Accent Group Limited
Value for Money
Assessment 2014/15

Making More of a Difference

Contents	Page

Our Strategic Approach to Value for Money

Accent's strategy for driving value for money throughout the organisation can be summarised as 'achieving more with less' by delivering top quartile performance at median quartile cost. This is best demonstrated by our VfM 'theme' for each year. The themes enable all staff to identify with the strategy and understand how they contribute on a daily basis.

2013/14 – Fit for the Future

The theme for 2013/14 was achieving efficiencies by bringing the separate registered providers within our Group together through our **Fit for the Future** programme. The aim was to create a stronger and more sustainable organisation that provided better value for money and improved financial capacity.

We simplified our governance through a virtual consolidation of our registered providers, something we believe no other Group has managed so completely. We established a Group Board supported by five regional Customer Service Committees (CSCs). This effectively transformed Accent from a federation to a Group which has improved the quality and speed of decision making.

We also restructured the organisation in order to increase consistency, reduce duplication and better deliver our service offer. In doing so, we improved efficiency and reduced costs by £1.75m.

2014/15 – Improving Performance at Lower Cost

The theme for 2014/15 has been deriving the benefits from our virtual consolidation in terms of improved performance for the reduced cost base. In addition 2014/15 was the first year of our Business Plan which takes us through to 2020.

We have reviewed how performance targets are set and monitored in order to drive improved delivery. Our investment in income management and tenancy sustainability resources as part of the new structure has driven performance improvement in income collection and arrears prevention and all debt is included when performance managing arrears to increase debt recovery.

Our active asset management strategy has focused on sustainability and all assets are performance managed from a return on investment perspective. This has resulted in some major decisions for our Board especially in the North East where Accent decided that it needed to sell 347 homes as they are not delivering value for money for our residents and our organisation.

2015/16 – Improving Tenancy Sustainability

The focus for 2015/16 will be on addressing this key performance challenge. Why? High tenancy turnover and voids have a direct impact on our financial performance by draining cash and they relate closely to our customer satisfaction as people don't generally leave their home if it is right for them.

We will prioritise activities which:

- Reduce tenancy turnover
- Reduce void loss

By utilising the services of our five local tenancy sustainability teams

This will mean Accent challenges itself on why individual assets are difficult to let or have high tenancy turnover which will inevitably mean further challenging decisions will be required by Board and staff.

As ever the value for money approach will continue to drive improving the return on assets and increasing performance while containing costs.

Assessment of 2014/15

Accent has built on the transformational changes in 2013/14. All the cost savings from changing our governance and organisational structures have come through reducing our cost of management by £70 per unit to £750 per unit which is one of the lowest in the sector (see page 12). At the same time we have seen improved performance across most areas including void numbers, arrears and tenancy turnover. These have been achieved at lower cost. A real value for money progression in 2014/15. The initial STAR survey findings show satisfaction has declined by 4%. Satisfaction with individual services has improved (see page 10) so work is being done to understand this apparent dichotomy.

Accent has seen a dramatic improvement in financial performance this year and this represents the culmination of 5 years of taking difficult decisions i.e. closing loss making subsidiaries, selling non core businesses and assets, resolving pension issues and focussing on improving the core business as usual. As a consequence the surplus in 2014/15 has increased by over £10m; however we continue to invest our cash with significant expenditure on new homes and investment in our existing portfolio.

2014/15 can be characterised by the Board and management continuing to take difficult decisions. Analysis of voids showed our 8 worst schemes accounted for 41% of our void loss. This correlated with the asset management matrix. As a result we have decided to cease investment in one area and sell 347 homes which are costing significant amounts of money, sell some stock to another RP, redevelop two sites and begin to develop new management plans for two other schemes. All these decisions once enacted will save over £1m per annum which will be directly invested in new homes.

In 2014/15 we completed our AHP1 developments delivering 316 homes and sold a number of non core assets which will help fund the AHP2 programme.

We are continuing with our overarching value for money theme and for 2015/16 we will focus on improving tenancy sustainability and as a consequence want to see voids and tenancy turnover reduce. Improved performance in these areas will have a positive impact on cash and customer satisfaction.

Overall Accent believes it complies with the value for money standard but is sufficiently challenging of itself to know that there are opportunities to improve in 2015/16 as we continue to drive to deliver Housemark top quartile performance at median quartile cost. Our plan sets out our targets for 2015/16.

Our Nine Areas for 2014/2015

RETURN ON ASSETS

1: Asset Management

This has been the area with the greatest focus this year.

From analysis of the financial performance of assets we know that 41% of our void loss in 2014/15 was from 8 schemes (see table below). These represent just 1.5% of the total number of schemes within Accent.

Our property level asset management matrix has been applied to all of our stock also looks at a range of other stock performance indicators, has separately identified sustainability concerns for the same schemes and as a consequence we have an agreed action plan to address each one.

Decisions on Poorly Performing Assets

The asset matrix and void analysis led to a number of decisions:

1. The Board took the decision to dispose of 347 terraced homes in Horden/Blackhall as they become empty and we are currently seeking a general consent from the HCA to sell these homes. These homes when empty cost on average £3.5k each per annum. It was noted that we would have to spend a further £7m to bring these homes to Accent Property Standard and there is no demand in the area for this type of property. This was the biggest value for money decision the Board took in 2014/15, but unless these homes are sold they will cost c£1m in 2015/16.

   Separately; we have already invested £8.6m in the area. This has completed the improvements to 225 sustainable homes, in the main bungalows which currently have very low turnover and void levels.

2. We demolished an obsolete sheltered housing scheme, Tollgate Court, and will be on site in May 2015 to develop seven new family homes. This scheme was previously costing £35k per year in council tax and security costs. This investment will also protect our significant investment in this area.

3. Craven House was an obsolete supported housing scheme in an area of high demand for affordable housing. This has now been converted into seven general needs flats.

4. A fourth scheme in Kent, Pudding Lane, was sold as part of wider stock disposal in that area.

The outcomes for the eight schemes are summarised in the table.

	Scheme	Outcome
1	Horden	Decision made to sell
2	Tollgate	Demolish and build more appropriate homes
3	Blackhall	Decision made to sell
4	Horden no.2	Decision made to sell
5	Pudding Lane	Sold
6	Horden Bungalows	Upgrade completed and all now let
7	Crown Street	Review of lease issues to determine the most effective way forward. Plan to be completed by Q1 2015/16.
8	Counden Grange	Full review of the area being undertaken. Plan to be completed in Q2.

Legacy Asset Management Issues

In 2014/15 we have addressed a number of legacy asset management issues. These are assets which have no long term future for Accent after assessment in the asset management matrix.

1. We have transferred 12 empty properties in Accrington to a Joint Venture Company for regeneration. These were empty as a legacy from the housing market renewal programme. By working with the local authority to find a resolution we have removed our liability for repaying grant of £250K and associated void costs.
2. In Hull we have sold for £241k a scheme of 14 leasehold properties to a newly registered provider looking to build their stock profile in the area. We do not have any other homes in that area and it is remote from our nearest office. These funds have been ring fenced for new development in accordance with our policy.
3. We have sold a property originally purchased to facilitate initiatives through ARCP, our training and employment service. We have closed ARCP in 2014/15 as the service was no longer representing value for money. The saving in staff and other costs is over £500k per annum. The property has been sold on the open market reducing our liabilities in terms of security and council tax costs.
4. We have converted Malins Lodge, a former supported housing scheme, into three units of affordable housing under the AHP1. This scheme had been vacant following the loss of supporting people funding for the third party agency who managed it.
5. We have secured planning consent for a legacy plot of land at Rarey Farm. This is not in our core area so we will now put it on the market as a building plot.
6. We have provisionally sold legacy properties at the site of our regional office in Peterborough which were being rented out as office accommodation. These will now be converted into residential accommodation.

7. We have revised the management arrangements for the business units we rent out at our Barkerend Centre. Leasing these on a more commercial basis has increased the annual rental income from £71k in 2013/14 to £102K in 2014/15 and has ensured that rental streams are guaranteed for a minimum period.

Supported Housing Service Assets

In 2014/15 we completed a review of our supported housing service assets and one of the key outcomes was a decision to split the assets into those that can be utilised for general needs housing and those that are specialised. The specialised are being assessed to determine the risk the organisation carries in holding onto these assets. This will be reported to the Board in 2015/16.

Planned Maintenance Programme

Investment in sustainable homes is governed by our Accent Property Standard and we are committed to achieving this across all stock by 2020. Our planned programme of works has undergone a generational shift as a result of the standard and is based on empirical data about the replacement timescales for individual components. We have agreed consistent timescales for the replacement of kitchens and bathrooms across the Group. This has reduced the total budget for achieving/maintaining the standard by 2020 from £77m to £57M. This consistency will be important in the procurement of our repairs service.

2: Development and Acquisition

All of our developments and acquisitions must pass a value for money test before proceeding. These reviews are discussed by the Executive team followed by the Asset Management Committee and ultimately the board. The scrutiny reflects the importance of these decisions to the strategy of the group.

Developments

2014/15 saw the completion of our 8 year regeneration of the Fulbourn estate in South Cambridgeshire. The original local authority estate had 159 poor quality homes. Our £35m project has delivered 257 new homes for rent and sale. In addition to shared ownership we developed properties for outright sale which has provided cross subsidy for the whole scheme. We also funded a number of local community projects. These include £318,000 towards local education, £29,000 towards local transport, £45,000 for the community hall and library and £75,000 on public amenities and open space.

The final phase of our Franklands Park development was completed in 2014/15. We have funded the development of 55 rented properties through £1m Recycled Capital Grant Fund (RCGF), and 71 shared ownership properties through continuous market engagement with £852k of grant from the HCA.

We continue to lead the Accent Group Development Consortium and have secured £18m funding for new affordable homes with our partners. We have secured £233K income for programme management services throughout the life of the programme. In addition we provide sales and marketing services to some partners on an ad hoc basis for fees.

Acquisitions

In addition we have funded 21 affordable new homes at Prince George’s Way in Rutland through a section 106 agreement, acquiring them from a national house builder at a significant discount from open market value.

We have bought four properties back from shared owners to prevent them being sold on repossession by the lender, and these will be re-let as affordable rented properties.

Conversions

We have closed three local offices which were under utilised by customers saving £80k per annum. Offices in Leyland have been converted into six flats using grant secured from the HCA. These will let on affordable rents. Our Tameside office does not lend itself to conversion into residential accommodation and will be sold on the open market with the proceeds ring fenced for future development. The Nottingham office is being converted into 2 flats. The payback for these schemes is less than seven years.

Future Development

A further 147 properties will be developed over the next three years as a result of our successful bid under the AHP2. In the south we have a large number of vacant garages. There are 50 sites in total, and we have carried out options appraisals on all and categorised them as retain, retain and demolish for open plan parking, or demolish and redevelop. We have identified 15 sites to produce 44 affordable new homes for rent, which we will deliver as part of AHP2. This will offer greater value for money as there is a land contribution from Accent which stretches the contribution from the HCA.

Disposals

We ring fence capital receipts from asset disposals for future developments. This year we have sold a number of non core assets plus various right to buy/ right to acquire. These have contributed to help fund our allocation of grant under AHP 2.

The sale of our stock in Kent has generated a further £11.7M. This will be reinvested in the development and/or the acquisition of replacement properties closer to our regional office in Surrey.

3: Procurement of Goods and Services

We continue to be a member of the Procurement for All (PfA) procurement consortium. 70% of planned and reactive maintenance is procured through PfA, equating to expenditure of £21m in 2014/15. In 2014/15 we procured a number of contracts across the group using PfA and made savings of £3.9m. These figures are independently verified.

We have made a further £20k saving across a two year contract for insurance provision.

During 2014/15 we began to plan for a major re-procurement of our reactive, voids and planned repairs services across the group. Existing contracts were extended to end in March 2016 to allow for a group wide re-procurement. This will deliver 5 regional contracts replacing a multitude of individual contracts with different geographical arrangements. This approach was agreed following independent consultancy advice from ARK with regard to a range of options which also included in-house delivery, single contract and composite contracts. The services should be at a reduced cost but with greater consistency and accountability. We are estimating savings of 10% based on industry knowledge where contracts for reactive and planned works are consolidated and given the percentage cost reductions delivered from PFA Framework mini competitions in 2014/15. These new contracts will go live at the start of 2016/17.

SERVICE DELIVERY

4: Cost and Quality

We benchmark performance externally using Housemark. The timing of the annual benchmarking means that we are only able to access data from 2013/14 for this assessment. As shown in the people and finance sections our total costs have significantly improved in 2014/15 as a result of the decisions taken in 2013/14. This section demonstrates how performance has improved in 2014/15. We are confident on this basis that when the 2014/15 position is completed in July it will show improved performance at lower cost and our measures moving to the right of the performance quadrant below. We plan to issue an update in the summer as the results are published.

1. Responsive repairs and void works
2. Rent arrears and collection
3. Anti-social behaviour
4. Major works and cyclical maintenance
5. Lettings
6. Tenancy management
7. Resident involvement
8. Estate services

Financial benchmarking is undertaken using the global accounts. The results of this benchmarking are included under the Finance section of this assessment.

We also benchmark our performance internally over time. At the end of the 2014/15 financial year the overall picture from the strategic performance targets is one of strong and improving performance in the majority of KPIs.

KPI	2012/13	2013/14	2014/15	
Decent Homes Compliance	98.77%	95.62%	97.1%	
Satisfaction with responsive repairs	90.10%	92.2%	95.4%	
% Gas serviced	99.36%	100%	99.92%	
% first time fix	87.7%	88%	91.4%	
Current tenant arrears	4.3%	5.4%	4.1%	
Average re-let times	28.8 days	28.2 days	29.8 days	
Empty homes	1.9%	2.3%	2.2%	
Tenancy turnover	12.1%	12.2%	11.7%	
Overall satisfaction with Accent services	86.0%	85.0%	81.0%	

Current tenant arrears have declined in the year by over £750k. This is excellent given the wider economic environment and is satisfying as it provides reassurance that the new leaner staff structure is working.

The number of available to let voids has been reduced by 26%. We have also made some significant strategic decisions with regard to failing assets this year and the natural consequence of this has been an adverse impact on unavailable to let void levels (see asset section).

Generally tenancy turnover levels are stabilising, however we want to see more improvement in this area and this will be the focus for 2015/16.

We are disappointed that tenant satisfaction as measured through a sample STAR survey recently undertaken has shown a decline in satisfaction by 4%. This is the initial high level result. The Board will be analysing the detail in July when the analysis is completed. The regular satisfaction questions that happen through the year show improvement, so it is important for Accent to understand why the annual survey contrasts with the in-year generally positive results (see below).

Performance Indicator	2013/14	2014/15
Complaints case handling	84.0%	69.0%
ASB case handling	86.1%	91.5%
Responsive repairs	92.2%	94.3%
Planned maintenance	95.3%	96.2%
Tenancy Sustainability	-	98.0%

In 2013 we extended the opening hours of our contact centre service to 8 till 8 and this year we have tested the value of this. This extension offers our customers a more flexible service and we have been able to use the extended hours to increase cash collection, with the team collecting an additional £35k since the extended hours were introduced. In 2015 our 5 housing customer and one repair contact centres have established a virtual platform for customer contact. This has strengthened service levels and built in resilience as calls are automatically re-routed in times of high volume or low resource availability. Previously we would have needed an ICT intervention in order to re-route the calls. In 2015/16 we will be reviewing our contact centre arrangements in order to deliver further improvements. Our proposal to move to a single contact centre aims to reduce management costs and advisor head count reducing overall costs by 10% by 2017.

A key element of our organisational restructure in 2013 was to free up the time of housing officers and specialist support officers by dealing with 80% of customer queries at the first point of contact. Our customer contact centres are not yet hitting that target, currently achieving 63%. The contact centre review in 2015/16 will focus on achieving that target by developing staff.

In 2014/15 we agreed our strategy for management information. The first strand of implementation has been to deploy QlikView to all operational managers. This is a software tool which provides easy graphical access to performance information, consolidating relevant data from multiple sources into a single application. This is part of our culture change to a focus on performance management and contributed to our improved performance this year.

There are a number of initiatives which have started in 2014/15 which will deliver in 2015/16. They are:

A legacy from our previous organisational structure was that we were left with individual contracts for our out of hours service provision. We have re-procured this service from a single supplier achieving cash savings of c£16k. These savings will be realised in 2015/16.

Our project to improve our website and implement a secure customer portal to enable our customers to access their data has made good progress, and we will have full implementation in June 2015 when we aim to move away from sending quarterly rent statements by post. We currently send out 80,000 (20,000 per quarter) rent statements each year and expect to save £50k by moving to online statements.

This year we have also reviewed how we keep our customers informed about services. We have streamlined the number of customer leaflets and now host these on our website rather than printing stocks to keep in our offices. They can be printed on request but hosting them online means we can ensure that customers receive the most up to date information. The review of leaflets has also saved in the region of £18k per year based on previous expenditure.

We have successfully piloted a new approach to mobile working which has increased the efficiency of our front line services. Staff are able to work more flexibly and productivity has increased, with staff in the pilot group doubling the number of appointments made in an average week. A full roll out is planned in 2015/16.

We have begun a review of our tenancy types to reduce the number and complexity as this is inefficient and difficult for our staff and customers to understand. We currently have 141 intermediate rent tenancies. The HCA have approved the conversion of 30 to affordable tenancies as part of our AHP2 bid. The rent levels are not impacted and tenants receive more security of tenure. This review will continue in 2015/16.

5: People

The Board approved the new People Strategy in 2014/15 which will deliver staff that are professional, valued and motivated, ensuring that our human resources have the necessary skills, focus and training to support the 2020 business plan. This will enable us to leverage top quartile performance and customer services through a median rewarded workforce.

As part of the move to ‘One Accent’ all employees are now on the same terms and conditions throughout the group and this has saved c£50k as benefits such as BUPA have been removed and car allowances variances removed. Savings have also been made on payroll costs by transferring all weekly pay to monthly and reducing the number of pay rolls to four from five. This has reduced administration.

The Board decided to increase all staff pay to a minimum of the living wage, rather than minimum wage. This has affected 31 staff at an average increase per person of £21 per week. This supports Accents ambition to be an employer of choice.

We invested £300k in training this year leading to 23 courses being delivered and over 300 staff have benefitted from training. This has been supplemented by regional team building events. £28K has been committed to vocational training with 30 staff working towards 10 different qualifications.

Accent has benchmarked against its peers using statistics available in Social Housing Magazine for 2014/14. They demonstrate that Accent is achieving value for money from its staff resources.

Source: Social Housing re 2013/14

	Sector: top 45 mixed business RPs	Accent (Ranking)
Average pay	£29,000	£28,100 (26)
Percentage change	+0.4%	+6.6% (4)
No of FTE	+9.3%	-14.2% (1)
No of managed units per staff member	29	44 (5)
Total cost = £17.1m	+10.3%	-4.6% (3)
Staff cost per unit	£1,170	£820 (5)

In 2014/15 the average pay at Accent reduced to £26,800 which will further improve value for money as the number of homes in management increased by 109 in the year whilst the number of staff members declined by 3 to 470. The staff cost per unit in 2014/15 was £750.

The Board decided to award a pay rise at the start of 2015/16 of 2%. A benchmarking exercise amongst Housing Associations in our regional NHF network for human resources management produced an average pay rise of 1.9%.

The HARP 100 Financial Services Management Development Ltd (FSMD)analysis of the 2013/14 position showed that the sector had increased staff costs by 8.2% (Accent decreased by 8.2%). For 2014/15 Accent has seen costs decline by £1.5m as a result of the organisational changes in 2013/14. The same review showed staff numbers had increased by 5.7% while Accent had decreased by 14.2% in 2013/14. The numbers of staff have held constant in 2014/15 as expected see below.

VFM Theme	Pre FFTF	FFTF	Improve performance
	2012/13	2013/14	2014/15
Administration	101	89	86
Development	18	13	11
Housing Support Care	432	371	373
Total staff	551	473	470

The above analysis shows that there has been a greater focus on service delivery staff.

Pensions

The cost of pensions remains a major consideration for Accent.

We have adopted a defined contribution scheme for auto enrolment compliance which will be cheaper for Accent than defined benefit provision and will not generate future liabilities. The cost is also less for staff at 2% (other schemes: 9%). The number of staff joining was 202.

In order to reduce risk and cost to Accent we exited one of the three defined benefit schemes Accent manages. This was the LGPS Surrey Pension Fund scheme. This allowed us to cap and settle in full the liability. The cost will be £6.5m but this removes all risk of further increases and reduced our exposure to s75 crystallisation issues. It also reduces our annual cost by over £500k. This was achieved without affecting our funding arrangements.

6: Social Value

In 2014/15 we spent £3,855k on activities which support our residents and add value to the wider community. This represented 4% of our annual turnover and funded key services including our tenancy sustainability teams and non statutory aids and adaptations.

Our five regional tenancy sustainability teams costing £400k have managed 1,080 referrals in 2014/15. 87% of these customers subsequently engaged with the teams and satisfaction with the service was 89%. Referrals have been made for the following types of support:

- Budget management and home set up
- Health and well-being referrals
- Rent arrears and debt advice
- Welfare benefits
- ASB
- New starter tenancies
- Housing Options

The service has brought in over £200k of additional income for residents through housing benefit assistance, income maximisation and grants. We have not developed measures to see how much of that has transferred into additional income for Accent and we will be looking at this and further measures to quantify the return on this investment in 2015/16.

Whilst tenancy turnover has reduced by 0.5% following the introduction of the tenancy sustainability teams it has not been the significant reduction we hoped to achieve. Improvement in this area will be the focus for 2015/16 as reduction in tenancy failure improves customer satisfaction and saves significant cost for the organisation.

ARCP Closure Decision

In 2014/15 we also had to take the difficult decision to close our training and employment service delivered by ARCP. The service had lost over £500k in 2013/14 and lost over £300k in 2014/15. It no longer represented value for money as the changes to the funding regime for government training and employment contracts meant that the schemes we were able to access were no longer financially sustainable. Unfortunately the board concluded that not all social activity is good value especially as this service was not generally delivered to our customers.

Our focus on closing this service delayed the development of our community investment strategy which will now happen in 2015/16.

Community Investment

The community investment budget included £175K for regional community investment activity in 2014/15. This investment has funded a large range of local initiatives including funding for credit unions and third party money advice services, pre-tenancy training, handyman services, affordable furniture and white goods packages and youth engagement activities. Funding has also been made available for digital inclusion initiatives including a mobile classroom and scheme based workshops for older residents.

We have invested in apprenticeships, with one recruited in each region. All have achieved CIH level 2 and NQV level 2 in Housing Practice at the end of their apprenticeship. Three apprentices have now secured full time positions within Accent as Customer Advisors.

Accent also has an impact on the wider community through a number of our services.

We continue to lead the Accent Group Development Consortium (AGC). The consortium enables smaller partners to access a range of grant funding opportunities which would otherwise be more costly on an individual basis. The cost of Accent leading the consortium and providing programme management services is recovered from participating partners on a per property basis which means managing the consortium is cash neutral. The consortium arrangement offers us additional income, but also offers partners excellent value for money as and when they use our services. We therefore support the value for money in our smaller association partners.

Our caretaking service is well regarded by our customers but clearly lots of their work around our properties benefits the wider community. We regard this service as an important part of our social value agenda; however we need to quantify the value for money of this service so 2015/16 includes a review. As well as this we promote the use of our sheltered complex lounges and other buildings as meeting places for community groups. This benefits our customers by integrating them with their communities.

7: Performance Scrutiny

In 2013/14 we implemented our new governance structure. In 2014/15 our five regional Customer Service Committees (CSCs) have developed and the focus on performance challenge of our five local teams has improved.

We have reviewed the key performance measures reported to Board to ensure that detailed performance information is considered by the regional CSCs, with Board receiving a strategic overview of performance.

The next stage was the implementation of our new regional resident engagement strategy. This has developed more slowly than we wanted and as a result we commissioned an external assessment via Housing Quality Network. The review will formally conclude in July 2015 with a report to Board. There are two main conclusions from the interim findings. Firstly; that we need to build on the success of our new governance structure by clarifying the linkages between resident scrutiny and the work of the CSCs and secondly, the strategy of encouraging regional creativity in the development of resident scrutiny has resulted in a range of innovative engagement initiatives, however we need to consolidate the learning from these to ensure that we identify and share best practice in 2015/16. The implementation of these findings will ensure we get value for money from this area.

ORGANISATION AND GOVERNANCE

8: Governance

The governance simplification plan has continued in 2014/15.The number of companies in the Group has been reduced by three by closing down minor non core activities. This combined with putting the external audit out to tender has saved £6k in audit and compliance fees; more importantly it has saved considerable staff and management time.

The next stage is consolidation of the three RPs into one legal entity delivering housing services and owning all the stock in the group. The two main challenges to this are, obtaining permission from our funders and ensuring that we do not create a pension crystallisation event. Achieving consolidation will deliver further cost savings and simplify treasury management but more significantly will mean the legal structure will match the operating structure of 'One Accent'.

We have continued to seek efficiencies in our board governance arrangements. Following a benchmarking exercise we have reduced remuneration for non-executive directors to median pay in line with our staff remuneration policy. This has saved £18k per annum. We have saved a further £10k on printing and postage costs plus significant management time by moving to electronic board papers.

In 2014/15 the asset register was completed. Phase one ensured that our fixed asset register was reconciled to the Land Registry records and to our funders' securitisation lists. This resulted in a number of anomalies which were resolved. This work was completed by Accent staff ensuring that additional costs were minimal and that all the knowledge is retained within the business. Our fixed asset register is now able to record valuation, historic cost, security status and insurance cost at an individual property level. Phase 2 is a priority for 2015/16 and will involve reviewing the quality of title to ensure that unencumbered assets can be used as security, and to indentify any excess security which can be released.

Accent appreciates that its governance cost is significant (third highest in the sector according to the annual Social Housing review of this area) and that this is due to the payment of all the CSC members. The CSC structure is now two years old and it is planned to review the effectiveness of CSCs in 2015/16 to ensure they are delivering value for money.

9: Finance

The financial position of Accent has improved significantly in 2014/15 to a surplus of £13.1m. This is the culmination of several years of resolving issues which have included closing loss making subsidiaries, selling non core businesses and assets and improving performance in the core social housing business. This year has seen the culmination of the Fulbourn development; generating a surplus of £5.4m but has also included an impairment of £4.4m to write down the value of 347 homes in Easington.

The table below compares Accent in 2014/15 with the global accounts for the traditional sector 2013/14 as these are the latest produced.

The turnover, operating margin and operating surplus have all improved markedly; as expected.

Operating costs, major repair costs and planned repair costs have all decreased while the sector's has increased. This reflects the changes following 'Fit for the Future' and the fundamental challenge on how the planned programme is administered.

The social housing turnover has increased, but not as much as the sector, however this is as expected due to the decline in RPI in September 2013. The margin on social housing is also less than the sector, however this in part reflects the lower than average rents even with one year of increase more than the sector value.

Overall, Accent continues to improve its financial performance; however we would always look to the actual cash position rather than the surplus. Accent has broadly spent as much cash as it received in 2014/15 and used this cash to improve its existing homes and at the same time add to its portfolio, a tangible value for money outcome.

	Traditional Sector – 2013/14	Accent - 2014/15
Turnover	+5.7%	+10.5%
Operating margin	26.1% (+0.6%)	27.3% (+8.2%)
Turnover from social housing lettings	+5%	+3.9%
Total operating costs	+4.5%	-2.1%
Operating costs per unit	+5% (Trad) £4,447	- 2.6% £3,404
Operating surplus	+8%	+58.4%
EBIDA MRI	+2.7% to 27.3%	+14.5% to 29.5%
Net surplus	22%	12.5%
Margin on social housing lettings	30%	25.3%
Average rent per week	£85 (trad)	£82.19
Total major repairs inc. capitalised Capitalisation rate	-7% 83%	-16.5% 64%
Planned and routine repair cost per unit	£1,000 (+4.8%)	£1,187 (-0.9%)
Major repair cost per unit	£707 (-4.9%)	£469 (-11.5%)
Management cost per unit	£1,033 (+2%)	£662 (-8.7%)

Accent signed its statutory accounts in June 2014. This brings Accent into line with AIM listed companies and significantly ahead of most other RPs. It also means the finance staff are released to work on supporting the organisation earlier than many RPs. Only two members of staff work on the statutory accounts process after late April.

Treasury

Accent has chosen not to fix debt as it comes to the end of any fixed rate deals during 2014/15 in line with the annual treasury strategy. This saved Accent c£700k in 2014/15; however Accent still has above sector amounts of fixed rate debt. The break costs on this debt are significant. The interest payable in 2014/15 decreased by 8.8% and the effective rate declined to 4.65% which is lower than the sector average reported in 2013/14. The total interest cost as a percentage of turnover has also declined which means that cash is being freed up. As debt is paid off the gearing levels continue to decline with the debt per unit also decreasing to below the sector average. This improvement will be difficult to continue as Accent sells 4 schemes in Kent and 3 schemes in the North East. The outcome is that more cash is being generated to invest in new homes. This is the clear focus of the asset management strategy.

	Sector – 2013/14 Source: Global Accounts 2013/14	Accent - 2014/15
Fixed debt	67%	Fixed 74% Variable 20% Other (THFC) 6%
Interest payable	+5%	-8.8%
Effective interest rate	-0.1 to 4.8% (trad)	-0.16% to 4.65%
Total interest cost including capitalised interest are x% of turnover	19%	15.3%
Gearing	73.8%	51.8%
Debt per unit	£26,540	£17,382
EBITDA MRI interest cover	157.8%	113%

PERFORMANCE AGAINST BUSINESS PLAN YEAR ONE

Business Plan 2014/15

The Business Plan is the overarching driver for the organisation and 2014/15 was the first year of our Business Plan to 2020. The earlier sections in the report explain in detail our VfM achievements and challenges in 2014/15. The summary for the Board showed that overall we have successfully delivered the key milestones for this year's plan. These were:

Target	Achieved
Invest £36m in existing homes	£34m invested in our existing homes
Complete AHP1 programme	AHP1 completed and 150 new homes completed in 2014/15
Asset management committee identified legacy assets and challenged management to sell at optimum time	Legacy asset management issues resolved
Identify failing schemes and agree actions by end of 2014/15	Decisions reached on failing assets costing c£1m in revenue costs
£6.7m Income from sales	£7.8m income from sales
Target was to reduce overall voids by 0.1%, taking asset management decisions delivered this outcome	Overall voids reduced by 0.2%, and voids available to let reduced by 26%
£1.37m Reduction in arrears	Rent arrears reduced by £1.35m
No target set	Home-ownership arrears reduced by 25%
No numerical target as this was a new team.	Over 1000 residents supported through tenancy sustainability service. Now service is up and running specific targets have been set.
3% increase in staff satisfaction	Overall staff satisfaction increased by 5% to all time high of 82%.
88% repairs fixed first time	91.4% repairs fixed first time
90.5% repairs appointments kept	93.0% repairs appointments kept
95% satisfaction with repairs	94.3% satisfaction with repairs
No target set	30 staff working towards vocational qualifications
Move to living wage as a minimum	Introduced the living wage as a minimum for all staff

One issue identified by staff was resource allocation to deliver our service improvement projects especially our five transformational projects. As a consequence we established a new programme board. This Board will ensure appropriate resource allocation and improved co-ordination to ensure we deliver priority projects so we get greater value from our teams.

PLAN FOR 2015/16

The Board has agreed the following VfM targets for 2015/16 as part of our 2015 – 2020 Business Plan review.

Return on Assets

- Deliver 147 new homes
- Deliver on the rationalisation strand of our asset management strategy in order to reduce void losses from obsolete assets by £500k
- Save 10% (£4m p/a) on current responsive and void repair contracts by successfully delivering the P2016 project to procure five regional, 10 year contracts to the value of £220M.
- Realise £2.5m of savings on planned works contracts for Kitchens & Bathrooms, Central Heating, Windows & Doors and General Build.
- Assess the risk carried by retaining specialised assets for supported housing.

Service Delivery

- Reduce tenancy turnover by 6% and gain an insight into why turnover happens in order to inform policy.
- Reduce void losses by £500k
- Commence the 2015/18 programme to deliver 775 new homes via the consortium with 35 in 2015/16.
- Utilise ‘Call to Collect’ to save £25K on staff time spent chasing low level arrears
- Ensure that income from chargeable services is maximised
- Realise £16K of savings from out of hours service costs
- Identify 10% savings on contact centre costs (to be fully realised in 2017/18)
- Answer 80% of customer queries at first point of contact (to be fully realised in 2017/18)
- Full roll out of mobile working across contract management and customer services teams
- £50k savings from moving to online rent statements
- Achieve Investors in People accreditation
- Revisit the resident engagement strategy, setting a performance framework to measure impact
- Review the tenancy types in use across the organisation with a view to reducing complexity
- Agree new approach to community investment, including quantifiable measures to demonstrate return on investment
- Deliver the strategic KPIs including reducing arrears and voids

Organisation and Governance

- Full legal consolidation leading to further cost savings and simplification of treasury management
- Complete the closure of ARCP which should generate further cash savings of c£100k.

- Implement FRS102 with in house resources, saving approx £20 per property on external fees
- Continued rationalisation of structure saving audit and compliance fees of £7.5k
- Complete phase 2 of the securitisation project, reviewing quality of title
- Review the effectiveness of CSCs to ensure they are value for money
- Treasury – raise new money as required to support the development aspirations
- Cash – ensure that Accent remains cash neutral
- Accent will review the SHPS defined benefit scheme to ensure continued membership remains value for money.

ASSESMENT AGAINST VFM STANDARD

Registered providers shall:	
Have a robust approach to making decisions on the use of resources to deliver the provider's objectives, including an understanding of the trade-offs and opportunity costs of its decisions	Our strategy for driving Value for Money is embedded within our Business Plan and supporting strategies and can be summarised as 'achieving more with less'. Successful delivery of this strategy in 2014/15 has been achieved by the Board and management continuing to take difficult decisions on appropriate resource allocation. These decisions have been reached using: • BRIXX financial modelling against the 5 and 30 year financial plans • ProVal - an appraisal model for new developments and re-developments • Analysis of performance against KPIs, including benchmarking • Analysis of stock performance against our asset management matrix • Procurement exercises and Procurement for All - a procurement consortium • Analysis of the external environment and customer needs and expectations As a result we have continued to significantly invest in sustainable existing stock whilst reaching decisions to dispose of stock which is unsustainable. We have continued to invest in the provision of new homes whilst addressing legacy asset management issues. Through an organisational restructure we have also invested in new services to assist our residents to sustain their tenancies and to meet rising expectations of customer service.
Understand the return on its assets, and have a strategy for optimising the future returns on assets – including rigorous appraisal of all potential options for improving value for money including the potential benefits in alternative delivery models – measured against the organisation's purpose and objectives	We have completed work on our asset register which ensures we have accurate knowledge of all our property including by property, valuation, original cost, grant, whether pledged as security and that it is all registered at the Land Registry. We have a property level asset management matrix which assesses the return on each asset. This is our key decision making tool for improving value for money in asset management. Analysis of stock against the asset management matrix indentified sustainability concerns for a number of schemes. Separately an analysis of void costs per scheme identified that 8 schemes accounted for 41% of our void

	loss in 2014/15. There is a strong correlation between the matrix and void issues. As a consequence we have undertaken options appraisals and agreed a specific action plan to address each of these eight schemes. These action plans include disposal, redevelopment and management decisions and will save c£1m in revenue costs per annum. We ring fence capital receipts from asset disposals for future developments. This year we have sold a number of non core assets plus various right to buy/ right to acquire. These have contributed to help fund our allocation of grant under AHP 2. The Accent Property Standard governs investment in sustainable homes and has changed the way in which we develop our planned programme. This is based on empirical data about the replacement timescales for individual components. In 2014/15 we have agreed consistent timescales for the replacement of kitchens and bathrooms across the Group, reducing the total budget for achieving/maintaining the standard by 2020 from £77m to £57M. We procure 70% of planned and reactive maintenance through Procurement for All and have achieved savings of £3.9m in 2014/15. We are also re-procuring our reactive and planned maintenance contracts and as part of the procurement exercise we have considered a range of alternative delivery models to replace the existing contracts.
Have performance management and scrutiny functions which are effective at driving and delivering improved value for money performance	In 2014/15 we have reviewed performance reporting. Board receive a strategic overview of key performance measures quarterly, with more detailed performance information considered by the regional customer service committees. We implemented a new software tool which improves manager access to performance information, consolidating relevant data from multiple sources into a single application. We benchmark performance externally using Housemark; however the time lag between year end results and the annual benchmarking reports means that we also

	benchmark performance over time internally. Financial benchmarking is undertaken using the global accounts, other publically available data and we will use professional networks to benchmark where appropriate, such as the pay increase benchmark undertaken this year. Implementation of resident scrutiny through our resident engagement strategy has not been at the pace we wanted and an external assessment has been carried out. The results are not yet final but interim findings indicate that in order to ensure we get value for money in this area we need to clarify the linkages between resident scrutiny and the Customer Service Committees, and that we need to consolidate the learning and best practice from informal engagement.
Understand the costs and outcomes of delivering specific services and which underlying factors influence these costs and how they do so	Our self assessment demonstrates a number of areas of strong financial performance in 2014/15: • Operating surplus increased by 58.4% • Total staff costs reduced by 4.6% • Staff cost per unit reduced by £70 to £750 • Management cost per unit reduced by 8.7% • Planned and routine repair cost per unit reduced by 0.9% Housemark benchmarking is not yet reflecting the financial and quality improvements made in 2014/15 as the data we have relates to 2013/14. However our internal performance reporting also demonstrates improving positions in the majority of KPIs: • Overall staff satisfaction increased by 5% • Rent arrears reduced by 1.3% • Home-ownership arrears reduced by 25% • Voids available to let reduced by 26% • Satisfaction with repairs improved by 3.2% • Turnover reduced by 0.5%

	Key performance challenges are; • Our overall position on empty homes, which has increased by 0.1%. This is in part driven by the significant strategic decisions we have made with regard disposing of to failing assets this year. • Overall tenant satisfaction as measured through STAR survey. The high level results indicate a drop of 4%, which is at odds with the improved results from in year satisfaction testing. We will be working to understand the drivers for this as more detailed results are available.
Registered providers' boards shall demonstrate to stakeholders how they are meeting this standard. As part of that process, on an annual basis, they will publish a robust self-assessment which sets out in a way that is transparent and accessible to stakeholders how they are achieving value for money in delivering their purpose and objectives.	
The full self-assessment of Accent's performance against the VFM standard is published within the Open and Honest page of our website. A summary for residents will be included within our annual performance report for residents, which is published in October each year. We believe that the assessment demonstrates how we meet the standard and also ensures that stakeholders can: • Understand the return on our assets • The costs of delivering our services and how these compare to others • Understand our value for money gains, and our future value for money targets.	