



**Value for Money Statement  
2015-2016**

## **VALUE FOR MONEY (VFM) STATEMENT 2015-2016**

### **Statement from the Tuntum Board**

Tuntum is committed to providing VFM services as well as a high quality service to our tenants. The Board recognises that due to the introduction of the 1% rent reduction and welfare reform, a robust approach to Value For Money is needed more than ever before. As a result, the Board and executive officers responded to these changes by revisiting the Business Plan to ensure that VFM and efficiency savings are built in to all operational and strategic decisions.

During the last year, the following actions were introduced successfully and implemented:

- The VFM Efficiency Review group has successfully delivered operational efficiencies throughout 2015/16 saving £75,605.
- Put the Audit Committee at the heart of championing VFM and as a result from time to time made recommendations for improvements.
- We have continued with our internal control framework when procuring goods and services.
- Based on the evidence provided below, the Board of Tuntum are confident that they meet the requirements and comply with the regulators VFM standard.
- As described above, as a result of the Chancellor's imposed 1% rent reduction, revisited the Business Plan and programmed cost savings of £150,000 per annum over the next 4 years. This was made up of: 50k on day to day repairs, £30k on salaries in Specialist Housing, £20k on salaries in Head Office salary costs and £50k on management overheads & other efficiencies

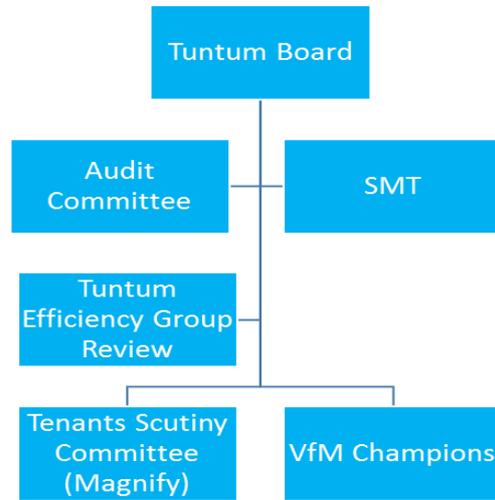
### **VFM Aims**

Value for money is an ongoing process and embedded in the systems and culture of the Tuntum. There is a clear track record of reduced costs, improved performance and generating savings for further investment. VFM flows through the Business Plan and is closely linked to our operational plan.

Tuntum's VFM strategy was reviewed in 2015. Its aims include:

- Delivering excellent services that cater for the needs of the communities we serve.
- Improving the lives of tenants through providing safe, warm and secure homes.
- Specifically meeting the housing requirements of BME communities.
- Maintaining financial security so that independence can be retained.
- Embedding VFM across all business areas to achieve continuous improvement.
- Delivery of the Business Plan and strategic objectives.
- Maximising returns from housing stock.
- Generating social and environmental returns from operations and investments.

## VFM Structure

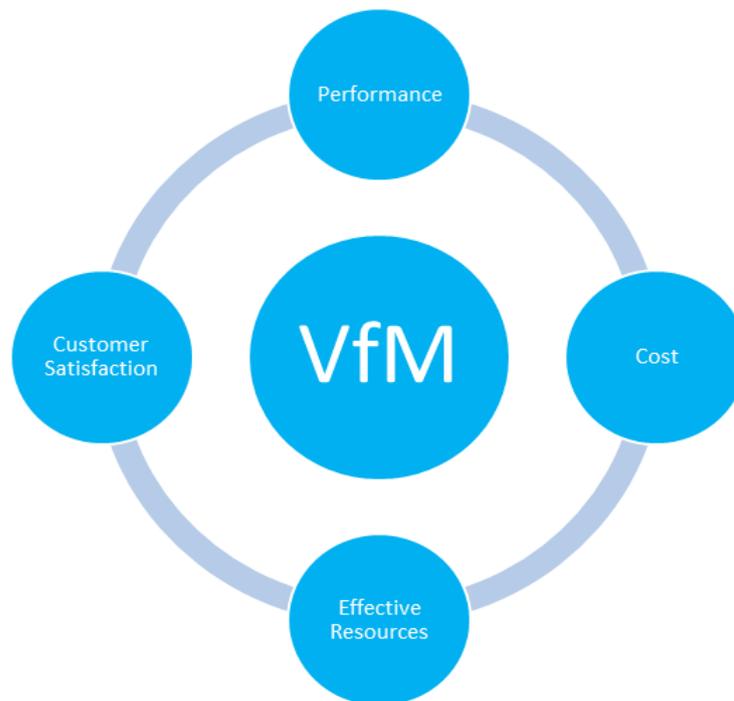


## Tuntum’s VFM Approach

Tuntum’s approach to VFM is based on achieving the three Es in all areas of Tuntum’s work; economy, efficiency and effectiveness. This is done by carefully monitoring of employee costs, overheads and operational costs.

Tuntum also believes that any approach to VFM should reflect the needs of tenants. This will sometimes conflict with the priority of achieving cost savings. So, for example, if a service is high cost but is clearly valued by tenants and helps achieve performance targets then, subject to regular service reviews, it may be justified.

## Diagram - VFM Approach



## How VFM is delivered

A critical aspect of Tuntum’s approach has been the establishment of the VFM structure and Efficiency Review Group. The group is made up of staff members encompassing all functional areas of the Association and is led by the Director of Risk and Resources. The group meets on a monthly basis to review the VFM Action Plan.

Since its formation, the Efficiency Review Group (ERG) has successfully implemented the following;

- An overhead cost reduction action plan
- A VFM register for each departments
- Greater scrutiny of budget costs, the procurement programme, contractor costs and benchmarking this data with peers and national organisations
- Training of all employees to communicate the importance of VFM and good practice on how it should be delivered.
- Implemented a system of systematic budget monitoring by Heads of Department.
- Completion of the Assets and Liabilities Register

The Tenant Scrutiny Panel (MAGNIFY), as part of co-regulation, has continued to play an important role in VFM and this is explicitly stated in their terms of reference. During the last year, Magnify has contributed the following towards VFM:

- A comprehensive review of the voids management process leading to improved void turnaround times.
- A review of the repairs delivery service and target times leading to improved repairs efficiency and tenant satisfaction.
- Led on various estate inspection visits which resulted in the gathering of important information on service delivery leading to improved performance and efficiencies generally.
- Following consultation, agreed with the recommendation that the tenant newsletter can be produced digitally.

### Specific VFM cost savings achieved by ERG

As stated above the ERG is fully operational and as a result of implementing the VFM Strategy has made a number of savings throughout the year the financial year 15/16 as follows:

#### Identified Gains

Business Area	Saving	How it was Achieved
Day to Day Repairs	£14,000	Better contract management and increase of work by the DLO.
Employee Savings	£56,605	Restructure and absorbing of Head of HR
Water Risk Assessments	£5,000	Re-Tender of contract has created savings
<b>Total</b>	<b>£75,605</b>	

#### VFM Strategic Successes

The following is a summary of the VFM strategic successes achieved during the last year:

VFM Actions	Delivery
<b>Implement the revised Business plan-</b> Implement the cost reductions agreed in October 2015 for the revised 5 year Business Plan to mitigate the impact of the rent reduction.	The budget set for 2016-17 included cost reductions in excess of those agreed and a revised business plan was submitted to the Board and the Regulator as part of the FFR Return.
<b>Management Information-</b> Improve the performance management framework and incorporate benchmarking data to form the basis of service reviews.	The use of benchmarking is now an integral part of Tuntum’s VFM review. The IT system has been reviewed and is currently being enhanced As a result, cost and performance dashboards will be used going forward to enhance current management information.

VFM Actions (continued)	Delivery (Continued)
<b>VFM Register</b> – Introduced a VFM register to record all the financial and non-financial efficiency savings made throughout the year. This is managed by the heads of service to ensure this is incorporated into day-to-day activities.	This has now successfully been implemented and each department has demonstrated savings they have made throughout the year.
<b>VFM Champions</b> – Each department will have a VFM lead to ensure that VFM is at the forefront of business activities.	This has been successfully delivered and the VFM champions are also part of the Efficiency Review Group.
<b>Budget analysis</b> – Each Heads of Service will have their budgets scrutinised in detail on a quarterly basis.	This is now happening and has resulted in ongoing efficiencies being achieved.
<b>Tenants Involvement</b> – Magnify to be involved in the review of VFM initiatives and to be encouraged to contribute to various ideas.	Magnify now contribute to the VFM agenda through a planned programme of meetings as described above. In addition, an annual question is asked to our tenants in relation to whether they are getting value for money

### Benchmarking and Peer Comparison

Benchmarking is critical to the on-going assessment and analysis of VFM.

The following is the selected peer group chosen based on size (800 to 2000), nature of the client group (BME in some cases) and located across the country.

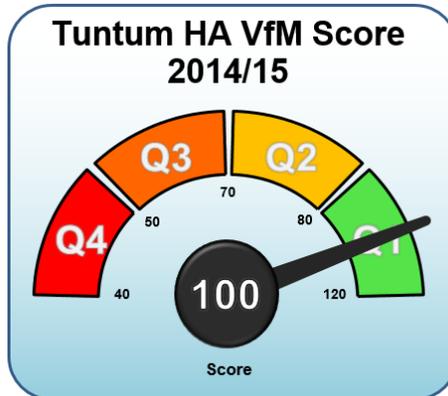
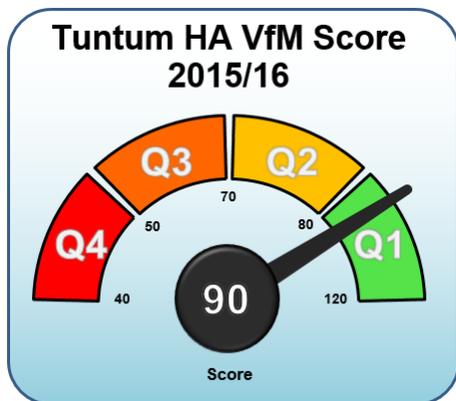
#### Peer organisations to benchmark against

Organisation	Unit Numbers	Group Status
Horizon Housing Association	826	Independent
AKSA Homes	887	New Chartered Group
Prospect Community Housing	938	Independent
Cernach Housing Association	949	Independent
Solon South West Housing Association	1085	Independent
Nehemiah UCHA	1111	Independent
Arches Housing	1140	Independent
Pickering and Ferens Homes	1261	Independent
Hundred Houses Society	1263	Independent
Cornerstone Housing	1266	Independent
<b>Tuntum Housing Association</b>	<b>1318</b>	<b>Independent</b>
Arcon Housing Association	1322	Independent
Manningham Housing Association	1428	Independent
Railway Housing Association	1494	Independent
Islington and Shoreditch HA	2011	Independent

The following is the QAHC (Quality Assured Housing Consulting) efficiency measure using standard software which uses the combination of cost, various financial indicators and performance to provide an overall score (see below)). This data is used to assess high cost areas against the peer benchmarking group and the scoring is based on quartile performance for each measure indicated below. 30 points would represent top quartile performance, 20 for

median quartile and 10 for bottom quartile. The overall score for Tuntum remains positive and in the upper quartile however the overall score has reduced to 90. The main reason for the change is due to the introduction of the finance score which now includes operating margin, interest cover, and gearing ratio and growth in turnover.

### QAHC Efficiency Score



### Efficiency Score Compiled (excluding depreciation)

VFM Measure	Results 2015/16	Results 2014/15	Peer Median 2015/16	Quartile	VFM Score 2015/16
Total Cost per unit	£2,695	£2,820	£3,485	Green	30
Total Performance Score	220	220	220	Yellow	20
Total Satisfaction Score	120	160	110	Yellow	20
Total Finance Score	70	n/a	70	Yellow	20
<b>Total VFM Score</b>	<b>90</b>	<b>100</b>	<b>70</b>		<b>90</b>

### Breakdown of Comparative Costs

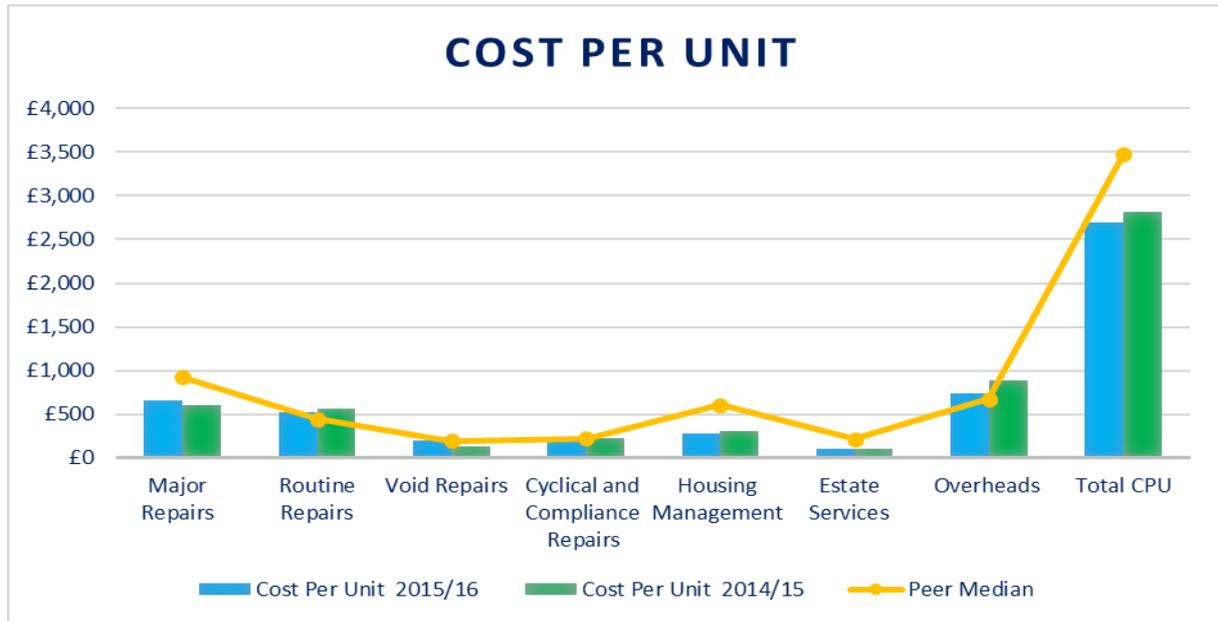
The following is a summary the comparative costs which are shown in the table and chart below:

- The total cost per unit has once again reduced especially for responsive repairs and overhead costs.
- Routine repairs have reduced by £32 per unit following a review last year and this resulted with an increase in the number of jobs carried out by the DLO.
- The overhead costs per unit has reduced due to a reduction of £55,605 of total overhead cost however these still remain high compared to our peer group. This was partly achieved by streamlining the structure of the Finance Team and the removal of the role of Head of HR.
- Housing management costs have reduced due to streamlining of housing management staff.

### Efficiency Costs per Unit – Table

Service Area	Cost Per Unit 2015/16	Cost Per Unit 2014/15	Peer Median	Quartile
Major Repairs	£656	£608	£922	Green
Routine Repairs	£526	£558	£444	Red
Void Repairs	£194	£135	£193	Yellow
Cyclical and Compliance Repairs	£207	£225	£221	Yellow
Housing Management	£275	£305	£602	Green
Estate Services	£101	£105	£213	Green
Overheads	£735	£885	£675	Red
<b>Total CPU</b>	<b>£2,695</b>	<b>£2,820</b>	<b>£3,485</b>	Green

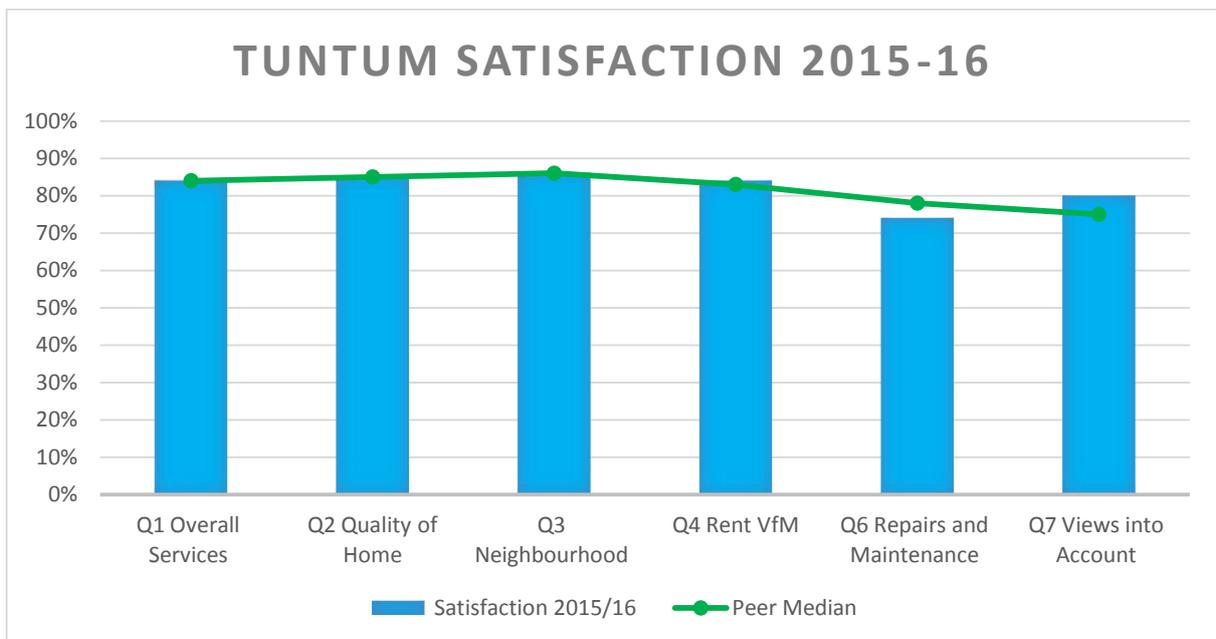
**Efficiency Costs per Unit - Graph**



**Tenant Satisfaction Levels**

Tenant satisfaction results remain at the median position compared to peers with the exception of repairs and maintenance. The performance area that contributed to this score was the time taken to complete repairs. This is being worked on with improved contractor management. Magnify also continue to be used as a means of obtaining feedback on the causes of poor performance levels.

**Tenants Satisfaction Levels Compared to Peers**



**Homes and Communities Agency (HCA) Unit Cost Analysis – An explanation**

In June 2016, the HCA published a regression analysis of costs per unit for all housing associations based on the 2014/15 accounts. This enabled the sector to further understand cost drivers when compared to other housing associations (see below). The following are the costs published by the HCA for Tuntum in June 2016.

## HCA Unit cost analysis

Entity	Closed Social Units Managed	Headline Social Housing Cost CPU (£K)	Management CPU (£K)	Service Charge CPU (£K)	Maintenance CPU (£K)	Major Repairs CPU (£K)	Other Social Housing Costs CPU (£K)
Tuntum Housing Association Limited	1302	3.35	1.23	0.62	0.82	0.5	0.19
<b>Sector Level Data</b>							
<b>Upper Quartile</b>		4.3	1.27	0.61	1.18	1.13	0.41
<b>Median</b>		3.55	0.95	0.36	0.98	0.8	0.2
<b>Lower Quartile</b>		3.19	0.7	0.23	0.81	0.53	0.08

Entity	% Supported Housing	% Housing for Older People	Provider Type	Date of Largest Transfer	LSVT Age	Region	ASHE Regional Wage Index (England = 1)
Tuntum Housing Association Limited	6.4%	4.5%	Traditional			East Midlands	0.92
<b>Sector Level Data</b>							
<b>Upper Quartile</b>	4%	15%					
<b>Median</b>	1%	8%					
<b>Lower Quartile</b>	0%	4%					

### Management Costs Breakdown - HCA Unit Cost Analysis

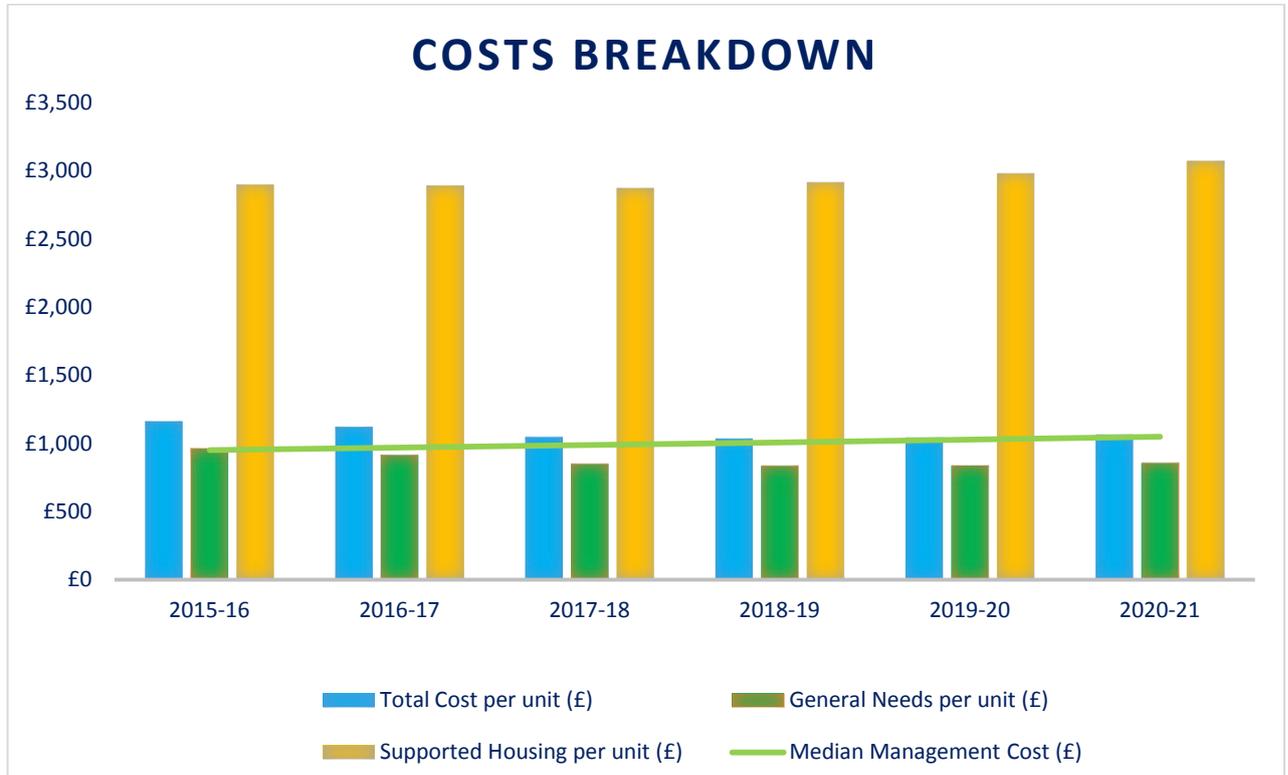
The above shows that the Association's overall headline social housing cost which is within the lower quartile. Nevertheless, at the request of the Board a further analysis was carried out in order to explain the differences between the management costs per unit and the service costs per unit. It is clear that the cost driver for the upper quartile management cost is the supported housing employee cost and as shown Tuntum has a significantly higher proportion of supported housing units (6.4%) than other housing associations. In addition, the Association has other schemes such as Refugee Futures and Sound as a Pound which are not related to housing units but still treated as part of the management costs.

Information was extracted from the Five Year Business Plan to separate the management costs per unit from the supported housing costs and to examine those going forward. On the basis that the ratio of general needs to supported and sheltered together is approximately 9:1, the following are the projected management costs per unit over five years. In addition, this is compared with the sector median costs on the basis that these will be increasing by 2% per annum.

### Analysis of Management and Supported Housing Costs over 5 years - Table

Cost Breakdown	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
<b>Total Cost per unit (£)</b>	£1,160	£1,120	£1,045	£1,033	£1,040	£1,063
<b>General Needs per unit (£)</b>	£959	£914	£847	£834	£837	£855
<b>Supported Housing per unit (£)</b>	£2,899	£2,891	£2,872	£2,915	£2,979	£3,071
<b>Median Management Cost (£)</b>	£950	£969	£988	£1,008	£1,028	£1,049

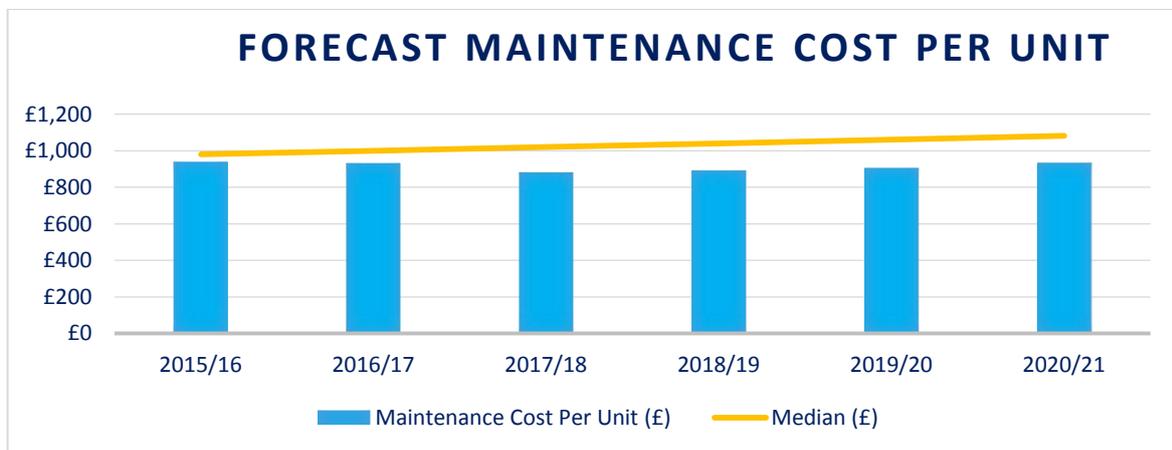
**Analysis of Management and Supported Housing Costs over 5 years - Graph**



**Maintenance Costs Breakdown - HCA Unit Cost Analysis**

The Association’s maintenance costs are just below the median level of unit cost and these are forecasted to come down (see below) as the number of units increase and more new build units are acquired.

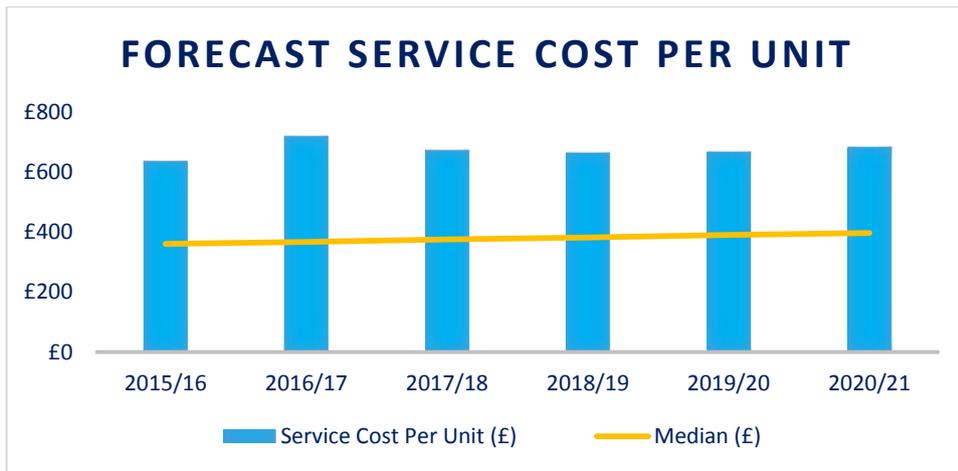
**Maintenance Costs vs Sector Median Costs**



### Service Costs Breakdown - HCA Unit Cost Analysis

The Association has 130 units of supported housing where the service charges reflect the needs of the clientele that are being served. The service costs comprise both general needs services and supported housing services and because of the high proportion of supported housing service costs, the overall service costs per unit are significantly higher than the median. The service costs charged include; upkeep and maintenance of the communal areas, Night Concierge provision and intensive housing management costs. The projected service costs per unit over the next five years compared with the median which is assumed to increase by 2% per annum is as follows:

### Service Costs vs Sector Median Average Over 5 years



### Asset Performance

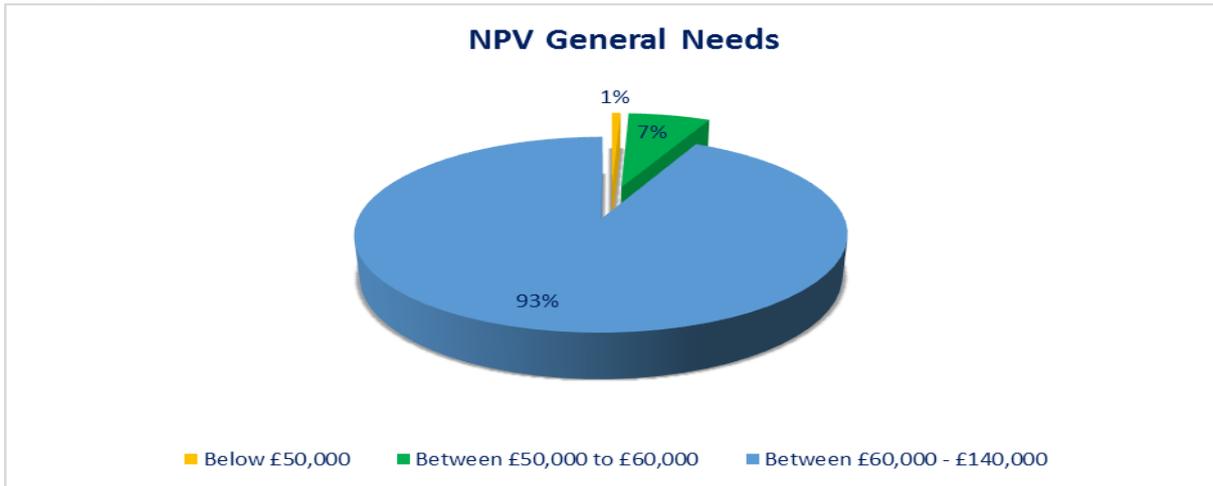
During the year the Association acquired 19 units in Long Eaton, which consisted of 15 general needs and 4 Shared ownership units at a cost of £2.5m with a grant of £680k from the HCA. All the shared ownership units were sold within 4 months of acquisition.

New development projects are assessed by the Risk Assessment Panel and then approved by the Board to ensure that they will make an adequate return on investment. These projects are appraised using the financial criteria approved by the Board.

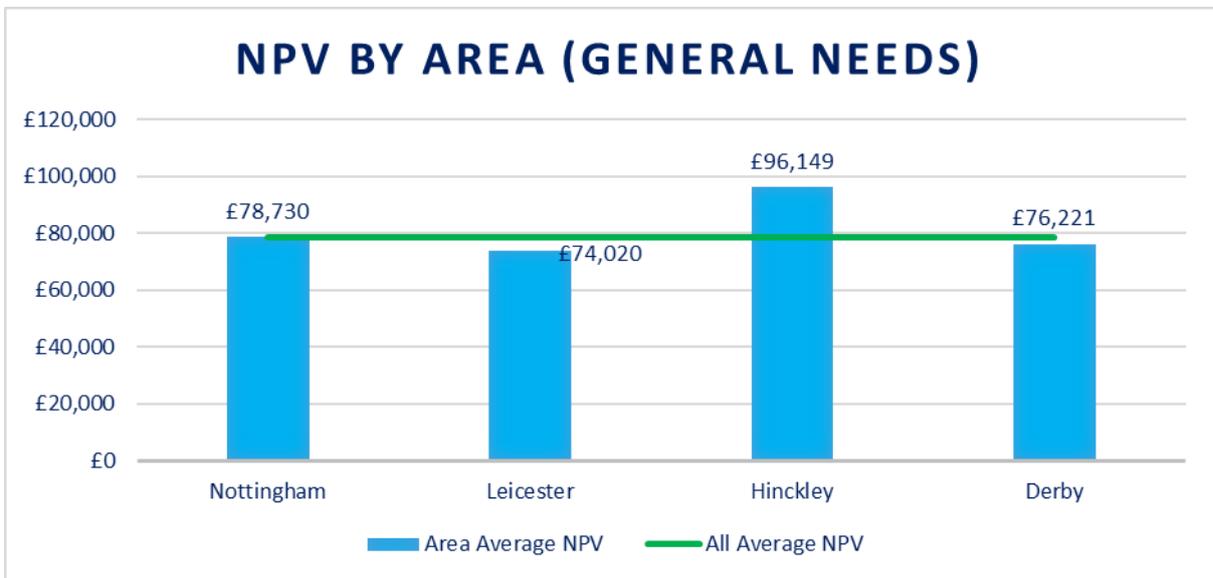
An understanding of asset performance is vital to assess the viability of properties and their impact on the business plan. The NPV (Net Present Value) was reviewed for all properties using a discount rate of 5.75% which is more in line with the average costs of borrowing.

All our properties were shown to have a positive NPV with the new assumptions used and only 1% of properties fall below the £50,000 level which represents 7 properties. The average NPV for all properties was £78,631, but the properties in Leicester displayed a lower NPV than the average. These properties will be assessed further to investigate their viability and if needed alternative use.

### Return on Assets

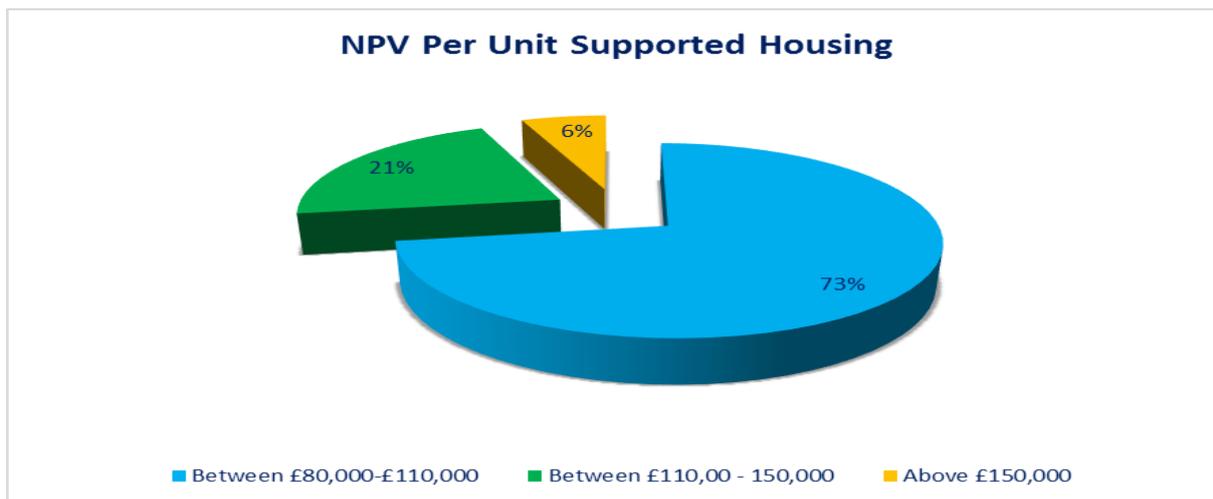


### Return on Assets by Area



Supported housing units have a higher management cost, however they also have a higher level of income. This is due to the support provided for these units in particular the specialist projects. The support allows tenants to live independent lives as well as supporting venerable individuals. These properties also provide a social gain as well as financial. As shown below NPV for these properties is positive and further support the Associations corporate objectives as previously stated.

## Return on Assets on Supported Housing



## Investment in Assets

Tuntum actively manages its assets and there is an ongoing survey of 10% of all properties carried out annually. This informs the plan for major works more effectively. Tuntum is also proactive with the assessment of properties at the voids stage with an assessment done to consider long term viability. The property is assessed for demand, future major repairs cost, voids repair costs and the historical annual cost of maintaining these properties.

### Investment in Assets – Table

Item	2014/15		2015/16		Efficiency Saving
	No.	Average Unit Cost	No.	Average Unit Cost	
<b>Kitchens</b>	66	£2,950	51	£3,520	2015/16 - Kitchen surveys and supply arranged directly by the contractor. Additional electrical works included. Savings on procurement by using EEM. All walls receive a skim coat of plaster.
<b>Bathrooms</b>	31	£1,944	19	£2,410	2015/16 - Materials ordered directly by the contractor. Additional electrical works included. Savings on procurement by using EEM.
<b>Windows &amp; Doors</b>	51	£2,589	43	£2,954	Increase in average price in 2015/16 due to the majority of properties having all windows and doors replaced (not partial replacement), along with many also having French doors. Procurement savings through EEM. Increased tenant choice on door styles, color and furniture. Lock specification improved to increase security and tenants home insurance costs. Adjustable door hinges used to enable ease of adjusting - Increased window hinge specification for ease of cleaning for tenants.

<b>Boiler Heating Systems</b>	23	£1,840	38	£1771	Boilers upgraded to swap old back boilers and g rated appliances for modern appliances. Through EEM negotiated a supply of boilers and working with contractor, at no cost to the Association. Have established a social fund and contribute £5 per boiler fitted.
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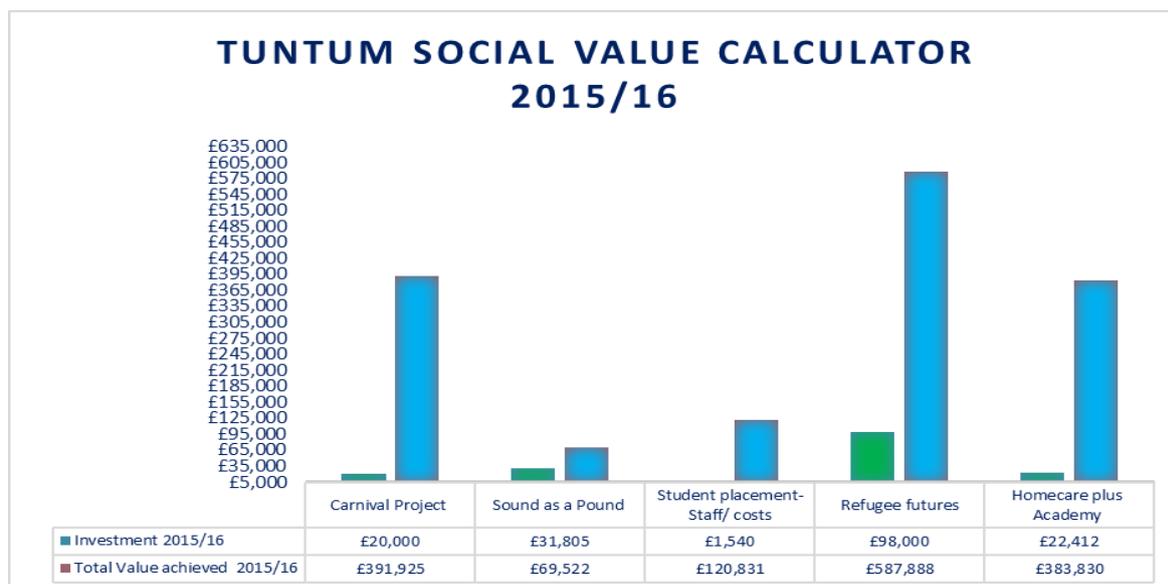
### Social Value

Delivering social value to disadvantaged communities continue to form part of Tuntum’s mission. During the last year Tuntum has continued to deliver various social value projects as follows.

- **Sound as a Pound Project** - This project has assisted 41 individuals under the age of 25 to manage their finances more effectively and avoid getting into financial difficulty.
- **Nottingham Carnival** – Tuntum continues to take great pride in being involved in this project for over the last 18 years which creates a real sense of community cohesion as a result of the diversity of its participants. It is estimated that at least 500 tenants benefit from the event by attending and taking part and the Association gets enormous publicity each year for its involvement in this event. The direct support from staff voluntarily for this event is estimated at approximately £20,000 ‘in kind’ which is provided by giving their time often voluntarily and outside of working hours.
- **Homecare Plus Academy** - In partnership with Jobcentre plus and local colleges, the Homecare Plus Academy continues to train unemployed people in the skills to provide domiciliary care services, from which a number continue to be offered permanent jobs with Homecare Plus. This year there were 40 individuals who participated in the training provided by the Academy
- **Student Services** – in collaboration with a number of universities based in the East Midlands the Association runs a student placement scheme. Second and third year social work students are offered 10-80 days placements at various specialist housing projects. This enables them to link their academic studies to first-hand practice. This has a mutual benefit: Tuntum receives additional staff resources and the students gain insights into the practical aspects of social work. This in turn opens up career opportunities on graduation.
- **Karibu Food Bank** – This continues to help numerous vulnerable households, many of whom are refugees, with food parcels.
- **Refugee Futures** – since 2008 Tuntum has run a support service for Refugees in the city of Nottingham. Whilst of immeasurable benefit to the individuals, there is a clear social inclusion benefit as these families integrate into civic life and become productive British citizens,

To quantify the social value, Tuntum has used the HACT Social Value Calculator. The results below show that the spend on these projects is justified due to the impact they are having on the wider disadvantaged communities serve. The total Social Value (see below) provided is estimated at **£1,533,996**.

## Calculated Social Value Return



## Future VFM Planning

The Board and Efficiency Review Group are very much committed to actively following the Association's VFM Strategy.

The following efficiencies for 2016/17 have been highlighted and reviews commenced for some priorities. These will be in addition to the revisited Business Plan efficiencies. The heads of services will lead the relevant reviews and feed progress back into the Efficiency Review Group and Audit Committee.

In addition to the significant savings fed into the budget this year, the following are additional reviews planned and the estimated savings anticipated.

### Planned Future VFM Activities

Review Area	Estimated Savings
Tender of Insurance services	£7000
Review of the telephone systems and Communications contract	£3,500
Tender for the gas and Electricity contracts	£10,000
Review the efficiency of the DLO operations	Hopefully, increased value through improved performance.
Fencing works Timber used not long enough lifespan to concrete post and kit boards	£10,000
Reviewing the van leasing arrangements	Unknown – to be investigated