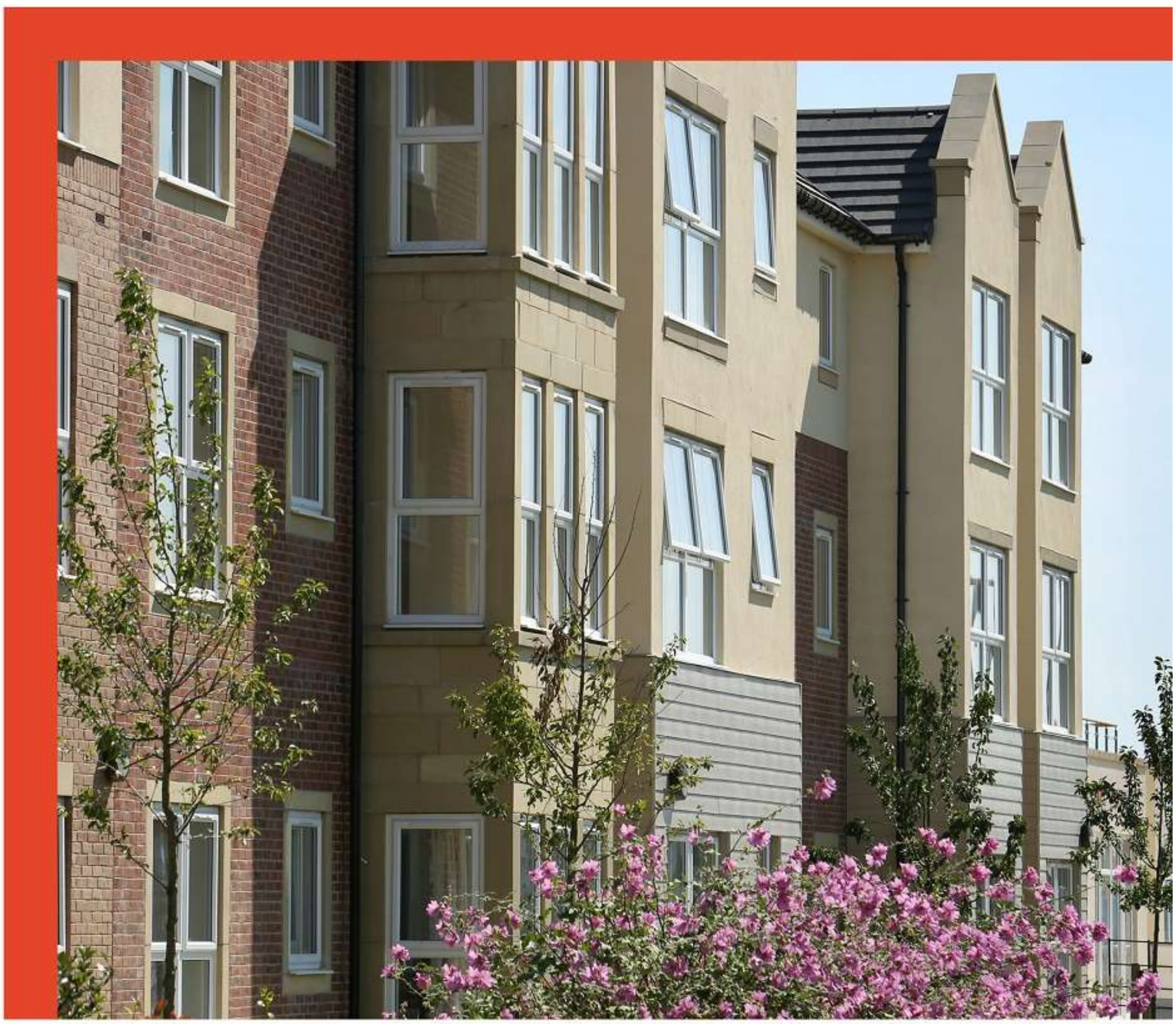
thirteen

Managing and building homes

Thirteen

Value for Money
2016/17



1 Delivering Value

1.1 Our 5 year strategic plan has been developed to ensure we remain financially efficient and viable, whilst addressing housing needs and improving services. Thirteen has been working to improve the lives of our communities for years. We have a wealth of experience and strong partnerships with community groups, third sector organisations, the public and private sectors.

1.2 Thirteen Group was established to achieve economies of scale in service provision and provide value for money with regard to goods and services to pass on to our customers. We continue to be committed to developing and improving efficiency and effectiveness by reviewing how we perform and encouraging innovation.

1.3 Value for Money (VfM) for Thirteen is about obtaining the maximum benefit over time with the resource available. Spending less. Spending well. Spending wisely. Our aim through our VfM Programme is to create the optimum balance where costs are relatively low, productivity is high and successful outcomes have been achieved.

1.4 We have made strong and significant progress in delivering our efficiency targets:

- The financial results this year, once again, reflect the Group's financial stability in these challenging times, reporting a surplus for the year of £37.5million (2016: £18.6million) and retaining fixed assets values at £1,003million (2016: £983million).
- Cost savings and additional income have resulted in a notable increase in Thirteen's operating margin from 19% in 2016 to 30% in 2017.
- The reserves levels of £578millon (2016: £537million) ensure that we will be able to continue to deliver excellent customer services whilst also maintaining our loan portfolio and funding the strategic priorities going forward; they also ensure that we are able to deal with the reduction in our rental income over the next three years.
- Within last year's VFM self-assessment, we highlighted that efficiency savings of £10.7m had been identified and 'locked into' the 2016/17 budget and financial plan, following a comprehensive review of our financial position, business plan commitments and services. Actual savings achieved against budget for 2016/17 equated to £18.8m (£12.4m of recurring savings and £6.4m one-off savings). This equates to 11.39% of Thirteen's turnover.
- Our financial performance compares well nationally though we are aware that in some cases operational performance is median or lower quartile.
- The total social value recorded through HACT in 2016/17 was worth almost £6m.
- Performance improvements in 2016/17 included, reduced tenancy turnover, increased satisfaction with quality of home, reduced relet times for standard properties, reduced average call waiting times and improved complaints management with a centralised approach reducing the average response time.
- A £2.3million reduction in management costs in the year, reflecting the achievement of efficiency savings identified as a response to the 1% rent reduction applied to social landlords for the next 5 years.
- Our management costs per unit fell within the lower (most favourable) quartile in 2016 and 2017.
- Our routine and maintenance costs have decreased by £4.5million. From the HCA data for 2016, maintenance costs fell into the median quartile for the LSVT landlords with Tees Valley Housing achieving lower (most favourable) quartile costs.
- In addition, we have achieved reductions in expenditure on major repairs whilst still investing in our properties. Cost savings have been achieved from the introduction of a new contractor framework, new partnership arrangements, procurement savings and the attraction of grant funding.

- Void loss reduced from 2.6% to 2% in 2017 but is still higher than the global benchmark for 2016. We continue to experience low demand for some property types and areas. We are being proactive in identifying poorly performing housing assets with consideration being given to redesign for alternative use or even disposal.
- Bad debts reduced significantly, reflecting our revised bad debt provision policy. Despite the continuing impact of welfare reform and wider austerity, tenant arrears remain constant.
- A customer satisfaction survey was carried out in December 2016 and reported in January 2017. When measured against the May 2016 survey there was a decline in overall satisfaction and this reflected some of the service issues that were experienced in year; particularly repairs and maintenance, following the introduction of the new computer system. A further 'Deep Dive' survey was completed in May 2017 and this showed that satisfaction is increasing but we are still short of the Northern median. The results are being used to inform and support the projects within the strategic plan. We continue to focus on three priorities for improvement; the speed of repairs, the availability and ease of contacting staff and listening to tenants.
- Thirteen's consolidated return on assets increased in 2017 to 5.2%, which is above the sector global benchmark. We have returned strong financial performance for the year, demonstrated in the surplus that drives the ROA.
- 248 new properties were developed.
- A managed service with Travis Perkins is firmly embedded, and has provided savings versus previous in-house arrangements
- We have reviewed investment expenditure on all sheltered schemes, using Net Present Value (NPV) methodology, combined with social sustainability scoring to ensure they are viable over the 30-year business plan, which has enabled us to reduce unnecessary spend on non-viable assets.
- Debt per unit has reduced as a result of cost savings and additional income, which has allowed us to repay a tranche of loan capital and not make any additional borrowings.
- This year we consolidated the partner landlords into one organisation as 'Thirteen' to create further efficiencies and make us easier to do business with.

2 About us

2.1 Thirteen owns and manages just under 34,000 homes in an area spanning North Tyneside to York, with the majority of properties in the Tees Valley area. We are a social purpose business that uses our commercial expertise to meet our priorities. Our reason for being is to provide good quality homes and support for those in housing need. We have a wealth of experience and capacity, strong partnerships and are dynamic and flexible in order to find solutions. Keeping customers at the heart of everything we do helps us shape the business and we are committed to making improvements. We employ around 1,500 people.

Building a Stronger Business

2.2 Our strategy (Strategic Plan 2017-2023) aims to address housing needs, ensure we remain financially robust and make improvements to our services. Thirteen has been working to improve the lives of our communities for years. We have a wealth of experience. We have strong partnerships with community groups, third sector organisations, the public and private sectors. Since the inception of Thirteen, the board and colleagues within the organisation have been committed to developing and improving the effectiveness of the business, drawing upon the Group's collective strengths and experiences to become a stronger business.

Our Thirteen Philosophy captures our strategy to build a stronger business with five component parts:

1 Our mission – why we are here

We provide homes, support and opportunities to grow.

2 Our vision

We are a caring landlord and housing developer. We're for anyone who needs a home and maybe a little help to get it. We're about investing in neighbourhoods and making a major contribution to the regeneration of Tees Valley.

3 Our priorities

1. Delivering great customer service
2. Growing our business as a social entrepreneur
3. Contributing to regenerating the Tees Valley
4. Being Team Thirteen – high performing, collaborative and efficient

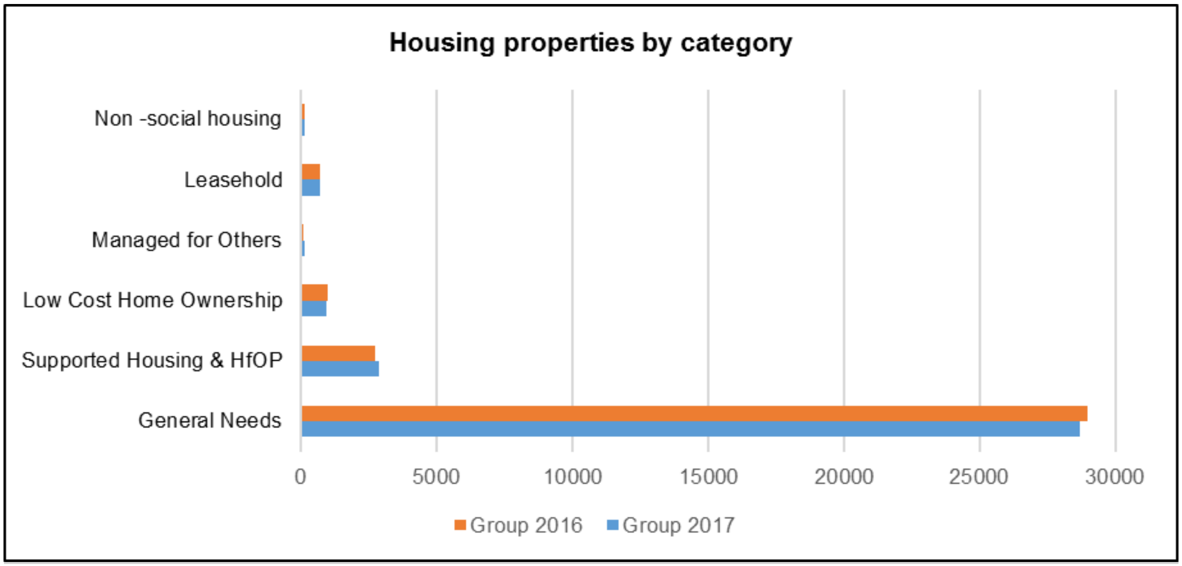
4 Our Geographic focus

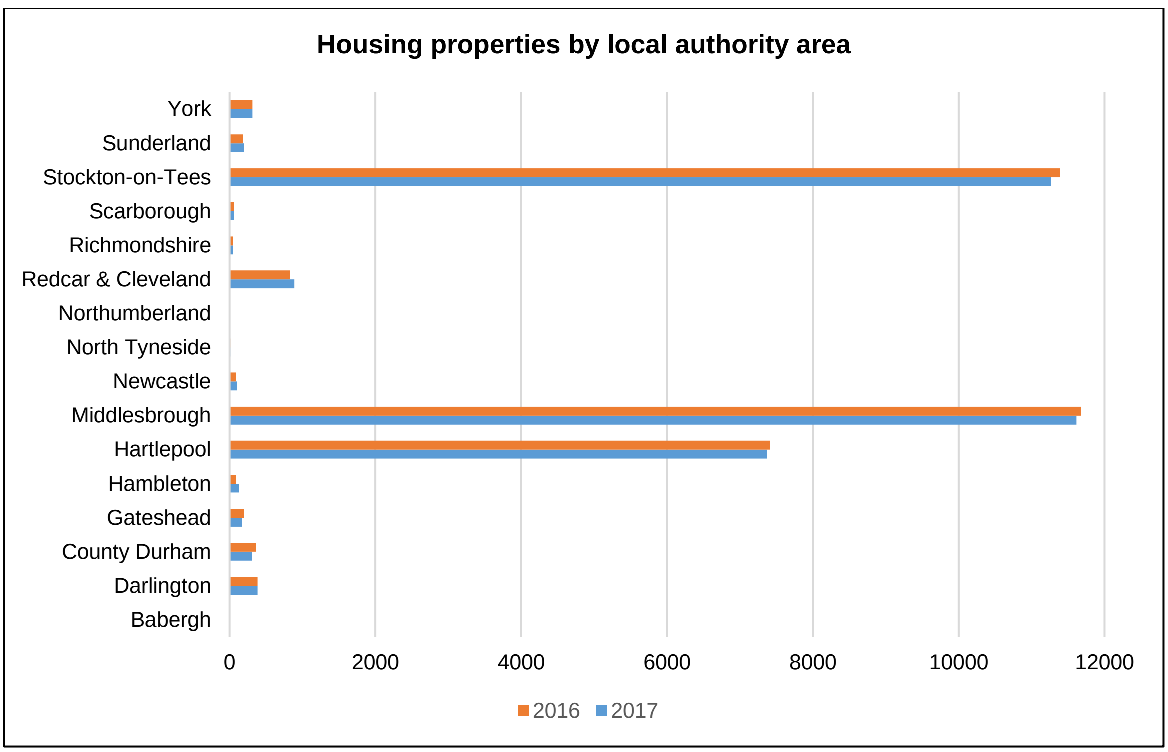
Our new affordable housing development work will focus on the Tees Valley. We will consider developments and services outside of the Tees Valley if it covers costs and generates profit. On the whole, we will not seek to be the landlord of properties beyond our core operating area of Tees Valley.

5 Our values

- Considerate
- Smart
- Progressive

The Group operates in the North East/North Yorkshire region of England with the majority of its stock being within the Tees Valley. The profile of stock owned and managed at 31 March 2017 by type and local authority was as follows:





Source: NROSH+ data, this includes leased stock.

3 The Value Thirteen Has Delivered

3.1 Value for money (VFM) is fundamental to Thirteen. We are committed to achieving VFM, optimising future returns on assets, procuring and delivering quality goods and services and having a positive impact on our customers and communities.

3.2 Significant progress has been made. Actual savings achieved against budget for 2016/17 equated to £18.8m (£12.4m of recurring savings and £6.4m one-off savings). This equates to 11.39% of Thirteen's turnover. Details of progress in implementing the objectives from the 2015/16 VFM Self-Assessment are provided below.

Priority One – Delivering Great Customer Service

Efficiencies Delivered	Amount
Service Charge Review	£537,807
Void Loss	£577,491
Bad Debt provision	£2,852,000
Service reviews	£2,123,849
Void costs	£904,410
High Rise Support	£173,430
In-house cleaning	£10,864
Care and Support Service Review	£41,768

- Performance improvements in 2016/17 included:
  - Reduced tenancy turnover from 12.6% to 11.7%
  - Increased satisfaction with quality of home from 87.5% to 88.9%
  - Reduced relet times for standard properties from 65 days to 46 days
  - Reduced average call waiting times from 59 seconds to 30 seconds
  - Improved complaints management with a centralised approach reducing the average response time from 8.3 days to 2.5 days and 100% within the target time of 5 working days
- Improved performance within the contact team, supported by the introduction of a self-service portal for customers, giving access to make rent payments and enquiries and log complaints.
- 517 formal estate walkabouts completed, enabling us to engage with residents and identify and rectify issues.
- Market facing team introduced to manage more complex non-social housing stock, providing specialist management and achieving efficiencies.
- New Homes Team created. A full evaluation will be undertaken in 2017, but initial feedback has been positive from customers and employees, with rent accounts and debt levels of new accounts being lower than before the team was introduced.
- Rent and Income service review completed and recommendations for improvement identified and being implemented, with a number of 'quick wins' enabling us to surpass a target of 5% reduction in amount of debt outstanding (a £336.6k reduction in debt; £241.2k ahead of target).

- Mobile working solutions rolled out to the Neighbourhood teams, enabling them to work more efficiently with access to customer data during visits allowing for additional rent conversations to take place.
- An improved approach to voids management, delivering a new process and restructuring teams accordingly. Relet times reduced from 66.4 days in 2015/16 to 46 days in 2016/17; rent loss was 2% lower than budget; repair costs 15.3% lower than budget and 33% lower than previous year; standard voids reduced from 568 at March 2016 to 332 at March 2017, reducing voids as a % of stock from 1.83% to 1.07%.

Priority Two – Growing our Business as a Social Entrepreneur

Efficiencies Delivered	Amount
External funding secured for employability initiatives	£320,801

Actions completed in 2016/17

- Four new extra care schemes were opened, providing 187 safe and secure housing units for over 55s requiring support, including an end of life suite.
- The assistive technology team's ICT system was improved, ensuring that information regarding customers' assistance requirements is available to all staff. The team has moved into new accommodation, providing telephone system back up should there be any failure on in-house systems. They have also achieved a Telecare Services Association accreditation.
- Homelessness Trailblazer – A partnership approach with Middlesbrough, Stockton-on-Tees, Hartlepool, Redcar & Cleveland and Darlington Councils and Coast & Country Housing Association: together we have secured over £710k in government funding to help households avoid crisis and prevent people becoming homeless. The scheme will see partners become 'homelessness prevention trailblazers', to deliver a more targeted approach to preventing homelessness.
- Other partnerships established to deliver services, include:
    a. Newcastle Integrated Domestic Abuse Service – a specialist integrated service, which in addition to providing safe and secure accommodation, includes support for children and young people.
    b. Redcar Resettlement Service for Syrian Refugees – supporting refugees to settle in the area. Of the eight families in the initial cohort, six families have remained.
    c. Providing support in two prisons.
    d. New Directions employment initiative: Thirteen is part of a consortium that successfully bid for this funding in the Tees Valley. Partners include New College Durham, Coast & Country, Actes and North Star. The initiative targets 15–29 year olds who are not in education, employment or training (NEET) to achieve positive outcomes for progression into education, employment and training.
- Introduced the support to stay service, a floating support service for individuals at risk of losing their accommodation, which was recognised as a positive initiative in the UK Housing Awards.

Priority Three – Contributing to Regenerating the Tees Valley

Efficiencies Delivered	Amount
Energy Switching Project	£70,000
Development and Regeneration Service Review	£348,191
Waste Provision	£93,288
Repairs & Maintenance	£2,152,503
Property Procurement Savings	£987,235
Property Service Review	£374,550
Major Repairs	£3,503,000

Actions completed 2016/17

- Developed a 30 year investment plan that provides a common "Thirteen standard" for our housing stock. This provides an understanding of investment requirements and associated expenditure requirements to maintain stock to an appropriate level. These have been built into the 30 year business plan and confirmed as affordable.
- Developed delivery plans for each local authority in the Tees Valley to create new homes and improve neighbourhoods.
- Implemented a new procurement framework with North East Procurement (NEP) to help reduce costs and increase value for money in the investment programme.
- Delivered £37m of major works and improvements.
- Delivered just under 250 new homes.
- Achieved the HCA "green" grade for our development scheme compliance.
- Implemented a volunteer framework, providing a range of voluntary roles at Thirteen, including volunteer befrienders, counsellors, health champions and peer mentors, and we welcome people from all backgrounds.
- The Investing in Volunteers quality standard has been awarded to the Thirteen volunteer programme in recognition of its excellence in recruiting, training and supporting volunteers.

Priority Four – Being Team Thirteen

Efficiencies Delivered	Amount
Service Review – Business Intelligence	£167,297
Marketing & Communications	£395,722
ICT Contracts	£447,096
ICT Team Structure	£105,325
Finance Team Structure	£382,586
Governance Team Structure	£316,143
People Team	£552,107
Office accommodations review	£707,728
Board	£69,528
Apprentices	£71,490
Interest payable	£960,000

Actions completed 2016/17

- Group consolidation achieved (June 2017)
- UIMPROVE methodology embedded as Thirteen way for annual planning and project planning and delivery.
- Strategies reviewed and reduced, in line with the 5 year strategic plan. We now have a streamlined approach to strategic planning and a simplified and co-ordinated monitoring and reporting process.
- Group Reshape to ensure Thirteen is structured appropriately and fit for purpose.

4 Asset Management and Sustainability of our Stock

4.1 Our approach to asset management and the plans that stem from this are clearly aligned with Thirteen's Strategic Plan. Thirteen's asset management plan is our operational delivery plan for our asset portfolio and continues to respond to a number of unprecedented threats to our core business and the overall sustainability of our homes and neighbourhoods.

4.2 We have continued to successfully deliver on a number of key actions from the plan. Additionally, we have embedded a holistic approach to managing our assets strategically through collaboration with the Development, Regeneration and Service Delivery Teams. For Thirteen, this approach is an entirely new way of thinking, moving away from traditional approaches, removing barriers and harnessing all available resources within the organisation to deliver real and sustainable solutions through joined-up and innovative rationale. We began to deliver on this in 2016/17.

4.3 We have made progress in the following areas:

- Neighbourhood vitality and viability assessments;
- Sustainability analysis and modelling, by property, neighbourhood, estate;
- Stock options appraisals and strategic asset management plans;
- Estate investment/disinvestment strategies, selective or group disposals/sales;
- Area-based regeneration and redevelopment strategies, master-planning and place shaping;
- Customer perceptions' initiatives and promotion of 'kerb appeal'; developing new solutions for new markets;
- Real time viability assessment of our portfolio of properties;
- Benchmarking on our unit rates for investment works which have compared favourably on a national level.
- Using a Net Present Value (NPV) methodology combined with social sustainability scoring, we have reviewed investment expenditure on all sheltered schemes to ensure they are viable over the 30-year business plan, which has enabled us to reduce unnecessary spend on non-viable assets.
- Following an appraisal of all our high-rise blocks we have amended or re-engineered future investment plans and measured the pending impact of the Local Housing Allowance to ensure viability and value for money. This action has enabled us to create a time line of key trigger points for future decision-making and the appraisal of two of our high-rise properties, Portland House and Milford House in Middlesbrough, resulted in the postponement of the scheduled works to be delivered in 2018/19 and a reduction in the proposed expenditure of £2.4m.
- On two of our high-rise blocks, Prior Court and Melsonby Court, we reviewed the specification from a biomass boiler to upgrading the storage heating system, and this will achieve a reduction in spend of £1.2m.
- Following a material specification review of the key components (kitchens, windows, external doors and boilers) we have now adopted a consistent standard across all our work streams. This review has resulted in a saving of £392k in component costs for the 2016/17 investment programme.
- A managed service with Travis Perkins is firmly embedded, which has resulted in a £0.9m saving per annum versus previous in-house arrangements.
- We have implemented a collaborative contractor and sub-contractor framework in partnership with the regional purchasing consortia, North East Procurement (NEP). This has standardised our procurement approach across the organisation.

- Through streamlining of our data collection process we have been able to increase the number of stock condition surveys completed per annum and are better informed of our future investment plans.

Return on assets

4.4 We appreciate the importance of our assets and ensure that they generate a return in terms of their financial, social and environmental impact. It is vital to maintain our assets, particularly our housing properties, so we can provide good quality homes for our tenants to live in, and that they last for generations to come.

4.5 Thirteen further developed its sustainability model during the year, which has improved the decision-making process in respect of our housing properties, providing performance data at property and housing estate level. This is described in more detail below.

4.6 Whilst Thirteen has now consolidated into one landlord, the financial information for 2016/17 is still broken down into the four landlords in line with reporting requirements for the annual accounts, and is shown within this self-assessment for benchmarking analysis.

4.7 One measure of the return on assets (ROA) is in terms of the surplus generated that can be reinvested into our business to support our future objectives. This is shown in the tables below.

Return on assets	2017	Global benchmark 2016	2016	2015 Restated	2014	2013
Erimus Housing	5.7%	3.8%	4.4%	4.0%	2.9%	2.7%
Housing Hartlepool	6.9%	3.8%	3.8%	5.4%	4.4%	1.2%
Tees Valley Housing	3.2%	3.8%	3.0%	4.8%	4.6%	4.2%
Tristar Homes	5.5%	3.8%	1.8%	-0.6%	-0.6%	5.0%
Thirteen Group consolidated	5.2%	4.1%	3.3%	3.2%	N/A	N/A

The global benchmarks shown are from the Homes and Communities Agency 2016 Global Accounts of Housing Providers. The benchmark figures used for Erimus Housing, Housing Hartlepool and Tristar Homes is the mean value for large scale voluntary transfer associations. The benchmark figures used for Tees Valley Housing are those for traditional housing associations. 2015 results have been restated under FRS 102.

4.8 The ROA ratio, which measures our operating income against the cost of our housing properties as stated in the financial statements, has increased in 2017 to 5.2% (2016: 3.3%).

4.9 Whilst there are differences between the ROA performances of the four landlords, all have shown an increase in 2017, and all but Tees Valley Housing are now above the sector global benchmark including the group consolidated position. This is due to the cost of Tees Valley's property assets being significantly more than other members of the group as would be expected form a traditional housing association, which reflects their higher value compared to the other group member landlords which are LSVT based associations with a lower cost base. Tees Valley compares well to benchmark on operating margin at 33% (benchmark 27.6%) and social housing cost per unit at 2.34 (benchmark 3.12) which are both better than the global benchmark..

4.10 The group has returned strong financial performance for the year, demonstrated in the surplus that drives the ROA. There have been significant efficiency savings delivered in response to the government's rent reduction policy, which have helped to deliver the improved ROA performance. As expected Tristar Homes ROA ratio improved significantly during the year, from 1.8% to 5.5% now that the level of investment in housing properties has reduced to long term investment levels.

4.11 The VFM savings described within this self-assessment should also have a positive impact on ROA.

Existing use value for social housing (EUV-SH)

4.12 Following the introduction of FRS 102, we now hold our housing properties at cost (previously held at valuation). The table below shows the EUV-SH of our housing properties, which is the value generally used by the housing sector to show the 'value in-use' for our housing properties.

Average EUV-SH per property	2017 £	2016 £	Increase %
Thirteen Group consolidated	24,586	24,296	1.2%

4.13 As can be seen from the table above, the value of our housing properties has increased over the past year by 1.2%. There have been two main factors that have affected the valuation this year. Firstly, we are now seeing the impact of the government's 4-year rent reduction policy, which has reduced the EUVSH value of housing properties across the sector. However, there has been a significant investment in our housing properties, which has helped to increase the value of properties, along with the development of new quality homes. The group's average property value of £24,586 compares well against the group's average debt per unit of £8,660, showing that there is capacity within the group for future investment.

Sustainability Model

4.14 Our in-house sustainability model SM@RT has been further developed to enable us to understand the performance of all our assets individually using a granular lens, at a street level using a broad lens and at an estate level using a wide-angle lens. The model incorporates information on the financial performance of our assets, along with socio-economic data, which allows us to take a more holistic and detailed view of the performance of our housing stock.

4.15 One new feature within SM@RT is scenario modelling through the interrogation of key data inputs including housing management costs, repair costs and investment costs or void and bad debt rates. As mentioned earlier, a number of options appraisals have been presented to the Thirteen Executive Team and Boards, and SM@RT is proving a useful tool in demonstrating that we understand the performance of our assets and the return they are generating. SM@RT provides the following granular, broad and wide angle lensed outputs:

- NPV;
- Sustainability score; and
- Sustainability category

4.16 The NPV and sustainability scores are plotted on our sustainability matrix to highlight those assets that are poorly performing and may require option appraisal. Using a granular lens the headline figures for current sustainability categories for Thirteen's stock falls into the following categories (Range = Cat 1 (good) to Cat 5 (poor):

- Category 1 = 1.4% (449) - star performers
- Category 2 = 16.7% (5,358)

- Category 3 = 70.1% (22,456)
- Category 4 = 8.7% (2,791)
- Category 5 = 3.2% (1,027) - liabilities

4.17 We have 88.2% sustainable stock and only 3.2% is considered as poorly performing. The majority of our general needs housing stock has been determined as being Category 3. The properties / estates determined as Category 5 are of particular concern, as they are not performing either on a financial or a social level and may require option appraisal. We have created an action plan to address the category 4 and 5 properties, carrying a level 2 assessment and, where required, a full option appraisal.

4.18 The majority of our property portfolio continues to be financially viable and is in a good state of repair (for example meeting decent homes standard), however through increased scrutiny we have identified individual properties, as well as a number of streets and estates within the portfolio that offer limited social and/or economic return. Consideration will be given to alternative use or disposal.

Sustainability Evaluation and Disposal Process

4.19 Within the last 12 months, we have developed a Sustainability Evaluation and Disposal Process, which has enabled us to identify those assets that are underperforming in terms of financial return of social and economic benefit. Following this process, a number of sustainability evaluations and options appraisals have been completed with the following outcomes:

Sustainability Evaluations and Option Appraisals 2016/17

Outcomes	**No. of properties**
Sold	**12**
Pending completion	**2**
Currently on the market	**6**
Change of use	**3**
TOTAL	**23**

5 Social Value and Community Investment

5.1 Thirteen is an organisation with a commercial head and a social heart - committed to making a positive impact in the communities we serve. This means that we look at all areas of our business activity to see where we can add further value; creating opportunities for our customers and contributing to the regeneration of the Tees Valley.

5.2 We create added value from our everyday activities and some of the great work we've done to help our customers and neighbourhoods, including;

- Over **7600** people have benefitted from help from services we provide over and able our usual landlord functions.
- We invested over **£1,000,000** into initiatives, which directly helped customers and communities.
- Our money advice services put more than **£5,600,000** straight back into the pockets of residents.
- We have secured additional funding of almost **£65,000** via our contracts with Travis Perkins and NE Procurement.
- We put almost **£48,000,000** into the Tees Valley economy through our spending on staff and suppliers.

5.3 The total social value recorded through HACT in 2016/17 was worth almost £6m.

Financial Inclusion

5.4 The Money Advice Team provided **1472** customers with specialist advice around debts, budgeting, benefits, and financial confidence. 78% of those customers were able to reduce their arrears within 3 months, and the team assisted them to gain **£3.25m** in income, through unclaimed benefits, better budgeting, and arrangements with creditors, generating almost **£1.7m** in added social value.

5.5 The Hardship Fund helped **210** people last year, with a total investment of **£64,580**. The fund was divided between Tees Valley Community Foundation, who provided furniture and white goods worth **£40,695** to **134** customers and internal hardship fund applications assisted **76** customers with direct financial assistance totalling **£23,885.**

5.6 The Know Your Money (KYM) project ended last year, having provided support to **2503** young people with specialist money advice, budgeting, employability skills and benefits help, allowing them to put an additional **£2,366,700** into their pockets. The service generated over **£2.2m** in added social value.

5.7 The Community Fund administered by the Customer Involvement team, invested **£127,000** in our communities last year. Sponsored projects included a range of health and wellbeing and social activities for the elderly, disadvantaged children, and local interest groups.

5.8 Thirteen Care and Support provided **1458** clients with over **29,000** hours of support in 2016/17, covering everything from personal care to budgeting and tenancy management.

5.9 Support to Stay accepted **211** customers into the scheme whose tenancies were at risk of failure (either through eviction or termination). Customers were provided with bespoke support for a range of issues, including property care, budgeting, benefits and life skills. 80% of people leaving STS had felt a marked improvement in their circumstances and wellbeing, and have gone on to sustain their tenancies.

5.10 The **Local Discretionary Housing Fund (LDHF)** was developed to address the issues of rising rent arrears and empty homes, tackle general hardship and support customers to be more resilient, attract potential tenants who may be put off by the spare room subsidy and improve long term sustainability of our stock. The scheme is underpinned by a 'something for something approach', that requires customers to demonstrate positive behaviours before receiving any financial assistance. The scheme is now in its second year and is proving successful at helping tenants sustain their tenancies and clear rent accounts.

Achievements in 2016/17 include:

- **1101** new and existing tenants received LDHF
- Rental income of **£754,000** was secured for a contribution equivalent of 14.5% of revenue
- Rent arrears have reduced, with the current position indicating a **£26,000 reduction**, this figure is variable due to new customers being accepted onto the scheme
- Termination rates for the chosen areas at March 2017 were 7.4% compared with group turnover of 11.2%
- **95%** of customers who still required the subsidy have complied with the 'something for something' commitments. Some customers have hit welfare triggers or gained employment and no longer need assistance.

Local Economy and Enterprise

5.11 We invested over **£13,500** last year to help fund support groups and training in the community. As a large business, we are a key local employer and have significant spending power to be able to boost the regional economy. To this end, 88% of our annual salary spend – over **£28m** - goes into the Tees Valley, and 99% stays within the North East. 55% of our supplier spend – over **£42m** - stays in the North East region, providing almost **£20m** of support to local businesses in the Tees Valley area.

5.12 As well as supporting skills development in our communities, we are committed to developing our workforce. In 2016/17, **£241,000** was spent on training and upskilling our staff, including **£28,000** towards professional and academic qualifications. We also invested **£128,000** in 35 new apprenticeships across the business, in a variety of technical and business related subjects.

5.13 Our volunteer programme in Care and Support provided 25 volunteers and 6 volunteer peer mentors with skills for working in the care sector, generating almost **£65,000** in added social value.

5.14 The **Youth Employment Initiative (New Directions)** is a European Social Funding match funded programme running from 2016 to July 2018 which targets NEETs aged 15 – 29 to achieve positive outcomes for progression into education, employment and training. Thirteen, as part of a consortium, successfully bid for funding to deliver the Youth Employment Initiative, being able to draw down **£1,778,904** funding based on a contribution of £592,968. The match funding provided is not purely cash, much of this is in kind (including 15% overhead on all staffing costs.) The employability service was previously wholly funded internally at a cost of £170,000 per year (3.5 staff). The last year of operating achievements were: **38 customers** helped into employment; **104 customers** into training and **3 customers** into work placements. Since the introduction of the new service the following outcomes have been achieved, which equates to a saving of **£170,000** on in-house costs and **£1.88m** in Added Social Value;

- **709 customers** referred: 613 have joined the programme – 86% conversion rate
- 85% of customers have received interventions removing barriers and moving them closer to the employability market
- **275 customers** have received an offer of employment, training, apprenticeship or full time education (EET) – 53%
- 92% of customers receiving an offer have started EET
- Four ex-military personnel in training for employment outside of the military as gas engineers were provided with work experience in Property Services, providing **Added Social Value of £5,515.**

5.15 Thirteen supports Redcar and Cleveland Borough Council with the resettlement of Syrian refugees. Out of 8 families in the initial cohort, 6 have remained; further cohorts arrived, equating to 9 families in 10 households, a total of 40 individuals. 15 have been helped into general job training; one into vocational training; 8 are volunteering and 6 are active in tenants groups. This provides **Added Social Value** of **£58,850.**

5.16 The Community Fund supported **£9,400** of green initiatives in our areas, including allotments, gardening equipment and horticultural projects.

5.17 Our contract with Travis Perkins returns a percentage of our spending with them into an investment fund which can be used for social value projects. Last year, the fund attracted almost **£30,000.** In addition, alongside Thirteen staff, Travis Perkins volunteered 150 staff hours to the Stockton Horticulture Centre and Community Garden Project in Port Clarence, improving the outdoor areas including the children's wildlife garden and pond.

5.18 In the last financial year, Thirteen invested **£32.9m** on carrying out major works and improvements on over **4,000** properties. Continuing our efforts to improve the energy efficiency of our properties and reduce customers' fuel bills we have upgraded over **2,100** heating systems and provided/renewed double glazing for almost **1,500** homes.

6 How we compare

Financial Performance

6.1 Financial performance is benchmarked against other registered providers using the Global Accounts of Housing Providers 2016, published by the HCA. The individual partner landlord results can be found in the annual report and financial statements of each landlord. The consolidated position is illustrated in the following table:

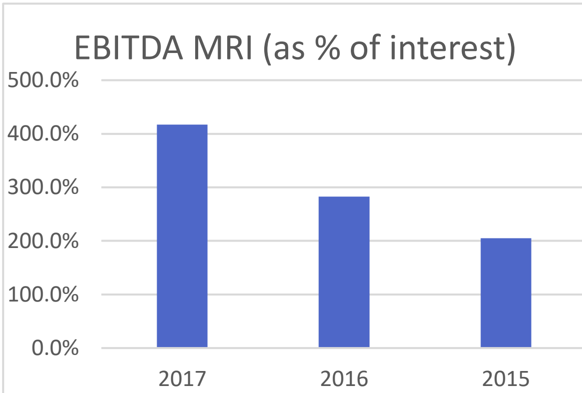
Thirteen (consolidated)	2017	Global benchmark 2016	2016
Management costs £/unit	£504	£1,080	£571
Maintenance costs £/unit	£855	£1,010	£988
Void losses % of debit	2.0%	1.6%	2.6%
Bad debts % of debit	0.3%	0.7%	2.0%
Current tenant arrears % of debit	5.5%	4.5%	5.5%
Operating margin	30.0%	27.6%	19.0%
Debt per social housing unit £	£8,660	£24,299	£9,960
Effective interest rate (year-end)	4.7%	4.9%	4.1%

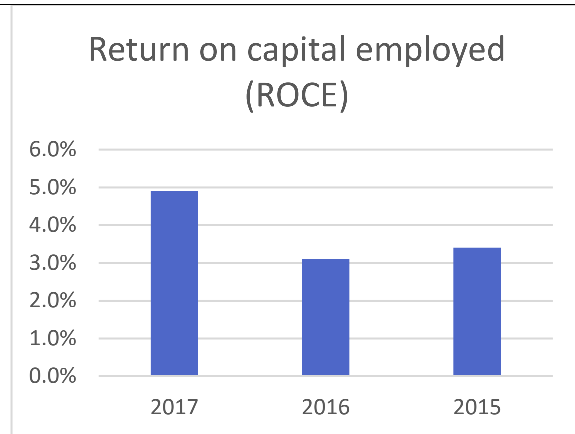
***** *The Global Benchmark is taken from the 2016 Global Accounts of Housing Providers and is the mean consolidated cost across all landlords.*

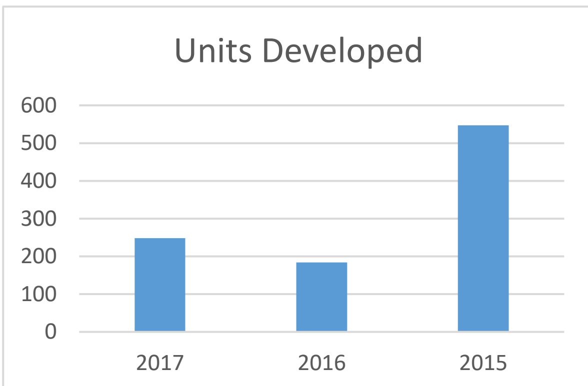
6.2 The table below gives a summary by partner landlord of headline social housing costs per property, from 2016 and 2017 broken down into key cost lines. This is set alongside the sector quartile figures for the sector as a whole in order to provide context. This presented in the table below:

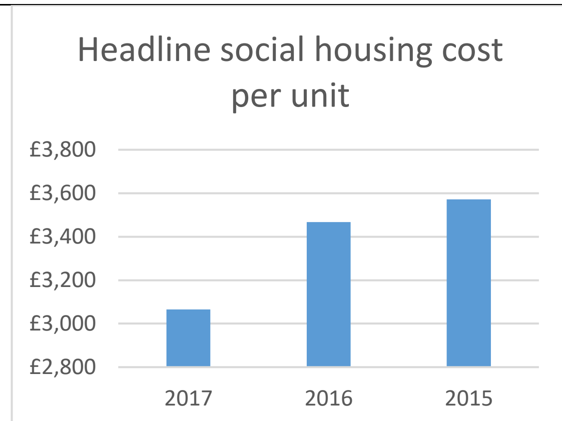
Entity	Closing social housing units managed	Headline social housing cost/unit (£k)	M'gment cost/unit (£k)	Service charge cost/unit (£k)	Maint cost/unit (£k)	Major repairs cost/unit (£k)	Other social housing costs/unit (£k)
2016 results							
Erimus Housing	11,364	3.12	0.58	0.25	0.92	1.16	0.20
Housing H'pool	7,588	3.36	0.49	0.19	1.16	1.25	0.27
Tees Valley	4,049	3.12	0.59	0.52	0.73	1.00	0.28
Tristar Homes	10,356	3.67	0.52	0.26	1.05	1.64	0.20
Consolidated	**33,534**	**3.47**	**0.57**	**0.31**	**0.99**	**1.26**	**0.34**
2017 results							
Erimus Housing	11,357	2.98	0.49	0.23	0.85	1.22	0.19
Housing H'pool	7,571	2.49	0.46	0.20	0.92	0.71	0.20
Tees Valley	4,081	2.34	0.50	0.48	0.75	0.35	0.26
Tristar Homes	10,297	3.36	0.46	0.28	0.87	1.54	0.21
Consolidated	**33,442**	**3.06**	**0.50**	**0.30**	**0.86**	**1.10**	**0.31**
Sector level data 2016							
Upper quartile (least favourable)		4.35	1.32	0.60	1.18	1.08	0.45
Median		3.57	1.02	0.36	0.97	0.81	0.21
Lower quartile (most favourable)		3.12	0.74	0.24	0.79	0.54	0.08

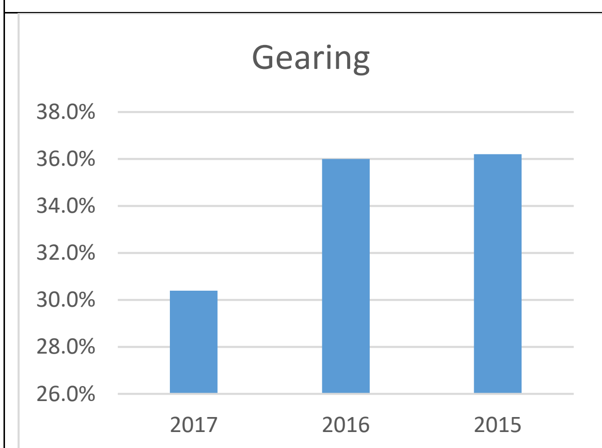
Sector Scorecard Headline KPIs

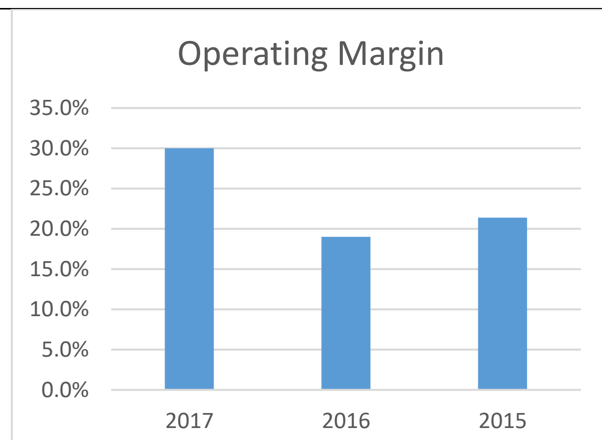












6.3 We have signed up to the Sector Scorecard developed with the HCA. Performance against the 15 key performance indicators is provided at page 20.

Headline social housing costs

6.4 Overall social housing costs per unit have reduced in 2017 and fall into the lower (most favourable) quartile based on the 2016 sector level data.

Management costs

6.5 Thirteen has seen a £2.3million reduction in management costs in the year, reflecting the achievement of efficiency savings identified as a response to the 1% rent reduction applied to social landlords for the next 4 years. The reduced cost per unit compares very favourably with the 2016 mean costs of other consolidated groups. The HCA data illustrates that the management costs per unit of every partner landlord fell within the lower (most favourable) quartile in 2016 and 2017.

Service charge costs

6.6 Service charge costs per unit have moved only slightly, however we have generated over £800,000 in additional service charge income. As well as the usual movements in charges to reflect changes in cost, and new housing schemes coming into management, we have completed a comprehensive exercise to review services provided and we are taking steps to ensure we are recovering the costs of those services. This has generated approximately £630,000 in additional income.

Maintenance costs

6.7 Thirteen's routine and maintenance costs have decreased by £4.5million. From the HCA data for 2016, maintenance costs fell into the median quartile for the LSVT landlords with Tees Valley Housing achieving lower (most favourable) quartile costs. A number of measures were put in place during 2017 to reduce spend including:

- Reducing our agency costs and increasing the productivity of our in-house trade operatives;
- Reducing the use of sub-contractors and delivering more work in-house;
- Outsourcing in-house stores to a managed service with Travis Perkins;
- The introduction of new budgetary control reports and processes.

6.8 Further measures to reduce costs will be introduced in 2018 that include:

- Introducing multi-skilling of in-house trade operatives to increase productivity levels and 'right first time';
- Procuring a new fleet of vehicles with a predicted saving of around 10% to 15%;
- Standardising repairs priorities and re-designing customer and landlord responsibilities with the aim of reducing demand on the repairs service;
- Implementation of a new property services structure from April 2017;
- Implementation of a new repairs management and job costing system, due to go live in Autumn 2017.

Major repairs costs

6.9 We have achieved reductions in expenditure on major repairs whilst still investing in our properties. Cost savings have been achieved in 2017 from the introduction of a new contractor framework, procurement savings from the partnership with Travis Perkins and the attraction of grant funding for some of the fuel switch projects. Further reductions in major repairs budgets were initiated in response to the requirement to make efficiency savings. These budget decreases were achieved by reducing planned expenditure on boundary works and environmental programmes, disabled adaptations, external wall insulation and slowing down expenditure on various planned maintenance schemes where lifetimes of components may be extended without breaching decent homes requirements. Work is ongoing to extrapolate these efficiencies across the 30 year financial plan to ensure we continue to comply with the original surveys used to develop the plan.

Rent arrears and voids

6.10 Void loss has reduced from 2.6% to 2% in 2017 but is still higher than the global benchmark for 2016. We continue to experience low demand for some property types and areas. We are being proactive in identifying poorly performing housing assets with consideration being given to redesign for alternative use or even disposal.

6.11 Bad debts have reduced significantly in 2017 which reflects our revised bad debt provision policy and not necessarily the level of debt written off, which was 0.8% of the debit.

6.12 Despite the continuing impact of welfare reform and wider austerity, tenant arrears remain constant. The level of arrears can fluctuate depending on the level of housing benefit that is outstanding, so we focus on the underlying arrears net of housing benefit, which were 3.3%.

Operating margin

6.13 The cost savings and additional income described in the preceding paragraphs have resulted in a notable increase in Thirteen's operating margin from 19% in 2016 to 30% in 2017.

Debt and interest

6.14 Debt per unit has reduced as a result of the aforementioned cost savings and additional income which has allowed us to repay a tranche of loan capital and not make any additional borrowings. The effective interest rate remains lower than the benchmark reflecting the favourable market conditions at the point at which the rates were fixed.

Sector Scorecard

6.15 We have subscribed to the Sector Scorecard and have submitted data, see table below. We have not yet benchmarked with other organisations but will be doing so when the opportunity arises. We will be reporting our performance and comparators to the Board. Specific areas of performance are referenced throughout this document, providing more detailed narrative.

	Actual 16/17	2015/16	2014/15
Business Health			
Operating margin	25.4%	19.0%	21.4%
Operating margin (social housing lettings)	34.0%	22.2%	24.1%
EBITDA MRI % interest	417.2%	282.9%	204.9%
Development - Capacity & Supply			
Number of units developed in the year	248	184	547
Units developed as a % of units under management	0.7%	0.5%	1.6%
Gearing	30.4%	36.0%	36.2%

Outcomes Delivered			
% customers satisfied with the overall service	85.20%	87.60%	NA
£s invested for every £ generated from operations			
in new housing supply	£0.57	£0.61	£0.48
in communities	£0.02	£0.04	£0.02

Effective Asset Management			
ROCE (Return on Capital Employed)	4.9%	3.1%	3.4%
Occupancy	98.9%	98.0%	97.7%
Ratio of responsive repairs to planned maintenance	37:63	38:62	32:68

Operating Efficiencies			
Headline social housing cost per unit	3,065	3,468	3,572
Rent collected	97.24%	96.46%	99.38%
Overheads as % adjusted turnover	6.7%	7.2%	6.8%

Operational Performance

6.16 We routinely benchmark key performance indicators externally with the Housemark National Benchmarking Club. We also complete the Housemark Core Resource Benchmarking exercise annually to benchmark performance and costs.

6.17 In 2014/15 it was agreed that we would make a Group wide submission to Housemark. Although this means that we are not able to make full use of the historical data, it does put us in a much better position to look at benchmarking within a Thirteen context. It also sets the foundations for a performance framework in 2017 that will reflect the new Thirteen structure.

Tenancy Management

Tenancy Management	2017 Outturn	2016 Benchmark[1]	2016 Outturn
Tenancy Turnover (%)	11.90%[2] 10.23%[3]	9.47%	12.0%
Satisfaction with service (%)	82.10%[4] 85.20%[5]	88.00%	87.60%[6]

[1] Housemark. 2015-16 benchmark of Northern Housing Associations over 10,000 properties. Median
[2] All stock.
[3] Thirteen Standard Portfolio properties as a percentage of total stock
[4] 2016 group wide Star Survey. January 2017.
[5] 2017 group wide 'Deep Dive' survey. May 2017
[6] 2016 group-wide survey of tenants and residents (STAR) survey

6.18 Tenancy turnover reduced slightly within the year. The outturn of 11.90% includes some properties where turnover in terms of ‘moving-on’ is a specific outcome and a measure of success for the project. Whilst the figure of 10.23% is still higher than the median, it is more realistic and reflects movement within the Thirteen Standard Portfolio properties. New definitions and calculations have been agreed for 2017/18.

6.19 The reduction was helped by a number of local neighbourhood interventions including a ‘support to stay’ programme targeted at vulnerable households. The Neighbourhood team has been challenged to reduce overall terminations in 2017/18 and early signs for the first quarter suggest that fewer people are leaving their homes.

6.20 A rolling programme of baseline satisfaction measures, based on STAR, has been implemented to measure progress on a more regular basis than that offered by the three yearly survey. The most comprehensive of these is a weekly survey of repairs and maintenance. Scores of over nine out of ten suggest an overall improvement in all aspects of the service.

Investment in our Properties

Property Maintenance	2017 Outturn	2016 Benchmark	2016 Outturn
			Erimus 10.51
			HHpool 9.70
			TV 8.00
			Tristar 9.30
Satisfaction with repairs and maintenance (%)	75.70%	82.90%	77.4[8]%
Satisfaction with quality of home (%)	88.90%	87.10%	87.49%
Average energy efficiency rating (SAP rate)	70.45[9]	70.4	70.11%

6.21 Housemark benchmarking breaks the maintenance costs down into responsive repairs service and major works. In 2016/17 the time taken to complete repairs was 12.56 days. Overall performance was adversely affected by the introduction of a new housing management ICT system. We continue to focus on reducing the number of emergency repairs being carried out and figures for the first quarter of 2017/18 suggest that numbers are reducing. We are working towards a more useful measure of ‘on time/first time’ completions on repairs, as reflected by customer feedback. Overall property maintenance performance is good with all homes meeting the decent homes standard.

[7] [7] Housemark. 2015-16 benchmark of Northern Housing Associations over 10,000 properties. Median

[8] 2016 STAR report

[9] This figure is an absolute figure it is not a percentage

Empty Property Management

Empty properties

Empty properties	2016-17 Outturn	2016 Benchmark	2015-16 Outturn
Properties empty and available to let (% of total stock)	1.48%	0.80%	1.90%
Average relet time in days (all relets including time spent on repairs work)[10]	40.43	31.52	65-79 days

6.22 The number of empty homes available for let increased in 2015/16 and reducing the number of these empty homes and the time taken to relet them became a key priority for our operational teams. By the end of March 2017 the number of all empty properties had reduced from 1002 to 733 and those available to let had reduced from 778 to 500.

6.13 In 2015/16 overall re-let times were adversely affected by the introduction of the new housing management ICT system particularly and performance was between 50 and 60 days across the group. However once problems with the system had been resolved and changes to the way we operated had been implemented, re-let time reduced to 46.14 days for Thirteen Standard Portfolio properties, reflected in a benchmark figure of 40.43 days

6.14 Work on our sustainability model has continued and identified poorly performing housing assets, and recent board decisions have shown a willingness to 'take-out' stock from the current portfolio, or redesign for alternative management uses.

6.15 Our operating area demonstrates a level social housing demand, compared to much of the rest of the country, and a relatively stagnant private housing market which has created a highly competitive private rented sector operating at the lower end of the market, often benefiting from the oversupply of small 2 bedroomed terraced housing in the area. Again, our empty property strategy has been designed to address this competition through better marketing and improved presentational standards.

6.16 As previously mentioned, work on our sustainability model has continued and identified poorly performing housing assets, and recent Board decisions have shown a willingness to remove stock from the current portfolio, or redesign for alternative management uses.

6.17 In the first quarter of 2017/18, the number of empty properties available to let has increased. The main reason for this is the higher than anticipated number of terminations when compared with the number of relets. In addition, we have brought back into use a number of properties that were under option appraisal and a small number of new–build properties have taken longer than anticipated to rent. At the same time new systems and processes have been introduced that are intended to improve relet times in the long term but this has had a negative impact on how long a property remains within the system.

6.18 A detailed recovery plan has been agreed and this will reduce the number of terminations, reduce the time taken to process an empty property – including any-day relets - and focus efforts on marketing those properties that are 'sticking'.

[10] Using the Housemark/ Core return definition ie all properties less those requiring major repairs.

Rent – Value for Money

Customer Satisfaction with Rent and Service Charges	January 2017	2015-16 Benchmark. Median[11]	2015/16 Outturn
Rent provides value for money	89.6%	77.85%	90.5%
Service charges provide value for money	83.8%	63.50%	86.5%

6.19 The STAR survey reported in January 2017 indicated that 89.6% of people were satisfied or very satisfied that the rent provided value for money, a reduction on the 2015/16 figure but still within the upper quartile (86.55%). When asked about service charges 83.8 % of customers felt that their service charges provided value for money and this puts us in the upper quartile (71.30%).

Rent Arrears

6.20 Trends for gross arrears and bad debts are harder to compare from year to year as they are affected by the timing of benefit payments and the most appropriate measure takes into account anticipated housing benefits payments.

Rent arrears	2016/17 Outturn	2016 Benchmark	2015/16 Outturn
Rent arrears of current tenants net of unpaid HB as a percentage of rent due (excluding voids)	3.29%	2.93%	3.34%%

6.22 Across the group, the impact of welfare reform and wider austerity has seen tenants having trouble in maintaining clear rent accounts and the group pursuing outstanding debt.

6.13 Arrears have been affected by a number of specific factors, including:

- Historically, we suffered from a period with reduced access and poorer quality information regarding our income related business systems when we introduced a new housing management MIS (Orchard) in 2015/16. During 2016/17 and 2017/18 we have made significant progress on recovering and improving our position, reducing rent arrears and improving our rent collection figures. This has been aided by introducing “predictive analytic” technology to support the main MIS. As a result debt has fallen for customers not requiring welfare support and for those in receipt of Housing Benefit despite successive welfare reforms continuing to reduce the numbers of customers receiving 100% help towards their rent. The exception to this has been for customers now under the Universal Credit system. All landlords have seen their rent arrears increase for these customers as well as the amount of time needed to administer UC accounts. This is due to a more complex and less robust claims system than that for HB with extra payment delays both planned and unplanned.
- Significant numbers of housing benefit payments have been suspended or reduced as a result of direct government intervention and an anti-fraud agreement entered into between some local councils.

[11] Benchmark is median for Northern HA over 10,000 properties

- The overall economic climate and the continuing impact of welfare reform is undoubtedly continuing to affect rent payments.
- The unwillingness of the Courts to support our recovery process by suspending many of the warrants for which we have applied.

6.14 The changes in Local Authority Discretionary fund (DHP) arrangements that mean tenants have to reapply and pass new eligibility tests is causing short and long-term arrears issues. Councils are tending to hold back DHP payments until later in the year as a hedge against further welfare challenges coming on line. Despite this, the figures for the key measures are beginning to reduce.

Measure	**March 2017**	**April 2016**
Weekly arrears gross	£7,184,221	£7,887,348
Weekly arrears net i.e. lowest point	£4,718,784	£5,204,758
Weekly arrears net HB less UC	£4,061,189	£5,036,679

7 Delivering in future years

7.1 Thirteen realised VFM savings of £18.8m in 2016/17 and we have clear plans in place for this and subsequent years. Thirteen will continue to adapt and grow the business to provide a range of high quality homes for both rent and sale, as well as a variety of innovative services. We will grow our commercial activities to boost surpluses, which will be invested in the neighbourhoods we work in and used to improve employment opportunities for customers. By doing this we will make a major contribution to the regeneration of Tees Valley.

7.2 For each of our business priorities we have outlined below the targets that are already locked into our business plan, which amount to **£967,306** for 2017/18 and **£3.1m** for 2018/19, and the additional areas where we are going to secure value and efficiency.

Priority One – Delivering great customer service

7.3 We aim to:

- Improve customer satisfaction
- Maintain gas compliance
- Improve repairs being completed right first time and average time to complete is quicker
- Reduce voids
- Reduce debt and increase income
- Deliver more routine services digitally
- Clarify our Customer Offer

Priority Two – Growing our Business as a Social Entrepreneur

7.4 During 2017/18 we aim to:

- Improve our financial return
- Be clear on social return
- Deliver repairs efficiency leading to cashable savings
- Deliver voids efficiency leading to cashable savings
- Have a plan in place to mitigate the impact of the Local Housing Allowance
- Prepare options for a different rent model
- Provide clarity on the way to access our support services
- Be open to merger opportunities

Priority Three – Contributing to Regenerating the Tees Valley

7.5 Our efficiency targets are:

Efficiencies	**2017/18**	**2018/19**
Fleet Review	£103,165	£449,745
TradePlus	0	£680,229
Restructure of Repairs and Maintenance	0	£211,033
Out of Hours reduction in call outs	£208,141	£424,198
	£311,306	**£1,765,205**

7.6 In addition, during 2017/18 we aim to:

- Deliver affordable homes
- Secure sales on shared ownership and market for sale
- Deliver planned investment efficiently based on our stock condition survey
- Remove Category 4s and 5s from our stock
- Complete an options appraisal on our stock outside of the Tees Valley
- Put in place an Action Plan for investment/disinvestment in our high rise properties
- Prepare options to move homes up a category based on our stock sustainability model
- Agree a standard for the quality of a Thirteen Home
- New standard house type range
- Carry out an annual review of key components including boilers, windows, doors, kitchens, to ensure the prices we pay are competitive and the suppliers are delivering on their service promises.
- Assess the feasibility and viability to run SM@RT on a mobile platform.
- Forge new and build upon existing relationships with local authorities and partners to promote joint working within the neighbourhoods that we operate.
- Deliver a street cleaning project working across directorates and with local authorities to review external environmental maintenance, understand areas of concern and provide an opportunity for greater community involvement.
- Agree our estate investment programmes.
- Agree and develop our new Thirteen Homes portfolio
- Invest in community development within regeneration areas:
  - North Ormesby, Middlesbrough
  - Grove Hill, Middlesbrough
  - Victoria, Stockton-on-Tees
  - South Bank, Redcar & Cleveland
  - Older housing areas in Hartlepool
- Pursue stock acquisition opportunities
- Stores Management Review - Travis Perkins have also established a community fund to be used by Thirteen to deliver community initiatives which will be implemented in 2017.

Priority Four – Being Team Thirteen

7.7 Our efficiency targets are:

Efficiencies	**2017/18**	**2018/19**
Restructure costs (redundancy)	0	£700,000
Group consolidation and refinancing of loan facilities	£656,000	£656,000
	£656,000	**£1,356,000**

7.8 In addition, during 2017/18 we aim to:

- Remain legal and safe
- Improve our staff promoter score
- Reduce colleague sickness
- Ensure the boards and colleagues have the right ICT equipment and systems to improve efficiency and productivity

- Ensure routine processes are E-enabled
- Deliver a continuous value for money programme
- Increase turnover, margin and return on investment
- Deliver the reshape to ensure we have sufficient capacity and skills

Further information

For further details on any of the information included in this VFM self-assessment, please contact:

- Linda Minns, Director of Governance
  email: Linda.minns@thirteengroup.co.uk
  Telephone: 01642 947081.

- Janice McNay, Compliance Leader
  email: Janice.mcnay@thirteengroup.co.uk
  Telephone: 01642 947161.