As part of the strategy, we have developed a robust assessment process to fully evaluate new service provision, and to regularly review existing services. This introduces a traffic light system to highlight financial risk areas for services with the aim of ensuring the Care and Support division, not only continues to provide high quality services, but makes an agreed contribution to the business success of Longhurst Group.

The business strategy proposes that the Care and Support division has a target floor of 15 per cent and a ceiling of 20 per cent of the Group's, social housing lettings turnover. This recognises the value and importance of Care and Support to the Group whilst ensuring that we properly manage and control the risks associated with a low margin business area and that financial performance is consistent with the parameters agreed by the Longhurst Board.

The appraisal model developed will inform future tenders for possible new developments, and incorporate a consistent set of assumptions which underpin the Group's financial plan.

The assumptions vary depending on the type of service, such as those that require capital investment versus those that are predominantly revenue-based contracts. The appraisal process also incorporates an element of stress testing. For higher risk services, this will enable a review of an appropriate exit strategy or alternative use, if market conditions, commissioning priorities or Government policies change.

Social Value

In 2016/17, we introduced a Group Social Value Strategy, looking at the type of project where there is the most need and that we can create most value for, and established a framework for defining expected costs, outputs and outcomes for social value projects. This will enable us to target resources at projects that provide the best value.

Employment and Training

Over 11 months in 2016/17, our Employment and Training project helped nine tenants obtain paid jobs, with a further 11 getting help to find work, including obtaining voluntary work, attending a work-related course or finding work experience). The project cost £36,000, but achieved social value of £81,426, a social return on investment of 1:2.26.

Many of our repairs and maintenance contracts now include provision for social value: in 2016/17 this included:

- Careers talk about the construction industry for around 90 students at local college
- Classroom training and work experience for six students through our Kickstart programme
- Revamp of a garden at sheltered housing scheme
- Provision of hampers to promote Christmas good neighbour scheme.

Money Guidance

Despite welfare reforms that reduced backdated benefits, our money guidance service continued to provide good value-for-money for the Group and our customers.

In 2016/17, we dealt with 652 cases and generated an income for the Group of £300,316, compared with service costs of £117,399.

In addition, for cases closed during the year, customers were helped to claim an additional £697,340 of other benefits, and to manage debt totalling £384,471. We also assisted customers with 29 benefit appeals, of which, 27 were successful.

Our Care and Repair Service volunteer benefit advisors also helped customers claim benefits totalling a further £76,861 in 2016/17. We also support people to apply for underlying carer's allowance, which holds no monetary value in itself, but increases personal allowances that may in turn establish eligibility for Pension Credit or grant funding.

Delivering Value-for-money through Central Services

Our central services are a critical part of achieving value-for-money, both in terms of how efficiently they operate and increasing the effectiveness of front-line services.

ICT

In 2016/17, we moved to Skype for Business for all colleagues. Retaining our old system would have required upgrading around 210 old phones that were incompatible with a system upgrade. This saved £34,711 in 2016/17, and will save an additional £56,510 by 2020/21. Skype for Business will make it easier to hold phone conferences across the Group (thereby reducing travel costs), and create greater opportunities for flexible home-based working, making us more able to recover from a business continuity incident.

In November 2015, we switched to a new printing contract and expected this to reap significant savings. In 2016/17, the average quarterly cost of the new contract was £22,549, compared to around £66,000 per quarter for the old, saving around £173,804 over the year, and these savings will continue year on year. We believe that further moderate savings are achievable by reducing colour printing, which currently stands at 24.8 per cent of all printing.

We saved £90,000 by renewing our three-year antivirus contract a few months early before the cost increased.

We also ended some contracts:

- We saved £1,560 by cancelling our PhoneEx call handling system, as we now have this capability on other systems
- We saved £10,800 by cancelling Sophos, as we obtained a similar system free of charge under our MS licence
- We saved around £13,188 by cancelling Nintext support for on-line form development after developing this knowledge in-house
- We reconfigured call handling across the Group, enabling us to reduce the number of ISDN30 lines required, saving around £57,184 in 2016/17 and a further £247,455 by the end of 2020/21.

Training and Development

We recognise that success depends on having and retaining a committed, well-trained team who feel valued and supported. We aim to make training more available and reduce costs where possible.

In 2016/17, we switched our online provider for health and safety training, saving £1,676. We worked in partnership with Leicester College to provide 20 courses that can be completed by distance learning, reducing attendance time and travel costs. In 2016/17, 125 employees completed these courses. Most of the courses were targeted at colleagues in care services who have difficulty attending events because of service constraints. These courses made training more accessible, rather than saving money.

In 2017/18, we are planning to open the Skillgate learning portal to all staff with access to ICT at work at an annual cost of £4,500, or around £9 per colleague. This will include courses on data protection and equality and diversity from the start, and will also enable us to produce our own online training, making significant reductions in training and travel costs. We expect this to save at least £7,155 in 2017/18, and savings will increase significantly in future years as we add other core training, in areas such as health and safety (e.g. fire awareness, driver awareness, workplace assessment), and induction.

Energy Procurement

We saved £35,541 by moving to a single energy broker for the Group (previously we used two). This has allowed us to significantly reduce commission and meter costs, and save an additional £12,723 on gas and electricity by signing new contracts.

Communications

We saved around £18,794 through a change in our Communications Strategy with an increased focus on the use of digital media and changes to our website.

Business Support

We expected to save £10,000 annually from a new archiving contract that started in October 2015. The first full year's figures showed a saving of £552 (which includes the cost of moving). In 2017/18, we will save £5,819 and savings will then be ongoing.

We saved £1,571 by negotiating to reduce disposal and recycling costs at some of our supported housing schemes and a further £2,870 by obtaining and using a donation of new kitchen worktops that would otherwise have been disposed of.

Performance

Indicator	2013/14	2014/15	2015/16	2016/17	Benchmarking
Staff sickness	5.2%	6.2%	12.88 days	10.20 days	N/a
Turnover	18.8%	22.5%	22.75%	23.79%	N/a

VFM Gains – Central Services

Services and innovation	ICT	Skype for Business	Ongoing	Saving	£34,711
	ICT	New print contract	Ongoing	Saving	£173,804
	ICT	Early renewal of antivirus contract	One off	Saving	£90,000
	ICT	Termination of unnecessary contracts	One off	Saving	£82,732
	Training	Moving to cheaper on-line training provider	One off	Saving	£1,676
	EHS	Move to single energy broker	Ongoing	Saving	£35,541
	Communications	Reducing and increasing digital distribution	Ongoing	Saving	£18,794
	Business Support	Reduction in archiving costs	Ongoing	Saving	£552
					£436,134

Mergers, Acquisitions, Amalgamations and Partnerships

We have a strong track record of forging mutually beneficial partnerships and hope that further development of new and existing partnerships will generate new opportunities to grow. Collaboration underpins our success, as we recognise the strength of drawing on the knowledge and expertise of local and national partners.

During the last year we have progressed two significant partnership opportunities, Axiom Housing, joining the Group and the acquisition of Waterloo's Leasehold property portfolio. Both opportunities provide a great opportunity to strengthen our role in the market, both as a social housing and care provider, but as a provider of Leasehold services for the elderly.

The partnership of Longhurst Group and Axiom was formed on the basis of a long standing relationship where we have managed Axiom's Development programme for a number of years, but we also have a strong cultural fit supported by customer focussed approach and commitment to care.

The combined benefits for the partnership, involve the ability to achieve financial efficiencies of around £1.6 million, the creation of additional development capacity to deliver an extra 100 units a year and create a more cohesive group, with the Axiom location providing a perfect fit with our area of operation.

The Waterloo acquisition includes the transfer of 630 units, across 27 schemes. It includes 13 scheme managers who will join our team. It nearly doubles our Leasehold portfolio and brings in additional income of £214k per annum, with only a marginal increase in internal resources.

Bringing in New Business

Our Care and Repair service generated an additional £25,681 income by selling project design and management services for adaptations, an increase of 98 per cent on 2015/16 income. This was largely achieved by extending the service to local authorities for ad hoc cases.

Partnerships

Our Sales team started to provide services to a neighbouring housing association; we expect this to bring in income of around £15,000 pa for new build sales and £10,000 pa for resales from 2017/18, based on their current programme.

VFM Gains – Acquisitions, Amalgamations and Partnerships

Care and Support	Care and Repair project fees	One off	Savings	£25,681
				£25,681

Longhurst Group

Our Future Plans

Our VFM objectives for the next few years are set out below. Not all savings can be quantified at this stage, but they all support our target of reducing our cost base by 7.5 per cent by 2020.

Continued savings listed below are for items that have already started but where further savings will continue to materialise in the future: the savings listed below will all be realised from 2017/18 onwards.

Area	VFM Gain	Recurring/ One Off	Efficiency/ Effectiveness/ Economy	Saving
Development	New work developing homes for partner registered provider	Annually to 2019/20	Economy	£125,000 pa
Business Transformation	Savings from merging policies and procedures	Annually	Economy	Not yet quantified
Communications	Move to single website	Annually from 2017/18	Economy	£5,671 pa
Property	Reduced R&M contract procurement costs	One off in 2017/18	Economy	£92,000
Property	Income from void utility management	Annually from 2017/18	Economy	£14,246 pa
Customer Services	Reduced STAR survey procurement costs	One off by 2018/19	Economy	Not yet quantified
ICT	Continued savings from use of Skype compared to desk phones	One off by 20/21	Economy	£56,510 by 2020/21
ICT	Reduction in colour printing	One off	Economy	Not yet quantified
ICT	Continued savings from reduction in ISDN lines	One off by 2020/21	Economy	£247,455 by 2020/21
ICT	Market evaluation and procurement of new phone contract	Recurring	Effectiveness and/or Economy	Not yet quantified
ICT	Reduction in support contracts for disaster recovery	Recurring from 2017/18	Economy	£18,000 pa
ICT	Greater use of electronic forms	Recurring	Efficiency	Not yet quantified
ICT	Greater use of ICT for care and support teams	Recurring	Efficiency	Not yet quantified
Learning and Development	Cheaper training and greater access to training from Skillsgate	Recurring from 2017/18	Economy/ Efficiency	£7,155 in 2017/18
Business Support	Continued savings from archiving contract	One off	Economy	£5,819 in 2017/18
Waterloo transfer	Additional management charge income for additional units	Recurring from 2017/18	Economy	£214,000 pa
Axiom merger	Operating efficiencies and increased development portfolio	Recurring from 2019/20		
Sales	Sales of new builds and resales on behalf of partner provider	One off	Economy	£25,000 in 2017/18

Value-for-money 2017

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Longhurst Group

One Team One Vision