



Value for Money **Self-Assessment** Year ended 31 March 2015



The Guinness Partnership Limited is a charitable Community Benefit Society (No. 31693R) and a Registered Provider of Social Housing (No. 4729).

Introduction

Guinness is a Registered Provider of social housing, with approximately 60,000 affordable homes in England. The majority of our customers are those in most housing need, not able to buy or rent on the open market. We also provide care services to 10,000 customers. We are a not-for-profit organisation, which means we need to spend responsibly, try to obtain and deliver services at the best value for money and all the money we make is re-invested into homes and services.

At Guinness we are committed to delivering and demonstrating Value for Money in everything we do. This is led by the Board, but is a commitment shared across the whole organisation. Every member of staff has a performance objective relating to value for money. So Value for Money is both at the heart of our corporate strategy and embedded in the way we do things every day.

In order to demonstrate our commitment, we have published this statement setting out how we achieve Value for Money in meeting our purpose and business objectives. This also meets the requirement of our Regulatory Standards to publish an annual assessment. This Statement sets out how we organise our assets and resources to optimise returns; evaluate the choices, costs and outcomes of delivering our services; and measure and manage performance to improve efficiency.

This statement was written prior to the Government's Emergency Budget on 8 July 2015. Some of the provisions within the budget have significant implications for housing associations. While our approach overall and much of the detail within the statement is still valid, we are currently assessing our response to the challenges produced by the Budget. As a consequence it is likely that some of the detail within the statement, particularly in our plans for 2015/16, will change from that set out.

Overall Summary

From a Value for Money perspective, 2014/15 has seen some significant steps forward. We have achieved some major milestones in transforming our organisation to meet the challenges of the future. These include:

- Implementing the first phase of a comprehensive organisational restructure, based on functional specialisms, such as Asset Management and Customer Services, rather than geography;
- Simplifying our governance structure to streamline decision making, while at the same time maximising scrutiny of performance and risk management; and
- Investing significantly in IT systems, and in particular implementing single Guinness wide housing and finance systems, which provides a platform for greater consistency and efficiency.

These changes have been achieved at the same time as delivering year on year improvements in our performance, although there is still more we can do to achieve the maximum Value for Money possible. Performance against the four key targets we set at the beginning of the year is set out below:

- We delivered 1,249 new homes, our highest ever total and demonstrating our commitment to utilising our financial strength to do as much as we can to help tackle the desperate need for affordable housing;

- Our Group operating margin has deteriorated slightly during the year from 27.4% to 26.0% as a result of significant investment in business change that will deliver benefits in future years. However, the underlying operating margin from our social housing business has risen from 27.0% in 2013/14 to 30.4% in 2014/15. Delivering a good operating margin is important in creating additional financial capacity for further investment in new homes;
- Staff engagement increased from 77% to 81%, despite the context of the uncertainty for staff that inevitably accompanies a major change to our organisational structure; and
- We maintained customer satisfaction at a level comparable to the previous year throughout a period of major organisational change.

Our work during 2014/15 has laid the foundations that will enable us to drive improvements in costs and performance over the coming years. Our focus for 2015/16, and indeed subsequent years throughout our 2015-18 corporate strategy, will be concentrated on improving customer service and generating the financial capacity to provide new housing, as well as continuing the underlying programmes of technological and business change already underway.

Our Strategic Framework

Our approach to Value for Money is underpinned by Board leadership. The Board is committed to Guinness achieving median or better levels of performance compared to peers across all key activities. Value for Money is a key component of how we deliver our corporate objectives:

- Great Service
- Great Homes
- A Great Place to Work

Maintaining our financial strength and growing our capacity underpins these objectives.

Our approach is amplified in our Value for Money Strategy which creates a framework for our activities and helps us to think about how what we do contributes to the Value for Money agenda. It sets out how we make the best use of our resources and assets to deliver the services our customers need most and to create new homes. We are focused on:

- Creating capacity by optimising our income and cost base
- Making best use of our assets
- Making the most of our people
- Focusing on what matters most to our customers
- Adding value for our customers, communities and wider society

Performance against our strategic objectives is monitored by Corporate Management and Executive Teams and reviewed regularly by The Guinness Partnership Board. In 2014/15 our new directorates created operating plans, each including significant workstreams to maximise Value for Money. These are supported by Value for Money targets at service, team and individual level.

Creating Capacity

Our operating surplus is all reinvested in the business and creates the capacity to deliver more affordable homes, maintain those that we already own, and keep delivering the services we are here to deliver. This means that growing our operating surplus is critically important to us. The bigger our surplus the more we can invest in new and existing homes.

Our key measures of financial performance are our surplus excluding property disposals and our net margin, and these have grown year on year.

	2015	2014	Benchmark ¹
Surplus before tax excluding disposals	£40.7m	£26.8m	n/a
Operating Margin per Financial Statements	26.0%	27.4%	26.5%
Underlying Operating Margin (social housing)	30.4%	27.0%	26.5%
Net Margin	11.6%	9.0%	10.7%
Gearing ²	54.9%	53.4%	93.8%

Benchmark: average for all housing associations.

Our social housing turnover has grown by 10%, reflecting our success in reinvesting our surplus in providing more homes. The associated costs have grown by 7%.

Our gearing remains low, despite the impact of a bond issue during the year, giving us the ability to invest in stock over the next 3 years, and still leaves significant capacity to invest in the future, compared to the sector generally.

Optimising income

	2015	Target	2014	Benchmark ³
Current Rent Arrears	3.3%	4.6%	4.2%	4.8%
Void Loss	0.7%	1.5%	0.9%	1.7%
Re-let Time	3.8 weeks	3.8 weeks	4.2 weeks	4.2 weeks
Bad Debts	0.9%	1.5%	0.9%	0.9%
Affordable Rent Income	£14.6	£12.8	£6.6m	n/a
Average General Needs Rent (£/week) ⁴	£97	n/a	£94	£92
Average Affordable Rent (£/week) ⁴	£131	n/a	£127	£117

Benchmark: average for all housing associations.

Our focus on income includes:

- **Maximising rents within the rent framework, and by converting homes to Affordable Rent** - In 2014/15 we increased our income from Affordable Rents from £6.6 million to £14.6 million, both through conversions from social rent and from the letting of new build properties at affordable rent.
- **Minimising the time for which our homes are empty between tenancies** – This improved in 2014/15 and at 3.8 weeks is better than the sector average. The resulting rent lost has also decreased to 0.7%, which compares well with the sector average.

¹ Source: Global accounts 2014

² Loans as a proportion of the sum of loans, grant and reserves (excluding revaluation reserves)

³ Source: Global accounts 2014

⁴ Source: SDR Statistical Data Release 2013/14

- **Maximising the amount of rent and service charges recovered** – In 2013/14 we invested in our rent collection services to mitigate the impact of welfare reform, an initiative that we have continued with into 2014/15. We did this in advance of the most significant changes, because we believe that if we create a strong payment culture now through engagement and dialogue with our customers, this will help them and us as the challenges associated with welfare reform become more acute. This has been successful as arrears have fallen despite the continued rollout of the welfare changes. With the acceleration of its introduction in 2015/16, this investment remains very important.
- **Investing in tenancy sustainment activities** that, as well as supporting our customers, maintain our income and minimise costs associated with ending a tenancy and re-letting a vacant property.

Optimising our cost base

	2015	2014	Benchmark ⁵
Management cost per home	£1,250	£1,215	£990
Repair cost per home	£892	£893	£1.015
Total operating cost per home	£3,193	£3,147	£4,213
Weighted Average Cost of Capital	5.5%	5.3%	4.7%

Benchmark: average for all housing associations.

Our focus on costs includes:

- **Reviewing our activities and the way we organise ourselves** to ensure they are as efficient as possible and that we deploy our resources where they are needed most. We recognise that our management cost per home is higher than our peers and we are working hard to reduce this. This year has been one of substantial change for the organisation, which has laid the foundations for a significant improvement in Value for Money, the benefits of which can already be seen in 2014/15. During 2015/16, we will complete the process of re-organising teams into our new national functional structure. This will allow us to see the impact of our efforts on key areas of performance, avoid duplication of resources and generate greater efficiencies. As part of the reorganisation we have reviewed the number of senior management roles in the organisation. During 2014/15 we reduced the number of these posts, excluding the Group Executive Team (which has remained constant), by 17%, which has resulted in a similar level of cost reduction.
- **Extending the reach and range of works delivered by our in-house maintenance services.** As part of our reorganisation, we also combined the management of our in-house maintenance services, City Response Limited and Parchment Property Services, into Guinness Property Services (“GPS”). Providing more repairs through GPS extends the higher levels of customer satisfaction from in-house provision of repairs (compared to external contractors) and produces cost benefits. In 2014/15, the service has expanded to include more planned works and two regeneration projects, both successfully completed. VAT savings of £3.7 million were achieved in 2014/15 through in-house delivery, building on the £3.1 million saving in the previous year.
- **Procuring efficiently.** We use the most efficient procurement routes (including cost-sharing vehicles where appropriate) and regularly review the performance of our suppliers and contractors. In 2014/15 we awarded 53 contracts with a value of £19.5 million which will deliver savings of £2.4 million over the life of the contracts, as well as social value. The savings included over £0.7 million on a kitchen and bathroom contract and £0.7 million on lift servicing, repairs and maintenance contracts.

⁵ Source: Global accounts 2014

Most of this procurement is carried out by a central procurement team with the expertise and skills to negotiate and enter into contracts that give us good quality services balanced with lower costs. This team has a target to achieve 5% savings on contracts tendered during 2015/16;

- **Improving our systems to work more effectively and efficiently.** 2014/15 was a critical year in our programme to deliver new systems to support service delivery and improved customer contact. This programme will produce medium term cost savings as inefficient, disjointed systems are replaced with integrated and more effective ones, which better support customer service and efficient ways of working internally;
- **Ensuring that our capital structure and financing arrangements are as efficient as possible.** In 2014/15 we issued a 30 year secured bond of £150 million, with an additional £100 million retained, at a coupon of 4%. At the time, this was one of the best coupons achieved in the sector; and
- **Reducing risk and uncertainty.** In 2014/15, we closed two of our legacy local authority pension schemes that carried a high risk of cessation in order to protect ourselves against this occurring as an uncontrolled event. Rising pension costs, though, continue to be a risk to our cost base. We will continue to look for ways to best manage the risks and costs associated with staff pension schemes.

Diversifying to create greater capacity

In addition to focussing on income and costs, we have implemented a strategy to diversify carefully into areas such as market sales and market rent. This has and will continue to generate commercial profits to be invested in providing better services for existing tenants and to provide additional funding for more new affordable homes. This year we have generated over £8 million net profit from our subsidiary Guinness Homes Limited through the sales of properties built for the open market.

Making the best use of our assets

We are committed to making the most of our property assets, both in terms of service delivery and the contribution they make to generating financial capacity to fund investment in new homes. In 2014/15 we created a specialist Asset Strategy & Analysis Team and are refining our existing processes in this area.

Return on investment

Group	2015	2014	Benchmark ^b
Rented homes Return on Investment (ROI)	5.1%	5.1%	n/a
Shared ownership homes ROI	2.8%	2.9%	n/a
Total ROI (operating surplus / social housing assets)	4.6%	4.7%	4.4%
Return On Capital Employed (ROCE) (operating surplus / total assets – current liabilities)	5.8%	5.6%	4.8%

Benchmark: average for all housing associations.

Assessing our assets at a detailed level

We are building on the tools and data we already have to identify individual assets that can be used more effectively. This takes into account a variety of financial and non-financial information, and is focussed on releasing value in our high value assets as well as tackling underperforming ones. In 2014/15 we sold 62 assets which generated £5.1 million of capital receipts which will be used to fund reinvestment in new homes. In early 2015 we introduced a new, streamlined approach to empty property disposals that will enable us to make quicker decisions (minimising lost income) and balance the disposal of under-performing assets with the financial capacity generated from higher value assets that may not be suitable for social housing.

Options appraisals

The Partnership Project Review Group (PPRG) evaluates developments, acquisitions, divestments and changes in asset use through our options appraisal process. The Group is chaired by the Chief Executive Officer and brings together expertise from across Guinness. We have strengthened this process in 2014/15 by bringing together financial viability assessments, local neighbourhood knowledge, our review of the local market and analysis of future options.

For each of the options assessed, detailed financial information is provided to support the decision making process. Since its formation in late 2014/15, the new team has identified 81 properties for options appraisal, with 22 in progress. Our 2015/16 budget includes £4 million disposal receipts.

Ensuring assets meet future customer needs

We continue to progress with a review of our 295 Housing for Older People (HfOP) schemes, in response to the changing needs of our customer base. In 2014/15, we completed the first phase of the review which involved the review of 19 schemes. The outcome of this review was a refurbishment of 5 schemes, totalling 174 homes, improving the living environment, appeal and the demand for these homes, for an investment of £0.5m. We have also assessed a further 95 schemes and prioritised these for 2015/16. During the first half of the year detailed options appraisals are being carried out for the 30 highest priority schemes. The implications of options for current residents will be an important

⁶ Source: Global accounts 2014

consideration with the overall aim of improving the services we offer to our customers, as well as generating an increased return on our assets.

Commercial property and office accommodation

In addition to our residential property portfolio we have a range of commercial and office accommodation. Through the creation of a functional structure we brought together the management of all commercial assets into one team. This has enabled us to undertake a full review of our commercial property, generating an additional £700k of receipts through disposal of surplus premises and renegotiation of leases, with a recurrent increase in rental income of £75,000 per year.

In 2014/15, we continued our project to rationalise our office accommodation, recognising that this is an area of high cost for us. One of our key achievements was to identify four offices in the North region which were closed and converted into residential property creating 9 new homes for residents. We are also in the process of closing our former head office building in High Wycombe, and considering options for this site.

We also continue to invest in raising the standard of our office environments. As well as improving the working environment for staff, this also brings day to day efficiency benefits such as using our own offices for training and large meetings.

We also look to use our office assets to minimise other costs, for example through using Bower House in Oldham (our largest office) as security for staff pension schemes to mitigate potential cost increases.

Maximising the value gained from our significant office portfolio will remain an ongoing theme for 2015/16.

Planned programme

In 2014/15, we continued to invest in the condition of our homes spending over £33 million on improvement works to homes and communal areas. This work included kitchen, bathroom and heating replacement works to ensure our homes remain in good condition, protecting their value and continuing to make them desirable places to live. We have continued to refine the way that we deliver our planned programme to maximise Value for Money, generating savings of almost £2 million on existing contracts and works. In 2014/15 our VfM savings included:

- Changing to a Partnership Contract for painting elicited cost savings of £755,000 per year.
- Replacing strips/seals/fire door consumables rather than full door replacement resulted in a cash saving of £820,000.
- Following a detailed survey, replacing some of the expensive quantum storage heaters with panel heaters has left customers with a much more controllable system which is cheaper to run and has saved an average of £406 per home.

Environmental return

We recognise that the environmental performance of our assets is an important driver of the value they provide. Investing in environmental improvements generates returns for our customers and reduces our carbon emissions. In 2014/15 our environmental works included:

- Replacing 1,700 boilers which saved, on average, £340 per year per property in fuel costs for our customers and a total of 2,550 carbon tonnes, as well as bringing health and wellbeing benefits.
- Providing cavity wall insulation for 1,852 homes which saved, on average, £160 per year per property in fuel costs for our customers and a total of 37,358 carbon tonnes.

- Installing loft insulation for 166 homes which saved, on average, £140 per year per property in fuel costs for our customers and 1910 carbon tonnes⁷.

Our 2014/15 business plan included a commitment to developing a Home Energy Improvement Standard, defining our approach to improving the energy efficiency of our properties. This has two principle drivers, firstly, compliance with government policy and regulations on sustainability and energy efficiency; and secondly, the impacts of energy inefficient housing on our customers, both financially and from a health and wellbeing perspective. Following a review of the cost of the enhancements required and the benefits to our customers, we have pledged to improve all of our homes to achieve a minimum SAP of 70 by 2025, with an interim target of minimum SAP 60 by 2017.

⁷ Savings estimated taken from Energy Savings Trust

Making the best use of our people

Making the most of our people means recognising that in fulfilling individual potential we are fulfilling the potential of the organisation.

We employ 2,591 people (full time equivalent (FTE)) across our housing and care businesses, and have a total salary cost of £83.0 million per annum. This is a significant financial investment and to derive real value from it means developing our people and ensuring Guinness is a great place to work. Our people investment includes:

- Promoting the Guinness Leadership and Management Standard – so that our Leaders and Managers know what is expected of them, and our staff know what to expect of them
- The Guinness Leaders' Programme, designed and delivered with Henley Business School
- The Guinness Managers Programme, an intensive programme to develop managers' skills and style.
- The GROW at Guinness Programme – developing all our managers as coaches
- The Great Service at Guinness Programmes – developing a consistent approach to customer service and reinforcing our commitment

We are placing a greater emphasis on e-learning, which provides more cost-effective, accessible ways of learning.

In 2014/15 we spent £1.4 million on Learning and Development, equating to £540 for each FTE. We continue to see the return on this investment and during the year, we were awarded Investors in People Gold standard. We have an employee engagement score of 81% which represents an increase of 4% from last year through a period of substantial change.

We offer a balanced and fair reward package which reflects our expectations of our people but also our commitment to their health and wellbeing. We introduced a pensions salary sacrifice scheme to help employees get the most out of their total reward package, saving them £300,000 per year, while also saving Guinness a similar amount on employer National Insurance Contributions.

In 2014/15, our attendance levels remained high at 99%, while voluntary turnover fell by 3.2% - both helping us to maintain our productivity and minimise recruitment costs. During 2015/16 we will do more to attract the very best people to Guinness – individuals with the talents and attributes to ensure we meeting the changing needs of our business and customers and in doing so, increase employee retention and reduce recruitment costs.

	2015	2014	Benchmark ⁸
Attendance levels	99.0%	99.2%	95.9%
Turnover (voluntary)	9.9%	13.1%	7.7%

Benchmark: median for 15 largest housing associations using HouseMark.

We recognise that senior management and Board costs are an important element of a Value for Money approach to being an employer, both in terms of their financial materiality but also in creating a VfM orientated culture throughout the organisation.

⁸⁸ Source: HouseMark benchmarking report 2013/14

In 2014/15 we have delivered a recurrent saving in senior staff posts of 17% reducing ongoing costs by around £450,000.

Our highest paid member of staff is our CEO and we benchmark his pay against sector averages. We also benchmark the cost of our Board Members.

	2015	2014	Benchmark ⁸
CEO pay per home	£4	£4	£4
CEO pay as a % of turnover	0.07%	0.09%	0.08%
Ratio of highest to average salary*	10:1	9:1	n/a
Board and executive pay per home	£22	£21	n/a

* the remuneration of the Chief Executive has risen by 2.5% year on year, but the average staff salary is lower as a result of the reduction in senior posts.

Benchmark: average for the largest 10 housing associations.

Creating a Value for Money Culture

There is a strong corporate focus on making sure that Value for Money has a practical impact on the things staff do on a day to day basis as well as being something that is driven from the Board and the Executive Team. This will always be an ongoing task, but the following steps have been taken in 2014/15:

- Ensuring **all** staff have a Value for Money objective as part of their annual performance objectives ;
- Explicitly and visibly linking performance pay to the twin VfM priorities of improving customer service and financial performance;
- Conducting staff roadshows across the business to emphasise clear messages around the need for further improvements in costs and customer satisfaction;
- Board level discussion of VfM issues, including both individual strategic decisions and evaluation of our VfM performance relative to peers;
- Bringing a sharper focus to performance monitoring, including better understanding and analysis of performance by business stream and product;
- Reviewing our customer service standards for staff, recognising that our VfM contribution is about how we do things as well as what we do;
- Using training courses for our leadership group and manager group to create a better understanding of our business model and capital structure, improving buy-in to the need to maximise income and minimise costs; and
- Investing in new roles and teams that demonstrate the importance of robustly analysing our performance and Value for Money, for example the Asset Strategy & Analysis Team referred to above.

Results from our regular staff engagement (PULSE) surveys show the impact of these measures:

- 94% of employees believe that they have a role to play in Guinness delivering great customer experience and achieving high customer satisfaction;
- 96% of employees demonstrate the Guinness Behaviours in their day-to-day work;
- 96% of employees report that they have good working relationships with their colleagues;
- 90% of employees take responsibility for their learning and development;
- 78% of employees have regular 1:1s and 87% have had a performance review;
- 77% of employees report that their manager acts in line with the Leadership and Management Standard

Focusing on what matters most to our customers

Guinness is a customer service business. We recognise that our customers' expectations are changing and they increasingly expect to be able to transact and interact at any time of the day, and 'self-serve' using a range of digital and mobile devices and online or social media channels. Our ability to recognise and meet these expectations is an important part of providing a great customer experience. As is our service style – treating our customers with respect and showing we value them, seeing things from their point of view, keeping our promises, keeping them informed, and responding quickly when things go wrong. But the most important aspect of great service is what we actually do day to day – being reliable, consistent, and doing things to a high standard and on time.

We engage regularly with our customers through surveys, panels and more formal groups, to understand their priorities and to enable them to influence and challenge service delivery.

Customer satisfaction is a significant part of how we measure our success and deliver Value for Money to our customers. We use an external supplier to carry out a range of independent customer surveys, with the aim of:

- Improving the quality, speed and analytical insight we derive from this work
- Developing our understanding of how best to improve the design of our customer services and customer contact
- Understanding more about our customers and what drives their satisfaction
- Providing a robust baseline for benchmarking and measuring satisfaction into the future.

Overall satisfaction with the services we provide at March 2015 was 77% for our General Needs customers and 54% for Shared Owners and other Leaseholders. Our score of 77% is well below our target of 85% and we are still behind our peers. However, we have still made improvements in our services in 2014/15 and the structure and systems are now in place for further progress. We are committed to customer improving customer satisfaction and this is the cornerstone of Destination 2018, our new 3 year strategy. We have in place a structured plan for improving customer satisfaction levels and then sustaining those improvements.

Tenants	2015	2014	Benchmark ⁹
Overall satisfaction with services provided	77%	75%	81%
Satisfaction with repairs	78%	77%	76%

Shared Owners and other leaseholders	2015	2014	Benchmark ⁹
Overall satisfaction with services provided	54%	56%	71%
Satisfaction with quality of home	82%	tba	no data

Benchmark: median for 15 largest housing associations using HouseMark.⁹

To increase focus on what matters most to our customers, we have:

- Reviewed and improved our approach to customer engagement. In 2015/16 we will implement a new customer engagement strategy, making greater use of customer feedback to improve our services.
- Reviewed our customer service standards, with a stronger focus on customer experience and managing our customers' expectations.

⁹ Source: HouseMark benchmarking report 2013/14

- Placed renewed attention on the reliability and quality of our services and getting the basics right every time. We will do what we say we are going to do, keep people informed and respond quickly, particularly when things go wrong.
- Carried out regular surveys tracking overall satisfaction, as well as measuring satisfaction with those services which are most important to our customers, such as repairs and management of complaints.
- Embedded a new, streamlined approach that focusses on resolving problems at first point of contact. In any organisation things go wrong – and this can result in complaints. This represents poor Value for Money – not only in potential re-work and staff time involved but it also leads to dissatisfied customers.

Adding value for communities and wider society

Sustaining tenancies

The last year has been a difficult one for many of our customers, with welfare reform, cuts to public services, fuel and utility prices and broader economic issues all impacting. These are likely to be medium term rather than short term issues, and we recognise that Guinness can play an important role in helping them to balance their household budget. This is good for customers, and also good for Guinness in terms of ensuring we maximise rent collection and minimise the costs associated with tenancy failure. We are therefore focused on cost-effective ways to help customers make the most of their home and keep their tenancy. Our work in 2014/15 has included:

- **Financial Inclusion:** Programmes or support to improve household budgeting skills and access to affordable financial products, including more intensive interventions to help manage arrears or other debt, and to ensure that claims for social security benefits are made. We also manage a modest hardship fund to meet emergency requirements for essential household items. Our investment in My Home Finance has helped customers access more affordable credit options – and by building up their repayment history they will be more able to access a broader range of financial services in the future. We also assisted customers in making claims for Discretionary Housing Payments.
- **Tenancy Sustainment:** We led a project with 8 other housing associations to share good practice and lessons in this area. This looked at tenancy sustainment in its broadest sense, not just in situations of crisis, but also the wider measures we can take to avoid customers reaching that point.
- **Affordable Warmth:** We have taken a range of steps to help customers reduce energy usage and costs, as outlined above.
- **Access to Work:** Activities aimed at improving employability skills, including job clubs, access to literacy and numeracy skills classes, help to find training, opportunities for volunteering and work placements, and skills to search and apply for jobs. Any of our customers can apply for an Aspire Award to help with the cost of training or education. In 2014/15 we committed over £60,000 to 54 customers.
- **Apprenticeships:** During 2014/15 we continued to include social value requirements in suitable tender specifications, such as maintenance contracts, which have provided employment and training opportunities for people in our communities. During the year our in-house maintenance services has run an apprentice initiative that has seen 20 new apprentices and we are now investigating other routes to increase access to work for unemployed and training for women into maintenance. These opportunities are making a real difference to individuals' lives.

Comparing our Performance

Benchmarking is important in understanding our performance and costs. We compare how we are doing in a number of ways:

- Against other Registered Providers (RPs) through the HouseMark benchmarking groups;
- On a service-specific basis through specialist benchmarking;
- Internally over time: one of the key measures of our performance is how it changes over time reflecting the changes we make to our business;
- Internally against targets and budget: these are set to be challenging but realistic so that improvement in both performance and costs can be achieved; and
- Using the HCA Global Accounts and customised benchmarking against a select peer group to compare our financial performance and capital structure.

We use comparative data to inform our target and budget setting and to assess our performance in the context of our peer organisations. We review both financial and operational performance against budget and targets throughout the year at all levels within the business, including regularly at Board and committee meetings.

We consider HouseMark to be an important source of benchmarking data. We have historically used it to provide a historic view of past KPIs and costs, mainly in housing management. We are expanding our use of the benchmarking data to:

- start looking at budget and projections to compare future performance; and
- review other aspects of benchmarking which provide additional insight into our business.

From our latest review of benchmarking data, we know that our housing management costs per property are high when compared to peers. In response, we have been reviewing both our organisation structure and the way we deliver services in order to improve our efficiency and also the quality of services we provide.

In the past, we have used HouseMark to benchmark each of our regional divisions against similar organisations in their respective parts of the country. With the change of structure, we have changed our benchmarking group to large national organisations, which allows us to focus on our overall cost and performance against similar associations. The latest year that we have benchmarking data for is 2013/14 and the results for housing management costs can be summarised as follows:

2013/14 HouseMark Cost per Property Housing Management	Actual	Quartile	HouseMark Median ¹⁰
Rent arrears & collection	£191	4th	£150
Resident involvement	£68	3rd	£62
ASB	£108	4th	£85
Lettings	£147	4th	£89
Tenancy management	£183	3rd	£163
Total Housing Management	£697	4th	£577
Direct housing management costs	£352	4th	£318
Overhead allocation	£345	4th	£247
Total Housing Management	£697	4th	£577

¹⁰ Source: HouseMark benchmarking report 2013/14

It is clear that in most of these areas, including our overhead base, we were more expensive than most of our peers. However, with the improvements made during the year we expect the 2014/15 results to show a better picture. However, even with a challenging budget set in 2015/16, we are still focussed on improving in all areas to a level where are costs are better than median compared to our peers and performance is among the best. Leadership for this objective comes from the Board, who are clear in their expectations that we achieve at least the median levels of our peers in all key areas.

In some of the areas where we are more expensive, for example arrears management, our performance has been better than many of our peers. We will nevertheless review whether the appropriate balance needs to be struck.

Repair costs are however more encouraging and these can be summarised as follows:

2013/14 HouseMark Cost per Property Repairs	Actual	Quartile	HouseMark Median ¹¹
Direct & management costs of :			
responsive repairs	£505	1st	£626
void repairs	£251	3rd	£227
major works	£952	2nd	£1,079
cyclical management	£211	1st	£292

With the exception of void repair costs, which tend to fluctuate from year to year, these costs are better than median. Our future approach is therefore to maintain the pressure on costs in these areas, while improving performance.

¹¹ Source: Global accounts 2014

Delivering on Plans for 2014/15

This section summarises our progress against workstreams set out in our previous VfM statement, although in several cases these remain ongoing longer term programmes of work. The table below provides an assessment of our progress:

What we said (in 2013/14 VfM Statement)	What we did
<p>Reorganising ourselves along functional lines so that we reduce duplication of effort and resource across the organisation. We will also streamline our governance arrangements to support our new organisational structure. This will be supported by an efficiency plan setting out the expected and realised benefits and efficiencies we aim to achieve by simplifying our structure.</p> <p>Target – transitional structures in place by November.</p>	<ul style="list-style-type: none"> ✓ First phase of new functional structure implemented; ✓ Savings in staff costs already achieved in the following areas: Planned Programme Delivery, Health & Safety, Communications, HR and L&D. ✓ Creation of new specialist teams which will drive our strategic approach to VfM, for example the Asset Strategy & Analysis Team; ✓ Streamlining of governance structures; <p>Overall assessment: Target Met</p>
<p>Delivery of a three year programme to implement new technologies, enabling us to operate more efficiently, report faster and more accurately, and provide a more modern, consistent service offering to our customers. We have made significant strides towards single core housing and finance systems with common business processes and this is an overriding priority for 2014/15. We will also complete our implementation of a new telephony infrastructure, which will improve the efficiency and effectiveness of how we communicate with our customers and each other.</p> <p>Target – go-live of single core systems.</p>	<ul style="list-style-type: none"> ✓ Single housing and finance systems were successfully implemented across Guinness. New telephony infrastructure implemented; ✓ Programmes for technological change within operational activities developed for implementation in 2015/16 <p>• Overall assessment: Target Met</p>

What we said (in 2013/14 VfM Statement)	What we did
<p>Doing more to improve the cohesiveness and engagement of our people – by continuing and embedding learning from our Leaders and Managers programmes which commenced in 2013/14; introducing stronger mechanisms for employee representation and a two-way dialogue with our staff; providing a focus on staff health and well-being; and introducing more efficient, effective ways of learning by taking advantage of technology.</p> <p>Target – 85% employee engagement.</p>	<ul style="list-style-type: none"> • Two cohorts of our senior managers have now completed our Leaders at Guinness programme, in conjunction with Henley Business School. • Over 134 staff have attended our Managers programme during the year. • Comprehensive range of staff wellbeing and occupational health support now in place. In 2015/16 we will be seeking to increase awareness and take up. • Staff engagement regularly monitored • Despite the above, the staff engagement score at year end was 81%, below our 85% target. This has provided some clear areas for improvement but needs to be set in the context of significant uncertainty relating to restructuring of the business. <p>Overall assessment: Target Not Met</p>
<p>Delivering our 2011/15 Affordable Homes Programme – and expand our pipeline of homes for future development, including opportunities for creating more homes on our existing estates.</p> <p>Target – 2,700 new homes 2011-2015, 1,500 new homes 2015-2018.</p>	<ul style="list-style-type: none"> ✓ Delivered the 2,700 new homes in our 2011/15 development programme ✓ In 2014/15 achieved the highest number of new home completions in Guinness' history. <p>Overall assessment: Target Met</p>
<p>Improving customer satisfaction and finding more ways to engage with and understand the views of our customers – with a particular focus on our home ownership services to ensure we understand and meet the needs of this group of customers – enabling us to deliver more efficient, cost-effective services. We will re-define our Customer Service Standards and set out what our customers can expect from us. We have also initiated a piece of work around customer contact, with the aim of making it easier for customers to interact and do business with us and by doing this, deliver a more consistent, cost-effective service.</p> <p>Target – 85% customer satisfaction.</p>	<ul style="list-style-type: none"> • Customer satisfaction has increased by 2%, even through a period of significant organisational change. Our year end performance was 77%. • This was significantly short of our target of 85%, and behind a number of our best performing peers. • Complaints volumes were lower than those received by a number of our peers. The number of complaints per 1000 properties for TGP is 11 for the whole year compared to 25 for all associations participating and 45 for London. <p>Overall assessment: Target Not Met</p>

What we said (in 2013/14 VfM Statement)	What we did
<p>Making our homes more available to more people – by starting to introduce fixed term tenancies and providing affordable homes to those who may have a shorter term need for affordable housing and the understanding that there may come a time when they can afford other options and the property they have lived in could be used to house others whose immediate need is more pressing.</p> <p>Target – introduction of fixed term tenancies in the South.</p>	<ul style="list-style-type: none"> ✓ Our first Fixed Term Tenancy letting took effect on 22 December 2014; ✓ By the end of 2014/15 we had let 92 homes on fixed term tenancies. The next stage is to develop our processes to deal with later stages of the tenancy cycle, and a key development here will be improvements to the housing system that allow us to more effectively and efficiently manage fixed term tenancies. <p>Overall assessment: Target Met</p>
<p>Continuing to improve our operating and financial performance - by focusing on strong financial and performance management; effective procurement; robust governance and risk management; and an efficient business structure.</p> <p>Target – operating margin 30% and target net operating margin 10%.</p>	<ul style="list-style-type: none"> ✓ Operating profit for 2014/15 of £40.7 million, an improvement of £15.9 million on the previous year; ✓ The operating margin, on a management accounts basis, was 31.7% and the net margin was 12.2%; ✓ Procurement savings of £2.4m generated on prior year costs. <p>Overall assessment: Target Met</p>

Plans for 2015/16

In many ways, 2014/15 has been a transition year from a Value for Money perspective. It has been about making the structural changes and investments in technology and staff development that leave us better placed to deliver specific Value for Money objectives. Our plans for 2015/16 are therefore more specific and focussed on addressing the areas where we know we can achieve more and begin to bring ourselves in line with the best of our peers.

Our key Value for Money plans for 2015/16 include:

VfM areas for action	Commentary
Significant improvements in customer satisfaction	<p>The central objective in our 2015-18 corporate strategy is to achieve customer satisfaction of 85% by 2018. We are targeting an increase of at least 3% in overall satisfaction with the service we provide. We will strike an appropriate balance between our ambitions and the lessons of 2014/15 in terms of the need to improve some key components of our customer contact model that will not always provide quick wins.</p>
A reduction in costs and a further increase in operating margin	<p>We made a significant improvement in our operating margin in 2014/15, but know that we still have more to do to reach the levels of the best of our peers. Among the objectives for 2015/16 include:</p> <ul style="list-style-type: none"> • Deliver an operating margin of 33% based on our management accounts (up from 31.5% in 2014/15) • Deliver 3% cost saving (excluding direct costs), as incorporated within our 2015/16 budget • Identify and start to deliver recurrent cost savings in the areas where we know we are more expensive than some peers (e.g. housing management, offices, finance)
Exploit the potential benefits of our in-house maintenance provider, Guinness Property Services (GPS)	<p>We are fortunate to have a well-established in-house maintenance provider at a time when others in the sector are developing such capacity in order to break the cycle of dependence on external contractors. GPS offers potential financial savings (if we can capitalise on the VAT savings and procurement efficiencies existing). It also offers the potential to contribute to improvements in customer satisfaction, reflecting the greater control over service delivery and the higher satisfaction scores typically achieved.</p> <p>The focus for GPS in 2014/15 has been on structural, people and system improvements. We will capitalise on these improvements in 2015/16 to grow GPS activity (internally) We know the benefits are not automatic and we will closely review whether the potential Value for Money objectives are achieved in practice.</p>

VfM areas for action	Commentary
Leveraging continued benefits from procurement activity and contract management	<p>Building on the savings achieved in 2014/15, our specialist procurement function will work with the business to drive savings of at least 5% of tendered services through procurement activity. Key procurement activities for 2015/16 will include:</p> <ul style="list-style-type: none"> • Gas servicing • Fire safety equipment servicing • Multi-function devices
Strategic Asset Management to generate financial capacity and make the best use of our assets	<p>The newly formed Asset Strategy & Analysis Team will drive momentum around improving the way we use our property assets, both from a service perspective and in terms of generating financial capacity to fund new homes. Key work-streams within this will include:</p> <ul style="list-style-type: none"> • Generating £4 million of disposal proceeds, partly through implementation of our new Property Disposals strategy; • Completing reviews of at least 30 of our Housing For Older People schemes, ensuring they are appropriate to meet future needs and maintain demand; • Reviewing scope for efficiencies in our office portfolio, where this can be done without detriment to customer service; • Considering cost effective models for managing assets, such as cost saving vehicles and (potentially) further stock rationalisation; and • Improving management of our commercial property portfolio and non-residential properties to ensure we maximise returns.
Delivering new homes	<p>We will use our financial strength to invest in the new housing that is desperately needed. Our target for 2015/16 is to develop 885 new homes, including:</p> <ul style="list-style-type: none"> • 570 homes of affordable housing • 186 homes of private rented housing • 110 homes for shared ownership • 19 homes for private sale

VfM areas for action	Commentary
Making the most of our people	<p>We will seek further improvements in our staff engagement, recognising that staff performance and productivity is key to our success in all areas. We will:</p> <ul style="list-style-type: none"> • Deliver the third cohort of our Leaders at Guinness programme, building on the completion of cohorts 1 and 2; • Progress our Managers at Guinness programme to a point where 80% of relevant staff have attended; • Continue to invest in office facilities to ensure a positive working environment for staff; • Implement a cultural change programme that promotes a focus on performance and Value for Money;

Underpinning all of these specific work-streams is a need to re-establish our mechanisms for driving and monitoring Value for Money in the context of our new functional structure. This will include more strategic use of benchmarking, and we will also consider whether approaches such as Lean or external review would be of benefit at this time.