Community Gateway Association

Value for Money Self-Assessment – 2016/17

SUMMARY OF ACHIEVEMENT

2016/17 was the first year of our new 2016-19 Corporate Plan. As a Board we are pleased with the good progress made in many areas, with the majority of the targets and outcomes we set out to achieve by March 2017 being met. During the year we continued to focus on the cost effective delivery of the priorities agreed with our tenants and wider stakeholders, and as set out in our previous VfM self-assessment. Some of our key successes are summarised below.

- The **high levels of customer satisfaction** with our services. Overall satisfaction has improved to 92.5% and we have sustained satisfaction levels with the repairs and maintenance service and our neighbourhood as a place to live. Pleasingly, we have seen an increase in tenant satisfaction with opportunities to get involved and value for money for the rent paid, both exceeding the targets set and being placed in the upper quartile when compared to our peers.

- Continuing to **improve performance** in a range of key service areas. We have continued to improve already high performance in income collection and arrears management, collecting 100.2% of our rent and reducing arrears to just 0.8%. The performance of our in-house maintenance service, Gateway PropertyCare, continues to be strong and our focus on improving the sustainability of our tenancies continues to have a positive impact, with the number of tenancy terminations falling for the third year in succession (now 8.36%) and contributing to a significant reduction in costs associated with void properties and the level of lost rent continuing to reduce to 0.78% in 2016/17.

- As a Board we remain **cost aware**. We have a good understanding of our cost base and are pleased to see that it compares well overall, specifically given the high levels of performance and satisfaction that are achieved from this investment. Our cost per unit in the year was £2,580 and compares well against the sector average of £3,260 and our peer group average of £3,215. Our repairs and maintenance costs remain very competitive and we have achieved significant improvements to our housing management costs and corporate overheads through a combined focus of reviewing how services are delivered, reviewing our asset management strategy and ensuring that our procurement strategy secures cost effective prices and contract arrangements.

- We have **exceeded our savings target** for the year while sustaining those made in previous years. We set out to achieve savings of £1.230m in the year from across the business. Through effective management and an engaged workforce we have secured £1.899m of recurring savings, which sees us well placed to deliver our savings target of £3.9m by the end of March 2019. We will continue to build on this strong track record in order to continue to effectively respond to the downward pressure on our income streams brought about by the 4 year 1% rent cut introduced by the government from April 2016 alongside the continued implementation of welfare reform. We have revised our long term business plan and medium term financial plan in light of these challenges and are continuing to implement a series of cost reductions that will ensure we are able to effectively meet these challenges whilst retaining a focus on providing services, maintaining existing homes and developing new ones.

- The **positive progress of our development programme**. In the year we have acquired, built and let a further 30 homes, investing over £2.9m in these schemes. We have capacity within the Business Plan to develop a further 272 homes and have plans in place to secure additional funding to deliver our Growth Strategy.

- We have a **good understanding of our stock**. Whilst there remains a difference in the financial performance between different areas, all areas indicate a positive net present value ranging from £9.6k to £20.2k. The key differing factor in the financial performance of our stock remains the property type; bedsits, flats and maisonettes achieve a significantly lower NPV than our houses. We have a revised Asset Management Strategy and we have formalised our approach to undertaking option appraisals, using information from the Asset Management Information System to identify 5 schemes per year on which to undertake a formal option appraisal using our newly developed Retention, Divestment & Investment Framework, with the aim of improving the average NPV of our stock by 5% by 2022.

- We continue to benefit from a **skilled, motivated and engaged workforce**. We remain an IiP Gold accredited employer and during the year were once again ranked as a 3* employer in the Sunday Times Best Companies survey, being placed 10th on the Not-for-Profit list. We are pleased to see that the positive action we have taken to improve the levels of sickness absence has delivered real results, with sickness absence for the year reducing to 6.8 days per employee on average, being a 26% reduction on the previous year and seeing us compare well to other housing associations. Our staff turnover also remains healthy, averaging below 10% for the year, and again comparing well with others.

Our three year corporate plan recognises that we need to remain focused on delivering significant cost savings whilst looking to sustain performance and satisfaction levels, continue to engage and empower our communities and staff, invest in the development of new homes and improve CGA's financial resilience through pursuing an ambitious growth strategy. Achieving value for money is one of the 10 strategic objectives within our corporate plan and, in line with our Gateway founding principles, we will continue to work closely with our tenants and wider stakeholders to ensure that we deliver increasingly cost effective services that are valued by our customers.

Our Approach

Achieving value for money (VfM) and continuous improvement remains a fundamental business strategy for CGA. Through our VfM strategy we continue to embed the principle of VfM to ensure that we provide efficient, cost-effective services to our tenants and customers.

We are open about how we manage our finances and meet our targets. Gateway Central (formerly the Gateway Tenants Committee) and its Action Groups receive regular reports throughout the year on our financial position and how we are performing against our service targets. All tenants receive regular updates through our customer newsletter, Gateway News, and each year we publish an annual report, so that our tenants can see how we have performed and our financial standing. Our financial statements set out how we have managed our money by reinvesting surpluses back into our communities and building more homes for people to live in.

Decision-making framework

Effective decision making supports the delivery of VfM. Knowing the impacts of decisions, whether it is improvements to services or cost reductions, allows priorities to be set and agreement reached. CGA's decision making framework includes:

- A robust corporate planning structure involving the Board, tenants, staff and wider stakeholders in the production of our three year corporate plan that is supported by policies and strategies, aligned to the corporate objectives;
- Annual plans are prepared by each Directorate and service area to deliver the corporate objectives and focus on service improvements, provide a forward view of financial and resource requirements and wider social and environmental gains;
- The collection of customer satisfaction feedback, coupled with committed tenant involvement, empowerment and scrutiny ensures that feedback from our customers is considered when setting strategic plans and is used to inform and influence how services are delivered;
- The Executive Leadership Team reviews financial performance on a monthly basis, and reports through to the Board on a quarterly basis, comparing performance to the budget, the medium term financial plan and the business plan. This enables corrective action to be taken in a timely manner and the consideration of short and medium term implications;

- Strategic and operational performance indicators, aligned to the corporate objectives, provide the Board, management and tenants with an understanding of current performance against target and how it compares to recognised benchmarks;
- A corporate project management framework that requires the Senior Management Team to approve new business initiatives, ensuring that it has been fully evaluated, appraised against the corporate objectives and is managed in a consistent manner.

As a tenant-led organisation that is founded on Community Gateway model principles we have well established governance and involvement structures that ensure our customers play an important, active role in the decisions that CGA takes as a business and, in doing so, provide a continued challenge to operate efficiently and get the best outcomes for customers. Gateway Central, and its supporting Action Groups, formally consider and contribute to strategic and operational decisions and through the service based action groups actively reviews and challenges performance, provides feedback on customer service and puts forward proposals for continued service improvement. Gateway Scrutiny, our tenant scrutiny group, supports the process of continual improvement by undertaking formal scrutiny reviews and reports directly to the Audit & Risk Committee on their findings and recommendations, and subsequently monitors the implementation of these recommendations and reports progress to the Committee.

Looking Back

In our last VfM self-assessment the Board identified a number of actions and improvements that we wanted to see taken forward during 2016/17 to ensure that obtaining better VfM continued to be a central feature when delivering our corporate objectives. We are pleased to report that the majority of these actions have progressed well and have led to improved levels of performance, robust investment decisions being taken and the continued achievement of cashable efficiency savings to enable targeted investment into new build development, our business systems and regeneration initiatives.

The government presented its Emergency Budget in July 2015, introducing a number of policies that have had a considerable impact on housing associations. The most significant measure was the introduction of a four year rent reduction from April 2016, resulting in an annual reduction in income of £3.5m by 2019/20. In order to respond to this the Board undertook a comprehensive review of its business plan prior to setting out a balanced approach to meeting the financial challenges. 2016/17 was the first year of the rent cut and it was essential that we closely monitor the delivery of our efficiency programme in order to ensure that we are effectively responding to the downward pressure on our income streams and remain financially strong whilst continuing to provide those services that matter most to our customers, maintaining existing homes to a good standard and investing in the development of new homes.

The table below summarises the planned actions, what the outcome has been and an assessment of whether the desired outcome has been achieved in full or not and the evidence that we, the Board, have used to support our assessment.

Planned Action	Outcome	Evidence	Assessment
Review VfM and Procurement Strategies	• Strategies combined and refreshed and approved by Board in September 2016.	• Revised strategy approved	Outcome achieved
Implement cost savings programme	• Positive progress in delivering our efficiency programme with recurring cost savings of £1.899m achieved in the year, exceeding target by £0.669M.	• KPI's • Financial targets	Milestones achieved (remains a focus)
Improve number of sustainable tenancies to minimise lost income and reduce costs	• Further improvement to tenancy sustainability with tenancy turnover falling to its lowest ever level of 8.36%, void rent loss has improved further and is now down to 0.78% and the costs associated with void properties reduced by 14%.	• KPI's • Financial targets	Outcome achieved
Investment works to be undertaken by GPC	• GPC completed 59% of our investment works, increasing by 22% from the previous year of 37%. By undertaking this work in-house we achieved efficiency savings of £365k. In addition we have continued to rationalise our use of sub-contractors, generating further efficiency savings of £55k in 2016/17. Assuming the same volume and scope of work in future years this savings will be recurring.	• PI's • Financial targets	Outcome achieved (remains a focus)
Income diversification	• During the year we continued to provide our SupportLine service to 300 customers, generating £65k. We also provided health and safety services to a neighbouring housing association, generating £50k and secured a contract valued at £38k per annum to deliver out of hours service monitoring to another north west housing association.	• Financial targets	Outcome achieved (remains a focus)

Planned Action	Outcome	Evidence	Assessment
Secure cost savings through effective procurement	• We continued our focus on procurement by re-procuring 11 contracts in the year, including our void clearance and commercial cleaning contracts, along with both internal and external audit services, securing cost savings of £780k (11%) over the life of the new contracts.	• Financial targets • Board reports	Outcome achieved (remains a focus)
Review treasury management strategy and implement refinancing	• Treasury Management Strategy reviewed and Board have clarified its growth and development aspirations through approving a Growth Strategy and subsequent amendments to the Development Strategy. Refinancing review is to be progressed during 2017/18.	• Board reports	Partially achieved (remains a focus for 2017/18)
Implement Phase 1 of Gateway Connect	• Phase 1 of the Gateway Connect project has suffered from implementation delays and is now scheduled to go-live in July 2018.	• Board reports	In progress (remains a focus for 2017/18)
Relocate Gateway GreenCare	• We continue to review our non-housing assets and during the year relocated our works depot securing efficiencies of £30k per annum.	• Financial targets	Outcome achieved
Asset Management	• We have reviewed and refreshed our Asset Management Strategy and Development Strategy, and established our Growth Strategy, which clearly defines how we intend to invest in our current assets and grow the business over the coming 5 years. • Further developed our Asset Management Information System (AMIS) to support informed decisions regarding our property portfolio and established a Retention, Divestment & Investment Policy to drive robust decisions flowing from stock option studies.	• Board reports	Outcome achieved (remains a focus)

Where are we now?

Our performance and how we compare

We recognise the importance of measuring how the business is performing and use this knowledge to help us challenge whether the quality of our services could be improved or delivered more cost effectively. This focus will be increasingly important if we are to effectively deliver the cost saving programme over the next four years stemming from the changes to the national rent policy and mitigate the risks to our income from, for example, the continued reforms to the welfare system.

Key performance indicators on operating performance are reviewed monthly by the Corporate Management Team and quarterly by the Board and Gateway Central to ensure that we are achieving our strategic objectives. We set ourselves challenging targets to sustain or improve year-on-year through our annual corporate planning process. The table below provides a summary of business performance in 2016/17 as measured by our key performance indicators and provides a comparison of performance against the target for the year, that of the previous year and how we compare against other housing providers using the latest available benchmarking information published by HouseMark.

When comparing our performance against that of our peers we use HouseMark's North West benchmarking group for Large Scale Voluntary Transfer organisations with greater than 2,500 units, which consists of approximately 18 housing providers. This bespoke peer group was selected to represent similar housing associations, operating in the same geographic region. A full list of the benchmarking group is available at Appendix 1.

Key Performance Indicator	2015/16 Actual	2016/17 Target	2016/17 Actual	2016/17 Result	Direction of Travel	Comparison to other Housing Providers	
						Upper Quartile	Rank
Dwellings meeting the CGA Homes standard	100%	100%	100%			-	-
CGA properties with a valid gas certificate	100%	100%	100%			100%	
Average end-to-end time for all responsive repairs (days)	5.64	5.90	5.71			5.55	
Responsive repairs that were that were right first time	96.57%	97.29%	97.55%			97.83%	
Average energy efficiency rating of dwellings (as measured by SAP)	71.24	71.00	71.24			72.9	
Tenancy Turnover	10.15	9.00	8.36			7.28	
Average days to let a void property	22.18	24.00	26.43			22.25	
Satisfaction with new home	100%	100%	90.00%			100%	
Average number of days lost to absence	9.17	7.00	6.81			6.77	
Tenant satisfaction with overall service (STAR)	91.6%	93.0%	92.5%			91.60%	
Tenant satisfaction with their neighbourhood as a place to live (STAR)	86.7%	87.5%	86.5%			90.28%	
Tenant satisfaction with value for money of rent (STAR)	86.1%	86.5%	89.0%			87.00%	
Tenant satisfaction with repairs and maintenance (STAR)	89.3%	89.3%	89.0%			87.00%	

Quartile Key			
Upper Quartile	Middle Upper	Middle Lower	Lower Quartile
1	2	3	4

Overall, performance was strong in most areas. Our drive to invest and maintain our homes to a high standard is evidenced in the performance levels, with all our stock being maintained to our Homes Standard and continuing to benefit from a current gas safety and electrical periodic certificates. As a Board we recognise the improvement in our performance over time, and we remain pleased with the way the repairs service, Gateway PropertyCare, has improved year on year since it was brought in-house in April 2013. Stretching performance targets have been met and the service continues to compare well with our peers in terms of quality, cost and customer satisfaction.

Following targeted action we are pleased that staff absence rates have improved, with the average days lost reducing from 9.17 to 6.81 (an improvement of 25%) and now seeing us compare well with our peers. Our corporate focus on improving tenancy sustainability continues to have a positive effect. Turnover continues to fall, and is now at an all-time low of 8.36%. Void rent loss also remains low at 0.78%. Both results exceeded our target for the year and see us compare well with our peers, with both results placing us in the middle upper quartile when benchmarked.

In terms of areas for improvement we are keen to see a better rate of satisfaction with our newly developed homes. Whilst we have set a challenging target of 100% satisfaction this was the first year that performance has fallen below this target. Feedback received to date confirms that we are able to improve our contract management and lettings processes in relation to new homes and are keen that these improvements are implemented over the coming 12 months and our stretching target met in 2017/18.

Overall, we are pleased that our tenants remain very satisfied with the service they receive and are particularly pleased that they are increasingly satisfied with the value for money for the rent they pay. Over the past 12 months we have implemented a range of cost saving measures in response to the 1% rent cut and so are pleased to see satisfaction levels remaining high in most areas.

Our performance management framework also includes close scrutiny of our financial position and we use a number of measures to assess our ongoing financial performance. In measuring financial performance we recognise that there are a number of stakeholders interested in our performance and we have established a range of measures to provide a wider understanding of our financial position. The table below provides a summary of financial performance in 2016/17 with a comparison against both our target for the year and performance in the previous year and, where applicable, a comparison to other housing providers using financial measures used by HouseMark, the Sector Scorecard pilot and the HCA.

Financial Performance Measure	2015/16 Actual	2016/17 Target	2016/17 Actual	2016/17 Result	Comparison to other housing providers	
					Upper Quartile	Rank
Operating Margin	25.34	22.01%	35.94%		35.9%	1
Net rent collected	99.12%	98.20%	100.21%		N/A	N/A
Current arrears as a percentage of net rent debit	1.02%	2.76%	0.80%		1.82%	1
Rent loss through voids	0.86%	0.85%	0.78%		0.73%	2
Amount of savings achieved to date	£2.3m	£1.2m	£1.9m		N/A	N/A
Total invested in new build development	£8.6m	£5.2m	£2.0m		N/A	N/A
Average interest rate	4.49%	4.24%	4.20%		4.50%	1
Interest Cover (EBITDA)	279%	146%	300%		348%	2
Management Cost Per Unit	£1,210	£1,301	£890		£917	1
Service Cost Per Unit	£210	£235	£219		£219	1
Maintenance Cost Per Unit	£760	£751	£735		£770	1
Major Repairs Cost Per Unit	£470	£700	£570		£634	1
Other Social Housing Cost Per Unit	£210	£187	£170		£77	3
Headline Social Housing Cost Per Unit	£2,870	£3,175	£2,580		£2,919	1
Overheads as a percentage of adjusted turnover	11.64%	11.76%	10.28%		10.30%	1

	Quartile Key			
	Upper Quartile	Middle Upper	Middle Lower	Lower Quartile
HouseMark / HCA	1	2	3	4

Overall our financial performance in the year was positive with the majority of our targets being met. We continue to have strong performance on income recovery, with high levels of rent recovery and low levels of rent arrears and rent lost through properties standing empty. In the year we collected 100.21% of net rent, £25.8m in cash terms, and in doing so outperformed our cash collection target by £1.4m. Our performance in this area compares favourably with that of other housing providers, with current rent arrears of below 1%. This sees us ranked highly amongst our HouseMark peer group and ensures we are well placed to tackle the challenges posed by the reforms to the welfare system. We have made good progress in controlling our costs and implementing the first year of efficiency savings in response to the national rent reduction policy. Overall, the strong performance in terms of income collection and management of costs has seen us achieve an operating margin of 36%, which is above our target for the year and compares favourably with others.

As a Board we are cost aware, retaining a good understanding of our cost base and the way in which resources are directed. We continue to review our cost base to ensure that we are operating cost effectively and are targeting our resources in the delivery of our corporate objectives. We use the HouseMark cost benchmarking service to help us understand and challenge our cost drivers and to assess how our costs compare to others to see where we may be able to generate greater efficiencies. To further evaluate how we allocate resources we have again reviewed the unit cost data provided by the HCA in 2017 as part of the 2016 Global Accounts of private registered providers.

Overall, our headline social housing cost per unit stands at £2,580. This is a significant improvement on the previous year, with overall costs reducing by £287 (equating to 10.02%). Our cost per unit compares well with other housing associations, with our current headline cost being at the lower end of the HCA benchmarks. The positive movement between years is made up predominantly with reductions in our management costs, which is consistent with the savings plan being implemented in response to the 1% rent cut. Our continued improvement in cost efficiency in our overheads is one example of where savings have been actively targeted and secured, with overheads as a percentage of turnover having fallen for the 4th year in succession and now stand at 10.28% and sees us move into the upper quartile when compared to our peers. This is a particularly pleasing result given our turnover is relatively low compared to others given the relatively low average rent levels within Preston. This has been achieved through a focus of procurement and the introduction of more efficient working practices. Our maintenance costs remain low, while still achieving strong levels of performance and high rates of satisfaction. Major repair costs also remain low, currently at £570 per unit. We are aware that this is a temporary position that is primarily driven by the cyclical nature of our major investment programme. Over the long term our average cost per unit in this area is estimated to be between £900 and £1,000, which would see our overall cost per unit rise to around £3,000. This would still place us at the lower end of the benchmarks, demonstrating an efficient business model. Looking forward we will continue with the same approach, making informed choices about investment whilst retaining a focus on delivering the approved efficiency programme.

Our tenants opinion on the value for money they receive for the rent they pay is an important measure for the Board, and provides a good challenge as to whether our priorities for investment and the ongoing drive to operate more cost effectively are being targeted in the right areas and are having a positive effect. We are pleased to see that the latest STAR survey results confirmed further improvements in this area, with satisfaction increasing by a further 2.9% to 89.0% - and seeing us placed in the top quartile when benchmarked against our peers. Overall, since CGA was established satisfaction in this area has consistently improved from a base of 73.9% and the latest results are particularly pleasing given the increased financial challenges being faced by many of our tenants and the ongoing implementation of our efficiency programme.

Getting a return from our assets

The Board recognise the importance of considering long term viability decisions on how and where we target our resources to secure the best return from our assets if we are to continue to respond to the financial challenges facing our organisation as a result of welfare reform, reduced rental income, demographic changes and increasing customer expectations. The need to deliver savings and demonstrate value for money has meant there is an even greater need to ensure our assets are being used to maximum benefit.

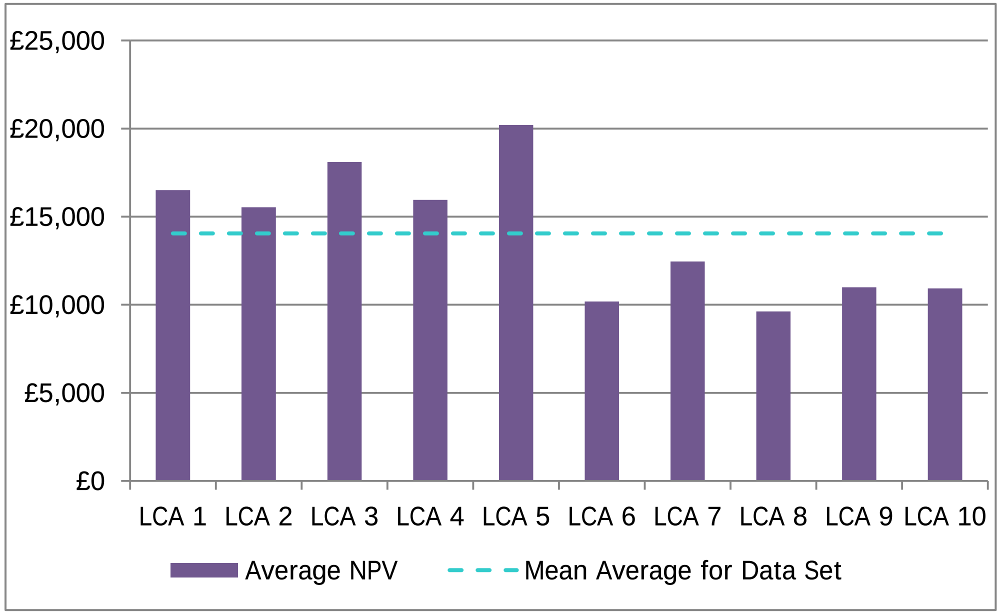
This approach requires a full understanding of the long-term financial value and performance of our assets and requires us to use the comprehensive data we have built up to make strategic decisions around whether to continue to invest in maintaining existing properties, or whether alternative options should be considered in order to evolve our housing stock and provide homes and estates that better meet the existing and future needs of our customers.

To enable us to do this we have continued to refine the information we hold in our Asset Management Information System (AMIS) while continuing to use it to guide our investment decisions and carry out individual appraisals to inform decision making about specific homes and schemes. During 2016/17 we have used the information to inform our fencing and environmental works programme, undertaking projects in LCA 6 and LCA 8 in consultation with our tenants, as a result of negative indicators flagged on AMIS and also used it to consider the divestment of one of the few high value void properties which became available during the year. We have also undertaken valuations to all our homes and updated this information in our AMIS and we are looking to further refine the system during 2017/18 to ensure we have a system which is more closely integrated to our core information systems; allowing us to undertake more comprehensive NPV modelling of investment decisions.

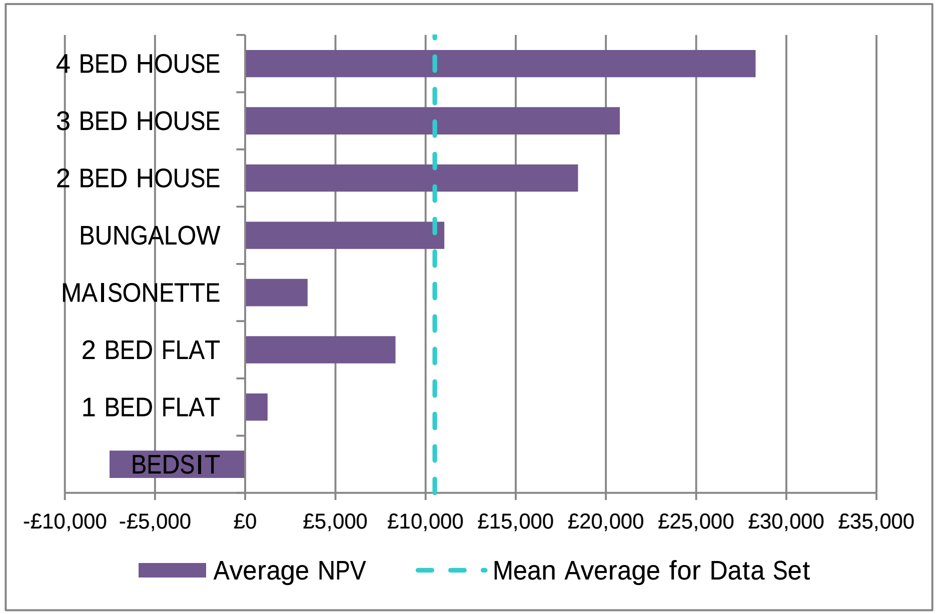
Our updated information shows that although some of our properties have a low NPV compared to others, the large number of flatted accommodation owned (approximately one third of all stock), combined with the low market value of much of our stock and their estate based location mean it is extremely difficult for us to generate a sufficient return by selling the properties to provide for the greater than one-for-one replacement needed to demonstrate VfM and meet our growth aspirations. Only 83 of our properties have a market value of over £125k, 51 of which are new build or recent acquisitions. This leaves only 32 properties that could be considered for disposal via market sale to provide a return.

Whilst there remains a difference in the financial performance between different areas, all areas indicate a positive net present value ranging from £9,622 to £20,209 as shown in the Graph 1 below “Average NPV by LCA”. The key differing factor in the financial performance of our stock remains the property type; bedsits, flats and maisonettes achieve a significantly lower NPV than our houses as can be seen in the Graph 2 - “Average NPV by Property Type”.

Graph 1 - Average NPV by LCA



Graph 2 - Average NPV by Property Type

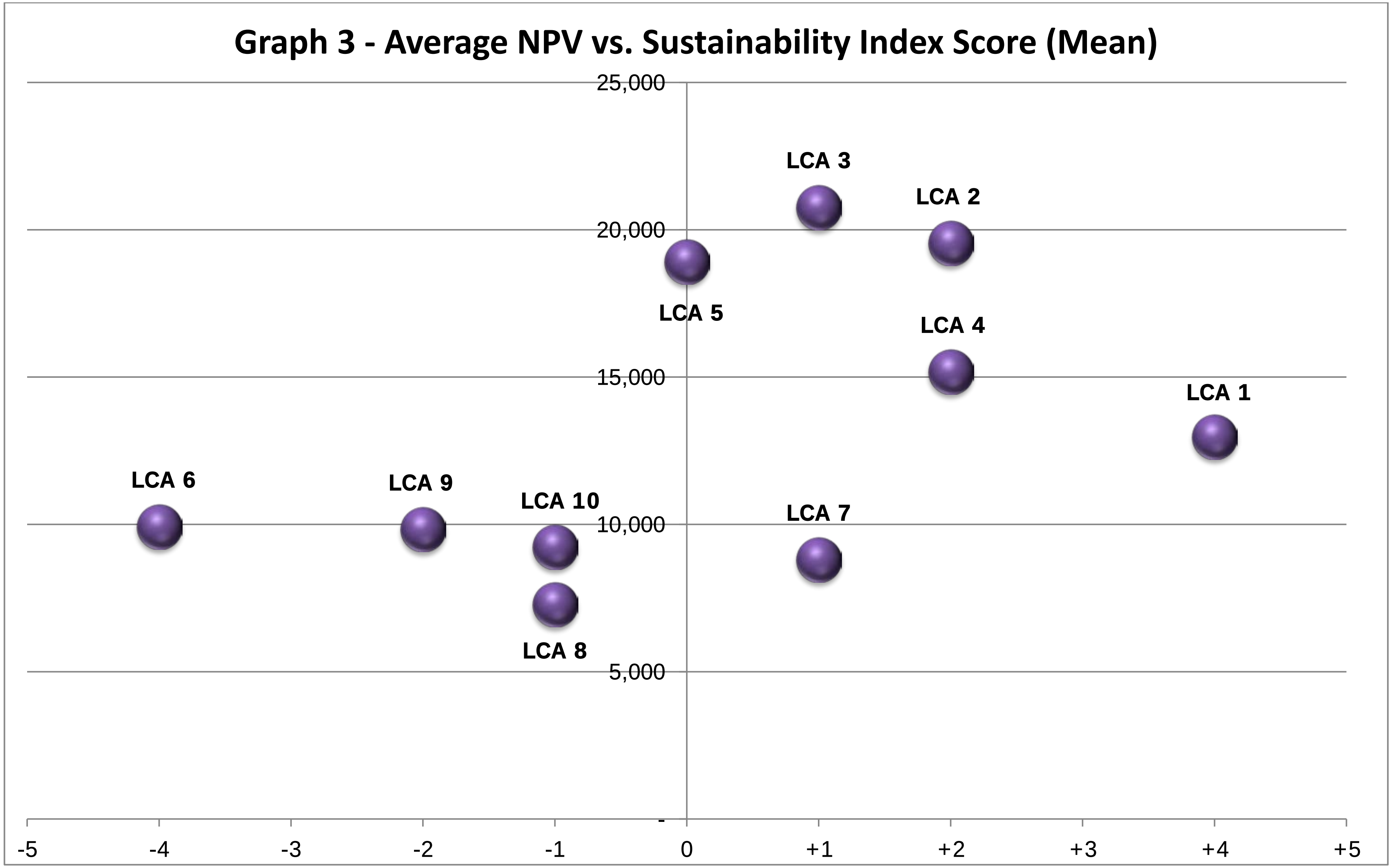


As a result of our increased intelligence, CGA reviewed its Asset Management Strategy in early 2017 to focus our activities in 3 key areas - maximising asset performance whilst ensuring we meet customers needs and deliver effective and efficient programmes.

As part of this revised Asset Management Strategy we have formalised our approach to undertaking option appraisals, using information from AMIS to identify 5 schemes per year on which to undertake a formal option appraisal using our newly developed Retention, Divestment & Investment Framework, with the aim of improving the average NPV of our stock by 5% by 2022. Each Option Appraisal considers all options including doing nothing, minimum/maximum investment or divestment via a variety of routes. Assessments are carried out using different potential income streams and take into account not only financial factors, but also a number of non-economic factors identified as improtant by our customers. Overall recommendations are based on both the financial and non-financial elements of the appraisal.

The option appraisals are led by our Investment Steering Group which comprises of colleagues from across the organisaiton. In addition to completing the formal option appraisals, the group meet every month to consider any issue that can impact on the value, viability and use of our assets including assessment of high value or high cost void properties. This results in collective decisions on stock which is difficult to let, in low demand, problematic or requires a disproportianately high level of investment. .

The difference in financial performance between our differing property types and the limited range of properties owned by CGA mean that it is important that we consider a variety of issues when assessing our stock and undertaking our option appraisals, in particular the wider social and environmental return on our investments. Graph 3 below shows how our stock performs when the financial return is compared to a range of selected sustainability indices including satisfaction, demand and turnover.



As can be seen, although all areas are providing a positive financial return, 4 of our areas have a negative sustainability score. This is an improvement of 1 from last year with the poorest performing area, LCA 6, which was an area of focus during 2015/16 and 2016/17 improving its sustainability score from -6 last year to -4 this year, which followed a 27% increase in its NPV the previous year.

CGA also has a number of non-housing assets that continue to be effectively managed:

- **Garages:** Approximately 40% of our 198 garages are void. We have identified 7 sites where occupancy and demand is particularly low and high levels of investment are required. Demolition of these sites will provide limited opportunities for development but will reduce on-going maintenance costs. These potential development sites have been captured on our Assets and Liabilities Register and development and regeneration schemes will be worked up when funding allows.
- **Commercial Properties:** We have 33 shops which we let out on commercial rents to support the needs of our communities. These units perform well for the organisation with high levels of occupancy and low void levels and rent arrears. An option appraisal carried out on these units during 2016/17 showed that overall, our commerical properties produced a positive NPV for the organisation of £2.3m. There are however some local variations between these schemes, particularly those units which have maisonettes located above them and we have therefore focused on indivudual sites to determine the best local solution, beginning with an option appraisal on one of the poorer performing schmes which is being undertaken in 2017/18.
- **GatewayGreen Care Depot:** During the year we also relocated our works depot to Chain Caul Way. This followed a comprehensive options appraisal that resulted in our works depot being re-sited to a preferential location in terms of size and accessibility and also securing an annual cost reduction of £30k (equating to approximately 20% per annum) from April 2017 onwards.

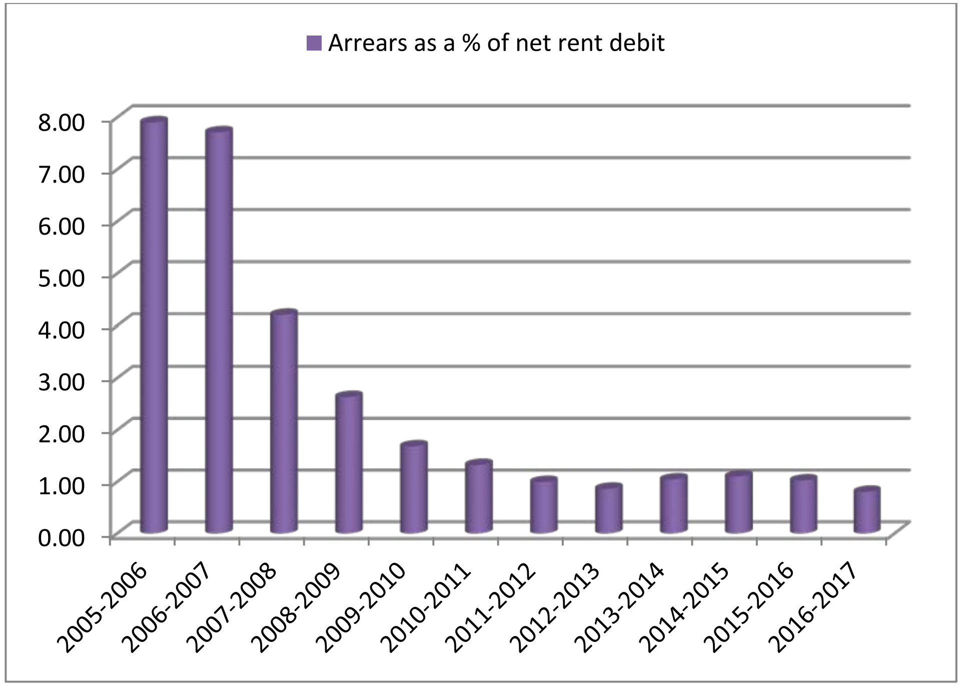
Maximising Performance

The relatively low market value of our homes and their limited range mean that our primary asset is therefore the rental income that our homes generate and our liabilities in the main lie in the costs of managing these homes. If we are to secure the greatest return from our assets in order to invest in new homes and deliver our corporate, social and growth objectives, we must continue to be innovative in our approach to maximising the income from our assets and reducing our cost liabilities.

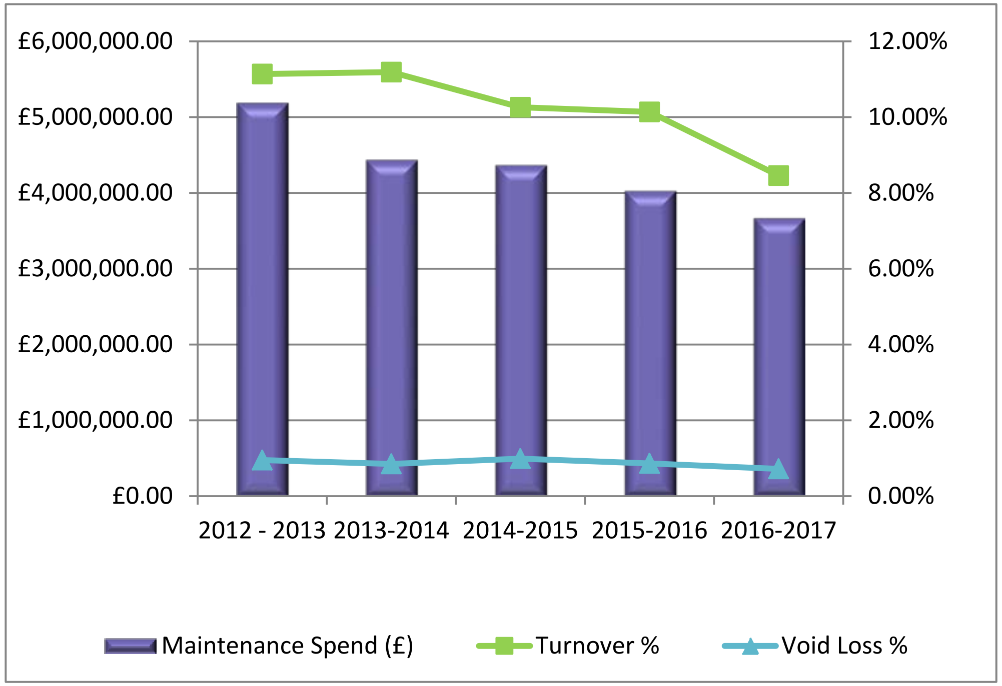
Graph 4 shows the sustained improvement in relation to the collection of our rental income which continues to outperform our operational and business plan targets. During 2016/17 our revised Tenancy Support Team and amended working practices assisted our Income Collection Team to collect 100.21% of our rent, reducing our arrears as a percentage of net rent debit to 0.8% which, despite the many challenges faced as a result of welfare reform, was our best result in CGA's history.

Graph 5 below shows the overall progress we have made in maximising the performance of our assets through robust performance management and focused action. Gateway PropertyCare have continued to deliver efficiencies whilst improving customer satisfaction, significantly reducing one of our largest areas of spend (maintenance) whilst at the same time we have secured additional income through reduced void rent loss and reduced terminations with turnover continuing to fall to our lowest level of 8.36%.

Graph 4 - Arrears as a % of net rent debit



Graph 5 - Maintenance, Turnover, Void Rent Loss %



As well as actively managing our existing assets we have continued to develop much needed new homes as part of our development strategy. During the year we have acquired, built and let a further 30 homes, investing over £2.9m in these schemes, and in doing so are on track to deliver the programme of development agreed with the HCA under the Affordable Homes Guarantees Programme and the 2015-18 Affordable Homes Programme. Highlights in the year include:

- Entering into contract through two S106 agreements with a private developer, Story Homes, which delivered 10 homes in Clitheroe and a further 5 in Preston;
- Continuing to develop purchase and repair properties, with all refurbishment work being undertaken by Gateway PropertyCare and the projects now being managed by our in-house development surveyor, negating the requirement to employ external consultants resulting in an estimated saving of £800 per property;
- Following on from our first successful Community Led Development on Overton Road the second Community Led Development commenced in Ingol towards the end of the financial year which will see the delivery of 8 bungalows and 2 locally acquired purchase and repair properties;
- We have also continued with the development of Phase 1 of the Savick Master Plan, which will see 10 homes built across three sites within our ownership following a successful bid to the Homes and Communities Estate Regeneration Fund that attracted £64k to contribute towards expenditure on resident consultation, survey fees and the appointment of consultants.

As a Board we regularly assess the progress on development and implementing our development strategy. Following the Emergency Budget we have reviewed our plans and during the year the Board have approved a Growth Strategy that has set a stretching target for CGA to own and manage 7,000 homes by 2022. To achieve this target we need to achieve net growth of 827 homes over the next five years, (circa 13%). To achieve this we will need to continue to build on the positive relations we have with local partners, commercial developers, neighbouring housing associations and the HCA to continue to develop suitable opportunities. We have the finances in place to deliver 272 of these homes and will progress our refinancing review during the coming year to establish the best route for accessing the additional capital financing that is required to deliver the target in full.

VfM gains and reinvestment

The Emergency Budget in July 2015, in particular the 4 year rent reduction, led to a comprehensive review of our financial plans. The impact on our income was significant, requiring £8.3m (8%) to be saved over the 4 year period and recurring cost savings of £3.5m per annum from April 2020 onwards. In order to achieve the overall £8.3m target a savings target of £1.2m was set for 2016/17. As highlighted in the financial performance section above we have made excellent progress in the first year having exceeded the target. Of the total £2.1m savings achieved, £1.9m are recurring savings and have been reflected in the budget for 2017/18 and future years. The table below summarises the savings made.

Activity Area	2016/17 Savings Target £'000	2016/17 Savings Achieved £'000	Assessment	Key Achievements
Management	1,019	1,600	Target exceeded	• Implemented revised staffing establishment following review of priorities, standards and working practices. • Improved efficiency of our resources (re-procurement of contracts, review of our accommodation costs, reduced printing costs through printing in black and white and double sided, holding managers strategy days at Harbour House rather than an external venue).
Repairs & Maintenance	211	522	Target exceeded	• Lower number of voids and a 14% reduction in cost of void repairs. • Re-procurement of void clearance contract saving £60k (21%) per annum over the life of the contract.
Total	**1,230**	**2,122**	**Target exceeded**	

Investment Programme

In response to the Emergency Budget we also revised our investment standard – our Homes Standard. We are currently in the process of implementing this revised programme of investments, which when fully rolled out are estimated to achieve savings of £26m over the life of the business plan. In addition to this we are also keen to exploit further efficiencies where they are available and during the year we have invested resources in two key areas that will see savings delivered over the short and medium term:

- Boiler replacement programme that led to a 20% reduction in breakdowns, freeing up 166 working days per annum that was utilised to carry out gas installations that were previously outsourced;
- Implementation of high quality communal lighting and targeted security lighting to reduce ongoing repair costs and to improve tenancy sustainment.

Working efficiently and providing social value

At CGA VfM is not just about achieving increased efficiency. We recognise the importance of CGA remaining committed to its social purpose, and that is why social value is one of the key objectives within our VfM strategy and is a central feature of our Corporate Plan. We continue to use our resources to invest in our tenants and their communities and are prepared to use the surpluses that we have generated through more efficient working practices. We will accept lower returns on some activities in order to achieve our social value objectives.

Some of our achievements over the past year have been:

- Providing support to 75 community and voluntary groups and, although we have reduced our funding to such groups during the year, with a targeted investment in groups which are at the heart of our communities we have:
  - targeted groups that support young people involved in social, educational and diversionary activities within our neighbourhoods, resulting in 1184 young people engaged in activity; this included 2 Park It Events in the Summer of 2016, the #makeanoise event and the ongoing work with Young Gateway Action Group (YGAG).
  - focused on activities which combat social isolation and health and well-being, with an emphasis on older people within our communities. We were able to secure external investment of £39k and, alongside our own investment of £29k, we were able to engage with almost 9,000 people as part of this activity.

- Gateway2employment has developed as our programme to maximise employability skills across our neighbourhoods. This programme offers tailored support to get our people back into employment or training and covers Job Search, Work Experience, Pre-apprenticeship programmes, Apprenticeships, Training, Volunteering and 1-2-1 support. In 2016/17 our performance was as follows;
  - £65,354 of external funding secured for employment and financial inclusion projects
  - 219 days of work place employment related activities
  - 10 people on the apprenticeship pathway
  - Job Club - 31 people attend Sion Park Job Club with 9 people into employment
  - 87 Volunteers registered covering governance, community groups & hubs, minibus drivers and YGAG

- Support to involve residents in CGA, central to the Gateway model has resulted in increased involvement in CGA. This year we have increased membership to over 4,300, exceeded our targets for regular and active involvement opportunities and increased overall satisfaction with opportunities to be involved to 78.6% (74.2% in 2015/16).
- Providing our tenants with a range of money advice and wider tenancy support to help sustain tenancies and contribute to their continued financial and social well-being. Successes include securing over £2.1m of additional financial support for our tenants, exceeding our target by more than £300k. We continued to work with other partners including the Salvation Army to provide food parcels to our most vulnerable customers and over 120 children benefitted from toy parcels in our Christmas appeal, funded by donations from staff.
- Staff also make a community activity pledge (CAP), whereby they undertake to be involved in a community activity, supporting a wide range of groups and activities.

What we plan to do next

We recognise that we can and must always strive to do more, to continue to improve the cost effectiveness of our services, to get a better return from our assets and to invest our resources wisely so that we are able to provide more social value. Looking ahead we have a challenging programme of work that includes:

- Delivery of our Growth Strategy targets for 2017/18 which set out our growth aspirations in the areas outlined below
  - to increase in stock size to 6,203 by 31st March 2018, enabling us to spread our overhead costs over a greater number of units, thereby reducing our unit costs;

- to increase operational efficiency by £500k by 31st March 2018 by generating additional income through growth and by securing cost savings through the internal delivery of investment works, creating further capacity to help deliver our growth aspirations and reinvest into service areas in line with our Corporate Strategy;
- To carry out a review of our current treasury management arrangements, with a view to increasing our borrowing facility in order to provide funding capacity to enable us to deliver our Growth Strategy objectives;
- Go live with our Gateway Connect project, improving business systems and enabling more efficient and effective service delivery;
- Sustain our active approach to procurement by reviewing our materials contract, vehicle fleet contract and commercial cleaning contract;
- Undertake the 5 option studies of poorly performing stock identified through the AMIS and identify actions in line with our Retention, Divestment, and Investment Framework.

Our Overall Assessment

CGA complies with the VfM standard due to our:

- Well established and comprehensive decision making framework that supports informed decisions on how resources are best utilised to meet our corporate objectives. This is evidenced by our ongoing achievements, some of which are highlighted above;
- Approach to asset management that demonstrates a good understanding of our assets, their value and how they are used to support the cost effective delivery of our corporate objectives. This is evidenced through the increased development of new homes afforded through the targeted use of our operating surpluses, the successful conversion of properties to affordable rent, the targeted disposal of non-core and poorly performing assets to supplement the funding of our development programme and the continued focus on the sustainability of tenancies and how we can better support this through a keener understanding and more active management of our assets;
- Robust performance management and scrutiny functions that actively contribute to the overall business effectiveness and the provision of an increasing number of good quality cost effective services. This is demonstrated through the monitoring of service provision against agreed KPIs, the influence of customer feedback and wider understanding of how others perform in the sector all contributing to how we develop and improve our services for the benefit of our customers;
- Good understanding of our costs and cost drivers, and the informed mix of identified cost savings and targeted investment in services. The use of benchmarking, both cost and quality, is a key part of our business and is regularly used to inform service improvement programmes, budget and financial planning and new business appraisals.

Looking back, most of the improvement areas identified in our previous VfM self-assessment have been effectively addressed and we have robust governance arrangements and management controls in place to lead on the delivery of objectives for the coming year.

This assessment, together with the Directors Report and Financial Statements, provide a clear understanding of how we are using our assets to deliver our corporate objectives, provide clarity on our costs and current performance levels and how these compare to other similar organisations and demonstrate the VfM gains that have been made.

In summary, CGA has an effective framework for delivering VfM and by continuing to listen to and work closely with our customers and wider stakeholders we will build on our successes and identify and implement improvements to asset management and service delivery that will see us successfully achieve the objectives and outcomes set out within our corporate plan and in doing so make a significant contribution to the sustainability and growth of our communities and increase the social value provided to our customers.

Further information

Stakeholders can find more information on VfM at CGA on our website, www.communitygateway.co.uk This includes the VfM Strategy, the 2016-19 Corporate Plan, the Directors Report and Financial Statements for the year ended 31st March 2017 and a range of other documents referenced in this report.

Appendix 1 – Benchmarking Peer Group

Bolton At Home

Calico Homes

City West Housing Trust

Cobalt Housing

First Choice Homes Oldham

Liverpool Mutual Homes

Magenta Living

New Charter Homes

One Vision Housing

Peaks and Plains Housing Trust

Rochdale Boroughwide Housing

SLH Group

South Lakes Housing

Southway Housing Trust

Trafford Housing Trust

Villages Housing Association

Weaver Vale Housing Trust