Accent Group Limited
Value for Money Assessment

2016 – 2017

Interactive PDF

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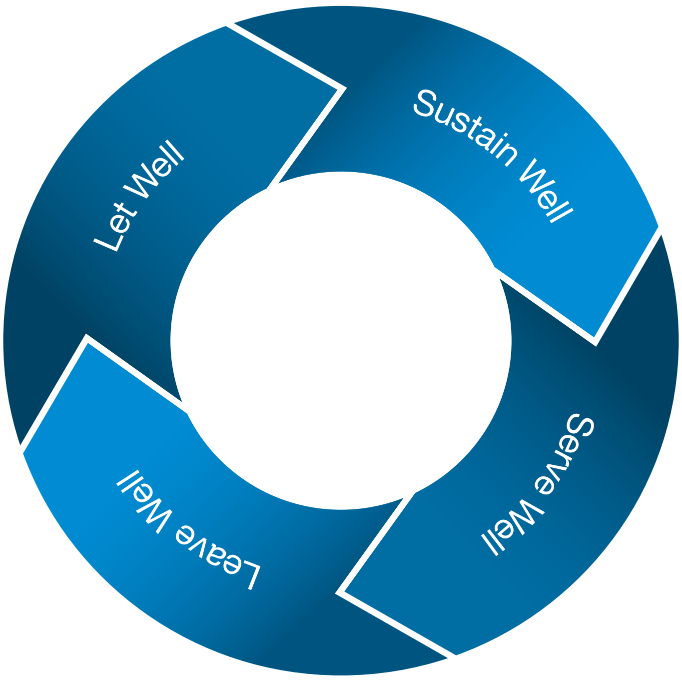
Our Strategic Approach to Value for Money

Our value for money strategy is about 'making more of a difference' through getting the best VfM in everything we do. It is embedded in the organisation. Each year we energise the VfM strategy by having a specific VfM 'theme' which enables all staff to identify with the strategy and understand how they contribute on a daily basis.

2016/17 VFM THEME
Let Well, Sustain Well, Serve Well, Leave Well



Let well: Focussing on letting property to the right customer so turnover is reduced and where this exposes that Accent owns the wrong property for our customers then dealing with this issue through Active Asset Management.

Sustain well: Means delivering good quality services that ensure that turnover is reduced particularly in the first twelve months through the tenancy sustainability teams.

Serve well: Means delivering on our digital service strategy to improve customer access and customer experience, bringing our Personal, Modern and Better objective to life.

Leave well: Means ensuring we understand why customers leave or change tenancy type and managing this efficiently so void times are reduced. It also means ensuring that the development plans deliver the right property for that area.

Assessment of 2016/17

The board of Accent believe that Accent has continued to demonstrate its commitment to improving its value for money.

During 2016/17 the teams focussed on the four value for money themes of:

- Let Well
- Sustain Well
- Serve Well
- Leave Well

As a consequence, turnover in our properties declined by 1.6%. During the year there was a cash saving of £1m compared to budgeted void spend. Of this amount £0.56m related to fewer voids than budgeted and £0.44m due to the costs being lower than budgeted as we worked with contractors to be more efficient. Overall re-let days increased by 4 days costing £71k to offset against the saving. This outcome was due to a change in focus at letting to ensure tenancies were sustainable from day one.

The reasons for tenancy turnover have now been analysed for two years and this information is helping to inform both the lettings approach and how tenancies are managed as it is combined with customer segmentation. It is clear that the main reason for tenancies terminating in the first year is affordability whereas longer tenancies are often associated with medical issues. Pilots in the north have been trialling new approaches to letting property and positive impacts have been seen.

The level of arrears both current and former continues to decline so arrears are £1.6m lower at the end of 2016/17 than the start.

The active asset management approach has also continued with properties that are not core sold. In 2016/17 133 properties were sold for £3.18m and 39 homes developed (27 new build and 12 remodelling) to meet the changing demands in an area. All sales proceeds have been added to the development fund in accordance with our capital receipts policy.

The HCA costs variation analysis for 2015/16 showed that our headline social cost per unit of £3,196 was in lower quartile compared to the sector. Our value for 2016/17 shows a further decline to £3,098. Our management costs increased in the year to £747 (2016: £698) but this was almost entirely due to consolidation and other one off costs.

At a strategic level the three housing RPs were consolidated into one entity. This has removed limitations on the financial capacity of the group which meant that prior to consolidation Accent was limited to c£30m additional borrowing capacity. In 2017/18 the new vision for Accent will emerge. The financial capacity to support that vision is now c£200m.

Overall the board believes it fully complies with the value for money standard. It has continued to deliver improved value for money; however, it remains sufficiently challenging of itself to know there are opportunities to further improve in 2017/18

The key areas for 2017/18 will be:

- Increasing the development programme to take advantage of all the efficiencies;
- Continuing to actively manage our existing stock to ensure that poorly performing stock is sold; and
- Deliver the digital strategy and the channel shift strategy as part of creating a modern efficient customer experience.

At the same time Accent will continue challenge individual services to improve outcomes whilst reducing cost. This will be assisted by our engagement in a number of benchmarking groups.

All this will deliver a significant increase in our development to 2,263 homes by 2022/23.

Let Well

Our focus for the last two years has been ensuring that new lettings are sustainable, and as a result tenancy turnover has reduced following several years of static or worsening performance. Turnover has reduced by 1.6% this year, which is equal to 230 less terminations, saving £559,590 in void maintenance costs, £61,893 in rent loss and £10k in utility costs. This is also good news in terms of community stability.

Sustainable tenancies are not only delivered as a result of a good quality let. We also know that we need to ensure our asset portfolio is made up of high quality homes in places where people want to live in order to attract new and retain existing customers.

Analysis of the financial and management performance of assets has identified our top schemes for asset management decisions.

In 2016/17 19 schemes (c4% of our total properties) were responsible for 42% of our total void loss.

This is a further reduction from 2014/15 and 2015/16 when these percentages were 44% and 48% respectively.

Scheme Name	Decision	Void Losses 16/17	Status
Silverdale Street Hostel	Being redeveloped into general needs flats	(110,112)	Completion 2017/18
Blenheim	Supported housing that has been converted to affordable rented properties	(41,527)	Completed
Blackhall	Decision made to sell as properties become empty	(42,682)	On going
Horden	Decision made to sell – on going sales	(17,633)	On going
Ripleyville	High value due to large scheme	(36,137)	On going
Wembley Way & Wembley Court, Oxbridge Court	High value due to large scheme	(14,967)	On going
North Ormesby	11 long term voids. 6 have been sold to a local regeneration trust and the balance will be sold to that organisation if they can find funds	(32,662)	On going
Crown Street, Halifax LOTS	Leased property – negotiations have commenced with the landlord to return properties ahead of lease termination date	(28,017)	On going
Tees Valley Empty Homes – Middlesbrough	Properties marketed for sale	(14,455)	On going
St Marks Court	To be sold following works to resolve land issue	(27,750)	On going
North Ormesby	Properties marketed for sale	(14,395)	On going
Glamis Walk	Lettings agreement being renegotiated with LA	(23,699)	On going
Arlington Court	Part of the Independent Living Schemes review	(27,721)	On going
Argyll Court, Blue Hall Estate	Part of the Independent Living Schemes review	(21,567)	On going
Hazlehurst Court	Part of the Independent Living Schemes review	(11,655)	On going
Macclesfield Special Project	Part of the Supported Housing review	(13,690)	On going
Brotton Rehab	Part of the “Northern Street” properties review to commence during 2017/18	(12,441)	On going
Accrington Rehab	Part of the “Northern Street” properties review to commence during 2017/18	(11,498)	On going
Accent Business Centre	Commercial business units/office space	(11,753)	On going
	Total	**(514,369)**	
		42% of rent loss	

The financial outcomes from the active asset management in 2016/17 are:

- In Horden/Blackhall net cash receipts of £2.4m were generated from the sale of 110 empty properties. In addition, cash costs have reduced by reducing the costs of security, maintenance and empty property council tax liability. In 2014/15 the costs were £475k, in 2015/16 £572k in 2016/17 £125k.
- Other sales of non-core properties across the north of England generated a total sales income of £793,000. These properties were hard to maintain, manage and costly to repair.
- The retained asset at Rarey Farm was sold at auction for £180k with planning permission for 9 new homes.

Property Sales 16/17		Sales Proceeds £'000	
	No.	Net cash receipts £K	Accounting Surplus (Loss) £K
Horden/Blackhall	110	2,392	2,321
Voluntary Sales	23	793	(1,060)
Staircasing	25	2,090	360
RTA/RTB/Lease	12	1,261	717
	170	**6,536**	**2,338**

These proceeds have been used to fund development of new housing.

We have benchmarked our return on assets through Vantage Performance club, using the global accounts for 2015/16. With a 7% return we are within the top quartile, ranking 8th out of 155 housing associations.

2017/18 targets

There are five targets:

- Reduce tenancy turnover by 0.6% to 9.0%
- Complete the sale, redevelopment or re-profiling of schemes as noted above
- Complete the independent living asset review
- Complete a review of northern on-street terraces
- Complete a review of Ripleyville

Sustain Well

A key element to sustaining tenancies is our ability to deliver added value services which provide support to those customers who need it most. In 2015 we reduced our investment in resident engagement following a value for money review, and redirected those resources to increase our investment in tenancy sustainability resources by £175k. These officers work with new and existing customers to enable tenancies to be sustainable or where more appropriate to facilitate transfers to more appropriate homes.

This year the team have provided support and advice to 1,781 of our residents, a 40% increase on the number of referrals in the previous year with no increase in staff.

The team work with a number of partners have:

- sourced more than £209k of additional income for residents.
- reduced levels of personal debt by £164k,
- accessed third party funding of £24k in grants and
- £18k for the provision of furniture and white goods.

All this reduces the burden on other publicly funded services.

The service has also worked in conjunction with our contact centre and our specialist income recovery team to significantly improve our income collection, which has improved by £500k in 2016/17. We have reduced current rent arrears from 3.1% to 2.3% against a stretch target of 2.8%. When benchmarked within our Performance Club this is above average performance of 3.43%, and approaching the best in class of 2.08%.

We have also seen evictions fall which is testament to the preventative early intervention work being undertaken by the customer service teams.

This continues our consistently strong performance on income management following the launch of our Personal, Modern, Better service model in 2013, when we prioritised tenancy sustainability, focussing on prevention and early intervention.

	Average number of households in arrears	**Average Debt**	**Average amount owing**	**Evictions**	**New FTA debt**
Nov2013-March2014	12,844	£380	£4,891k	135	n/a
2014/15	11,971	£371	£4,451k	112	£660k
2015/16	10,775	£321	£3,468k	105	£508k
2016/17	9,445	£307	£2,899k	79	£562k
% improvement since 2014	26%	19%	41%	41%	15%

We have also improved our overall performance on managing empty homes. At the end of the year we had 33% less empty homes than at the end of last year. We also reduced the total number of empty days by over 45,000.

On average the time it takes us to let our empty homes has increased by 4 days this year, costing an additional £70,515. However; this is attributable to our increased focus on making sustainable lettings, leading us to refuse more applicants than we have in the past, and take more time to source tenants who can sustain their tenancy without intensive support. As a result, this additional cost should be viewed against the overall savings on void costs of over £631k.

2017/18 targets

- There is still some inconsistency in how we deliver the service due to our dispersed geography and engagement with a number of CBL schemes. In practice this has meant that there are different access routes for customer's dependant on where they want to live. We also know that customer expectations of how to access the service are changing, and our own website now receives over 1400 visitors to our 'Find a Home' page each week. Our current back office processes for letting homes are reliant on manual processing and involve a lot of paperwork. We will be developing our website and back office processes to ensure that we are able to provide a self-service product. This investment will cost us circa £500k overall, but we believe this could release £911 in resources to reinvest in service delivery.

- Use the tenancies termination insight to inform the developing service offer, active asset management activity and development strategy.

Serve Well

Customer Contact

We know that for the majority of transactional queries our customers still prefer to contact us by telephone and we have invested in our contact centre service to ensure that it is able to provide a first class telephone service.

This year we have seen a 45% productivity increase and a 32.6% cost reduction in call handling from our move to a national contact centre.

	2015/16	2016/17
Number of customer advisors	55	39
Average number of calls per advisor	5,000	7,300
Inbound calls handled	273,600	286,000
Cost per inbound call	£4.35	£2.93

Housemark produce an annual Customer Excellence Benchmarking Report based on data from 83 social landlords. Benchmarking our current performance against the data available from the 2016 report shows:

	Accent 2016/17	Housemark 2016 Median performance
Average employee cost per inbound call	£2.93	£2.92
% calls handled	96%	94%
First call resolution	81%	83%

The consolidation of the Contact Centre into our head office has also delivered £80k savings on staffing costs this year. This is directly from a headcount reduction in Customer Advisors. Customer satisfaction with the service has increased by 5.6% this year to 81.6%.

For more complex housing services and property inspections we have highly skilled visiting officers, who are able to see more customers and provide a more responsive service in their own homes as a result of our investment in mobile technology. This investment has cost £215k in software and equipment costs since we launched mobile working 2 years ago.

We believe that the return on this investment has been significant. Officers have more than doubled the number of customer contacts they are able to achieve following their move to mobile working. In 2015/16 the teams recorded 257,273 customer contacts and this has increased to 672,996 in this year.

Whilst it is not possible to quantify the impact of mobile working alone on our improved arrears performance it has been a key enabler to increasing our focus on early intervention and arrears prevention.

A direct result of mobile working has been the ability to reduce our office space requirements, resulting in savings of £252,609. This ongoing rationalisation of our offices has also enabled us to provide additional homes, converting our office in Leyland into 6 flats and our Nottingham office into 2 flats. We have used RCGF to contribute to the redevelopment of these sites and the conversions have also benefited from being zero rated for VAT as they are conversion from office to residential.

Repairs & Maintenance

This year we have been preparing for the new repairs and maintenance contracts which will be in place in 2017.

Delivering these services via 5 contracts with the same requirements rather than over 55 with different requirements means we can focus on the service we deliver to our residents.

This will help us to deliver the following outcomes:

- Reliable delivery with consistent service standards
- More robust service targets
- Better performance management embedded in service focussed contracts
- Higher standards for voids and component specifications
- Meaningful resident engagement in the mobilisation process and component selection

As part of this preparation we have restructured our repairs and maintenance team in order to manage the new repairs and maintenance contracts effectively from day one and increase our ability to focus on active asset management. These changes have only marginally reduced our headcount, but have increased the remit of the team, improved the skills mix and ensured there is an appropriate balance between administration and analysis functions.

This is in readiness for the introduction of a new investment management /asset management system in 2017/18. In year one the new structure will deliver savings of £26k, increasing to £84k from 2018/19.

We invest in our existing homes using the 'just in time' principle which ensures that we deliver the best value for money. The programme is built on an individual component and individual property basis which ensures we are investing the right amount, in the right property, at the right time.

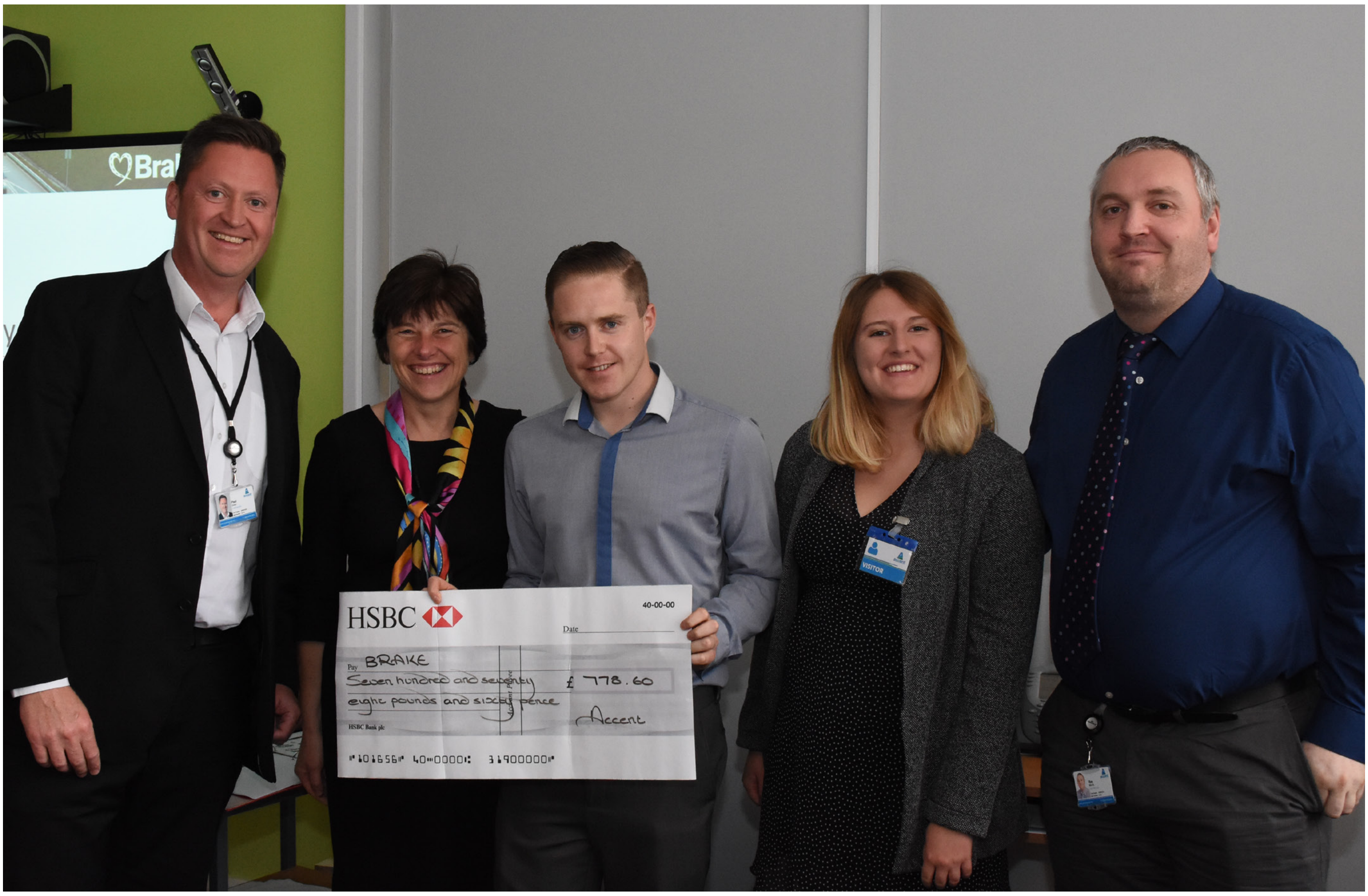
In 2016/17 we have delivered 7 fewer components than the previous year but for £1.6m less cost. The average cost was £0.5k less per component. Our component based approach continues to enable good quality long term planning of the planned maintenance programme.

Improved programme planning has meant that contractors can plan their workforce more efficiently and pass on the associated savings.

The reduction in costs does not mean that there has been a reduction in the quality of the components that we install. Quality is a key requirement of all our specifications.

This year we have delivered the following home improvements:

- 853 kitchens
- 721 bathrooms
- 1016 heat source replacements
- 177 heating systems
- 367 windows and doors



Health & Safety

Fire risk assessments (FRAs) are now being carried out entirely in-house. Accent is required to carry out 420 FRAs – 165 on an annual basis and 255 on a three-year basis. Using fully qualified in-house staff rather than external consultants has resulted in savings of £58k but more importantly it means that the staff completing the FRAs have both in-depth knowledge of the buildings combined with close links to the local teams, and therefore to the residents who live there. This results in an appropriate and effective approach to fire safety management. The money saved has been used to employ an additional member of staff, thereby increasing the capacity of the Health and Safety Team to deliver other types of support including in-house training and the procurement of external assurance and validation when required.

A review of the arrangements for controlling the risks presented by legionella bacteria in water systems has revealed areas where our controls exceed those recommended by the Health and Safety Executive (HSE). New contracts being awarded this year are aligned with the HSE's recommendations on the control of legionella, and should result in cost savings.

Performance Scrutiny

Following our value for money review into resident engagement we have saved £60k this year by removing payments for regional committee posts. In addition, our new Compliance and Scrutiny Committees (CSCs) have taken on the responsibility for the delivery of performance scrutiny following our review of resident engagement in 2015/16, which led to the CSCs becoming our formal resident engagement platform.

This year we have undertaken a range of scrutiny activities and the recommendations have or will be considered on completion by the Board's Service Performance Committee and built into regional service improvement plans.

- Customer complaints
- Tenancy terminations
- Serious detriment (performance monitoring)
- Communications to Residents
- Scheme level cleaning and grounds maintenance delivery
- ASB noise

We also launched the 'The Hub' our online resident engagement and feedback tool. The Hub gives resident the opportunity to give us their views on their homes and neighbourhoods, and on the services that Accent provides. The Hub enables us to reach a broader range of residents and is more convenient to access than having to attend a formal meeting. To keep it engaging we host regular surveys, polls and questionnaires which residents can both take part in and view the results in real time.

Over the past 12 months, we have benefitted from over 6,000 engagements with residents and our surveys typically receive response rates of between 20% and 30%. A particular success was a survey we undertook on our proposals for the repairs and maintenance service standards as part of the procurement project. We carried this out exclusively by text message at minimal cost and received over 1,000 responses.

Cost and Quality Comparisons

This year we have become members of Vantage Business Solutions Performance Club to improve how we benchmark our costs and performance information. The benefits of this membership include access to an online financial accounts comparison tool incorporating the top 150 RPs/40 ALMOS, well in advance of the publication of the HCA global accounts.

As a member we have also been able to influence what strategic KPIs the club uses to measure and benchmark financial performance and efficiency, enabling access to true financial comparisons across a range of business segments.

In addition to immediate access to the benchmarking results via an online tool the club also provides direct access to peer organisations. We recognise that with 23 members this is currently a small number of organisations to benchmark against and we are ensuring that we also continue to engage with other initiatives such as the Sector Scorecard. However, the Performance Club also allows us to hold open and honest conversations around best practice and to attend face to face workshops focusing on member selected topics.

We also measure our improvement over time across a number of KPIs

KPI	2013/14	2014/15	2015/16	2016/17	Trend Year on Year
% Gas Serviced	100.00%	99.90%	99.96%	99.97%	
% First Time Fix	88.00%	91.40%	94.00%	93.90%	
Current Tenant Arrears	5.40%	4.10%	3.10%	2.30%	
Average Net Re-let Times*	28.2 days	29.8 days	25.8 days	29.9 days	
Empty Homes	2.30%	2.20%	1.50%	0.70%	
Tenancy Turnover [> 12 months]	12.20%	11.70%	11.30%	9.60%	
Tenancy Turnover [< 12 months]	17.70%	17.50%	20.70%	16.50%	
Overall Satisfaction with Accent Services	85.00%	81.00%	81.00%	81.30%	
Decent Homes Compliance	95.60%	97.10%	95.76%	94.10%	
Responsive Repairs Satisfaction	92.20%	94.30%	91.93%	92.40%	

*GN & HFOP

We have made year on year improvements in the majority of our KPIs. Our average time to re-let empty homes has worsened this year, but this is directly linked to our strategy to focus on the sustainability of lettings and take more time to ensure we let to someone who is ‘tenancy ready’. Please see section 2. ‘Sustain Well’ for more details.

In 2016 we brought our STAR customer satisfaction survey in house at a total cost of £5,700. If we had used our previous consultant on a like for like basis the total cost would have been £20,757. Completing the survey in house also enabled data to be available for the first time at a household level allowing further deep dive analysis.

We continue to test satisfaction on a transactional basis for a number of service areas, and these results show that performance is stable or improving across the board. In the coming year we will be reviewing the range of transactional surveys, ensuring that we focus on the areas which will drive continuous improvement.

Satisfaction KPIs	2013/14	2014/15	2015/16	2016/17	Trend Year on Year
Complaint case handling	84.00%	69.00%	59.00%	59.00%	
ASB case handling	86.10%	91.50%	88.40%	87.80%	
Responsive repairs	92.20%	94.30%	91.93%	92.40%	
Planned maintenance	95.30%	96.20%	95.80%	96.80%	
Tenancy sustainability	n/a	98.00%	100.00%	96.70%	

Operational Performance Benchmarking (Vantage Performance Club)

Measure	Accent Q4 Performance	Rank	Benchmarking Group Average Performance
Repairs completed at first visit	93.90%	4 out of 12	91.91%
Stock condition survey completeness	31.33%	9 out of 10	47.67%
% of rent collected (of rent roll)	99.70%	7 out of 13	100.99%
Rent arrears as a percentage of rent roll	2.30%	3 out of 14	3.43%
Rent loss due to voids as % rent due	1.23%	7 out of 15	1.32%
% empty days void as % days lettable	1.39%	Joint 2 out of 12	0.72%
Controllable customer turnover rate	8.90%	13 out of 15	12.21%

Sector scorecard

This is the first year of the sector scorecard. Accent is participating in the pilot and the table below shows our performance; however, at this stage there are no comparators. When comparators emerge they will be reported to board.

Business Health	Development (Capacity & Supply)	Outcomes Delivered	Effective Asset Management	Operating Efficiencies
Operating margin (overall)	Units developed (absolute)	Customer satisfaction	Return on capital employed (ROCE	Headline social housing cost per unit
33%	35	81%	6.81%	£3,098
Operating margin (social housing lettings)	Units developed (as % units owned)	£s invested in new housing supply (for every £ generated from operations)	Occupancy	Rent collected
34.4%	0.18%	£0.16p	98.61%	£93,176k
EBITDA MRI (as % interest)	Gearing	£s invested in communities (for every £ generated from operations)	Ratio of responsive repairs to planned maintenance	Overheads as % adjusted turnover
218.6%	58.3%	TBC	0.91 : 1	15.6%

HCA Analysis of Cost Variation

These are shown in the tables below

Accent 2015-16 (Accent Estimates)	**Closing social units managed**	**Headline social cost CPU**	**Management CPU**	**Service charge CPU**	**Maintenance CPU**	**Major repairs CPU**	**Other social housing costs CPU**
Accent Foundation	11,537	3.483	0.777	0.461	1.330	0.622	0.293
Accent Nene	4,235	2.483	0.672	0.329	1.076	0.313	0.093
Accent Peerless	4,091	3.379	0.697	0.322	1.245	0.965	0.150
Accent Group	**19,869**	**3.196**	**0.658**	**0.404**	**1.259**	**0.627**	**0.248**
Accent Group 2014-15		3.393	0.697	0.382	1.251	0.875	0.187
(Decrease)/Increase cost/unit from prior year		(0.197)	(0.039)	0.022	0.009	(0.249)	0.061

Accent 2016-17 (Accent Estimates)	**Closing social units managed**	**Headline social cost CPU**	**Management CPU**	**Service charge CPU**	**Maintenance CPU**	**Major repairs CPU**	**Other social housing costs CPU**
Accent Housing	19,724	3.127	0.792	0.389	1.218	0.564	0.164
Accent Group	**19,725**	**3.098**	**0.747**	**0.389**	**1.201**	**0.564**	**0.197**
Accent Group 2015-16		3.196	0.658	0.404	1.259	0.627	0.248
(Decrease)/Increase cost/unit from prior year		(0.098)	0.089	(0.015)	(0.059)	(0.062)	(0.051)

Our headline social cost per unit for 2016/17 is £3,098 which is a decrease on the previous year and in lower quartile when compared with 2015/16.

Our management costs have increased slightly in 2016/17 due to costs associated with consolidation anything else and other one-off costs, however they are still only just above lower quartile.

Service charge costs have decreased in 16/17, whilst we continue to ensure we fairly recover all costs from residents we are conscious of the affordability of service charges and look to minimise costs where possible.

Major repairs have reduced to below median quartile in 2015/16 as a result of our investment strategy, which is based on individual component lifecycle at a property level. This approach does mean that this costs will fluctuate, and in the longer term cost per unit will increase due to component replacements increasing due to lifecycles.

Maintenance costs per unit remain above top quartile in 2015/16, this is driven by both the numbers of voids and the number and types of works orders per property. Our repairs and maintenance procurement will see us move to a Price per Property and Price per Void arrangement in 2017/18, which should reduce the costs per unit. This has also enabled the reduction in the number of contract administrator roles in the staffing structure and allowed us to direct resources into better analysis of assets. This will help to drive our asset management strategy, which aims to address hard to let or poorly performing properties, further reducing our maintenance costs per unit.

Mobile working

Mobile working will also enable us to review our reception service in 2017/18. Over half of responses to a recent consultation with residents supported our proposal to close the offices to visitors without an appointment, given that our staff are now equipped with mobile devices and many of our services are available online.

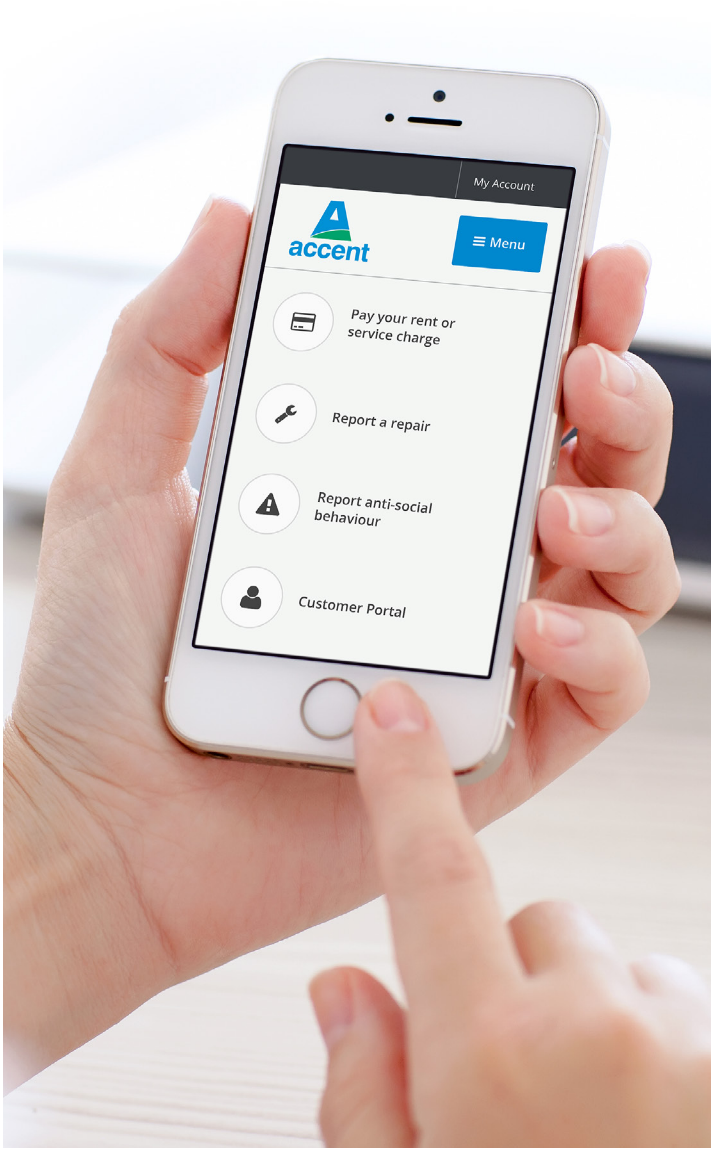
The responses also indicated that a large proportion of residents have internet access at home and that many would be willing to access Accent's services online.

Three quarters of the respondents have either never been to their local office, or have not visited in the last 12 months, which also suggests that keeping the offices open to visitors without an appointment may not offer the best value for money.

During 2017/18 we will be developing our digital service delivery, particularly the use of digital technology to improve both customer access and how our teams work across different functions to ensure a seamless customer experience. As part of this we will be more clearly defining the role of our mobile officers to ensure that we gain the maximum value from this valued resource.

2017/18 targets

- Further savings of £130k will be generated in the contact centre as the new structure beds in.
- Asbestos re-inspections are being brought in-house this year, utilising the H&S Advisors who will carry out the re-inspections at the same time as their H&S and FRA inspections. This should result in a significant saving of £90,000 per annum on contractor costs.
- Review our current approach to measuring customer satisfaction to ensure we use a strategic overall indicator which drives service improvements and enables benchmarking outside of the social housing sector.



Leave Well

The final strand of our value for money theme is to understand why customers leave or change tenancy type and to manage this efficiently, and also to ensure that we are developing new homes which will meet the demand within the market.

We have carried out regular analysis of 'controllable turnover' in order to gain insights into what is driving tenancy terminations. This has highlighted:

For tenancies ending in less than 12 months, 80% of the turnover we deem as 'controllable' is driven by affordability issues.

For tenancies ending after 12 months the issues are around health.

In 2016 we launched a pilot of a new 'Supporting Independence' service on 5 high tenancy turnover hotspots, the primary objective was to ensure the right tenants for the right properties, and to help them sustain their tenancy. The service utilised more rigorous affordability checks and risk assessments to identify high tenancy failure risks, and those whose risk could be mitigated by pre-tenancy training; tailored support to enable independent tenancy management in the long-term; and skills development. Interim results are available for our three northern regions and indicate that the impact on tenancy turnover in the three northern pilot areas for tenancies under 12 months has been significant.

- North West: from 44.4% to 18.2%
- Yorkshire: from 36.7% to 20.8%
- North East: from 30.85 to 0%

Turnover in the East region is already low and so this was not an area of focus for the pilot. In the South we focussed the service on supporting the customers moving on from our temporary accommodation service. As they moved on to more dispersed accommodation it was not possible to track the impact at a patch level, but at the end of the pilot 100% of those provided with the service to get them 'tenancy ready' had sustained their new tenancy for over 12 months.

For tenancies which are older than 12 months, just under 20% of terminations are due to medical or health reasons and a further 22% are because people are moving to residential care/nursing homes. We also know we have approaching 500 customers who are older customers in single households, but living in general needs accommodation with 2 or more bedrooms. This supports our need to review our 'independent living' offer which is a priority in terms of both service delivery and asset management.

We are pleased that our improved performance on current tenant rent arrears is not attributable to a more robust approach to enforcement action, and that we are clearly sustaining more tenancies who are experiencing debt and affordability issues. This is also demonstrated by our improved performance on evictions which have reduced by 25% this year.

Development

In terms of developing new homes we recognise that many of our existing and prospective customers also aspire to own their own homes, and that there is a growing section of the population who are struggling to fulfil that aspiration on the open market.

In 2014 we successfully received allocation of funding to support the delivery of new homes under the Affordable Housing Programme 2 (AHP2) for 2014-2018. This year we have increased the number of new homes to be delivered under this programme from 124 to 274. These new homes are for both affordable rent and shared ownership.

The additional units are as a result of utilising Recycled Capital Grant Fund (RCGF), sales receipts, recycling redundant assets and securing S106 opportunities.

At the end of March 2017 we had completed 79 new homes and had a further 63 on site. The remainder are at acquisition and pre planning stage.

In January Accent Housing Limited secured £15m of grant through the Shared Ownership and Affordable Housing Programme (SOAHP) to provide 500 new homes, and approval to provide an additional 100 new homes through nil grant S106's. The new homes will be for shared ownership and rent to home buy tenures.

We currently have capacity to deliver 1,250 new homes, 600 of which are within the current SOAHP allocation. The remaining capacity will be used to secure further S106's and additional allocations through the SOAHP programme.

AHP2+SOAHP	14/15	15/16	16/17	17/18	18/19	19/20	20/21	Totals
S/O		6	2	74	105	100	50	337
RTHB				50	100	100	50	300
AR	13	15	37	132	40			237
Totals	**13**	**21**	**39**	**256**	**245**	**200**	**100**	**874**

Both the AHP2 and SOAHP programmes include 106 units of S106 secured with regional or national house builders in Harrogate and South Cambridgeshire. Further offers have been made across our areas of operation. These new homes have proved to be cost effective in terms of procurement and also achieve more rapid time to completion.

We also continue to lead the Accent Group Development Consortium and now have two major funding programmes, the AHP2 and SOAHP.

The AHP2 programme has increased from the start of year position through in year bidding. The Consortium also received a significant allocation of HCA fund through the SOAHP programme. The programme is the fifth largest allocation by number of homes and 8th largest by grant received.

Programme	Units	Grant
AHP2 • Allocation July 2014 • Current March 2017	757 1110	£18.70m £23.48m
SOAHP allocation	1621	£41.44m

Accent continues to receive fee income of circa £75k per annum from the consortium members to provide contract management services. A revised fee will be set for the SOAHP programme due to commence in April 2017.

The consortium is also discussing further collaboration and opportunities for shared services. Initiatives being considered are joint consultants and contractor frameworks and also collaboration on an approach to off-site manufacture of new home.

2017/18 targets

- The Bradford office will be converted to 12 flats and 4 additional new homes will be built on the car park.
- The first phase of our Peterborough office conversion has begun and will provide 6 homes for rent. The second phase will provide 13 homes for rent and will commence in 2017/2018 following the office relocation. The third phase will build 15 new homes on the existing site.
- The conversion of Silverdale hostel to 8 new flats will also complete
- A new development strategy will be launched which aims to deliver a step change in new homes delivered by Accent. This will increase numbers from 237 to 2,263 by 2021.

Organisational Strength and Efficiency

In order to deliver our VfM themes Accent has continued to develop our overall organisational strength and efficiency.

Consolidation of the three RPs
In 2016 we achieved full legal consolidation of our three RPs creating Accent Housing Ltd. The consolidation has both de-risked the organisation and increased our financial capacity by c£200m.

Delivered with in-house resources and minimum expenditure it has reduced costs and complexity, leading to less staff time on administrative tasks. It has also enabled the closure of SHPs (DB) to new accrual and new members.

Treasury position
Capacity – The consolidation has strengthened our position with regards to external funding and Accent is now at a pivotal moment, with the ability to significantly increase our financial capacity, and therefore our ability to provide additional new homes.

New funding – In order to support our increased development aspirations, we have successfully raised an additional £20m of loan finance in two tranches via The Housing Finance Corporation (THFC). The nominal rate of interest is 2.893% for both loan traches and the term is for 27 years.

Security maximisation – We have also completed the first two phases of our project to review unsecured property and have a clear understanding of what work needs to be completed to ensure that unencumbered stock is ready to be used as security for additional funding. That work will now progress into 2017/18, and is being delivered largely in-house, at minimal cost.

Implementation of FRS102 – We implemented FRS102 using in house resources. The NHF estimated that implementation would cost in the region of £20 per unit. We estimate that we have achieved this for under £5 per unit, saving c £320k on the total costs, this falls to under £2.50 per unit (£368k saving) if the legal costs our funders compelled us to incur, in agreeing new covenant side-letters, are excluded.

This year we have also re-tendered for the property valuation exercise for the accounts, saving a further £36k.

Financial Strength
Benchmarking against the Global Accounts shows that turnover has decreased compared to last year but our margins have continued to improve and remain significantly ahead of many in the sector with notably our total operating cost per unit continuing to decrease – by a further 3.1%. This validates the challenging journey Accent has been on over the last few years.

Management cost per unit has increased by 13.5%. However, this is predominantly driven by one-off costs related to specific value adding projects which will contribute to the delivery of a significantly expanded development programme:

- Unlocking additional borrowing capacity (c. £200m) by consolidating our three RP's into one legal entity. Legal and funder consent fees were incurred to achieve this milestone.
- Ensuring this additional borrowing capacity is accessible by reviewing and preparing for pledging to lenders all of our unencumbered security, as well as considering release of excess security already with funders.
- Additional pension scheme recovery plan payments were incurred to both SHPS and AGPS, reflecting the experience of all employers who participate in defined benefit pension schemes.
- Re-procurement of our reactive, voids and planned repairs services across the group, which is planned to go live during September 2017.

Global A/c's v Accent	Sector 2015/16	FRS102 Accent 2015/16	FRS102 Accent 2016/17
Turnover	22.8%	-6.3%	-7.2%
Operating margin	27.6%	32.6%	33.0%
Turnover from social housing lettings	9.5%	2.6%	0.1%
Total operating costs	16.0%	-9.2%	-2.2%
Operating surplus change (excl valuation reduction)	20%	5.4%	-6.1%
Net surplus (excl valuation movement)	14.9%	19.8%	13.1%
Margin on social housing lettings	32.1%	33.7%	34.4%
Total operating costs per unit	£3,970	£3,196	£3,098
Management costs per unit	£1.036	£658	£747
Average rent per week	£91.38	£90.95	£91.41

Treasury

Global A/c's v Accent	Sector 2015/16	FRS102 Accent 2015/16	FRS102 Accent 2016/17
Fixed debt	n/a	80% 20%	80% 20%
Interest payable	4.90%	4.79%	4.74%
Effective interest rate change	-0.01%	0.10%	-0.05%
Total interest cost including capitalised interest as a % of turnover	n/a	16.7%	18.1%
Gearing	49.5%	59.3%	58.3%
Debt per unit	£24,299	£16,743	£17,031
EBIDA MRI	28.4%	37.9%	39.1%
EBITDA MRI interest cover	170%	44%	46%

Source: Global Accounts 2015/16 Social Housing.

Overall Accent's treasury position is broadly in line with the sector.

The two notable areas are:

- EBITDA MRI – Accent has a lower EBITDA-MRI than other high performing organisations. This is due to average rent in the North East and North West regions being much lower than other regions, combined with higher void levels. and significantly higher level of voids. This position will improve in future years due to the impact of the asset management decisions we have taken which have sold low rent, high void properties
- Interest cost is declining, freeing up cash for development.

Source: Global Accounts 2015/16 Social Housing.

Procurement of Goods and Services

We have re-procured for the provision of all our insurance policies.

In order to secure the best insurance package in the market we met with all key providers to showcase our risk and insurance performance, and our vision for Accent's risk management. The resulting appointment of a new provider on a three-year contract has delivered an annual premium saving alone of £135,000.00, better cover, improved service and support.

We have worked with Procurement for All to procure new gas servicing and repair contracts for the next 4 years, delivering of £170k per annum from 2017/18 onwards.

This year we re-started the major re-procurement of our reactive, voids and planned repairs services across the group.

Our aim is to deliver cost savings and to optimise the efficiency, effectiveness and consistency of service delivery.

One of the key features of the procurement is that Accent will bulk purchase materials to aid product consistency and achieve cash savings.

We have seen an increase in expenditure on external legal services for contracts and procurement advice. In order to reduce this we have restructured our legal team to bring this work in house with a Senior Contract Solicitor post improving both the skill set and capacity we have for contract compliance and procurement.

2017/18 targets

We have projected savings from our re-procurement of repairs and maintenance contracts of c£400k p/a, dependant on the size of the investment programme in each year. There is a relatively small investment programme in 2017/18 due to two factors. Firstly, much of the programme was brought forward into 2016/17 to simplify the delivery of the mobilisation plan for RAMP, and secondly the new contracts will not be mobilised until the mid-year point. As a result of this we have set a modest target of £160k savings in 2017/18.

Our People

This year we have continued to invest in training, with £230k being spent on a range of courses including:

- Equality and diversity
- Welfare reform
- Debt Recovery
- Mental Health Awareness
- Professional boundaries
- Staff resilience and stress
- Investigating ASB
- Mobile working

A further £20k has been awarded for vocational training, and the following courses are being studied:

- CIH Level 2 Intermediate Apprenticeship in Housing: 5 Contact Centre Staff
- CIH Level 5 Diploma in Housing: 1 Housing Officer
- CIH Level 5 in Management & Leadership: 1 Lettings Administrator
- CIH Level 3 Certificate in Housing: 6 staff
- CIH Level 3 Advanced Apprenticeship in Housing: 1 staff member
- Masters in Business Administration: 1 Tenancy Sustainability Manager

We appointed two Customer Services Apprentices in July 2016, studying the CIH Level 2 Intermediate Apprenticeship in Housing. Both have now been appointed to permanent positions within our Contact Centre.

Source: Social Housing	Sector: top 45 mixed business RPs	Accent 2014/15	Accent 2015/16	Accent 2016/17
Average pay	£29,500	£26,882	£28,765	£29,146
Percentage change	+2.0%	-4.4%	+7.5%	+1.3%
No of FTE	+2.4%	-1.1%	-4.9%	-3.4%
No of managed units per staff member	29	44.5	46.5	47.7
Percentage change in total staff cost (inc pension cost)	+4.3%	-8.3%	+2.8%	+3.4%
Staff cost per unit	£1,200	£750	£767	£791
Percentage change	+2.3%	-3.8%	+2.9%	+3.1%

The analysis of staff by function is as follows:

Category	2013/14	2014/15	2015/16	2016/17
Administration	89	86	86	87
Development	13	11	9	8
Housing	371	373	352	337
Total staff	**473**	**470**	**447**	**432**

Performance Against Business Plan Year Four

Business Plan 2016/17

Target	Achieved
Current Tenant Arrears reduced by £208k	Yes – reduced by £608k
Number of voids reduced by 141	No – reduced by 93
Number of tenancy terminations reduced by 143	Yes – reduced by 161
Achieve increased ratio of digital contact • digital: 12% • telephone: 80% • face to face: 8%	Yes – continued to drive up digital contact in line with our strategy • digital: 12% • telephone: 76% • face to face: 12%
Replace 3100 components in the planned investment programme	Yes – 3236 components replaced
Budget surplus of £12,014k	Yes – surplus of £16,772k achieved
We adopt a prudent position and do not set a budget target for income from sales	£6.536k income from property sales
1000 residents supported through tenancy sustainability team	Yes – 1,781 residents supported
Cost per reactive repair contained at £132	Yes – cost per reactive repair £124
Cost per void contained at £2547	Yes – cost per void £2433
Sale of 110 vacant homes in Easington	Yes – 110 vacant homes sold generating receipts of £2.4m
Continue programme of office rationalisation	Yes – Burnley office relocated to smaller premises saving c£70k p/a

2017/18 VfM Plans

As well as the detailed targets noted in the report there are several significant projects which will deliver further value for money in how Accent operates.

Let Well:

- Lettings and allocations – changing the way we currently let properties and where viable taking back control from CBL schemes, aiming to improve the overall customer journey and access to the service, increase the sustainability of new lets and reduce turnover.

Sustain Well:

- Independent living – the challenges of future funding for supported housing mean ensuring the service is delivering the best value remains an area of strategic importance for Accent. We will be reviewing how the service and the role of specialist staff/assistive technology can adapt in the medium term This will be alongside developing options to address asset challenges from schemes with bedsits and very small 1 bed flats, which are unpopular and affect void performance significantly.

- Supporting Independence – following the successful pilot we will be rolling this enhanced offer for pre-tenancy support out more widely, focussing on our most challenging housing schemes in terms of tenancy turnover.

Serve Well:

- Service Performance – we will continue to drive improved performance focussing on income collection, sustaining tenancies and improving satisfaction. A particular focus will be driving improved performance on repairs and maintenance once our new contractors are in place.

- Home ownership – in order to support customer aspiration for home ownership we will look to not only increase the range of home ownership products we offer, but also provide an offer of flexibility of tenure.

- Digital services strategy (web and portal, connect) – we will implement a number of projects which harness digital technology in order to improve our efficiency and the user experience for customers. Accent Connect will upgrade the Contact Centre software, allowing the team to provide a blended service whether contact is via telephone, email, web chat or social media. Integrating presence management will also enable incoming contacts to be directed according to available resources, handed off seamlessly to other teams. We are also upgrading our website to enable customers to self-serve on a wider range of services, including finding their home with Accent.

- New service structure – The digital services strategy will enable us to review our organisational structure, ensuring that we target our resources where they are able to make the most impact on our customers and the communities they live in.

- Customer insight – In 2017/18 we will bring our customer insight data together with performance and transactional data to better target and tailor our services and communication with customers.

RAMP – The Repairs and Maintenance Procurement (RAMP) Project will improve consistency and efficiency in the delivery of repairs and maintenance services. It will also deliver cost savings and ensure contract compliance.

Leave Well:

- Development strategy – We will continue the delivery of our existing Affordable Homes Programme 15-18 and the SOAHP 2016-2021 to contribute to meeting our increased development aspirations. We also plan to explore alternative methods of procurement including land acquisition, working with house builders and creation of joint venture arrangements to increase delivery of new homes.

- Treasury Capacity – In order to support our increased development aspirations we will implement a new treasury strategy which capitalises on our consolidation.

2018/20 VfM Strategy

Over the next two years our focus for delivering VfM is to launch our new Accent Service Offer.

This will deliver significant savings. We will do this by changing how services are delivered to match the needs and expectations of our customers as we move into an ever more digital age.

We will use the efficiency gains and our improving capacity to maximise our available security to raise additional funds.

The funds will be used to deliver over 1000 homes via SOHAP and our own independent development programme.