

Value for Money 2015/16

Self-Assessment





Introduction

Guinness is a Registered Provider of social housing, with approximately 60,000 affordable homes across 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 Guinness employee 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.

To demonstrate our commitment, we have assessed our performance and this Statement sets 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.

Our Statement sets out how we organise our assets and resources to optimise returns; evaluate choices, costs and outcomes of delivering our services; and measure and manage performance to improve efficiency.

Overall summary

In 2014/15 we described the significant steps we are taking to transform our organisation.

These steps included the implementation of the first phase of an organisation restructure based on functional specialisms; simplification of our governance structure; and a significant investment in technology to deliver greater consistency and efficiency in how we work.

During 2015/16, we have built on these foundations and have:

- Started to implement the next phase of our plans to further improve customer service.
- Extended the reach of Guinness Property, our in-house maintenance service.
- Capitalised on our track record of building homes for sale, which in turn supports our development of homes for rent.

The 2015 Summer Budget had a number of important and far-reaching announcements for our sector and for Guinness, and we're responding to financial pressures created by rent reductions, further pressure on income as a result of benefit reforms, and the changes to grant funding for rented housing. We've been well-placed to respond to these challenges as we were already focused on how we best organise ourselves to reduce our costs and generate greater efficiencies.

Key achievements during 2015/16 were:

- A new Customer Services structure, which generates a saving of £3 million per annum. During a time of change, overall customer satisfaction with the services (for tenants) we provide has remained stable at 76%, while satisfaction with repairs and maintenance has increased to 86%. Overall satisfaction amongst our care customers stands at 93%.
- Consolidation of our structures to ensure we are organised as efficiently as possible.
- Further cost savings (£4.8 million in notional VAT) by expanding the service provided by Guinness Property.
- An underlying Association operating surplus of 32.2%, slightly behind our 33% target but above our (re-stated) 2014/15 performance (31.2%).
- 908 new homes – and increased activity in our commercial subsidiaries, which produced a profit of £13.6 million, enabling us to continue to invest in existing and new homes and our care business.
- A new Asset Management Strategy and comprehensive update of our Asset Performance Evaluation tool, to enable us to make better decisions about the best use of our homes.

We know our business operates in a changing world – and we need to keep changing and improving to adapt to our environment. During the year we've worked with KPMG Boxwood, under the banner of our "Fast Forward" programme, to validate and stretch our cost savings plans, a necessity in the current political and economic context. But we know there's greater potential, so have widened the brief to look at everything we do, to help us become a better and more efficient organisation.

This work will continue during 2016/17, as we remain focused on what we're here to do – to generate the financial capacity to provide new homes and to deliver amazing services for our customers.

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 strong theme throughout our 'Destination 2018' Strategy and Business Plan for 2016/17 and a key component of how we deliver our corporate objectives. This is supported by directorate Operating Plans, which set out how we will deliver our objectives.

We want to be one of the best service providers, one of the best employers and a major developer of new homes and we've set some clear targets. By 2018 we will:



Achieve customer satisfaction of **85%+**



Achieve employee satisfaction of **90%+**



Build **2,000** new homes



Deliver an operating margin of **35%+**



Our Strategy recognises that we have important strategic choices, and need to direct our resources and energies at the things that make a difference. This means taking advantage of opportunities presented by changes in our operating environment, and also deciding what we don't do any more.

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.**
- **Focusing on what matters most to our customers.**
- **Making the most of our people.**
- **Making best use of our assets.**

Performance against our strategic objectives is monitored by the Executive Team and reviewed regularly by The Guinness Partnership and subsidiary Boards.

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.

We have revised our Financial Plan which demonstrates strong underlying profitability, and the capacity to meet our long-term development aspirations. Our Financial Plan shows:

- Underlying profitability (measured by operating margin excluding sales) in excess of 30% over the life of the plan (with the exception of one year).
- Our operating business delivers positive cash-generation, sufficient to support future development.
- Our operating business delivers sufficient net cash surplus to support development both in terms of the subsidy required before a scheme breaks even and in terms of the capacity to pay back debt.

Our key measures of financial performance are our surplus (excluding property disposals) and our net margin, and these remain strong.

	2016	2015 (re-stated)	Benchmark
Surplus before tax excluding disposals	£50.5m	£43.7m	n/a
Operating Margin per Financial Statements	29.1%	27.5%	28.3%
Underlying Operating Margin (social housing)	29.5%	30.7%	28.3%
Net Margin	14.6%	14.2%	18.5%
Gearing	50.0%	54.9%	98.1%

Benchmark: Average for all housing associations – Global Accounts 2015.

In the association, the social housing turnover has grown by 3.7%, reflecting our success in reinvesting our surplus in providing more homes. The associated costs have grown by 1.2%. Our gearing remains low, giving us the ability to invest in our homes, new and existing, over the next 3 years, and still leaves significant capacity to invest in the future, compared to the sector generally.

Optimising our income

	2016	Target	2015	Benchmark
Current rent arrears	4.6%	4.7%	3.3%	4.6%
Void loss	0.9%	0.8%	0.7%	1.7%
Re-let time	4.2 weeks	3.4 weeks	3.8 weeks	4.1 weeks
Bad debts	1.0%	1.2%	0.9%	0.8%
Affordable rent income	£21.1m	£21.1m	£14.7m	n/a
Average General Needs rent (£/wk)	£98.34	n/a	£97	£95.88
Average Affordable rent (£/wk)	£133.79	n/a	£131	£121.98

Benchmark: Average for all housing associations – Global Accounts 2015, SDR Statistical Data Release (average rents) and HouseMark median for 14 largest housing associations >20,000 homes.

Our focus on income includes:

- **Maximising rents within the rent framework, and by converting homes to Affordable Rent** - In 2015/16 we increased our income from Affordable Rents from £14.6 million to £21.1 million, through 559 conversions from social rent and through the letting of new homes at affordable rent. Overall, we created an additional conversion capacity during 2015/16 of £933k per annum.
- **Minimising the time for which our homes are empty between tenancies** – This deteriorated by 0.4 weeks during 2015/16, and at 4.2 weeks is slightly behind the sector average. The resulting void lost has also increased to 0.9% but still compares well with the sector average.
- **Maximising the amount of rent and service charges recovered** – in 2015/16 current rent arrears increased to 4.6%, but remained in line with sector average performance. We moved to new single housing and finance systems at the start of 2015/16 and our target reflected this.

We recognise the financial pressures our customers are experiencing, as a result of welfare reform, cuts to public services, fuel and utility prices and broader economic issues. We continue to invest in cost-effective tenancy sustainment activities which ensure we support them, at the same time as maximising rent collection and minimising the costs associated with tenancy failure.



Creating capacity...continued

Optimising our cost base

	2016	2015	Benchmark
Management cost per home	£1,238	£1,250	£1,034
Repair cost per home	£911	£892	£1,017
Total operating cost per home	£3,412	£3,193	£3,561
Weighted Average Cost of Capital	5.5%	5.5%	5.44%

Average for all housing associations – Global Accounts 2015

Our focus on costs includes:

- **Reviewing our activities and the way we organise ourselves** – to ensure we are organised as efficiently as possible. We have completed the initial phase and re-organised our teams into a new national functional structure. As part of Project Fast Forward we will take further steps to enable us to improve performance, avoid duplication of resources and generate greater efficiencies.

Our 2016/17 Budget is set to deliver an operating margin of 35.3% and incorporates £12.4 million cost savings. This includes savings of 5.1% and 4.8% against 2015/16 Corporate Services and Customer Services costs.

- **Extending the reach and range of works delivered by our in-house maintenance services** - We have further expanded the coverage of Guinness Property during 2016/17, extending the higher levels of customer satisfaction that workforce delivers and saving a notional £4.8 million in VAT. This builds on a total of £6.8 million saved in the previous two years.
- **Further improving our technology and processes** – to make it easier for our customers to deal with Guinness and for our employees to do their jobs efficiently and effectively. This is an important strand of our “Fast Forward” programme.
- **Procuring efficiently** – to ensure we use the most efficient procurement routes and regularly review the performance of our suppliers and contractors. We know that streamlining the number of suppliers and contractors we use will enable us to make further cost savings during 2016/17. We will implement e-procurement, delivering an average 10-day reduction in the procurement process, and target a return on the investment in our Procurement Team of 5:1, which equates to savings of around £1.25 million.
- **Delivering change effectively** – to ensure we embed changes and realise savings. In 2015/16 we created a single national team to support delivery of Guinness’s strategic transformation objectives, a saving of £1.5 million on the regional structure previously in place.

Diversifying to create greater capacity

We’ve continued to implement our strategy to deliver new homes for sale, through our commercial subsidiaries, Guinness Developments Limited and Guinness Homes Limited. In 2015/16 Guinness completed 391 sales across shared ownership and outright sale, against a target of 358, and generated sales income of £103.8 million.

This surplus is re-invested in existing homes and services and providing more new affordable homes. We also sold 72 empty properties as part of our Asset Management Strategy.

The sales programme for 2016/17 consists of 126 shared ownership homes and 194 outright sales.

In 2016/17 we will:

- Achieve an operating margin of 33.5%.
- Achieve current tenant arrears of 4.0%.
- Deliver cost-reduction and efficiency plans as outlined in our “Fast Forward” programme and agreed with the Guinness Partnership Board.
- Deliver £8 million from property sales (gross receipts) to release financial capacity to enable us to do more.
- Improve finance systems and processes to ensure transactions are processed efficiently and robust management information supports effective decision-making.



Focusing on what matters most to our customers

Guinness is a customer service business. We recognise that our customers' expectations are changing and our ability to recognise and meet these expectations is an important part of making every customer's experience of Guinness amazing, every time. As is our service style and how we make our customers feel when they contact or do business with us.

During 2015/16 we took some important steps towards more consistent, reliable services by:

- Consolidating geographically dispersed customer contact centres into a single operation, under a single management structure.
- Re-structuring our customer-facing and contact centre teams to provide a more consistent approach to customer service and achieve a £3 million cost saving.
- Continuing to re-design processes with a stronger focus on the customer experience as well as business efficiency.

Due to high transitional costs we know we are still more expensive than our peers, and are focused on addressing this during 2016/17.

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 programme of independent customer surveys, with the aim of understanding more about our customers, what drives their satisfaction and providing a robust baseline for benchmarking and measuring satisfaction into the future.

Over this period of change, overall customer satisfaction with the services we provide (for tenants) dipped slightly at 76% and was behind our 80% target. Satisfaction among shared owners and leaseholders increased by 2% against 2015/16 but remains behind our target and the levels of customer satisfaction we aspire to. Satisfaction among our care customers stood at 93% and exceeded our target.

Overall satisfaction with service we provide (%)	2016	Target	2015	Benchmark
Tenants	76%	80%	77%	82.6%
Shared owners and leaseholders	56%	57%	54%	n/a
Care customers	93%	85%	95%	n/a

Benchmark: median for 14 largest housing associations >20,000 using HouseMark.

We have supplemented our customer satisfaction surveys with:

- Customer 'call backs' to ensure we put things right quickly, if we need to.
- A more modern, proactive approach to handling complaints – to minimise cost and inefficiency, and re-build relationships with our customers.

Improving customer satisfaction is a key objective in our Destination 2018 strategy. To support this, we are starting to implement a new Customer Experience Strategy, focused on:

- Knowing our customers and what matters to them.
- Designing our services from our customers' point of view – and delivering them with a Guinness service style. We have already made changes to our repairs offer and the experience customers have through our lettings service.
- Being 'brilliant at the basics' – doing what we said we are going to do, on time and to a good quality.

In 2016/17 we'll start to deliver our omni-channel strategy, which will result in fewer, better contacts; more choice and convenience for customers; and the same amazing service across all our channels.

Delivering a customer-focused, cost-effective repairs service

We know how important our repairs service is to our customers – and we're working hard to deliver a more efficient, cost effective service. We have revised our pricing structure for responsive and void repairs carried out by Guinness Property, based on a fixed price per property. We have used independent benchmarking to test and demonstrate that the new pricing structure offers value for money. During 2015/16 we have:

- Improved customer satisfaction with responsive repairs by 2% to 86%;
- Extended the geographical coverage of Guinness Property, saving a notional £4.8 million in VAT;
- Delivered further savings of £500k through a 5% reduction in pricing;
- Increased productivity, as measured by the number of jobs per operative per day, by 12%; and
- Delivered responsive repairs cost per property of £713.59, representing top quartile performance (as set out in 'Comparing our Performance' on Page 16).

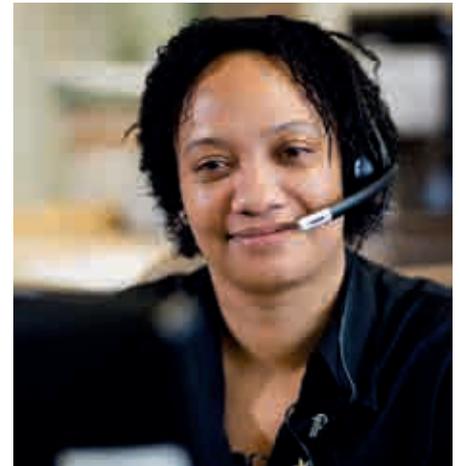
Adding value - going further for those who need it

We continue to support our customers who need more help. We have invested £12.9 million in our Care business, strengthening its financial position and enabling it to be agile. We also continue to provide services focused on:

- **Financial Inclusion** - to improve household budgeting skills and access to affordable financial products for our customers. We also manage a modest hardship fund to meet emergency requirements for essential household items, and assist customers in making claims for Discretionary Housing Payments.
- **Affordable Warmth** - to help our customers reduce energy usage and costs.
- **Access to Work** – to improve skills and help to find training, as well as opportunities for volunteering and work placements.

During the year we generated c.£1.7 million additional income and c.£3.7 million additional Housing Benefit for our customers. In our 125th anniversary year we also awarded £125,000 to 136 customers through our Aspire Awards programme, helping them to learn, get back into employment and giving them the confidence and motivation to change their lives.

We also developed a partnership with the Trussell Trust to support our customers in providing nutritious and inexpensive food for themselves and their families.



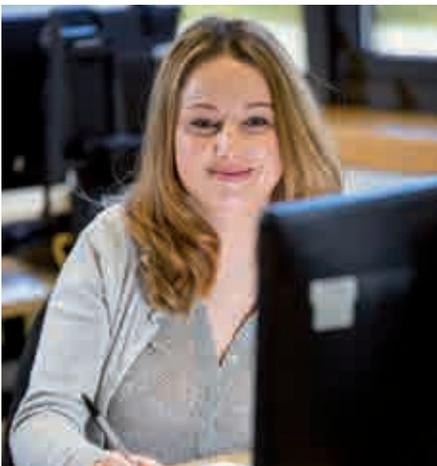
In 2016/17 we will:

- Give our customers more choice about how and when they contact us – including an easy to use digital offer, comprising CRM, customer portal and digital solution supporting the delivery of a further £5.5 million savings.
- Deliver an improved repairs service, in part by doing more ourselves. A further 8,000 Guinness homes will be repaired by Guinness Property, on a new, independently benchmarked, price per property and price per void basis.
- Achieve 80% customer satisfaction (tenants) and 60% satisfaction (shared owners and leaseholders).
- Achieve a 10% reduction in complaints.
- Continue implementation of a new staff rostering system in Guinness Care and Support, with anticipated savings of £100k per year, and additional overhead savings of £200k per year.

Making the most 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 2,480 (full time equivalent) people (2014/15: 2,591) across our housing and care businesses and have a total salary cost of £85.4 million per year (2014/15: £83.0 million). 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:

- Completing our Guinness Leaders Programme, in conjunction with Henley Business School.
- Continuing our Guinness Managers Programme, which 64% of current Managers have now attended.
- Holding the first Guinness STAR Awards, celebrating our remarkable people and their outstanding achievements.
- Delivering training and e-learning programmes – to ensure our people have the necessary, up-to-date skills and knowledge to carry out their roles effectively. During 2015/16 we delivered more than 10,000 e-learning modules and 8,500 training days, equating to 3.28 days per FTE.
- Providing more than 40 apprenticeships across Guinness, as we seek to attract and grow our own talent and combat the national shortages of skills in particular areas. Over 80% of our apprentices go on to secure permanent employment with Guinness.

During 2015/16 our employee attendance levels remained high at 98.1%, helping us to maintain our productivity. Voluntary employee turnover increased to 13.1%, and reflected a year of transition for Guinness as many of our people moved into new structures.

	2016	2015	Benchmark
Attendance levels	98.2%	99.0%	90.1%
Turnover (voluntary)	13.1%	9.9%	12.6%

Benchmark: median for 14 largest housing associations > 20,000 using HouseMark.

During the year, employee engagement dropped by 10% to 66%. We recognise that 2015/16 was a year of significant change for many of our people, as we re-structured large parts of our business and commenced a wider programme of transformational change. These changes are aimed at creating a more efficient and better organisation.

Our results told us that a high proportion of our people remain committed to Guinness and our key objectives and we're confident we can – and will - do better. We've responded to the feedback received through our regular Pulse surveys and are working hard to improve.

We continue to offer a balanced and fair reward package which reflects our expectations of our people but also our commitment to their health and wellbeing. We regularly assess our offer against external benchmarks.

We recognise that senior management and Board costs are an important element of our approach in this area. Our highest paid member of staff is our CEO and we benchmark her pay against sector averages. We also use this as basis to calculate a ratio of highest to average salary, which has fallen during the year. We also benchmark the cost of our Board Members, which has remained consistent.

	2016	2015	Benchmark
CEO pay per home	£4	£4	£4
CEO pay as a % of turnover	0.06%	0.07%	0.08%
Ratio of highest to average salary	9:1	10:1	n/a
Board member pay per home	£2	£2	n/a

Benchmark: average for the largest 10 housing associations

Creating a Value for Money Culture

We are really focussed on creating the right culture at Guinness. We want to make every customer experience amazing. We want to be smart, efficient and profitable, in order to deliver new homes. And we want to be a brilliant place to work. Value for Money is an important part of this.

We've chosen not to follow a more usual approach of delivering a training programme and focused hard on making the discussion about value for money come alive. We've done this by getting everyone involved in our plans. This has included:

- A series of roadshows where the Executive Team met colleagues outlined our strategy in response to changes in our operating environment and led conversations about how we deliver our objectives efficiently.
- Clear communication about our "Fast Forward" programme, with regular updates on our intranet, and an online ideas forum.
- Significant revisions to our key performance reporting, following a rigorous review in partnership with all areas of the business. We've redefined our suite of performance reports, to achieve closer alignment to HouseMark indicators.
- Staff at all levels involved in setting stepped performance targets, so that all our performance measures include six monthly improvements.
- A zero-based budget setting process, with significant challenge across service areas. This has led to a significantly lower base budget with robust, deliverable plans.
- 'Challenge' sessions from an independent third-party to test our Value for Money performance and plans.



In 2016/17 we will:

- Increase employee engagement to 80%.
- Gain Investors in People re-accreditation to demonstrate the value we obtain from our investment.
- Continue our programme of significant investment in new technologies that will make it easier for our people to deliver a great service.
- Develop our approach to Talent Management – with next steps building on our Guinness Leaders Programme.

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.

We start 2016/17 with a new Asset Management Strategy, focused on providing safe, high quality environments that our customers want to live in. All of our assets are well managed to ensure that we maximise the value, both social and financial, that they contribute to the business. The new Strategy will be the driver to sharpen this focus, so that every decision that we make about our assets will be based upon improving value for money and customer satisfaction.

Return on investment

	2016	2015	Benchmark
Rented homes ROI	5.3%	5.1%	n/a
Shared ownership ROI	2.1%	2.8%	n/a
Total ROI (Operating surplus / social housing assets)	5.0%	4.8%	5.5%
Return on Capital Employed (operating surplus / total assets – current liabilities)	7.2%	5.8%	4.8%

Benchmark: average for all housing associations, Global Accounts 2015.

Assessing our assets at a detailed level

In 2015/16 we generated £6.1 million (2014/15: £5.1 million) of capital receipts through our Asset Optimisation programme which will be used to fund reinvestment in new homes.

We commissioned a comprehensive update of our Asset Performance Evaluation tool, which has enabled us to make better decisions about the best use of our homes. This has improved the visibility of all of our housing assets, on an individual basis, and given us a more sophisticated ability to identify our best and worst performing homes. We will develop this further during 2016/17.

Ensuring assets meet future customer needs

During the year, 31 Housing for Older People schemes have been appraised, in line with the review of our offer for older people. Data has been compiled on all 285 schemes nationally to enable the ongoing options appraisal over the coming year. We will then implement the recommendations

from our appraisals. We have also commissioned a firm of architects to help us design a 'blueprint' for older peoples housing in the future.

We have also carried out a review of our care home assets forming part of Guinness Care & Support, with a view to sharpening our focus on more profitable business streams and identifying assets which no longer make a contribution.

Ensuring legitimate occupancy of our homes

We know that everyone needs a safe secure home, but that sometimes the people living in our properties are not occupying them lawfully and are therefore depriving legitimate customers of the opportunity to live in a social home.

With affordable housing in scarce supply, we have continued to invest in dedicated tenancy fraud detection and over the last year, recovered 62 homes.

Commercial property and office accommodation

We have continued our review of office accommodation. In 2015/16 we disposed of three offices, generating receipts of £2.8 million and at the year end, we had also accepted an offer on a further office building in Marlborough. This was part of our programme of office rationalisation aimed at reducing the number of offices in our legacy structures.

We continued to maximise the income from our commercial portfolio, and this year achieved an additional income of £124k per annum as a result of our review of lease agreements.

Planned repairs programmes

In 2015/16, we continued to invest in maintaining and improving the condition of our homes, including improvement works to 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.

During the next 3 years we will invest more than £190 million in our homes, of which £78 million will be capital improvements. A breakdown of our planned investment is set out below:

Works Programme	Planned Spend (£m)		
	16/17	17/18	18/19
Planned Capital Repairs	25.7	26.2	26.2
Planned Revenue Repairs	9.5	9.4	9.4
Aids and Adaptations	0.4	0.4	0.4
Responsive Repairs	19.5	19.9	20.5
Void Works	8.0	8.2	8.4
Total	63.1	64.1	64.9

We continue to meet the Decent Homes Standard across our homes. We are reviewing the frequency with which we replace some components to ensure that we balance value for money with the quality of our homes for our customers.

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. Our savings included:

- The painting programme was delivered through a new national framework, generating savings of £0.5 million and maintaining a high level of quality.
- Changes to the approach to cleaning the frames of PVCu windows, resulting in savings of c. £400k per annum.
- Savings of £200k on a lift replacement programme.
- A greater proportion of planned works delivered by Guinness Property.

Costs were benchmarked against other providers and while the overall financial impact for this year was neutral, however there were indirect savings in reduced contract management and administration.



Making the best use of our assets

...continued

We have continued to carry out Aids and Adaptations to our homes to enable our customers to remain independent in their homes.

To ensure we continue to assess both cost and quality, we initiated a new programme of surveys to measure customer satisfaction with planned repairs. At the end of the year, satisfaction stood at 88% and customer feedback has resulted in improvements in how we communicate with our customers about future planned repairs.

Regenerating our estates

We're looking at how we make best use of the land and spaces we own – seeking opportunities to provide more new homes and where necessary, improve existing homes. Following the progress of our re-generation of our Loughborough Park estate in Brixton, we are reviewing opportunities at a number of sites across London.

During the year we purchased the freeholds of our Mansell Street and Victoria Park estates in London, increasing their value as assets and creating, in the case of Mansell Street, a major redevelopment opportunity that will benefit our current and future customers.

Environmental return

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. Our Home Energy Standard target states that no home will have an EPC rating below C (equating to SAP 69-80) by 2030. This is in line with the targets set out in the Fuel Poverty Regulations 2014.

We scaled back our programme in this area in 2015/16, while we focused on other priorities, but are still proud of our achievements in this area, which included:

- Replacing 290 boilers (2014/15: 1,700) which saved, on average, £350 per year per property, equating to an annual total saving for customers of £101k.
- Providing cavity wall insulation for 416 homes (2014/15: 1,852 homes) which saved, on average, £160 per year per property.
- Installing loft insulation for 86 homes (2014/15: 166 homes) which saved, on average, £140 per property per year in fuel costs for our customers and 462 carbon tonnes.
- Reduced energy consumption in our offices by 1.34%, missing our target of 5%.
- Completing a project designed to drive behavioural changes and using smart technology to help customers understand how to use their heating controls effectively.



In 2016/17 we will:

- Continue the development of our Asset Performance Evaluation tool, with a comprehensive review of outputs.
- Implement the recommendations from our appraisals on 31 housing for older people schemes – and design our 'blueprint' for older peoples housing in the future.
- Close / dispose of a further six offices, generating revenue savings in excess of £0.5 million per year.
- Install 1,510 new kitchens and 1,185 new bathrooms.
- Generate £8 million sales receipts from our Asset Optimisation Programme.
- Achieve a minimum of 90% satisfaction with Planned Repairs.
- Deliver a significant reduction in the number of contractors we work with, increasing our rigour in the management of contracts.

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;
- 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.

The Global Accounts View

Below is a comparison of cost data issued by the Homes and Communities Agency (HCA), based on the Sector Global Accounts 2014/15 publication:

Entity	Headline social housing cost CPU (£k)	Management CPU (£k)	Service charge CPU (£k)	Maintenance CPU (£k)	Major repairs CPU (£k)	Other social housing costs CPU (£k)
TGPL	3.27	1.31	0.32	0.81	0.6	0.23
Upper quartile	4.30	1.27	0.61	1.18	1.13	0.41
Median	3.55	0.95	0.36	0.98	0.80	0.20
Lower quartile	3.19	0.70	0.23	0.81	0.53	0.08
TGPL result						

 Upper quartile  Median  Lower quartile

Overall, our costs per unit (“CPU”) fall in the median to lower quartile range. We can and will make further savings which will lower our overall costs, and we plan to use these savings to improve our services and build more new homes.

While we have already made some significant strides to reduce the costs of housing management, we have much more work to do. This is planned as part of our “Fast Forward” programme.

Our repairs costs per unit are lower quartile, and major repairs median to lower quartile, although these costs do vary depending on the timing of the programme.

Through our expansion of Guinness Property, procurement savings and more robust contractor management, we will deliver further savings during 2016/17.

Other social housing costs are upper quartile to median, and have been necessarily so as we continue a period of transition, major change programmes and a significant investment in new technologies that will enable us to deliver improved customer service.

Comparing our performance ...continued

The HouseMark View

We consider HouseMark to be an important source of benchmarking data. We have used it to provide a historic view of KPIs and costs, mainly in housing management.

We are expanding our use of the benchmarking data to:

- Determine target levels of performance.
- 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 reviewed both our structures 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, enabling us to focus on our overall cost and performance against similar associations. The latest year that we have benchmarking data for is 2014/15, and the results are in line with data from the HCA Global Accounts.

The results for housing management costs can be summarised as follows:

2014/15 HouseMark Cost per Property Housing Management			
	Actual	Quartile	HouseMark Median
Rent arrears & collection	£211.84	4th	£144.73
Resident involvement	£69.87	3rd	£52.28
ASB	£119.01	4th	£66.94
Lettings	£162.24	4th	£95.86
Tenancy management	£151.46	3rd	£133.97
Total Housing Management	£714.42	4th	£536.43
Direct housing management costs	£314.49	3rd	£294.41
Overhead allocation	£399.92	4th	£199.08
Total Housing Management	£714.42	4th	£536.43



In all of these areas, including our overhead base, we were more expensive than most of our peers. We have experienced some significant additional transition costs in implementing our new structure, which has resulted in our costs remaining higher than we would have hoped.

The budget for 2016/17 has been put together with a forensic rigour, and incorporates £12.4 million cost savings. Every service area has a robust delivery plan in place for the achievement of their cost savings, which will be monitored by the Executive Team, and Guinness Partnership Board. We are confident that these cost savings will be reflected in our 2016/17 HouseMark results.

Repair costs can be summarised as follows:

2014/15 HouseMark Cost per Property Repairs			
	Actual	Quartile	HouseMark Median
Direct & management costs of:			
Responsive and void repairs	£713.59	1st	£894.03
Major works and cyclical management	£1,037.48	1st	£1,496.25

Void repair costs tend to fluctuate from year to year, and there has been a particular focus on repair costs in areas where we have higher proportions of harder-to-let properties. All of our repair costs are better than median. We continue to look for areas for improvement and next year we have a significant focus on repairs procurement, the expansion of the role of Guinness Property and a drive to reduce void turnaround times.



Delivering on plans for 2015/16 – how we did

This section summarises our progress against plans set out in our previous VfM self-assessment, although in several cases these remain ongoing longer term programmes of work.

What we said (in 2014/15 VfM Statement)	Progress at 31 March 2016
<p>Significant improvements in customer satisfaction</p> <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>	<p>Overall assessment: Target not met ■</p> <ul style="list-style-type: none"> • We ended the year with overall satisfaction with the services we provide (tenants) at 76% and this did not meet our target. Satisfaction among our leaseholders / shared owners ended the year at 56% - and while this had improved during 2015/17, it was behind our target. • Overall satisfaction amongst our Care customers stood at 93% and this exceed our target by 8%. • While we did not meet our headline targets, we saw improvements across a number of key underlying satisfaction measures, including satisfaction with responsive repairs.
<p>A reduction in costs and a further increase in operating margin</p> <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.</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). 	<p>Overall assessment: Target partially met ■</p> <ul style="list-style-type: none"> • The operating margin for the year as reported at the end of the financial year was 27.1%, just under the target of 33%, primarily due to a £14.5 million pension charge. • There has been an intense focus on the identification and delivery of cost savings during 2015/16 – and as a result of this, the budget for 2016/17 aims for an operating margin of at least 33%, despite decreases in rents. • The budget also sets out an underlying budget which matches the delivery of cost savings which will be achieved, in stages, by 31 March 2017. This underlying budget gives an operating margin of 35.3%. • During the year we disposed of three offices, generating receipts of £2.8 million; reviewed both our structures and the way we deliver housing management services to improve our efficiency and quality of services we provide.
<p>Exploit the potential benefits of our in-house maintenance provider, Guinness Property Services (GPS)</p> <p>We have a well-established in-house maintenance provider. 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> <ul style="list-style-type: none"> • In 2015/16 we will 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>Overall assessment: Target met ■</p> <ul style="list-style-type: none"> • Guinness Property delivered VAT savings of £4.8 million. • The extension of service delivery in the south west has meant that Guinness Property installed almost 3,000 components in 2015/16 with the expectation that this will grow to over 4,000 in 2016/17. Guinness Property also stepped in to the Bristol area when another contractor was unable to complete requirements. • Guinness Property's delivery of the £8 million refurbishment of the Matthias Court in Salford during 2015/16 is within budget and will also generate cost savings benefiting the adjacent block at Adelphi Court, which will be refurbished in 2016/17. • Guinness Property has integrated maintenance activities in Havant this year and turned this from a loss-making to a profitable part of their operation. • Customer satisfaction remains high at 90% in the north and 86% in the new areas of operation. Targets for 2016/17 are 95%. First time fix rates have increased to 83% in the north, 78% in new areas, which is comparable to high performing organisations across the sector.

What we said (in 2014/15 VfM Statement)	Progress at 31 March 2016
<p>Leveraging continued benefits from procurement activity and contract management</p> <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.</p> <p>Key procurement activities for 2015/16 will include:</p> <ul style="list-style-type: none"> • Gas servicing. • Fire safety equipment servicing. • Multi-function devices. 	<p>Overall assessment: Target not met ■</p> <ul style="list-style-type: none"> • Our procurement team re-tendered or re-negotiated 41 contracts with a total pre-contract value of £20.9 million, delivering savings of £951k or 4.8%.
<p>Strategic Asset Management to generate financial capacity and make the best use of our assets</p> <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. • Improving management of our commercial property portfolio and non-residential properties to ensure we maximise returns. 	<p>Overall assessment: Target met ■</p> <ul style="list-style-type: none"> • At the end of the financial year we had achieved gross proceeds of £6.1 million from VP OMV disposals. (Note that the Board agreed a revised target after the July Budget.) • 31 Housing for Older People schemes have been appraised. Data has been compiled on all 285 schemes nationally to enable ongoing options appraisals. • A review of offices is in progress. We have completed on the sale of 3 offices during the year, generating proceeds of £2.8 million. • All 73 commercial properties have been reviewed. An additional £124k income was secured during the year.
<p>Delivering new homes</p> <p>We will use our financial strength to invest in the new housing that is desperately needed. Develop 885 new homes, including 570 affordable housing; 186 private rented housing; 110 shared ownership; and 19 for private sale.</p>	<p>Overall assessment: Target met ■</p> <ul style="list-style-type: none"> • We delivered a total of 908 new homes.
<p>Making the most of our people</p> <p>We will seek further improvements in our staff engagement, recognising that staff performance and productivity is key to our success in all areas.</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 they support modern ways of working. • Implement a cultural change programme that promotes a focus on performance and Value for Money. 	<p>Overall assessment: Target partially met ■</p> <ul style="list-style-type: none"> • The final cohort of the Guinness Leaders' Programme was completed in February. • Three more Guinness Managers' Programme sessions are scheduled for 2016/17. 64% of (current) managers have attended the programme. • A formal Value for Money programme has not taken place. We are training budget managers and staff about budget management in a cost-conscious environment. This forms part of wider cultural change work being led by the Executive Team.

Our plans for 2016/17

Our key Value for Money plans for 2016/17 include:

VfM areas	Actions
<p>Focusing on what matters most to our customers</p>	<p>We will:</p> <ul style="list-style-type: none"> • Translate our new Customer Experience Strategy into amazing service for every Guinness customer. • Bring the new Guinness service style to life to offer well designed services which our customers love. • Give our customers more choice by taking our services online; implement a new CRM system, and launch our new website. • Deliver an efficient repairs service which our customers love by being easy to deal with, friendly and fixing things on the first visit. <p>Our key targets are:</p> <ul style="list-style-type: none"> • Overall satisfaction with services we provide (tenants): 80%. • Overall satisfaction with services we provide (shared owners / leaseholders): 60%. • Satisfaction with last completed repair: 89%. • 10% reduction in complaints. • 100% CQC Compliance (care services). • Void turnaround reduced to 25.5 days.
<p>Creating capacity – optimising our income and costs</p>	<p>We will:</p> <ul style="list-style-type: none"> • Deliver our efficiencies programme, aimed at improving services to customers and deliver our financial savings plan. • Improve finance systems and processes, particularly relating to Purchase to Pay and Rents and Service Charges, to ensure transactions are processed efficiently and robust, accurate information is produced. • Deliver a rent collection service that meets the needs of our customers and protects our revenues. • Deliver vacant property sales and explore other opportunities to release financial capacity that enable us to do more. <p>Our key targets are:</p> <ul style="list-style-type: none"> • Current tenant arrears - 4%. • Operating margin - 33.5%. • Property sales receipts (gross) - £8 million.
<p>Significantly increasing our ROI from procurement and improving contract management</p>	<p>We will:</p> <ul style="list-style-type: none"> • Deliver a 5:1 return on investment from procurement. This equates to approximately £1.25 million and represents an increase in the savings target from the previous year of around £200k. Where cashable savings benefits cannot be demonstrated, we will add value in other ways. • Improve management of suppliers and contracts through a supply chain strategy for all key areas of spend. <p>Our key targets are:</p> <ul style="list-style-type: none"> • Introduce e-procurement. • Develop a new supply chain strategy. • Reducing and consolidate our number of suppliers. • Deliver savings from tenders as follows: <ul style="list-style-type: none"> • Legal Services – £2 million pa. • Gas Maintenance – £4 million pa. • Temp Resources – £5.5 million pa. • Waste Services - £1 million pa.

VfM areas	Actions
<p>Really making the most of our assets</p>	<p>We will:</p> <ul style="list-style-type: none"> • Ensure that all Guinness homes continue to meet the Decent Homes Standard. • Carry out options appraisals on a further 14 General Needs schemes, ensuring they are appropriate to meet future needs and maintain demand. • Close/ dispose of a further six regional offices, without detriment to customer service, generating revenue savings of c.£500k pa. • Undertake a national review of land holdings to identify and exploit opportunities to generate further receipts. • Improve management of our commercial property portfolio and non-residential properties to ensure we maximise returns. <p>Our key targets are:</p> <ul style="list-style-type: none"> • Satisfaction with planned repairs 90%. • 1,510 new kitchens installed. • 1,185 new bathrooms installed. • 100% homes meeting Decent Homes Standard.
<p>Creating capacity – Purposeful growth and diversification</p>	<p>We will:</p> <ul style="list-style-type: none"> • Implement a new 2016/19 Development Strategy, to build more homes of more tenures and create additional future capacity through a greater proportion of market sales. <p>Our key target is:</p> <ul style="list-style-type: none"> • Delivery of 561 new homes, including 340 homes at social / affordable rent, 113 homes for shared ownership and 108 homes for private sale.
<p>Making the most of our people</p>	<p>We will:</p> <ul style="list-style-type: none"> • Deliver three further cohorts of the Guinness Managers' Programme. • Review Guinness's office locations to ensure they support modern ways of working. • Develop our approach to Talent Management. • Continue to embed the Guinness values and culture, creating an atmosphere where people want to succeed and contribute by role modelling our behaviours, giving and receiving great feedback and helping people to be the best they can be. <p>Our key targets are:</p> <ul style="list-style-type: none"> • 80% employee engagement. • Investors in People re-accreditation. • 100% completion of mandatory training.

Great service,
great homes and
a great place to work



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