

# wandle

## Wandle value for money 2015/16

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Self Assessment



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# Executive Statement

Founded in 1967 as the Merton Family Housing Trust, we have grown into a medium-sized housing association working in nine boroughs across south London – Bromley, Croydon, Kingston upon Thames, Lambeth, Lewisham, Merton, Southwark, Sutton and Wandsworth.

Our purpose is to support people, across south London, who need a home by:

- Providing reliable customer service
- Building and managing good quality, affordable homes
- Investing in local communities
- Attracting and nurturing the best people

Our 7,200 homes are a mix of rented (social and affordable), shared ownership, outright sales and supported housing. And our vision is to provide; homes to be proud of and services you can trust.

We continue to be a financially strong organisation with a record turnover of £56.7m, the highest in our history, with an operating surplus of £14m. This relative financial strength means it is even more important that we do the right thing at the right time to maximise Value for Money (VFM) outcomes.

Wandle has a G1 governance rating supported by a strong board with a comprehensive skills set; providing robust leadership on VFM. Going forward we have a four year Road to 2020 corporate

plan incorporating eight initiatives which will ensure continuously improving the quality of our services, while maintaining control on our costs. Our Resident Scrutiny Panel, which reports directly into the Board, provides additional scrutiny at an operational level.

As a result of an In-depth Assessment carried out earlier this year Wandle received the following positive G1 upgraded regulatory judgement related to VFM.

This regulatory judgement upgrades our previous published assessment of Wandle's governance and downgrades our previous assessment on viability.

Wandle's governance was downgraded in February 2015 after the regulatory review of its Value for Money (VFM) self-assessment concluded that it had not evidenced compliance with the Value for Money standard.

Based on the evidence gained from carrying out an IDA, the regulator now has assurance that Wandle's governance arrangements enable it to adequately control the organisation and to continue

meeting its objectives. The regulator also has assurance that Wandle now also meets the requirements of the VFM standard.

Following an external review, the board has implemented actions to strengthen the evidence in its VFM self-assessment and improved processes to ensure regulatory compliance. It has now published a self-assessment which sets out how it is achieving value for money in delivering its purpose and objectives in a way that is transparent and accessible to stakeholders.

This self-assessment serves two purposes. Primarily it is a focal point for our work on VFM. It allows a resident, member of staff or stakeholder to understand how Wandle approaches the subject of VFM, what we have achieved and the scope of our plans for further improvements. It also fulfils our regulatory requirement to publish a robust self-assessment of our work in the financial year April 2015 to March 2016.

## 2: Successes against our strategy

### Wandle's corporate priorities for 2015/16 were:

- *Understanding our residents better*
- *Know our assets better*
- *Making it easier to access our services*
- *Building new homes*
- *Continuing to improve our repairs service*
- *Investing in our people*
- *Helping residents achieve their potential*
- *Running the business effectively*
- *Getting the right culture*
- *Delivering better value for money*
- *Making sure that everything we do does make a difference*

### Our top 2015/16 Value for Money achievements were:

In 2015/16 we brought recruitment in-house. More direct recruitment activity minimised reliance on recruitment agencies. Spend reduced from £639k in 2014/15 to £227k in 2015/16, **saving £412k**.

Careful management led to reduced employment and pensions legal spend from £137k in 2014/15 to £58k in 2015/16, **saving £79k**.

Implementing a salary exchange model reduced our employer's national insurance liability, forecasting an annual savings of £30k. In addition to this our workforce is predicated to make a combined annual **savings of around £18k per annum**.

Our strategy to dispose of poorly performing assets has generated £3.1m and is on target to achieve £6m at the end of 2017.

We continued to actively market shared ownership staircasing and as a result we generated £6.5m - surpassing our target by more than 30 per cent.

Following a review of the resales process we generated £2.2m in resales activity against an original target of £1.25m, a 76 per cent increase.

By using our subsidiary company Delta Homes we were able to generate VAT savings of £216k on all our development

costs, more than three times our target of £52k.

The reduction of re-designed communal sites from 15 down to eight, and the effective use of procurement and design proposals resulted in **savings of £600k** on the proposed My Space Programme budget.

A renegotiated gas servicing contract generated savings of £12k. We are in the process of re-procuring the work and aim to make additional savings in 2016/17.

Where homes are served by a communal boiler we renegotiated the contract to include (at no extra cost) the servicing of all the supporting equipment from residents homes into the main unit. This generated **savings of £24k**.

The renegotiation of the planned maintenance boiler and installation costs saved us £178.30 per unit, and a radiator renewal pricing agreement produced a saving of 16 per cent per radiator. This equated to 2015/16 savings of £343k.

Changing the pricing model from a Schedule of Rates to a Basket Rate has reduced average kitchen costs from £5.9k to £4.9k, a saving of £1k (17 per cent) per unit – 362 properties were renewed 2015/16, representing a **total gross saving of £444k**.

£250k was budgeted for the purchase

of a CRM solution. Following a review, a Virtual Contact Centre Solution with built in CRM capability was introduced at an annualised revenue cost of £36k with added VFM saving generated through free upgrades and development modernisation of the system over the life of the contract. An in-year **savings of £214k**

We have successfully recovered 22 fraudulently occupied properties during 2015/16. This generated an additional £30k in rental income. A recovered shared ownership property is for sale and has been valued at £425k. It is estimated that the cost of temporary accommodation for the 72 freed up bed spaces would have cost the taxpayer £400k.

£5k of the target savings achieved through reviewing the approved contractor framework, have been reinvested in a partnership framework agreement with Notting Hill Housing. This is predicted to generate future efficiency returns beyond the initial **saving of £45k**.

As a result of reviewing Employer's Agent fees we have generated a savings of £29k - exceeding our overall target of £12k

**The overall savings equates to £3.37m.**

Additional cash income generated as part of these activities is **£12.2m** which is recycled back into building new homes and continuously improving our services.

# 3: Our approach to Value to money

Our continuous improvement work around embedding and sustaining VFM is fundamental to our organisational four year Road to 2020 Corporate Plan, strategic objectives, purpose, vision and values.

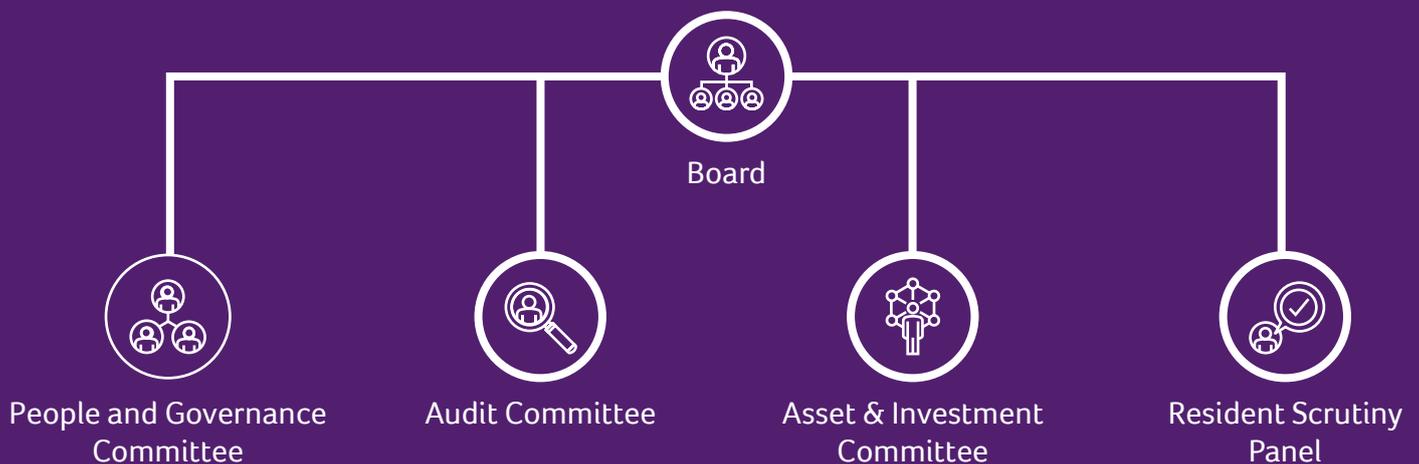
One of our five strategic objectives pledges to: Do the right thing at the right time to maximise value for money outcomes. Greater

efficiency enables us to achieve more and better outcomes with less resource, freeing up savings which we can re-invest into our homes. VFM is embedded within operations with all planned activity triangulated around cost, performance and quality.

In 2015/16 we refreshed our VFM Strategy clearly referencing compliance against the regulatory standards.

## Governance

The following diagram sets out our main governance structure:



### The Board

Our Board provides a strong lead on, and oversight of VFM, setting strategic direction, providing leadership and skilled oversight of business priorities.

The Board’s understanding of the issue is evidenced by:

- Annual approval of the VFM Summary in the Financial Statements
- Annual approval of the full VFM Self-Assessment
- Quarterly oversight and challenge on VFM achievements within the corporate plan
- VFM is a mandatory consideration of every report going to Board and its subcommittees

### Audit Committee

The Audit Committee is appointed to act on behalf of the Board to ensure that Wandle has in place and operates appropriate controls to safeguard its assets, ensure financial viability and manage risks.

### Asset Investment Committee

The Asset Investment Committee has a governance focus on the use of existing assets, the disposal where necessary of assets, as well as growth of assets through development opportunities. They meet quarterly and report to the Board.

### People and Governance Committee

The People and Governance Committee has responsibility for oversight of people and governance making recommendations to the Board on these matters. They meet bi-annually and report into the Board:

### Resident Scrutiny

In addition to the Board we have an independently supported Resident Scrutiny Panel, who attend quarterly Board meetings where performance against VFM is reviewed. All panel members have received TPAS training in VFM. This is providing them with the necessary skills for undertaking scrutiny activities. They have direct access to board members through the board meetings, or via the annual Involved Resident/Board Member events.

## 4: Our Financial Strength

Across financial and operational management, employment, procurement, and systems there are many opportunities to enhance value through the approach we take and the choices we make. We have in place governance and operational processes that embed consideration of value within our work.

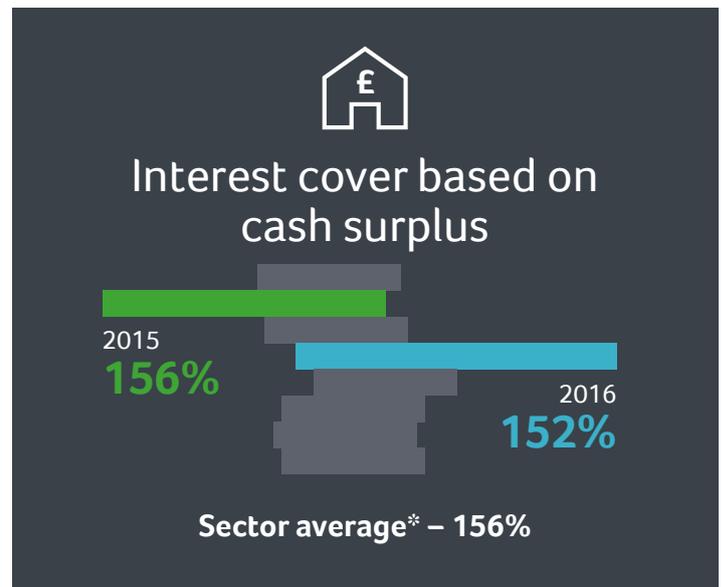
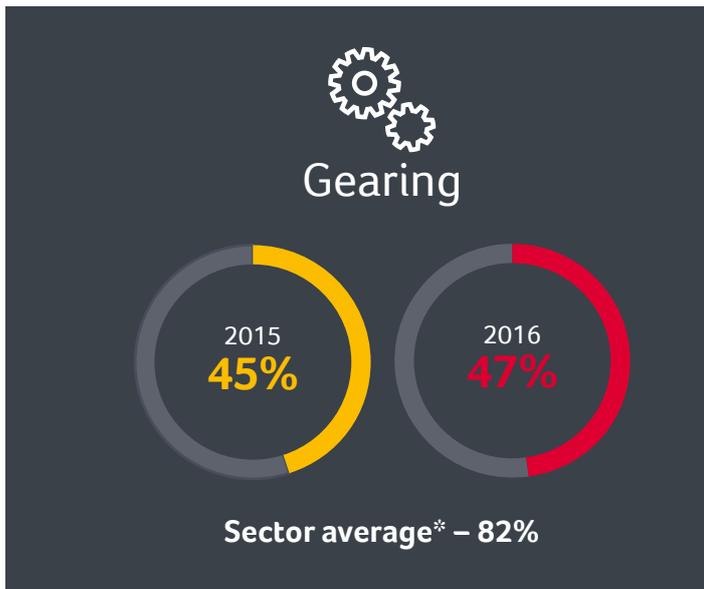
### Financials and Treasury

Like other registered providers we are in business for the long term, we expect to keep our affordable homes for many years and our financial plans reflect this. The following data sets are taken from the Statutory Accounts and detail operating returns in 2015/16

Portfolio	Value if sold as social property (£m)	Value if sold as private property (£m)	Rental income	Gross yield*	Operating profit	Operating margin	Operating margin 2014/15
Affordable and General Needs	423	2058	43	3.6%	10.7	25%	27%
Supported Housing	23	86	2	4.5%	0.9	45%	62%
Low-cost home ownership	41	199	3	7.9%	1.5	50%	66%

The value of our stock sold as social rented property reduced by 6 per cent from £449m (excludes EUV-SH) in 2014/15 to £423m (excludes EUV-SH) in 2015/16 because of the rent reduction.

When looking at an overall picture of VFM, we consider the four financial indicators set out in the tables below as key. They offer a rounded view of our financial health including our capacity to grow, our operational efficiency, the direct cost of managing our homes and our ability to meet interest on our loans.



\*2015 sector averages based on HCA global accounts.

### Cost Savings through Refinancing

Affordable Housing Finance (AHF), which is managed by The Housing Finance Corporation (THFC), issued a £208m 28 year bond priced at Gilts plus 0.40 per cent, an effective rate of 2.89 per cent.

Wandle participated in the Bond issue and raised funding of £35m at 2.83 per cent. One of the lowest all-in rates at the time. These low cost, long term funds mean Wandle can develop 1,000 new homes in London and the south east over the next five years as part of its

Corporate Strategy and objective to flexibly invest to enable capacity and resources to grow.

### Award winning treasury team

Wandle's Treasury team, of three, scooped the much desired Treasury Team of the Year award at the Housing Accountancy National Awards in July 2016. Rewarding and recognising our ability to rise and respond to the sector challenges while still maximising VFM.



### FUTURE SUCCESSES – 2016/17

- Benefit and savings will be realised from the mobile phone and security devices re-tender process. Costs are predicted to reduce from £132k for a two year contract in 2015/16 to £60k for the same contract period. A savings of £72k.
- Reduced annualised cost of insurance through re-tender £200k
- £70m of additional funding from two new lenders at rates below that factored into the financial plan.

# 5: Evaluating our performance

## Our Performance

Comparing ourselves to other housing associations helps us understand how we're doing and challenges us to continuously improve.

Wandle uses the HCA global accounts to compare high level financial indicators to national averages and our selected peer group. We routinely submit financial, operational performance and customer satisfaction information to HouseMark.

Using this data allows us to understand our direction of travel in comparison to our external environment and provides the basis for evidence based service delivery and change initiatives.

The peer group we use when benchmarking our performance against both the HCA global accounts and HouseMark is made up of:

- Hexagon HA
- Shepherds Bush Housing Trust
- Octavia Housing
- Origin Housing Group
- Phoenix Community Housing
- Richmond Housing Partnership
- Gateway Housing Association
- Newlon Housing Trust and
- Poplar HARCA



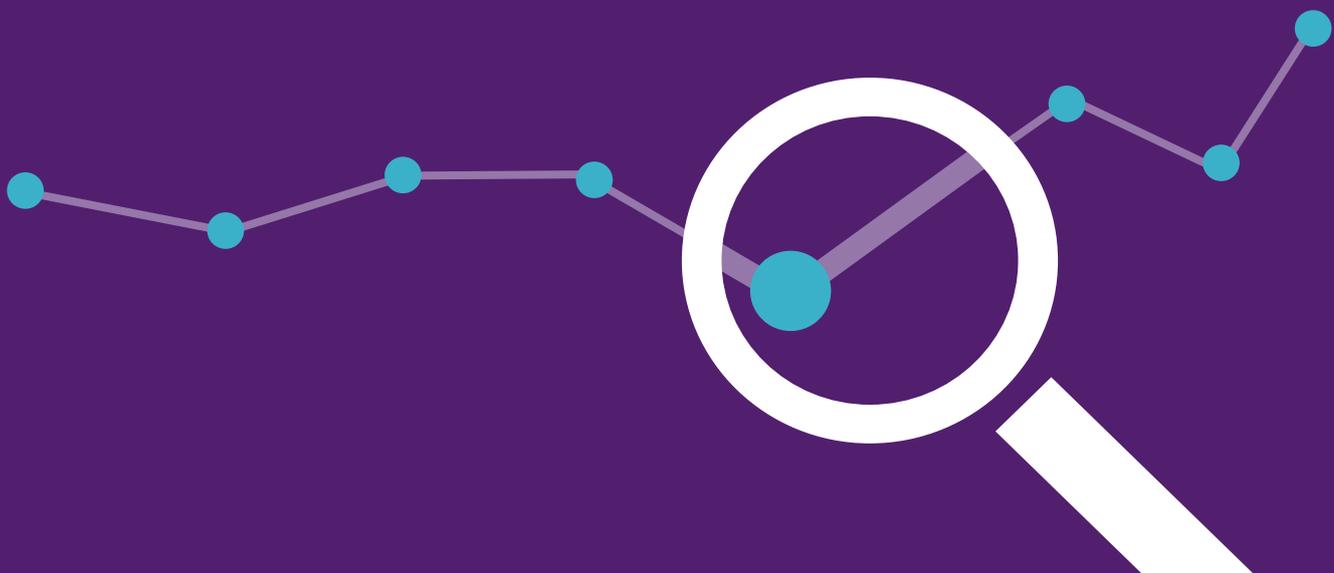
We have chosen these nine organisations as our peer group because; they operate within London, have a similar sized stock holding with a mixture of low cost social rent, supported housing and shared ownership properties and like us, two of these organisations provide their repairs service through an in-house Direct Labour Organisation (DLO).

The following key financial and operational indicators show a two year trend for financial performance and a four year trend for operational performance. We

cannot show more than two years financial performance due to the FRS 102 and internal changes made to the way that we have apportioned our costs.

Previously we apportion the costs of support functions, such as Finance, HR and IT across management, services, maintenance and major and cyclical works expenditure. In 2015/16 we took the decision to allocate costs which are directly associated with services, maintenance, major and cyclical works to that specific area, while all other support costs were

attributed to management. This change does not impact on the total cost per unit. However, the result is that our management costs per unit are high, and the costs per unit of maintenance and major works are low. 2014/15 expenditure has been re-profiled in the same way to provide a like for like comparison.



## Average costs per social housing unit

**Total costs £/Unit**

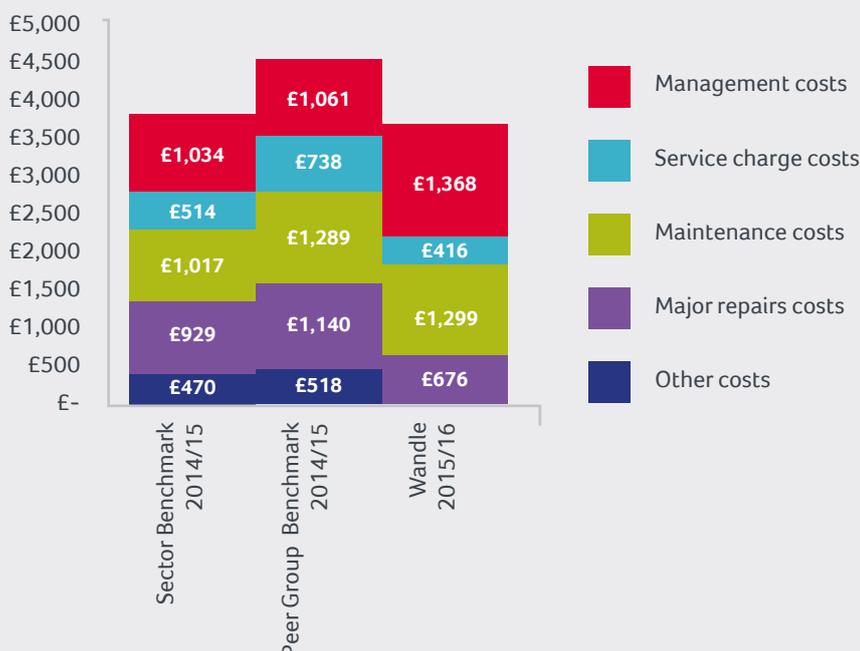


Our total cost per unit has increased from £3.6k in 2014/15 to £3.7k in 2015/16. This is largely due to an increase in operating costs of £4.0m. This primarily results from Wandle reinvesting an additional £2.1m into improving and securing its existing properties through major repairs and services, particularly around fire risk (£900k), asbestos (£200k), and the write off cost of replacing the old components £1.1m.

Our service charge reflect the type of properties we manage and the range of chargeable services we provide. Our charges look low in comparison to our benchmark peer group however, we have carried out an extensive review of service charges that has produced an increase of £689k compared to the budgeted figure for 2015/16 and an increase of £449k when compared to the actuals for 2014/15. This will enable us to recover the costs of providing services, with any significant increases being spread over two or three years.

Finally, another £1m has been incurred by the organisation re-establishing critical customer facing parts of the business and building strategies to secure back office foundations around core base systems and processes. This was represented by £700k in additional staff costs, largely spent across our repairs and operations departments, to fully resource these areas.

**Total costs £/Unit**



## Management costs £/Unit



In 2014/15 we reported our management costs per unit at £940, this has been altered to £1,381 due to the changes in how we split our accounts as mentioned above and now includes the staffing costs of support functions at £3.4m.

Based on our Fit for Future initiative we are assuming a £70k incremental savings over the next four years - £580k in 2017, £650k in 2018, £720k in 2019 and £790k in 2020.

In 2014/15 we reported our maintenance costs at £1,746 per unit, this has been updated in the table above, to £1,431, to be consistent with the way that we have apportioned our costs in 2015/16. This no longer includes the costs of support functions only the direct costs associated with our maintenance function.

Maintenance costs decreased in 2015/16 in comparison to 2014/15, although it should be noted that in 2014/15 the costs of delivering the service were based on the first six months being delivered through a Price Per Property contract and the latter half of the year being based on the costs of the delivering the service through a DLO.

Activities across a number of areas including IT systems with built in management controls and real time reporting, better purchasing through a large national repairs contractor supply chain, dynamic scheduling and introduction of individual operative trading accounts will see a reduction in costs in 2016/17 with the anticipated improvements of a 100% increase in productivity of our in-house workforce.

## Maintenance costs £/Unit



### Major repairs £/Unit

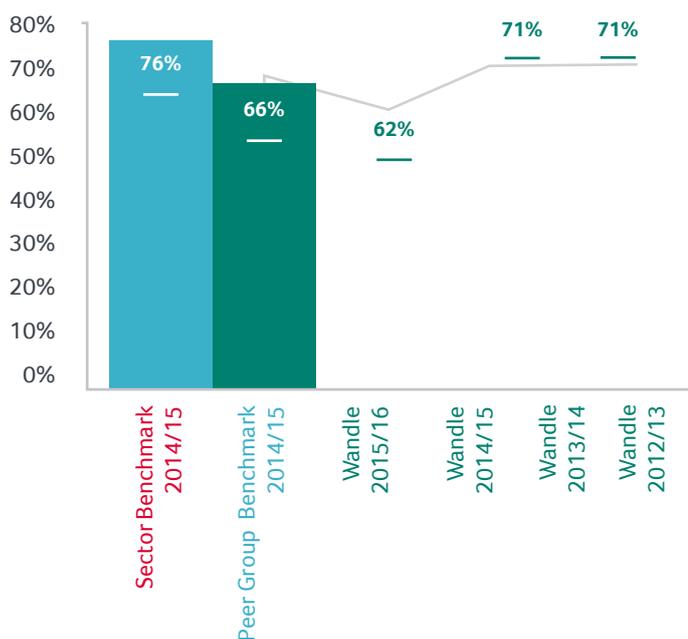


In 2014/15 our major repairs were reported at £113 per unit. This has changed to £403 per unit due to support functions being allocated to management costs, as stated previously, but also the inclusion of capitalised major works expenditure in order to provide a direct comparison to 2015/16 costs.

Investment in our home increased by 67 per cent in 2015/16 as we increased the work programmes to ensure our residents' homes remain decent and safe. For the increased investment we delivered 69 per cent more improvements to our assets than in 2014/15.

## Customer Satisfaction

### General Needs Overall Satisfaction

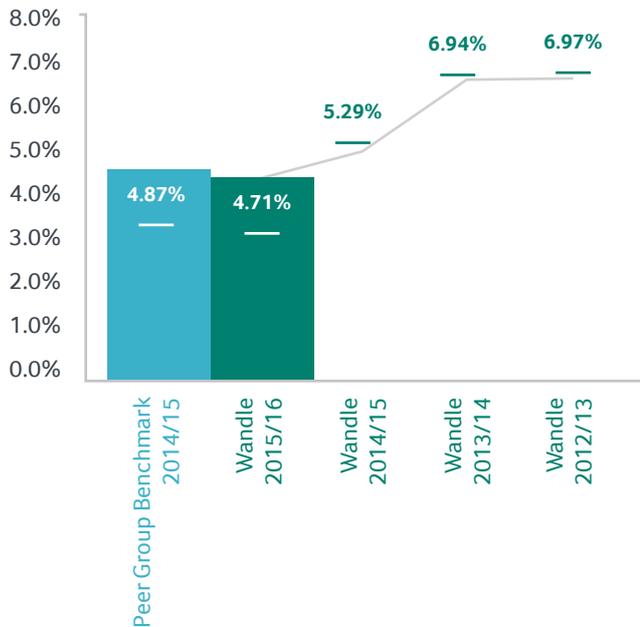


General needs overall satisfaction shows a small but sustained improvement throughout 2015/16. This was despite some challenges experienced within the service. We recognise that improvement in communication, responsive repairs services and quality of home are the key drivers that underpin customer dissatisfaction. Feedback has been used to design both the Fit for Future transformation of Customer Services and the Rebooting Repairs improvement programme.

These activities were researched, consulted and project managed throughout quarters three and four of 2015/16 and mobilised in April 2016. The programme aims to achieve long term sustainable improvements over the four year Road to 2020 Corporate Plan including the introduction of a multi-channel customer service centre (CSC) to ensure 80 percent of customer contact is successfully resolved at the first point of contact.

## Income collection and arrears

### Current Tenant Arrears

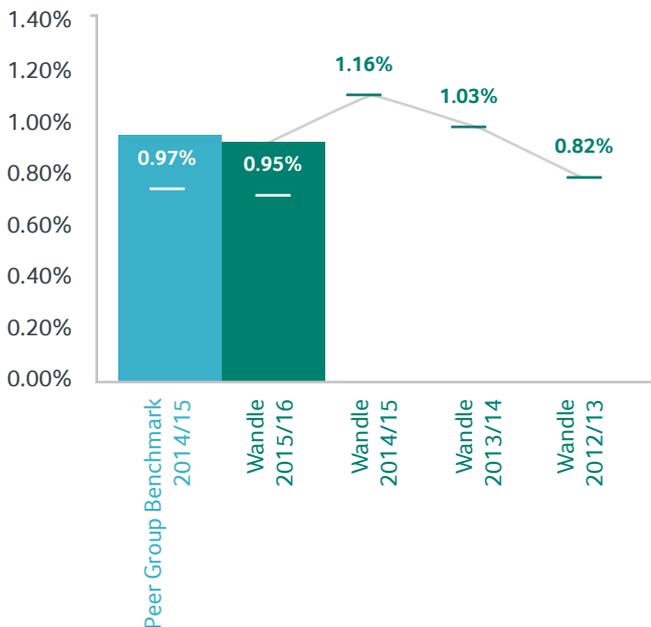


Performance on current tenant rent arrears continued to improve throughout 2015/16 ending the year at 4.71 per cent down 0.58 per cent on the 2014/15 year end performance. This however falls short of our year-end target of 4 per cent. In part this is due to a significant increase in the number of household in receipt of Universal Credit in quarter four but was also impacted by transitional arrangements and plans to move to a new specialist income service from April 2016.

Further work in 2016/17 to mitigate the impact of welfare benefit reform and to provide specialist and focussed income services will enable us to achieve our 4 per cent target for 2016/17.

## Voids

### Void Loss



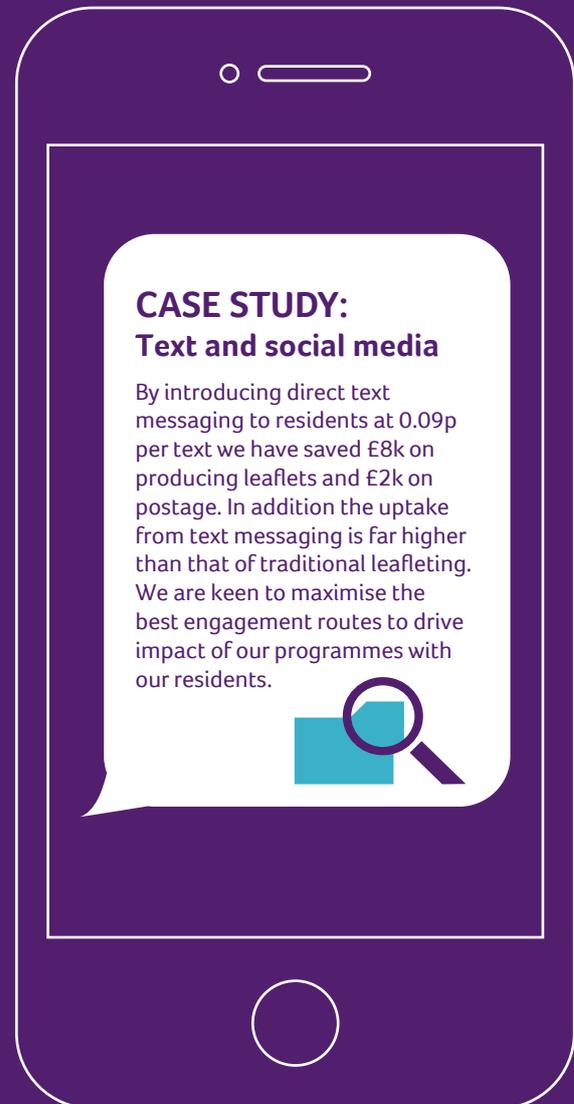
Our void re-let time for 2015/16 was 24 days, an improvement on the two previous years, but one day more than our target of 23 days. Our performance in 2015/16 was level with the median benchmark of our peer group, but we believe that we can continue to improve our performance in this area and achieve upper quartile results; we have therefore set our 2016/17 target at 19 days.

A lean review of the end-to-end void process is planned for 2016/17 which we anticipate will streamline this key business process and ensure performance is further enhanced. Our active asset management plan, which is supported by our disposals strategy, has had some impact on void loss but improved cross team referrals and better use of the notice period to undertake pre-void inspections will help to mitigate against this.

## 6: Investing in our communities

Our business start-up programme has been developed in partnership with Hyde, Peabody and Paragon Housing Associations. Twenty residents have completed the twelve week course with six new businesses started (self-employment) and three residents returning into employment.

VFM was achieved by partnering with HA's in areas where Wandle has limited stock, achieving increased geographical coverage of our programme. Through consultation we established the need for an on-line option for residents who were unable to attend the course. Wandle has now introduce an online programme with Enterprise Cube and 40 residents have signed up to start in quarters one and two of 2016/17. There is a cost saving of £320 per person against face-to-face delivery.



### FUTURE SUCCESSES - 2016/17

- The Social Value (ValueInsight) system is now embedded within the team showing a programme wide social well-being return of £1:£8. This system is cost effective and will save around £50k per annum given that we will no longer be required to undertake full detailed social return on investment reports for each project.
- Wandle is part of a £13.2m European Social Funded programme called Love London Working. This is a consortium of 16 Housing Associations which will be delivering over 20,000 training and job outcomes over the next two and a half years concluding in December 2019. VFM deliverables in the form of £71k for salaries will be grant funded to us at the end March 2017.
- The Love London Working consortium is collectively purchasing marketing and communications materials saving roughly 20 per cent on actual costs (approximately £1.2k).
- Re-procuring the debt management services is anticipated to achieve approximately £100k savings against the cost of the existing contract.
- We aim to get an additional £13k in value added benefits from the legal services contract through free legal advice including provision of training and monthly legal surgeries.



## 7: Delivering a customer-focused, cost-effective service

### Responsive Repairs

#### Wandle Repairs Service (in 2014/15 Satisfaction with last repair was at 54 per cent)

The Wandle Repairs Service had its first full year of operation since it was mobilised in October 2014. It has been a mixed picture with satisfaction with the last repair increasing by 20 per cent to 75 per cent in line with our plan. However there has been considerable challenges in terms of delivering efficiencies in the cost of the service and in particular increasing operative productivity. This has resulted in a significant increase in the use of sub-contractors throughout the year.

The DLO health check carried out a year after the in-house service mobilised highlighted some challenges in stabilising the service, impacting both the cost and quality of the services delivered. These challenges are not

unusual in the establishment of a DLO and many organisations commit up to three years to fully realise the benefits of this model. Key findings included:

- Productive output per operative is was low, and calculated at 1.9 jobs per operative per day
- Delivering 'right first time' working practices must be a key objectives for the DLO if it is to be sustainable in a competitive modern environment
- Performance data confirms that customer satisfaction has improved but remains static at 74.49 percent
- Acceptable DLO performance in day-to-day repairs has been achieved through subcontractor use

The findings of the review including an analysis of customer feedback and complaints has informed the Re-booting Repairs corporate improvement initiative. In order to strengthen our capacity and deliver rapid improvements

in performance, we have entered into a short term agreement to purchase some support from Mears Group, particularly in relation to access to back office infrastructure ensuring:

- Better purchasing through access to the Mears supply chain for materials
- Full access to MCM Mears repairs and scheduling system with dynamic scheduling and access to NHF Schedule of Rates V6.1
- Implementation of a DLO trading account
- Enhanced communication tools to keep customers updated and to reduce no access visits



## CASE STUDIES DEMONSTRATING VFM INITIATIVES IN 2015/16

### *Implementation of a Framework Contract for voids repairs*

The value of repairs completed to empty properties was £537k in 2015/16 which comprises nearly half of all budgeted expenditure with contractors so it is important that Wandle obtained a competitively priced service from its voids contractors. As a result a framework contract was procured which appointed three contractors at a discount from the base rate of the National Federation of Housing Associations Schedule of Rates.

Without impacting quality this has produced savings of between five and 10 per cent and provided overall savings of just over £49k in a full year. In addition, by working regularly with the appointed contractors a mutual understanding of requirements and collaboration has been established. Resulting in reduced voids repairs turnaround and the average void cost has fallen.

### *Procurement of removals and storage contract*

Wandle had been experiencing difficulties in securing support from providers for removal and storage of the household effects of current and former tenants. The repairs service took a decision to commission a contract with a single provider to enable a reliable service at a competitively tendered rate. This was awarded exclusively to Grays Removals and Storage in August 2015.

### *Tetra safe working at height equipment*

The repairs service has purchased all three levels of the Tetra ladder safety equipment which enable faster and more cost effective response to jobs which would otherwise require full scaffold access. The Tetra equipment was utilised on 62 occasions over the year and resulted in a 70 per cent improvement in repair response time and a 50 per cent reduction in cost compared to use of scaffolding. This has saved Wandle an estimated £15.5k.

### *Skyvac gutter cleaning and inspection system*

Repairs now use this generator powered vacuum suction pump for planned and reactive cleaning of guttering; avoiding the need for expensive scaffolding, ladders or high access equipment. An added advantage is the lightweight carbon poles which permit access to restricted areas. A camera function is used to check the progress and quality of the work. It has been designed to be used by one individual which means that faster and more economical clearance and inspection of gutters can be carried out. This system was utilised 70 times during the year; saving the organisation an estimated £17.5k against the cost of scaffolding.

### *Training for Contact Centre in new drainage responsibilities*

Following recent legislative change responsibility for private sewers and lateral drains, was transferred to the sewerage companies. By definition the public sewers are owned and maintained by the sewerage companies and private drains are the responsibility of property owners within the boundary of their property.

Contact Centre staff training on applying the new legislation relating to drainage responsibilities and land boundaries has resulted in expenditure on drainage and jetting falling by 51 per cent during the second half of the year, a half year saving of £13k.



## FUTURE SUCCESSES - 2016/17

The principal areas of attention for the current year are:

- Enhanced communication with tenants around repairs progress to reduce abortive costs e.g. through no-access. Each no-access visit is estimated to cost us on average £85, so reducing these instances from 20 down to 10 per cent of all repairs (£24k per annum) would save £204k
- Working in partnership with Mears we are able to take advantage of their purchasing power. Estimating annual savings of around £250k
- Increasing craft operative productivity through realistic work planning, improved travel and access arrangements and enhanced impress stock on vehicles. Our objective will be for each operative to complete an extra job per day. Over a year this would reduce subcontractors spend by £500k
- Implementing a comprehensive management approach to repair demand through shaping tenant behaviour, services provided by operatives, repairs Contact Centre and management interventions will realise a two per cent reduction in demand across the year, saving us £67k

In addition we are conducting a strategic options appraisal of the future of the repairs service that assesses and recommends a preferred delivery model. This is based on a review of the impact of commissioning strategic support has had on the service, an appraisal of recent trends in the market and examples of viable delivery models that are operating successfully for other housing associations. VFM will be one of the key evaluation criteria for the options appraisal.

## Housing Services

A review of the operational delivery model within housing and customer services was a critical in-year activity. Our evaluation of performance illustrated that whilst our costs were high, our performance remained static in most areas and often within the lower quartile. The housing services Fit for Future improvement review evaluated our current service offer striking a balance between understanding customer current and future needs while trying to offset the impact of welfare benefit reform and the 1 per cent rent reduction over the next four years.

Following extensive consultation and engagement our Board approved the move to a new delivery model from April 2016. Key features of the new service include:

- The introduction of a multi-channel customer service centre ensuring that 80 per cent of customer queries are successfully resolved at the first point of contact
- A specialist homeownership team to provide bespoke services to our increasing leaseholder and shared owner customer group

- Setting up a specialist Income and Neighbourhoods team and a strengthened Resident Support team to increase support provision to our most vulnerable residents
- The creation of a Customer Experience team to pull together customer insight and to utilise this evidence to enhance future design and improvement of service

The structural changes will deliver £500k savings and will be supported by new ways of working and enhanced training.

## Supported Housing Review

In 2015/16 a review was carried out on our existing supported housing stock, to identify opportunities to make better use of the homes and the future provision of housing services to supported housing customers. This review was carried out internally saving the organisation £50k on consultant's fees.

The Board approved the recommendation for the disposal of nine schemes which were underperforming for customers and/or required significant stock investments realising Net Disposal Value (NDV) of £6.7m, with an additional £2.5m of Recycled Capital Grant Fund (RCGF) underpinning the 2016/17 financial plan. Allowing the organisation the opportunity to re-invest this income into higher performing stock.

They also approved the development of two other sites, within supported housing, which were not performing for the client groups. One scheme with four one bedroom flats will be redeveloped into 6x2 bed houses, at a net cost of £1.4m, generating £100k positive Net Present Value (NPV) over 28 years. The first tranche of shared ownership sales receipts will generate a minimum of £233k (assumed 25 per cent ownership). Generating £19k in shared ownership income from these homes and a further £33k in affordable rental income in year one.

The second scheme, will be redevelopment into six self-contained homes. This is at the development stage, but works are expected to start during the 2016/17 financial year.

## Estate Services

In 2015/16 we delivered an additional £11.5k in value on the estate services contract with the assisted gardening scheme and the monitoring of one of our combined heating plants by the estate service operatives at no extra cost. Working in partnership with our estate services contractor has resulted in three residents securing employment and training opportunities with the contractor. We will be re-procuring the contract in 2016/17 to generate greater VFM and to improve customer satisfaction level.

## Arrears and Welfare Reform

We have performed well across our tenures and compare favourably with our peer benchmark group. Our income collection performance has improved despite the impact of welfare reform changes. As part of our response to welfare reform changes we have maximised the use of our contracted debt advice service providing extra value for residents. In 2015/16 our debt advice service engaged with 151 residents resulting in £309k additional income for residents. We have supported eight tenants to downsize; mitigating the impact of the bedroom cap and closely tracked 62 universal credit cases to ensure rental payments are maintained.



### CASE STUDIES DEMONSTRATING VFM INITIATIVES IN 2015/16

#### *Tenancy Management*

Our tenancy fraud activities in 2015/16 resulted in the investigation of 57 illegally sublet properties of which 22 were recovered, resulting in rental increase of £31k per year. By working with our residents and local authority partners we will be investigating a further 53 potentially sublet properties in 2016/17.

#### *Resident Support*

Our service offer includes a bespoke in-house Resident's Support team provision for our vulnerable residents. In 2015/16 there were 205 referrals of which 81 per cent engaged with the service. This high rate of engagement demonstrates the popularity of the service which effectively achieves VFM by sustaining 100 per cent of tenancies of all those engaged. This service minimises evictions with the added benefit of reducing the financial hardship of customers and the financial burden on the organisation. By supporting them we achieve the dual aims of enabling them to lead satisfied and fulfilled lives while also sustaining their tenancies.



### FUTURE SUCCESSSES – 2016/17

- Tenant arrears were 4.71 per cent at the end of 2015/16. We aim to reduce these to 4 per cent by the end of 2016/17, this represents an additional cash income of approximately £300k.
- This will be achieved by procuring a new debt advice service for our customers, supporting them to maximise their income and sustain their tenancies.
- By working with our residents and local authority partners we will be investigating a further 53 potentially sublet properties in 2016/17. Resulting in additional rental income.

## 8. Using our assets more sustainably

Our assets, the properties in which our residents live, are a cornerstone of our business. They have a lifespan beyond that of our longest financial plan and are at the core of our relationship with our residents and with the lenders.

- We use our assets as security when borrowing to build more homes
- The condition of our homes has a significant bearing on the quality of life of our residents in terms of their comfort and cost to rent and heat
- The type, location and tenure of the assets can enhance or hinder pursuit of our strategic ambitions

### Understanding our Stock & Realising Assets

Through a combination of our own surveyors and carefully chosen partners, the Asset Management team exceeded initial targets for the percentage of stock surveyed, finishing the year with 41 per cent complete. Not only does this improve our ability to assess which areas of our stock to target investment, but also allows us to understand the reinvestment and sustainability needs of each void property.

The information gained through the stock condition programme feeds in to our Value Based Investment Model (VBIM) and therefore into assessing the NPV of our stock which, in conjunction with various social factors, enables us to categorise our homes so that decisions can be made regarding future investment in or disposal of properties. Ensuring our homes remain sustainable and provide long term VFM.

During 2015/16, this information helped us evaluate a number of properties as to whether they were appropriate for disposal. Those identified were sold and realised over £3m to be reinvested in our homes.

### Investing in our Homes & Customers

An ambitious and challenging planned investment programme was approved by Board for 2015/16. Where necessary, short term partners were brought on board to facilitate delivery of programmes so that residents benefited from the investment in our properties as planned. The team was also able to respond to needs by delivering ad hoc works through these partners, such as urgent “planned” works referred by the Repairs Service, thus adding value to the relationship.

Overall, the team delivered 1919 improvements to 1551 homes (21 per cent of our stock) for around £6.7m, which compared to the 1136 improvements delivered in 2014/15 for c. £8.2m represented a 70 per cent increase in output whilst realising a cost saving of 19 per cent.



### CASE STUDY: SOLOMON'S PASSAGE

Fire Watch Officers patrol Solomon's Passage 24/7 to ensure the safety of our residents. The terms of the contract were renegotiated with the service provider reducing costs by 35 per cent, resulting in a net saving of £92k (£110.4k gross).

Using a procurement framework and running a mini-competition we were able to agree a two phased approach with a design team. Whereby on successful completion of a comprehensive options appraisal they would be awarded the delivery phase. This was on the basis that they would then refund the £119k paid for phase one ultimately resulting in a full overall savings of the budgeted £250k.

### CASE STUDY: ACHIEVING BETTER VALUE FROM OUR GAS CONTRACT

In August 2015, we re-negotiated arrangement with our contractors and consultant partners, particularly in the light of the planned extensive boiler renewal programme.

We had been paying consultants £200k per year to administer the contract, including an 8 per cent fee for each boiler installed, which averaged to around £138 per job. With the team resourced to take back part of the contract administration, the consultant fees were renegotiated resulting in the boiler install fee being scrapped and a saving of £80k in administration charges achieved.

The existing gas servicing and maintenance contract included for a retail price index (RPI) increase if extended and Heat Interface Unit (HIU) servicing was not part of the contract. If added to the existing terms this would attract additional costs of approximately £80 per

site (of which we have 260). We successfully negotiated the waver of the RPI increase and included free HIU servicing - achieving a saving of around £33k.

The team secured budget for a substantial boiler renewal programme, approximately £1.4m up on 2014/15. With this additional funding available, we were able to reduce boiler costs based on economies-of-scale. We agreed a reduction of 4.4 per cent on the existing average boiler costs including an increase in the works specification without additional cost, resulting in an overall like for like saving of around 9.5 per cent per boiler install.

And finally, to ensure we had all bases covered, we also renegotiated a 17 per cent lower rate for new radiators and ensured that the costs of all distribution pipework were included in the central heating installation rate, achieving a saving of 7.5 per cent.

The combined boiler install and radiator saving equated to a £343k against like for like costs pre- renegotiation based on the proposed programme.



## CASE STUDY: CUTTING KITCHEN COSTS

Towards the end of 2014/15, we had the opportunity to procure a new kitchen refurbishment contractor allowing us the option of moving away from a traditional STAR rate to an inclusive “basket rate” model. Analysis of kitchen renewal costs

from the former contractor averaged at £5.9k per kitchen.

The new contractor was able to deliver a small number of units before the end of 2014/15 and continued into 2015/16 successfully delivering new kitchens to 362

homes. The average unit cost of a kitchen with our new partners was £4.9k – a saving on the previous year of £1k per kitchen (nearly £444k gross in total).

This saving deliver more improvements than originally planned.



## FUTURE SUCCESSES - 2016/17

As we move in to 2016/17, we strive to achieve excellence in service and find new ways to deliver programmes that provide best value. For example delivering external improvements like windows, front and back doors, roofs, external decorations, using a “whole house” approach with improvement work done at the same time rather than spread over a number of years. This ensures efficient use of resources such as scaffolding, and minimises disruption to our customers.

- Using a ‘whole house’ approach we will eliminate significant waste and limit disturbance to our customers by planning in as much improvement work as is practical at the same time. This model is expected to save in the region of £250k per year over a five year cycle.
- We plan to continue using the skills of existing internal resources to administer contracts relating to electrical works, domestic and passenger lifts and other mechanical & engineering contracts. Realising a savings of about £4.5k per annum.
- We will re-procuring our Gas Servicing & Maintenance contract via a framework ensuring the rate per property is £5.78 lower than our existing arrangement – a saving of approximately 4.8 per cent.
- Following our 2015/16 investment in our boiler programme we will continue to make significant savings as around 56 per cent of our boilers are less than five years old therefor require less attention. A further 25-30 per cent savings are anticipated on additional renewals. In all we expect to save around £134k in Year one and around £520k over the potential life of the contract.
- In addition, through the procurement exercise, we aim to add value by including apprenticeships, donations to the Community Development Fund and empowering our partner contractor to act as our eyes and ears in our homes and communities.

## 9: Building and selling new homes

Wandle's structure for the procurement and management of our new homes enables the business to secure maximum value from our development activity. In 2015/16 the organisation reclaimed £217k in VAT against our annual target of £52k through our design and build company Delta Homes.

In 2015/16 the Board approved the New Homes Strategy 2016 to 2021 for growth; recognising the need for increased diversification in Wandle's future housing offer. We have a five year target of delivering over 1,000 new homes with the ambition to deliver over 500 shared ownership and 250 private sales homes.

New Homes reviewed what the Wandle housing offer should be. The design brief was updated, securing ownership by the business, of the preferred future homes specification. In addition it set out the parameters around efficiently procuring projects. A savings of £45k was made by joining an existing registered provider's OJEU compliant framework to ensure that we are equipped to engage fully

with contractors and consultants in 2016 onwards.

With a new build commitment of 238 homes on site in 2015/16, the organisation has been focused on deriving in-contract savings from forecast contractor expenditure and consultant appointments. In terms of contractor savings, we achieved a £200k saving with Linden Homes on Grange Walk by securing a completion date ahead of target in 2015/16. Against an original target to save at least £12k on architect and employer's agent fees, actually savings amounted to £29.3k in employer's agent fees and a further £4.5k respectively. A further £6.4k saving on legal fees was also secured.

With a new in-house sales team, Wandle was better placed in 2015/16 to drive increased share ownership staircasing. With this additional resource and increased marketing awareness of staircasing, we secured £6.5m against a target of £4.68m. This generated a disposal surplus of £2.1m against the targeted £1.7m. In addition, we achieved a combination of six resales and 11 shared ownership bought more than the minimum 25 per cent share requirement. Generating a gross income of £1.3m – our target was £1.25m and a revenue income of £17.5k against a target of £11k.



### CASE STUDY:

#### New Homes Contractor and Consultants Framework

The New Homes recognised the need for up-to-date market intelligence when engaging with the market in terms of planned procurement. This included the need for early engagement with suitable suppliers and assessing contractors' appetite to bid for projects. Previously we relied on recommendations from Employer's Agents regarding who we might engage with, or the outcome of an open tendering process. This was not a sustainable approach.

An options appraisal established that the cost and constraints of setting up an in-house framework would be significant. An initial outlay of at least £50k was required and to ensure a return on investment we would need to commit to a sizeable programme over the next five years to attract interested contractors and consultants in an already buoyant construction market. Following a review of the RP market Wandle selected the Notting Hill Housing Trust (NHHT) framework. The NHHT framework covers a range of different disciplines from contractors, architects, EAs to valuers, structural engineers and M&E services. The advantages for joining the framework include:

- A comprehensive "multi-disciplinary" framework which meets our future consultancy and contractor requirements
- Benefits derived from the latest market intelligence testing by a large RP developer
- The threshold between the contractor lots are in line with Wandle's schemes sizes with a good choice of smaller and larger contractors
- The framework is currently open and costs a modest £5k to access for the year
- Benefit from improved fee rates
- Access to a wide range of pre-qualified contractors and consultants saving Wandle considerable resource in market engagement and pre-qualification processes



## FUTURE SUCCESSES – 2016/17

- Residents satisfied with their new home to achieve 80 per cent in 2016/17
- Shared Owners satisfied with the sales process to achieve 80 per cent in 2016/17
- Defects lean process review to be completed in 2016/17 to increase residents satisfaction with last defect to 85 per cent
- Increase number of homes developed in a financial year as a percentage of current stock from 0.00 in 2015/16 to 2.2 in 2016/17
- Development activity in 2016/17 is targeting to secure £43.5k in social value across all schemes in terms of work placements and apprenticeship schemes
- In 2016/17 we forecast that Delta Homes, will reclaim up to £180k in VAT
- The partnering arrangement with the NHHT Framework for consultants and contractors, will save about £100k in consultancy fees.
- Using more digital marketing material, instead of printed brochures, is anticipated to save £10k
- The aggregation of sales brochures across three schemes in SE1 will save £12k in marketing costs
- A competitive tender for show home appointment will create a budget saving of £8k
- There is an anticipated additional income on sales receipts estimated at £2.9m based on the original forecasts of schemes approved in 2014/15 due for practical completion in 2016/17 of £4.8m. The revised forecast for the same schemes is now £7.7m.



## CASE STUDY: Supporting More Residents to Secure a Greater Stake in their Home

In line with an increased Government focus in home ownership, Wandle recognised the need to make the acquisition of additional shares easier for purchasers.

An Assistant Project Manager (Sales) was recruited to educate customers on staircasing options as well as being a single point of contact throughout the process. In addition to this, Wandle introduced a range of initiatives such as free up front valuations and refreshed simplified information about staircasing. The benefit of this targeted approach achieved additional staircasing income of £1.57m, generating additional disposal surplus of £348k. This money provides reinvestment opportunities in other forms of affordable housing in 2016/17.

# 10: Employer choice

2014/15	2015/16	2016/17
Recruitment Process Outsourcing	In House recruitment	In house recruitment
<b>£639k</b>	<b>£225k</b>	<b>£180k</b>
Average spend on recruitment - £5.3k	Average spend on recruitment - £2.7k	Projected average spend on recruitment - £1.9k
Plus Staff cost	£51.2k	£51.2k

We had an ambitious target to reduce our actual recruitment spend from £639k to £250k in 2015/16. We exceeded this by £25 000. It is also projected that this will reduce by a further 20 per cent by the end of 2016/17.

Another objective was to raise the quality of our candidate attraction methodologies and the quality of hiring decisions. So a challenging prospect to do more with less.

Recruitment improvements supporting VFM include:

- Utilising targeted job boards and buying in bulk to reduce cost
- Increasing our employer brand on job boards, our recruitment microsite and social media
- Improving our recruitment collateral via the new Role Profile, Recruitment Packs
- Innovative recruitment methods utilising Linked In Recruiter to manage our own search for candidates, CV search on Reed, Shorter recruitment campaigns, talent pooling for Customer Service roles and networking
- Reducing and monitoring the use of agency temps further utilising direct hire techniques
- Improved authorisation process for new posts
- Developing a minimum two stage process for all permanent posts and introducing assessment centres.



## FUTURE SUCCESSES – 2016/17

- The design of a new selection process for customer service advisors and implementing a preferred recruitment supplier list will contribute to the reduction of recruitment costs by 20 per cent (£45k).
- Any future director recruitment will involve shared financial responsibilities between us and the recruiting organisation. Based on usual senior recruitment fees of 25 per cent, we aim to reduce this to 10 per cent; a potential saving of £17k based on a salary of £115k.
- Greater attendance at London job fairs as a cost-effective way of enticing new people to work for us.

# ROAD TO W 2020

## 11: Going forward

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With 2015/16 now behind us we are progressing with the delivery of our Road to 2020 Corporate Plan commitments.

Investment in the first two years of the four year plan intends to build on and improve the existing operational frameworks, stripping out wasteful processes and refreshing working practices to stabilise and underpin the basic foundations of getting things right first time.

The return on investment improvements that these initiatives aim to achieve will, after the first two year transformation phase 2016 to 2018, become evident from

2018/19 onwards. The remaining three years of the Corporate Plan will ensure that the transformation demonstrates sustainability and embedded continuous improvement.

The plan takes into consideration trending and historical data and intelligence gathered through horizon scanning, internal performance reporting and the benchmark report produced by Housemark.

These initiatives are designed to link into our vision of: Homes to be proud of and services you can trust. They will stabilise and improve the performance of the organisation over the next four years; aiming to be a top performer within the sector by 2020.



## Fit-for-Future (FFF)

We've begun rolling out our Fit for Future programme to improve customer experience and drive up satisfaction, while recognising the need to deliver efficiencies and provide VFM. We've restructured our customer facing teams and our processes to be more focused on the needs of residents.

We will fully roll out Fit for Future during the four years of our Corporate Plan, focusing on getting back to basics and laying the foundations for success while achieving incremental improvements.

We gather insight to influence our work from a number of sources, including customer profiling, lessons learned from complaints, our resident Scrutiny Panel, and regular staff surveys. We will get a greater understanding of customer needs, aspirations and behaviours so that we can target and scale our services to meet current and future demand.

We will deliver an improved, cost-efficient customer experience by providing a single point of contact in our Customer Contact Centre, and by starting to shift contact to digital platforms when residents want it.



## Rebooting Repairs

We want to make sure our customers get the best homes from Wandle. Every year, we invest in our properties by carrying out repairs that ensure homes are good quality, modern, warm and safe.

Our Rebooting Repairs programme is taking the repairs service back to basics and will ensure it evolves into a high performing service which is sustainable in the long term.

We are focusing on improving communication with customers, consistently meeting all appointments, and completing repairs on the first visit. We will build our customers' trust in Wandle and improve the customer experience of the Repairs service.

In the first year of our Road to 2020 Corporate Plan, this initiative will align closely with our Fit for Future work, our IT strategy and our focus on achieving VFM.



## Protecting our assets

Our properties are as diverse as the areas where we work. Having a good knowledge of our stock is essential for providing well managed, good quality homes that residents want to live in.

We will review our asset management strategy so that it enables us to know our assets better, and to be more able to make investment decisions which help us provide quality homes.

Through our major works programmes, we install and replace kitchens, bathrooms, boilers, central heating systems and other parts of the fabric of our homes. We also keep our homes in the best condition by repairing and replacing worn parts of buildings.

We will collect and maintain accurate stock condition information and use this data to identify and programme future investment work, and will continue to invest heavily in improving our existing homes.

Understanding our stock better will allow us to identify opportunities including divestment, where we can release value from our assets to provide more new homes.



## Homes people want to own

Wandle is building hundreds of good quality new homes to help tackle the affordable housing shortage. Our development programme has provided homes both for the people most in need of housing and those who would otherwise not be able to afford to own their own home.

We're stepping up delivery and we have set ourselves a target to build 1,000 much needed affordable homes in south London by 2021. With a strategic focus on diversifying our housing offer, we plan to develop and build more homes for sale and shared ownership.

Wandle will achieve this by introducing a new streamlined handover and defects management process, making sales simpler, and providing an excellent customer service and marketing experience.

We are in a financially strong position. In addition to our existing borrowing, we are setting up new loan facilities and treasury management to support new home development.



## Diversifying our product offer

Keeping pace with changes in our operating environment is critical. Understanding these changes allows us to stay ahead and make the best decisions.

Building and managing good quality, affordable homes means we need to overcome escalating prices, skills shortages, lack of materials and a short supply of land. We will identify efficient designs which offer the best solutions in a growing and changing market, and start work on innovative types of homes to ensure our offer is as diverse as possible.

With our new IT strategy, Wandle will ensure services can be accessed through a range of digitally advanced and online options. We will introduce new online customer service channels, including a web chat facility providing live responses without the need for call waiting times.

Covering six core themes of neighbourhoods, volunteering, young people, training, getting online and employment, our Community Investment projects are helping residents to achieve their goals. We're making a huge difference to the lives of digitally excluded residents by developing free online training and access to affordable equipment. We will set up a network of digital champions and create resources to ensure residents can use our digital channels and access online opportunities in the community.

We will continue to develop more opportunities for residents to get involved in volunteering, forming a critical connection to skills and work, helping those furthest away from the jobs market onto training and employment programmes.

Wandle will be ready for new opportunities and changes in the sector.



## Championing our People

A stable, skilled and engaged workforce is essential if we are to enhance our service delivery. We are putting a plan in place that will provide greater direction and clarity for employees, while promoting a 'think customer' culture.

We will deliver a new people strategy and improve recruitment, induction and the learning opportunities we offer our employees.

We will be clear with staff about what is expected of them by ensuring performance appraisals and objective setting are closely aligned to business plans.

The launch of our new values marked the start of an exciting journey for Wandle. Our values are the statements we can hold ourselves and each other to account over. They are a reminder of the promises we make to customers. We will ensure they are embedded across the organisation and that staff maintain these core principles throughout our work



## Simplifying our working practices

We believe that the experience of our customers is everything, and that will always be at the forefront of our minds.

Streamlining the way we work allows us to do more, get better value and improve the service we provide to the people living in our homes.

While our systems are fit-for-purpose, we will improve how we use them by integrating systems, improving the quality of the data we hold, standardising business processes, and putting the right support in place. We will also provide appropriate and useful training on systems for our staff.

Using the lean methodology, we're reviewing our operational and financial business processes to maximise value and minimise waste, ensuring customers experience excellent service.



## Reputational excellence

By 2020 we want to be a partner of choice in our key boroughs, and have an excellent reputation for supporting people, across south London, who need a home.

Through our purpose, vision and values, and our Road to 2020 Corporate Plan, we have re-defined who we are and what we do.

Now we are ready to tell our story and build our reputation as a good landlord with ambitious plans for the future. We will do this by communicating with one voice, ensuring we provide credible and consistent messages from a recognisable brand.

In 2016, Wandle's regulator, the Homes and Communities Agency, carried out an in-depth assessment. We were able to demonstrate significant improvements in the way we are run, and we will maintain this to give our stakeholders independent reassurances about the way we are governed.

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# wandle



## Wandle value for money 2015-16

Self Assessment

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