Value for Money Self-Assessment 2014/15

1 Contents

1 Introduction

1.1 About us

livin is a homes and communities business managing over 8,500 homes across County Durham. The organisation was formed in 2009 following the large-scale voluntary transfer (LSVT) of housing stock from Sedgefield Borough Council.

Our mission is ‘working with the community at heart’ and we recognise that to make communities vibrant places to live, involves much more than letting and repairing homes.

We work closely with our communities to improve employment and training opportunities, health outcomes, financial confidence and to bridge the digital divide that exists within our communities.

Our headquarters are based in Spennymoor and is home to our 160 members of staff. The homes we manage are spread across 19 different communities predominantly within County Durham.

1.2 Corporate strategy and objectives

Our mission of 'working with the community at heart' and our vision of 'sustaining and growing safe, cohesive and vibrant communities through excellent customer service' are supported by our Corporate Plan which sets out the business objectives for livin.

The three year plan in summary explains how the business is organised and how we operate, outlines our strategic direction and sets clear priorities including how these will be measured.

Livin’s business operations take account of our values:-

Fairness
Openness
Respect
Enterprise
Value
Excellence
Reliability

As a comparatively recent LSVT, livin has spent the first 6 years of its life delivering all the promises made to tenants at the time of transfer. Since transfer livin has invested £99m in its properties, bringing them up to the Government’s Decent Home Standard and spent a further £22m to build or acquire 233 new homes. livin is now poised to start the next phase of its development. Future priorities are focused on providing additional properties for sale, shared ownership and market rent (tenure diversification). A key driver of livin’s focus on the delivery of value-for-money (VfM) is the creation of the financial capacity to invest in these emerging priorities.

1.3 Value for money strategy

livin’s VfM Strategy places a requirement on its Board to satisfy themselves that the optimum sustainable performance of all its assets meets the purpose and objectives of the organisation, as set out in its Corporate Plan. This ensures VfM is closely linked to and embedded within the Corporate Plan and all key strategies.

VfM is a key component of livin's core services, and therefore delivery of its purpose as a Social Housing business. In the same way that livin's mission of "working with the community at heart" is woven throughout everything livin does, so is VfM. livin believes in building sustainable communities and that this will lead to a sustainable business.

livin's approach to VfM is strategically driven by the Board, who have received high quality, independent VfM training through a nationally recognised provider, HouseMark. In addition, the Board have a mix of skills ideally suited to the evaluation and delivery of VfM, including expertise in Finance, Asset Management and Human Resources. These skills and training enable the Board to make VfM decisions based on reports presented to them. The Board is comprised of non-executive directors, responsible for challenging and approving the annual budget and the long-term business plan.

The strategic direction from Board is translated into service level and individual targets through a VfM working group, which meets regularly to discuss the delivery of VfM initiatives. This group also provides valuable input and intelligence to influence the development of the VfM Strategy. A wider awareness of VfM is achieved through engaging all employees in VfM activities, including individual training and development interventions. This ensures all employees are aware of their responsibilities in delivering VfM on behalf of livin.

1.4 Performance management framework

Delivery of the VfM Strategy is monitored using livin's Performance Management Framework (PMF). The PMF has been developed to ensure that key performance indicators remain properly aligned to the strategic aims of the business, whilst maintaining full coverage across all areas of the organisation.

livin's PMF incorporates a 'triangulated' approach which aims to achieve the optimum balance between cost, quality and quantity measures for each performance metric. In turn this drives the achievement of VfM, providing a clear and timely indication, through the use of performance dashboards and maps, of where performance is sub-optimal, thereby identifying target areas for VfM interventions. This is achieved via the use of optimum scores and value judgements for each triangle to highlight any areas of under or over-performance for further scrutiny. This allows the service manager, and then the Performance Value and Risk Clinic, to 'get behind the triangles' to identify where a service may benefit from an improvement intervention or a resource reduction if over performing.

The Quarterly Performance Value and Risk Clinic, chaired by the Chief Executive and attended by Senior Management Team, Heads of Service and key managers provides an opportunity to take an overarching and in-depth view of performance, value and risk. Work has taken place to improve the alignment of performance and value with the Risk Management Framework. Strengthening these arrangements is a key priority for 2015/16.

Service improvement is another important feature of the PMF to ensure that progress is monitored and benefits are realised against key initiatives that have been identified as critical to driving forward the VfM agenda. This includes Scrutiny Reviews, Deep Dives and other service improvement projects identified through the Corporate Improvement Programmes.

During 2014/15, the PMF has been developed to improve corporate benchmarking data, providing an external challenge to internal performance targets. Through HouseMark, livin submits four Priority Performance Benchmarking submissions during the year and completes the annual Core Benchmarking submission. Benchmarking results are used as a 'can opener' to engage management and Board in evaluating performance and proposing improved ways of working; additionally refining performance measures and target setting as appropriate.

1.5 Resident involvement and Scrutiny Panel

An independent strategic challenge of livin's activities, undertaken by HouseMark in 2015 highlighted the strength and value brought by livin's modern approach to tenant involvement and empowerment. In particular, the Tenant Scrutiny Panel, which has an independent chair, has been instrumental in providing challenge and recommendations to improve VfM. The Tenant Scrutiny Panel has undertaken reviews of 'Sustainable Tenancies' and 'Customer Preparedness for Universal Credit' during 2014/15. They also commenced a review of 'Complaints and Feedback', which was completed in June 2015. The group have made 30 recommendations to Board, with all but one being adopted.

Yammer (a social media tool) was introduced to Scrutiny Panel members to help them share information and work together more effectively between meetings.

1.6 Governance

As part of the reporting framework all Board and Committee reports must provide a narrative showing the impact on VfM. This helps ensure that, VfM is a key focus of any proposal presented and also ensures the Board fully understand the VfM implications of the decisions they take.

2 Making best use of our assets

During the year, livin spent £8.4m improving the existing homes, as well as £8.0m on the construction and purchase of new homes.

The process for calculating the Net Present Value of livin's housing properties has undergone further enhancement during 2014/15, with repairs, anti-social behaviour and void loss cost data now being allocated on a more detailed and granular level than previously. This more detailed approach will allow livin to identify with even greater accuracy it's poorly performing assets and allow plans to be formulated in line with the Active Asset Management Strategy regarding future investment/disposal. This intelligence led approach provides an enhanced evidence base for the investment or disposal decisions to be taken by the Board and will result in a more sustainable, valuable and profitable asset base.

As a result of the 1% rent reduction to be applied from April 2016 to March 2020, announced by the Chancellor of the Exchequer on the 8th July, livin is re-calculating the Net Present Value of all its assets..

2.1 Return on assets

livin monitors the high level performance of return on assets by comparing the net surplus generated each year to the historic cost of its housing assets. This indicator has been chosen as it provides a broad measure of how successful livin has been in utilising its assets during the year.

Return on assets	2015	2014	2013
Surplus on net housing assets	4.29%	3.49%	5.76%

The return on assets has increased to 4.29% from 3.49% in 2013/14, and can be partly attributed to the reduction in repairs per property as a consequence of the investment within the properties.

Rental void loss has been identified as an area providing significant downward pressure on livin's return on assets. Since the introduction of the spare bedroom subsidy, the demand for three bedroom properties has significantly reduced in certain geographical areas. In response, livin has undertaken a deep dive review of its voids and lettings processes and recommendations made to improve the service are due to be implemented in 2015/16 with the aim of improving the void turnaround times. Where homes prove persistently difficult to let, their long-term viability is being assessed as part of livin's Asset Management Strategy.

2.2 Asset management strategy

livin's Active Asset Management Strategy is a key component of the overall Corporate Improvement Programme. The main focus of the strategy is to match livin's asset base to demand through a programme of development, acquisition, active disposal initiatives, demolitions and conversions. During 2014/15, livin disposed of 27 long term void properties with substantial negative Net Present Value in the Dean Bank area of Ferryhill through a Homesteading initiative. In addition to providing a capital receipt to fund future development, this initiative has also led to an on-going cost saving through reduced Council Tax liability as all properties disposed of attracted 150% Council Tax. Additional benefits to the community were achieved by moving the homes from an overprovision of rented homes into the under-represented home ownership sector assisting development of a balanced and sustainable community.

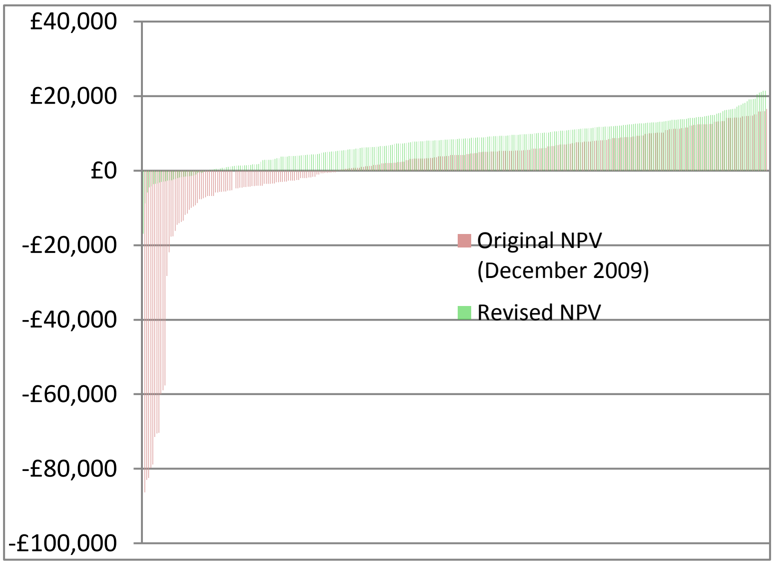
York Hill in Spennymoor is another example of livin's active asset management. This area has long suffered from serious deprivation, anti-social behaviour and long term void rates. These factors have contributed to low demand for homes in this area. Following an evaluation of different solutions to deal with this problem area and consultation with tenants, livin has approved the regeneration of the estate (including some private home owners' properties). The regeneration scheme which reduces the oversupply of flats, addresses the under supply of larger houses and rebalances tenures will both improve the quality of our tenant's lives and increase demand for the homes in this area; allowing them to make a positive contribution to livin's future resources.

5 further areas have been identified as having low or no demand, and are currently being assessed against a demand, performance and community need matrix to determine future investment/divestment strategies.

The overarching Asset Management strategy defines which properties will receive investment, and provides solutions for those which are inefficient or no longer financially viable utilising the Net Present Value model, yield data and communities intelligence. VfM is a key consideration within this strategy, working within the framework of the Community Plans.

The use of the Keystone Asset Management stock condition tool has allowed livin to re-profile the investment needs of its stock. Component lives have been extended leading to significant savings in future capital expenditure, with a cost reduction of circa £60m in real terms expected over the life of the 30 year Business Plan.

The number of void units has increased through the year (albeit a proportion of the increase in void properties is as a result of properties deliberately held void by livin for Asset Management purposes).



The actions taken have led to an increase of the Net Present Value (NPV) of livin's overall housing stock, as demonstrated by the graph. This shows the NPV of livin's homes at the time of the stock transfer in 2009 (shown in red). Through active asset management livin has reduced the number of homes with a negative NPV and has increased the proportion of its properties which have a positive NPV shown in green). The approximate losses removed from the business total £41m.

Properties with a positive NPV add value to the business whereas properties with a negative NPV are a drain on resources. Over time, livin's aim is to ensure all homes owned have a positive NPV.

2.3 Social return

livin focuses its community activities on empowering residents through a range of initiatives aimed at promoting financial inclusion, employability and training opportunities. The Smarterbuy Store aims to provide tenants with an affordable alternative to high street white goods and furniture providers. Big Lottery funding has been secured to deliver support to tenants through livin's Monkey project, by ensuring young and new tenants have access to affordable finance, fuel and furniture services and products.

During 2014/15, livin piloted the HACT Social Value tool in order to quantify the amount of social value it has created through its livin Futures initiatives. livin is able to demonstrate value created of £3.5m. The following table summarises these results.

What's the activity?	Associated outcome / value	Average person value	Total minus deadweight
livin futures	♦ Full-time employment	£ 10,767	£ 827,478
livin futures	♦ Apprenticeship	£ 2,353	£ 7,462
livin futures	♦ Employment training	£ 807	£ 6,175
livin futures	♦ Vocational training	£ 1,124	£ 35,501
livin futures	○ Go to youth clubs	£ 2,300	£ 79,844
livin futures	○ Go to youth clubs	£ 2,300	£ 127,750
livin futures	♦ Full-time employment	£ 10,767	£ 2,367,832
livin futures	♦ Apprenticeship	£ 2,353	£ 4,876
livin futures	♦ Employment training	£ 807	£ 14,898
livin futures	♦ Vocational training	£ 1,124	£ 866
livin futures	♦ Regular volunteering	£ 2,357	£ 5,327
livin futures	♥ Keep fit	£ 1,670	£ 16,016
			£ 3,494,024

The table below summarises how livin has provided Value within its communities:-

Initiative	**Value**
Improvements to existing properties and surrounding environment	-Increased tenants pride in their homes -Improved quality of homes -Improved environmental aesthetics -Improved community cohesion -Improved tenants health and wellbeing
Delivery of an additional 92 units through development and acquisition	-Increased tenants pride in their homes -Improved quality of homes -Improved environmental aesthetics -Improved community cohesion -Improved tenants health and wellbeing
Welfare Benefits Advisor	Secured £541k in additional benefits for tenants
Monkey	Improved financial confidence and awareness
Smarterbuys Store and Credit unions	Providing an alternative source of credit to tenants to doorstep and payday lenders
Smart Start	Training at support for 'at risk' starter tenancies. 16% reduction in failed tenancies.
-Community Investment	£204k invested and £361k obtained through match-funding 46 Community projects funded Improved digital skills of tenants 882 tenants engaged through livin futures, with 261 achieving qualifications £131k of tenants' debt managed and an additional £12k of benefits secured for tenants.

2.4 New developments

During 2014/15, a further 65 homes were delivered through the HCA's Affordable Homes Programme, with a further 24 Empty Homes being brought back into use and 4 Mortgages Rescued. A total of £745k in grant was claimed.

A tender was undertaken during the year for a new development partner. Gentoo were appointed on price/quality basis as demonstrating the most advantageous cost and quality mix.

In addition to the 65 new build units delivered, 21 units at the Thurlow development have been delayed as a result of the previous development contractor becoming insolvent. Gentoo have undertaken the final works to complete this scheme, and delivery is anticipated by the end of September 2015.

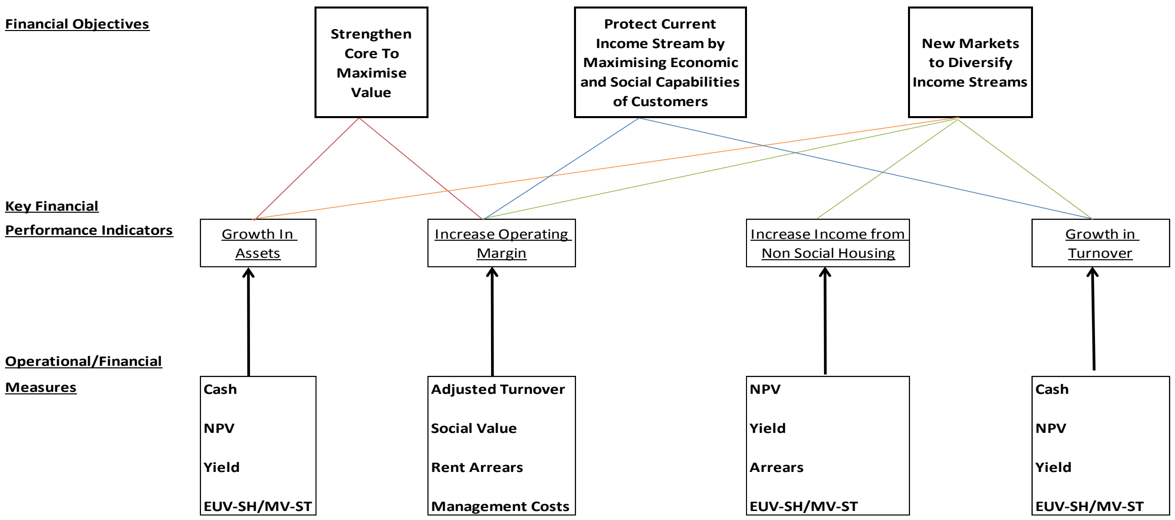
A further 72 units have been approved by the HCA under AHP 2, attracting grant of £1.3m, with the potential for a further 35 units available through Continuous Market Engagement.

3 Performance

There have been significant improvements during 2014/15 to integrate business critical financial measures that provide an overall view of business health and the most strategic level. This is a vital link between the PMF and the financial business plan, whereby operational performance must be considered in the context of overall business health.

There are four key financial performance indicators that measure the health of the business against each core business aim as illustrated in figure 1.

Figure 1 – financial health key performance indicators



Each core financial indicator is supported by operational financial measures that are used to gain a more in depth view of financial performance. These sub measures also help to determine the overall effectiveness of each objective within the PMF and its impact on the Business Strategy.

As a recent LSVT organisation, livin has spent the first six years of its existence focusing on the successful delivery of the transfer promises to its tenants. Having successfully delivered these promises the business has redefined its priorities, aiming to deliver class leading VfM to its tenants and in doing so creating the financial capacity to invest further in delivering new homes, both for rent and for sale.

3.1 Performance and Cost comparison to other registered providers

A number of key financial, operational and satisfaction indicators have been selected to ensure the business maintains a balanced approach to its service delivery. The performance indicators for the last three years are shown below; the table also shows the trend for each indicator from 2013/14 and 2014/15, the perfomance quartile for livin compared to its peer group and the median value of its peer group.

Performance Indicators	Livin			Trend	Peer group quartile	Peer group median
	2012/13	2013/14	2014/15	2014/15	2014/15	2014/15
Cost headlines						
Operating margin	20.3%	20.0%	26.5%	↑	2	24.6%
Overheads as a % of adjusted turnover	11.2%	12.6%	12.4%	↓	4	10.3%
Housing management CPP	£338	£345	£351	↑	1	£426
Responsive repairs & void works CPP	£941	£1,093	£940	↓	4	£845
Major works & cyclical maintenance CPP	£3,285	£3,277	£2,317	↓	4	£1,535
Satisfaction						
Satisfaction with the service provided %	89.0%	91.5%	91.5%	→	1	89.5%
Satisfaction with repairs and maintenance %	86.0%	85.0%	85.0%	→	3	85.0%
Satisfaction with neighbourhood %	89.0%	89.6%	89.6%	→	1	85.9%
Performance						
Repairs completed at first visit %	85.3%	83.6%	94.9%	↑	2	92.0%
Average re-let time (days)	23.3	45.8	61.8	↑	4	26.5
Rent loss due to voids as % rent due	1.1%	3.3%	4.0%	↑	4	1.2%
Rent arrears as % rent due (excluding voids)	3.1%	3.6%	3.1%	↓	2	3.2%
Gross arrears written off as % rent due	0.3%	0.6%	0.8%	↑	3	0.6%
Financial						
Debt per unit	£6,732	£8,516	£9,102	↑	1	£14,253
Effective interest rate	5.80%	5.8%	5.5%	↓	4	4.1%
Corporate health						
Staff turnover	9.80%	11.5%	12.0%	↑	2	13.8%
Average number of days lost to sickness	3.80%	2.9	4.8	↑	1	7.9

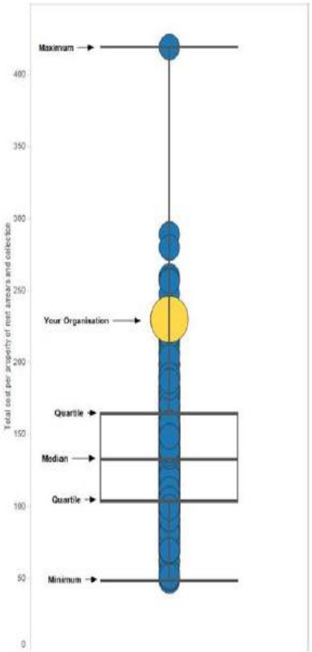
3.2 Benchmarking

livin compares its performance against 33 other registered providers. The peer group is consistent with last year as this provides an unbiased and transparent indication of livin's performance. The peer group selected is broadly comparable to livin although the average turnover of the peer group, at £67m, is higher than livin at £34m and the average number of homes managed by the peer group is 12,271 compared to livin's 8,502.

<u>Operating margin</u>

Operating margin improved by 6.5% compared to the previous year. This was due to significant overhead savings, as well as improved arrears collection rates leading to a reduced bad debt write off, and an increased volume of Right-to-Buy sales.

Boxplots



Boxplots are used within the benchmarking section of this report to show relative performance against the peer group. livin's performance is highlight in yellow, while each of the peers are represented by blue circles.

The horizontal line at the top of the boxplot represents the maximum value in your peer group, and the bottom line represents the minimum value.

The three horizontal lines within the boxplot represent the median and quartiles for your peer group.

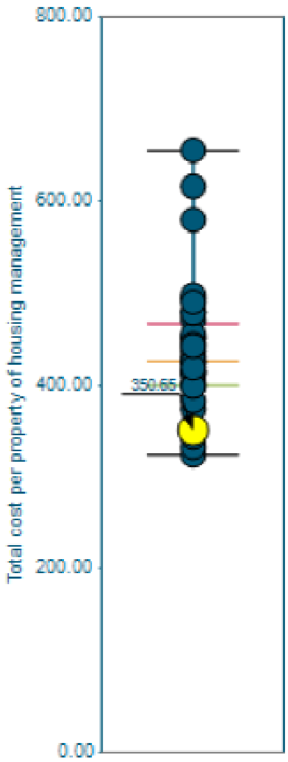
In the above example you can see that the cost per property for this fictional organisation is higher than the average, but by no means the highest in the peer group.

(See appendix 1 for a larger version of this boxplot)

The Benchmarking Peer Group consists of:-

Shoreline Housing Partnership
Trafford Housing Trust
Orbit Heart of England
Incommunities
Yarlington Housing Group
Orbit South
Aster Group
Bolton at Home
Cross Keys Homes
Rochdale Boroughwide Housing
CHP
Coast and Country Housing
Greenfields Community Housing
Aspire Housing
Pennine Housing 2000
Twin Valley Homes
Wrekin Housing Trust
First Choice Homes Oldham
One Vision Housing
North Hertfordshire Homes Limited
North Lincolnshire Homes
Wakefield and District Housing
Halton Housing Trust
Knowsley Housing Trust
Magenta Living
Golden Gates Housing Trust
Liverpool Mutual Homes
Plymoutth Community Homes
Eastlands Homes
New Charter Homes
Paradigm housing Group
Sentinel housing Association
WM Housing Whitefriars

Housing management cost per property

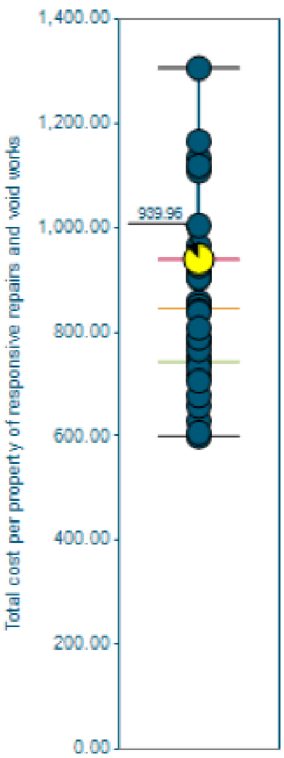


Peer group summary	
Q1	399.79
Median	425.71
Q3	466.74

Housing management is a core landlord function and represents collecting rent and managing arrears, carrying out lettings, managing tenancies and anti-social behaviour cases, as well as enabling resident involvement. livin's Housing Management Costs are significantly below Median, although these have increased slightly over the last three years.

As part of the future planned savings, livin is undertaking a staffing restructure through the Workforce Plan. This is expected to deliver a 10% saving against salary costs (circa £500k p.a.), further reducing the Management Costs per Property and delivering further efficiencies.

Responsive repairs and void works cost per property

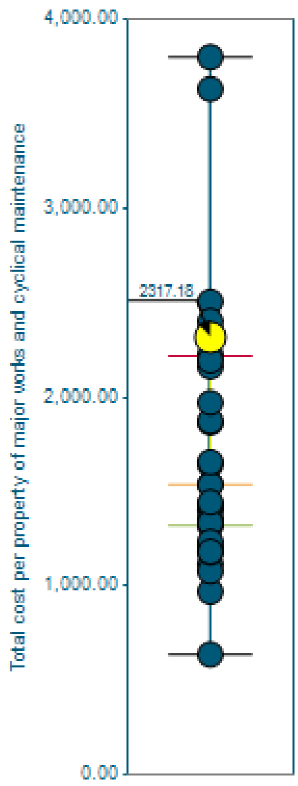


Peer group summary	
Q1	743.36
Median	845.32
Q3	939.61

Although responsive Repair and Void Works are high compared to the Peer Group this is predominantly due to the structure of the existing repairs and maintenance contract which allows a fixed overhead rate regardless of the level of activity undertaken. Repair numbers have reduced over the previous year as a direct result of investment in the housing stock undertaken over the previous 5 years (repair numbers have reduced to 2.84 per property), and also through the re-engineering of the service, for example the introduction of the STOP Repairs initiative (addressing higher volume service users), pre-inspection process and control of recalls/jobs under warranty.

Repairs completed at first appointment has also increased from 83.6% in 2013/14 to 94.9% in 2014/15 through improved diagnosis at first point of contact, improved data sharing between livin and its partners, increased operative performance and increased flexibility in the appointments procedure, reducing the number of missed appointments. The procurement of a new Construction Related Services contract is expected to be completed in February 2016. The structure of the contract will be altered and livin expects this to lead to a 10% reduction in the cost of the service.

Major Works and Cyclical Maintenance Cost per Property



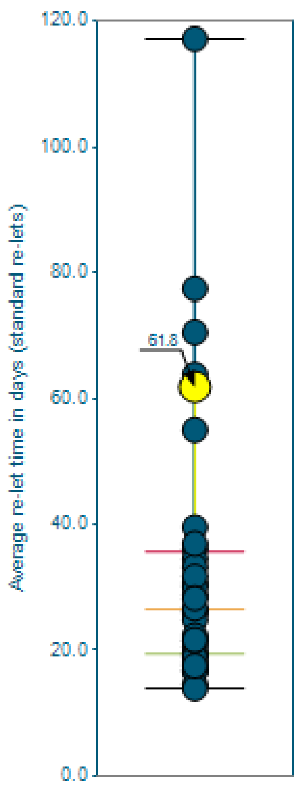
Peer group summary	
Q1	1320.87
Median	1535.48
Q3	2217.45

Major works costs are high as a result of the level of investment in its homes which livin has undertaken to date. This was required to fulfil the transfer promises to tenants and achieve the Government's Decent Homes standard to 100% of stock.

This high level of investment has resulted in a lower number of repairs per property (as detailed above).

This benchmark is will improve in future years as the level of investment required to maintain the Decent Homes Standard in future years is less than that required in the early years following stock transfer. Savings from the new Construction Related Services Contract due to be completed in February 2016 will also reduce costs.

Re-Let Times



Peer group summary	
Q1	19.4
Median	26.4
Q3	35.6

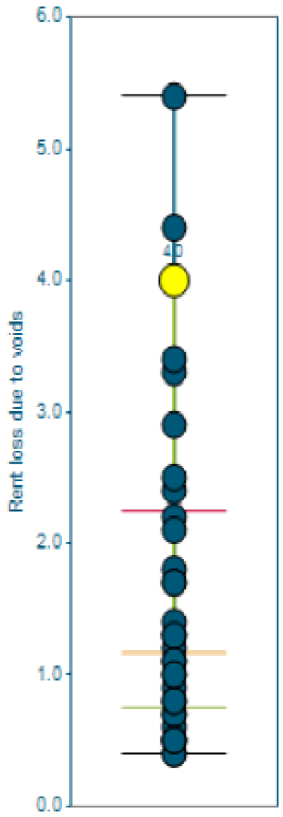
Re-let times of properties have continued to increase and are significantly higher than lower quartile performance.

Demand for three bedroom properties in certain geographical areas has fallen significantly following the introduction of the spare bedroom subsidy. There has also been a fall in market rents in certain areas due to an increase in private landlords offering properties at below social rents.

The homes owned by livin with low demand have been identified through the Active Asset Management Strategy and are currently undergoing evaluation through the Sustainable Assets and Communities Toolkit to determine the most appropriate future course of action.

The long re-let times reflecting the lower demand has significantly increased the level of rental void loss experienced during the year.

Rent loss due to voids as % rent due



Peer group summary	
Q1	0.7
Median	1.2
Q3	2.2

Rent void loss has been identified as a key area for improvement by the business. As a result, the service has undergone a root and branch review and service delivery has been re-engineered to produce a leaner more effective service.

A fundamental improvement in performance is expected during 2015/16, and livin will work with the Homes and Communities Agency to develop innovative solutions in areas of low demand and where social rents are higher than market rents.

Rent arrears as % rent due (excluding voids)

Rent arrears have reduced from 3.6% in 2013/14 to 3.1% in 2014/15. During the year livin ensured all prospective tenants attended a Smart Start induction session, where the risk of them being unable to sustain a tenancy is evaluated. This risk based approach combined with post-tenancy support has led to a reduction in the number of evictions for non-payment of rent and a reduction in arrears. livin is placed in the 2nd quartile for performance in this measure.

Satisfaction with the service provided

Satisfaction amongst tenants with the overall service provided by livin remains high at 91.5%. This places livin in the 1st quartile for performance compared to its peer group and demonstrates livin's commitment to high levels of customer service.

Debt per unit

The debt borrowed from banks per home owned by livin increased from £8,516 to £9,102 during the year. This reflected the continued investment in new and existing properties. livin's approved business plan anticipates debt will peak in 2017/18 before reducing. The amount of debt per home is lower than the peer group and this places livin in the 1st quartile for performance in this measure.

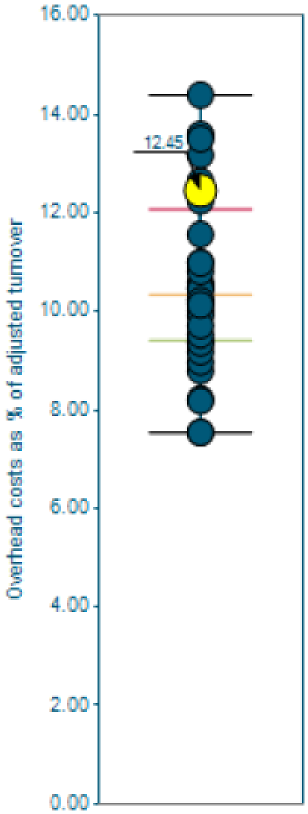
Effective interest costs

Although the effective interest rate paid by livin reduced during the year from 5.8% to 5.5% as a result of an increased ratio of lower cost variable debt, its interest costs remain high relative to its peer group. These interest costs were set at the time of the stock transfer in 2009, when interest costs were high following the global financial crash in 2008. The plans to re-finance the debts of the business could not be achieved in 2014/15 due to unfavourable market conditions. The low gilt-yield in early February meant the break costs associated with the re-financing were prohibitively expensive and did not deliver value-for-money. Re-financing remains an ambition for livin for 2015/16. The comparatively high interest costs places livin in the 4th quartile for performance in this measure.

Average number of days lost to sickness

The number of days lost through sickness increased from 2.9 to 4.8 during the year. The increase was caused by a small number of long term sickness cases. livin remains in the 1st quartile for performance in this measure and continues to have measures in place which closely monitor sickness. Staff turnover at 12.0% was also lower than the peer group median of 13.8%. This places livin in the 2nd quartile for performance in this measure.

Overheads as a % of adjusted turnover



Peer group summary	
Q1	9.41
Median	10.34
Q3	12.07

Overheads are generally considered as 'back-office' functions, and include premises, IT, finance and central overhead costs. Overheads are usually a mix of employee costs and non-pay related costs.

livin's absolute overheads costs are the forth lowest within its peer group of 33 other registered providers at £4.3m. In selecting its peer group, livin has been ambitious and has selecting a peer group which is generally larger than itself. This decision, 'to set the bar high' helps livin to ensure that it challenges itself to be more efficient as a business.

The peer group selected is broadly comparable to livin but the average turnover of the peer group is £67m. This is almost twice the turnover of livin at £34m. The average number of homes managed by the peer group is 12,271, this is 44% higher than the 8,502 homes managed by livin.

The percentage of livin's overhead costs as a proportion of its turnover has reduced from 12.6% to 12.4% during the year. Although the trend is downward, when compared to its peer group livin's performance in this measure is in the 4th quartile.

livin has used the benchmarking data to identify the areas where it believes its overhead costs are greater than others and has used this information to target efficiencies in these areas. As part of the future savings targeted by livin over the forthcoming 12 months, the modernisation and business efficiency programme is targeting a £617,000 reduction in employee costs. This will help bring livin in line with the median of its peer group.

Further opportunities for cost reductions will also be evaluated during the year. These include the migration of customer services to more digital platforms and the outsourcing of back-office functions, where the prospect of a negative impact on customer service is considered negligible.

4 Value for money gains realised and future targets

4.1 Current Savings

During 2014/15, livin achieved cashable savings of £3.4m (2013/14:- £7.2m). This was significantly lower than the anticipated savings of £6.2m (£2.8m shortfall), and can be attributed to 2 key areas:-

- The pausing of the refinancing project due to adverse Market Conditions (£600,000 underachieved);
- The decision not to award the Construction Related Services contract, as no submissions met the quality and cost requirements of the tender (£2,400,000 underachieved).

A summary of savings achieved against target is provided below:-

	Achieved	Forecast	Variance
Assets: Improvement and Repairs	75,177	2,495,135	-2,419,959
Assets: Developments	744,924	430,000	314,924
Assets: Use of Assets	83,333	83,333	0
Salaries and Restructures	182,908	251,515	-68,607
Business Processes	2,027,858	2,648,873	-621,016
Purchasing and Procurement	291,217	287,839	3,378
	3,405,416	**6,196,695**	**-2,791,279**

The following table provides an analysis of these savings:-

2014/15 Efficiencies		**Achieved** **14/15** £	**Income** **14/15** £	**Cost Saving** **14/15** £	**Cost Avoidance** **14/15** £
Aids and Adaptations	One Off	61,914			61,914
Staff Savings	On-going	182,908		182,908	
Developments	One Off	744,924	744,924		
Cash Flow Management	One Off	317,203			317,203
Performance Management	One Off	3,378		3,378	
Asset Management Strategy	One Off	83,333			83,333
Customer Access Review	On-going	192,322		192,322	
Desk Top Printer Rationalisation	On-going	3,107		3,107	
Utility Management	On-going	187,100		187,100	
Legal Services	On-going	150,457			150,457
Direct Debits	On-going	108,453		108,453	
Contracts Register	On-going	287,839		287,839	
Partial Exemption Calculation	On-going	40,482	40,482		
Contractor Guarantees	On-going	622			622
Supplier Recalls	On-going	640			640
Reinvestment Programme	One off	829,000		829,000	
Licences & Misc IT Savings	On-going	114,983		114,983	
CERT Grants & Rebates	One Off	12,000	12,000		
CBL Advertising	On-going	34,501		34,501	
ICT - Technology	One Off	50,250		50,250	
One Off	2,102,003				
On-going	1,303,414	**3,405,416**	**797,406**	**1,993,841**	**614,170**

4.2 Future Savings

Plans have been identified which will produce further cash savings or increase income for livin in the future. The table below summarises the key cash saving initiatives identified:-

Savings	**Value**
Reduced Community Investment Budget due to previous underspends	£68,000
Removal of free Tenants Garden Services for certain groups	£118,000
Reduction in Carelink Services provided by Durham County Council	£75,000
Cancelling of un-productive Durham Gate Duke of Edinburgh Scheme	£10,000
Savings from the re-tendering of community Foundations contract	£10,000
Removal of enhanced Pension Rights from the Construction Related Services contract	£112,500
Operational Savings on Construction Related Services Contract	£1,125,000
Savings in capital expenditure by extending the lifecycle of certain component replacements with our homes	£265,000
Improved modernisation and business efficiency leading to reduced employee costs	£617,000
£100k Club – cost saving ideas identified by employee forum	£100,000
Discretionary Spend Review savings identified	£350,000
Increased Income	
Voids process re-engineering	£170,000
Total Identified	**£3,020,500**

During 2014/15, livin has identified, through the Corporate Improvement Programme, the initiatives shown above to reduce costs and improve efficiency.

A cost reduction employee forum has been established known as £100k club. The purpose of this cross organisational group is to actively empower employees in the identification of potential cashable savings and / or efficiencies within their areas of operation. The initial meetings have been well attended and the objective of saving at least £100,000 looks achievable.

In addition to the above savings, livin continues to explore the option of re-financing, which was delayed during the course of 2014/15 due to unfavourable market conditions. Successfully re-financing to current market rates could potentially save an additional £600,000 per annum in reduced interest costs.

5 Conclusion

Value for money is embedded in livin's culture and governance structure and there is a clear understanding of how delivering efficient and effective services benefits both customers and their communities.

Having successfully delivered the transfer promises to its tenants and invested in its homes, livin is now poised to focus its attention on delivering further efficiencies to provide the financial capacity for further future investment.

During the year £3.4m of efficiency savings have been delivered and future annual savings of £3.0m have been identified for delivery over the forthcoming year.

We recognise the challenge in balancing excellent services, with high levels of customer satisfaction and achieving continued efficiency savings. livin is proactively using benchmarking information to inform its own targets for service delivery and as part of its budget setting process.

Core benchmarking data for 2014/15 indicates that livin's performance has improved in certain areas including rent collection, current tenant arrears and total cost per property relating to repairs and major works. Although cost per property on repairs and major works is placed in the 4th quartile, the trend of performance shows that costs in these areas are reducing overall. It is expected these costs will further reduce through key interventions such as the Active Asset Management Strategy and a new more competitive Construction Related Services contract. Performance levels in relation to average re-let time and rent loss due to empty properties has declined during 2014/15 but interventions, such as the Voids Deep Dive and the current employee restructure, should address performance levels in these areas.

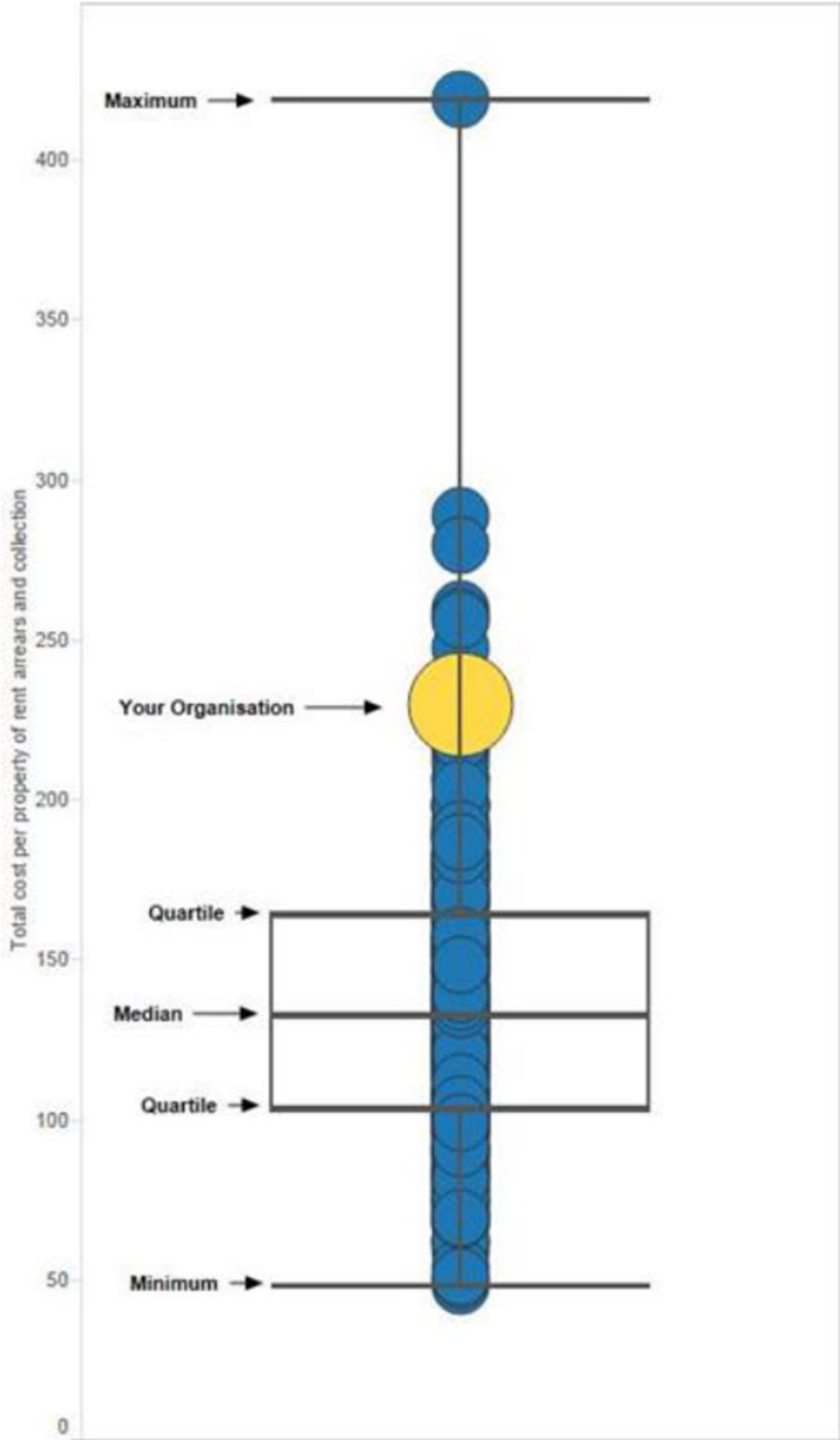
5.1 Emergency Budget 2015

On the 8th July 2015, as part of the summer emergency budget, the Chancellor of the Exchequer announced social rents will reduce by 1% each year, for the next four years, from April 2016. This announcement overrides the previous guidance issued by the Homes and Communities Agency, the Rent Standard, which limited rental increases to CPI+1% for the next 10 years and which came into effect from April 2015.

The budget announcement means livin will have 13% less income, at the end of the four year period, than it had previously planned; a reduction in income over the four year period of £11m.

livin had already identified a number of cost reductions within its business as set-out within this VfM Self-assessment. The budget announcement emphasised the importance of delivering these savings. livin will continue to deliver the best outcomes for its customers with the resources available.

Appendix 1


Maximum
Your Organisation
Quartile
Median
Quartile
Minimum
Total cost per property of rent arrears and collection
400
350
300
250
200
150
100
50
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