2015 – 2018 Value for Money Action Plan

BUSINESS PERFORMANCE

YHG business performance objectives for the next three years are set out below:

Our Targets

1.	**To grow our sustainable asset base through value driven investment / divestment**
•	We aspire to develop 1,000 homes per annum during the life of this plan;
•	We will strategically manage out asset base to optimise the asset value;
•	We will deliver a minimum of 8% Return on Capital Employed (ROCE) from our investments;
•	To develop and implement an acquisition strategy that enables us to deliver efficiencies and economies through greater scale.
2.	**To provide efficient and effective services that meet the needs of customers and the business**
•	We will benchmark our services and will use this to ensure that we deliver value for money for customers when compared with upper quartile peer organisations;
•	Developing innovative products and services to meet the changing needs of our current and future customers;
•	We will optimise and develop the resourcing of the business through effective investment in systems and workforce planning to meet current and future needs.
3.	**To ensure that the business remains commercially agile and well governed to meet future challenges and opportunities.**
•	We will improve returns year on year through economies, efficiency and effectiveness, to deliver surpluses for investment of £50m, within the life of this plan;
•	Risks will be proactively managed to safeguard the business and provide sound governance assurance to our board, customers and our key stakeholders;
•	We will determine and develop universal and targeted offers to support neighbourhoods and investment priorities.

YHG will continue to drive value to enable us to invest in those things that matter most to our customers. In this period we will aim to deliver returns from our assets in line with upper quartile performance in the sector. This will enable us:

- Create substantial efficiencies to meet the challenges of welfare reform and rent reductions as set out in the July 2015 budget
- Deliver our growth strategy of delivering up to 1000 homes per annum by 2018
- Fund targeted reinvestment and regeneration that improves returns on our assets
- Invest in group wide large scale community projects that contribute to delivering sustainable communities and tenancies.

Each of our main business streams has developed specific value for money objectives to enable delivery of their objectives. These objectives form our 2015/18 Value for Money Action Plan and are set out below:

ASSET MANAGEMENT

Return on Assets – we will aim to deliver a Return on Capital Employed in line with best in peer group by the end of this plan through delivery of cost savings, efficiencies and from our Strategic Asset Management Strategy.

An **Action Plan** to deliver our Asset Management strategy will be developed by September 2015 and a detailed Action Plan to support the strategy by March 2016 to ensure key outcomes and targets are delivered in an effective, efficient and economic manner and are clearly linked to YHG Strategic Objectives. The Action Plan will be monitored and reviewed each quarter.

This will be supported by the operational delivery of core asset services and see a reduction in expenditure on responsive and void repairs through the re-procurement of the services in March 2016, and the re-procurement of planned investment works by June 2016.

Thematic Area	14/15 performance	15/16 target	16/17	17/18	Top Quartile
Satisfaction with condition of home	83%	85%	86%	88%	87% - GN 95% - OPS 94% - SU 86% - LH 84% - SO
Satisfaction with repairs service	78%	80%	83%	85%	84% - GN 93% - OPS 89% - SU 61% - LH 40% - SO
Maintenance costs per unit	952	942	895	840	954 NW TOP
Decent homes performance	99.8%	100%	100%	100%	100%
Number of homes with an energy rating below band E	1066	1000	500	0	n/a
Complaint resolution (time)	71.8%	85%	85%	85%	N/A

Strategic Asset Management – In 2015/16 we will move to using an Asset Performance Evaluation (APE) model to assist in effective management of resources and to inform future formal Neighbourhood Planning activity. The APE process will assist YHG to achieve Value for Money by ensuring that we make investment and maintenance decisions based on sustainability and financial, social and environmental returns. The APE model will enable us to clearly identify stock that is suitable for disposal, redevelopment and tenure change. This will help to improve our return on capital employed and ensure that we only invest in viable properties.

By 31 March 2016 our APE model will be fully functional the output of which will be a detailed strategic asset management plan of investment and divestment priorities. The detailed master plan will have identified areas for priority investment in the short to medium term, including areas where fundamental master planning is essential for the sustainable future of the assets.

Divestments - In 2015/16 as part of our strategic asset management we will aim to dispose of 20 void properties for £900,000. This is estimated to generate a net receipt of £735,000 and save YHG over £500,000 in reinvestment costs. Capital receipts will be used to fund the regeneration and development of properties which better meet the aspirations and needs of our customers.

DEVELOPMENT

Growth – Implement the growth strategy to deliver 1,000 homes per year. This will include a mix of tenure types, shared ownership and outright sale across our product mix of Affordable, Extra Care and Private Rental Sector providing homes for new and existing customers. Outright sales will create surplus for reinvestment in new homes.

Private Rented Sector – Deliver 40% of our overall growth target as private rented homes to create a surplus for reinvesting in homes. We plan to hold PRS homes over the long term which will deliver an IRR of 7% or 2% above core.

Innovation – Build and further develop standard house types to drive efficiency and consider volumetric and part pre-fabrication options. The 10 newly created house types will be produced by September 2015 and will be accessible using BIM (3D Building Information Modelling). This will allow a detailed design approach that will allow a more efficient method of pre-construction. We will aim to increase value through specification, reduction in Life Cycle Costs and target a reduction on overall costs when compared to our competitors.

Lease structures – We will review our shared equity, shared ownership and lease types to ensure that we are delivering best returns from our assets.

Investment Appraisals – We will complete post investment appraisals on all AHP1 schemes and build any learning from this into future appraisal parameters of new schemes. We will further embed development parameters, golden rules and options appraisals into all investment decisions to deliver a ROCE of 8%. A final post investment appraisal of the AHP Programme will be completed as the schemes are completed. There is an expected saving over time on build costs against original budget in excess of £2m.

Life Cycle review – We will undertake a life cycle review of completed schemes to measure the impact of our new specifications. Our build components have been selected to ensure longevity and reduced lifecycle costs. Our review will test whether these benefits have materialised in reduced call outs, reduced cyclical and planned maintenance requirements. The results of this review will be used to inform future procurement plans and it is expected to provide results over the next 12-18 months.

GENERAL NEEDS

We have established some clear Key Performance indicators for our Core General Needs delivery which are focused on delivering value for money for our customers. These are set out below:

Thematic Area	14/15 performance	15/16 target	16/17	17/18	Top Quartile
Relet days	17.3	17	16	15	20.8
Rent Void Loss*	1.3%	1.2%	1.13%	1.05%	N/A
Rent Void Loss	0.5%	0.45%	0.42%	0.40%	0.7%
Void and available	0.6%	0.5%	0.5%	0.5%	0.3%
Overall Satisfaction	84%	85%	85%	85%	89%
Complaint resolution (time)	71.8%	85%	85%	85%	N/A

*Rent loss on all unoccupied properties, not just empty and available.

Understanding and improving Performance – we will continue to use performance information and Star Survey results to understand variations in performance across regions. We will use this information to help to close performance gaps across the business to improve both customer satisfaction and financial returns in line with top quartile benchmarks, delivering more for less and improving customer retention, as indicated on the table above.

Efficiency of Service and Channel Shift- we will conduct a major review of how we interact with our customers. We will aim to increase our self-serve on-line services and will have set an ambitious target of 75% of Customers interacting on-line with us within the next 5years. We believe that this will provide a more reliable and hassle free option for Customers that is available 24/7. The service will be automated to ensure efficient, immediate and personal responses.

To do this we are going to use 2015/16 to understand and deliver the following:-

Reduce by 5% each year the amount of avoidable contacts Customers have with our teams and the un-necessary time and effort it takes to resolve them. This will include primarily looking at all of our back office processes around Your Response and Housing Management Services to identify how we can move more things on-line and target our expertise and resource where our Customers need it most.

Substantially increase our knowledge of our Customers by the end of 2015/16 especially around their on-line activity and capability. An early measure of this will be to increase the number of email addresses we currently hold for Customers from 27% for General Needs Customers to 50% target by the end of 2015/16.

We believe this review will result in improved and faster service to our customers and will create efficiency savings thus driving value for money.

Allocations – we will continue to lower the cost of allocations through developing creative approaches to advertising and administering applicants. We will widen our client group and appeal to new customers. As part of this we will learn from other sectors such as the private rented sector. This work will deliver better value for money through quicker re-let times and reductions in void rent loss. It is anticipated that this will help the Group generate savings which will be determined as the year progresses.

COMMUNITY SUSTAINABILITY AND REGENERATION

Social Value

In 2015/17 we will continue to develop our approach to capturing social value from the work of the community sustainability and regeneration teams as well as our contractors and partners. Our aim is to maintain our current social value performance of £18m per annum. This is measured using the HACT Value Insight Tool a robust methodology that measures social value.

Sustainable Tenancies

In 2015/16 we will assess the contribution made by our tenancy sustainability teams (money advice and tenancy support) to voids and bad debts. Our aim is that 90% of customers who engage with tenancy sustainability services will still be in their homes in 6 months. This is expected to lead to a 3% reduction in rent arrears of the engaged group and 5% saving in void costs and evictions cost compared to customers who were referred to our service but declined or failed to engage.

Neighbourhood Planning - Quality Counts

In 2015/16 we will develop our approach to Neighbourhood Planning under the banner of Quality Counts. This approach will identify the regeneration interventions that have the greatest impact on creating sustainable communities. We will attract external cash and in kind funding of £300k. In addition we will increase the match/external funding to support Community Regeneration work by 1% through the introduction of a levy on new contracts tendered. In 2016/17 we will develop systems that will enable us to capture and report on this impact.

Quality Counts will engage in, measure and evidence larger scale more targeted interventions to support our residents. The Quality Counts approach will aim to deliver projects and improvements on a large scale that matter most to our customers that in turn deliver sustainable tenancies and communities.

OLDER PEOPLE SERVICES, RETIREMENT LIVING AND SUPPORTED SERVICES

Review of Older Persons and Supported Services – We will complete the financial review of all schemes and deliver recommendations in order to drive value and further improve bottom line performance by £0.5m per annum.

Care Homes – In 2014/15 the Board approved the disposal of our remaining care homes. In 2015/16 we will dispose of our care homes ensuring sustainability of service and homes for our residents, whilst improving the financial returns of YHG and providing a cash receipt of around £850,000 for ongoing investment in extra care schemes.

NON SOCIAL

Our Non-social portfolio includes key workers, private rented sector, intermediate market rent and leaseholders. We have established some clear targets to improve value for money for our customers as set out below:

Intermediate Market Rent – YHG has around 130 IMR properties. These were properties originally built for shared ownership / shared equity sale in 2008. Due to the housing market downturn these properties were converted to market rent. It is anticipated that at least 14 of these properties will be sold in the year 2015/16 generating a cash surplus of circa £400,000. The remaining houses will be targeted for sale during the life of this plan.

Key worker – We will secure the Group's contractual and financial position on two Keyworker Schemes – Chorley and Wythenshawe, by entering into new contractual agreements at the end of the existing terms ensuring that return on these assets is maintained. This will protect annual surplus of £500k.

Cost Reduction – We will reduce lettings costs for our Non Social Housing by 10% by utilising National Letting Agencies. We will also reduce responsive repair costs by 10% on our IMR / Market Rent properties by introducing an in-house repairs service, thus reducing the need for 3rd party contractors. This will generate annual savings of £15k to £20k per annum.

Staircasing – We will undertake a targeted approach to encourage and support customers to purchase their homes outright releasing equity value to invest in more homes. In 2015/16 we will aim to achieve staircasing sales generating a surplus of circa £1.4m.

PROCUREMENT

YHG procures an annual amount of over £ 110m on goods and services, and the introduction in FY15 of a Group Procurement function aims to deliver a minimum 10% annual real cost reduction by 2018.

The first stage of the group procurement plan is underway. This is the assessment of a detailed spend and product categorisation exercise, which will subsequently be used to develop an Opportunity Assessment statement by September 2015. This will then form the basis of the Group Procurement Plan which is anticipated to be rolled out from December 2015.

By recruiting an appropriately sized and suitably skilled procurement team over the next 6 months, YHG will be able to complement the spend reduction plans with additional measures that demonstrate VfM visibility, namely:

- The introduction and maintenance of a group wide Contracts Register;
- The implementation of a Category Management model which will be based around the output of the spend analysis/product categorisation exercise. This will facilitate a full end to end supply chain approach to be adopted by April 2016;
- The introduction of effective Contract Management and the establishment of strategic relationships with key tier 1 and tier 2 suppliers by April 2017.

By adopting such effective procurement processes and procedures, YHG will ensure the delivery of long term supplier partnerships alongside substantial cost reductions.

BUSINESS INFORMATION, FINANCE AND TREASURY

Business Information, Finance and Treasury will play a key role in delivering value for money and ensuring YHG delivers its objectives. Specifically we will deliver the following:

Business Information – The provision of smart, relevant, automised and timely Business Information will enable managers, executive and Board to make informed decisions about future strategy and direction and will enable scrutiny of performance on a scheme by scheme basis. This will enable us to control risk and deliver financial and service improvements as set out in this plan.

Business Planning and Forecasting – Our medium and long term financial plans will be further developed to drive returns for our customers in line with best in sector. Continual review of financial performance at a detailed level will ensure that we move to delivering returns in line with upper quartile performance.

Our detailed financial planning will target and facilitate group wide annual savings of £26m per annum by 2018 including £11m procurement savings discussed above. These savings will be driven from in depth reviews of every business area for efficiency, effectiveness and economy.

Service Charge Review – During 2015/16 Finance will lead a review of service charges across YHG to ensure our processes are fit for purpose, deliver value for money and ensure recovery of service charges is in line with our leases. We will expect to see service income move up to 110% of Service Costs increasing income and bottom line surplus across the group.

Credit Rating and Fundraise – In 2015/16 we will deliver a YHG credit rating enabling us to deliver a major fundraise at optimal cost. This will provide the finance required by the Group to deliver against its growth strategy.

Strategic Pension Review – YHG provides an array of pension schemes for staff and we are carrying a large pension deficit. In 2015/16 we will undertake a strategic review of our pension provision which will enable us to consider our options to deliver the most effective and efficient management of pensions. The final plan will be designed to control the cost of pension provision, manage risks of pension deficits and to simplify provision where possible.

PEOPLE SERVICES & COMMUNICATIONS

Workforce Planning – We will deliver a workforce plan that ensures efficiency, effectiveness and economy from our people resources. Through this planning we will support the business to review and rationalise all group operating structures ensuring that our people deliver best VFM and that our people costs are in line with the best in the sector.

Self-serve HR models – In 2015 we will implement self-serve for our staff reducing central overhead and improving services.

Performance & Development Review (PDR) Process – An improved process for target setting and performance review will be introduced in 2015/16 that ensures all staff fully understand their contribution to the delivery of the Group Wide Objectives.

FACILITIES

Office Consolidation – From April 2015 we will generate management cost savings of £170k through closure of Tustin Court and the associated relocation of staff to Eavesbrook House.
Further Management cost savings of circa £70k per annum will be achieved from July 2015 through the closure of our Benson Road (Warrington) and Brookvale (Runcorn) premises. This will involve relocating staff from both locations to our head office, 602.

By December 2015 we will confirm future plans for consolidation or remodelling of our two Manchester offices, Apex House and Princess Street. This is likely to involve disposal of at least one of these offices delivering cash receipts of between £325k - £500k (Apex House) or between £790k - £950k (Princess St) with running cost savings of £267k and £92k respectively.

In 2017 Columbus Quay will close at the expiry of its lease. We will arrange for relocation of staff to achieve further efficiencies of up to £200k in rental costs.

ENVIRONMENT

YHG has developed an environmental statement and action plan which covers the following:

Our Customers – We aim to educate our customers and promote services that will support them to reduce fuel poverty, save money and reduce impact on the environment.
Our People – Through our "Better ways of Working" initiative we will educate our people so that they minimise the impact that they have on the environment through recycling, transport efficiency and optimising use of technology.
Our Assets – We will use products and select partners that minimise the impact that our built assets (existing and new) have on the environment. Core reinvestment contracts will be re-procured during 2015/2016 to ensure that we optimise the provision of labour and resources to reduce environmental impact and deliver effective value for money services from 2016/2017. In addition we will review the energy performance of our assets by January 2016 to identify focused investment plans that will improve their energy performance.
Our Offices – We will understand the current impact our office management has on the environment and take action to reduce this impact wherever we can. In addition to introducing a range of recycling initiatives we will by March 2016 have investigated the viability of alternative sources of electricity and water saving initiatives for all freehold offices over 5,000 sq ft and those rented offices, over 5,000 sq ft which involve leases with in excess of 5 years to run.

In 2015/16 we will deliver the YHG Environmental Action plan and as a result be able to demonstrate measurable environmental and financial benefits.

In 2016/17 we will assess YHG against the environmental management system. We will develop our use of social value / environmental methodology to better understand the value of energy efficiency measures, inform decision making and improve the performance of our properties.

In 2017/18 we will seek Environmental accreditation.

Electronic Archiving – Current annual off-site archive storage costs of circa £42k will be eliminated through the increased use of electronic archiving. We will aim to reduce costs by 25% (£10,500) in year 1 and to zero within 3 years. This will be achieved by disposal of old records, back scanning and / or relocation of records to existing YHG property. Use of electronic archiving will continue to minimise our use of paper and printing and we will conduct an analysis of these costs early in 2015/16 for benchmarking purposes.

Recycling – YHG is committed to recycling a full range of plastics, glass, can, paper and cardboard products with the aim of ensuring no more than 5% of its waste is committed to landfill. So far this has been achieved for 602, where currently 0% of our waste is committed to landfill. By December 2015 we will install a similar range of recycling facilities in our other principal office locations.

Energy - In 2014 / 15 we have, with the support of our energy consultant, almost completed the process of reconciling our utility meters. In 2015/16 we will begin to analyse costs across the group to set a baseline and to establish a methodology for driving energy reductions of at least 5% per annum.

ICT

ICT provides a key service to the group and our customers and will play a central role in the development of processes and systems to streamline our services.

Reduction in ICT costs through procurement by 15% over 3 years. This will be achieved through the continuous review of the Group's business applications and service contracts to leverage cost reductions through economies of scale, centralisation and supply chain consolidation as well as an annual review of the department structure and operating model.

We will benchmark our ICT costs against other large Housing Associations (with greater than 10,000 properties) and the private sector to manage our performance as efficiently as possible.

GOVERNANCE

Our legacy board and governance structures are complex and inefficient. Over the next three years we will aim to drive efficiency in our governance through the simplification of the YHG Group structure with Value for Money for our customers being a key driver in this process. This simplification will include subsidiaries moving into the common board structure with subsequent collapse of subsidiary entity. Taking into account the complexity of the group and our drive to do what delivers best value for our customers and stakeholders, the ultimate vision will take some time to achieve. However, we do expect to make good progress within the life of this plan and already have specific targets around two of our Subsidiary members as set out below:

- Roll in of Headrow into Common Board – 30 September 2015
- Roll in of Tung Sing to Common Board – 31 March 2016
- Develop a Group wide plan for further simplification - December 2016

This simplification will reduce costs of governance of circa £45k over the three years and will also enable consistent and streamlined decision making across the whole group.