



VFM Self-Assessment 2016/17.

Contents

About Isos Housing	3
Executive Summary & Key Achievements	4-7
Our Approach to Value for Money	8-9
'Stronger Together' & Efficiency Savings	10-11
Our Performance	12-25
Value for Money and Procurement	26
Value for Money and Asset Management & Development	27-28
Effective Staff	29
Involving Customers	29
Value for Money & Measuring the Impact of Our Investment	30-31
Karbon Homes	32-35
Futures Programme & Efficiency Savings	36
Value for Money Plans for Next Year	37
Appendix 1 HouseMark Benchmarking Peer Group	38-39

Front cover photograph:

We worked with the children at St Peter and Paul School in Tyne Dock, South Tyneside to create artwork for display as part of our new £4m development in the area. Here are Kanwar Singh and Dylan Winter with their paintings.

About Isos Housing Ltd.

Our organisation has grown and developed significantly in recent years, and on April 3rd this year Isos amalgamated with two other social landlords in the North East under the new name of Karbon Homes.

Until that date, Isos Housing was a landlord with 12,139 homes for rent and shared ownership, together with housing support for vulnerable and elderly residents. Isos Housing had a turnover of almost £65 million and employed around 457 staff.

Since October 2014, Isos had worked with Cestria Community Housing Association Ltd within the Isos Housing Group, and this partnership then led to us seeking greater value for money (VFM) gains through growth with other similar minded housing associations.

Following consultation with our residents, staff and partners, Isos Housing amalgamated with Cestria Community Housing and Derwentside Homes to create Karbon Homes.

By combining the collective strengths of these organisations into one new company, we have created a financially strong, more flexible and resilient organisation, that is:

- better placed and more efficiently structured to meet future challenges;
- able to maximise opportunities for new developments and service improvements;
- able to maintain investment in existing properties and the long term viability of the business;
- sufficiently versatile and robust to respond to changes to meet the needs of its customers.

This Value for Money Self-Assessment covers the period of 2016/17 for Isos Housing Ltd., preceding the amalgamation.

Further information is also provided in respect of the Futures Programme, which was created as part of the amalgamation of the Isos Housing Group and Derwentside Homes and also the vision and strategic aims of Karbon Homes.

Executive Summary and Key Achievements

We recognise that obtaining VFM is fundamental and it is identified as a key area of focus within our Interim Strategic Plan.

Global Accounts Analysis

Following the publication of cost variations in the social housing sector by the regulator in June 2016, we carried out some analysis of our costs compared to the sector average and we discussed our findings with the Board. We will continue to use the data from the analysis of the Global Accounts to understand how we compare and how we can make improvements.

Governance

The Board receives regular reports on all areas of the business and reviews the efficiency and effectiveness of operations.

Stronger Together

Our Stronger Together Programme, which concentrated on the alignment of Isos and Cestria systems, processes and structures, has achieved total efficiency savings of over £2.5 million per annum. The Stronger Together programme now forecasts £10 million of efficiency savings over the 5 year period of the business case for the partnership. Investment costs were around £1 million, creating net efficiency savings of £9 million. This is £5.6 million more than originally forecast in the business case.

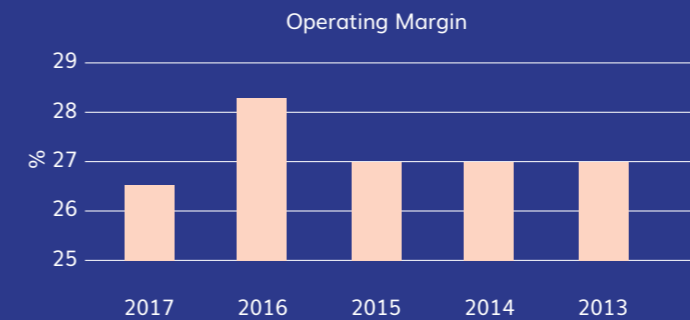
Futures Programme

As part of the amalgamation of the Isos Group and Derwentside Homes and the creation of Karbon Homes in April 2017, we established the 'Futures Programme'. The Futures Programme comprises functional work streams that will align people, process and technology in order to deliver the strategic plan of the new organisation and establish the very best practice. The business case has identified recurring £3.5 million per annum savings by year 5 from consolidating our business and over £10 million within the first 5 years. The efficiency savings generated from amalgamating will be re-invested into the development of new homes. The size of our programme is forecast to more than double from c5,000 to 11,000 homes over the lifetime of the business plan.

Financial Health

We continue to perform well financially and compare favourably to our peers. Our operating margin has slightly reduced in 2016/17 compared to 2015/16, mainly due to one-off costs relating to the amalgamation and also as a result of a provision for the impairment of housing properties which we are planning to demolish and re-develop.

This year, more than double our reported surplus of £16.1 million was spent on new homes and improvements to existing homes.



In August 2016 we secured £35m of new long term funding at an interest rate of 1.99%. This far exceeds our long term business plan assumption and will create additional capacity to allow us to build around 420 additional homes.

New Developments & Asset Sales

During 2016/17 we:

- completed 247 new homes: 208 for affordable rent and 39 for shared ownership at a cost of £29.1 million with a further 44 units completing in the first quarter of 2017/18;
- secured £8.5 million to deliver 290 new homes under the HCA's 'Shared Ownership and Affordable Homes programme 2016-2021';
- achieved 24 shared ownership sales with a net surplus of £193k being achieved from first tranche;
- achieved a surplus of £69k from the stair-casing of 12 shared ownership properties;
- sold 19 properties via Right to Buy/Right to Acquire which generated a net surplus of £257k;

- disposed of 11 properties resulting in a net profit of £771k, recycling £665k of grant which is re-directed towards the delivery of new affordable homes;
- stock transferred 32 properties in the Carlisle area generating a surplus of £391k;
- recycled £774k of Capital Grant Fund and used £66k from our disposals proceeds fund, which will allow the development of 130 units.

In addition, 833 affordable rented homes are in our development pipeline with 97 due to complete by March 2018.

Procurement

Within the Isos Group, we achieve efficiency savings through effective procurement year on year. Procurement activity for the year, excluding rollover measures, realised the following:

- £461k including VAT was achieved in budget savings and rebates;
- £188k including VAT was achieved in cost avoidance;
- £87k including VAT was achieved in increased output.

Cost Sharing

In order to achieve efficiency savings from our overhead costs, we have a cost sharing vehicle (CSV) which allows tax exempt organisations to provide services to each other without charging VAT. We currently have a partnership with Two Castles Housing Association to provide gas servicing and gas repairs and we provide a number of other services to Byker Community Trust. The total turnover through the CSV for 2016/17 was £3.9 million.

We plan to further expand the CSV in the coming years in order to maximise efficiencies.

2016/17 VFM Objectives

In our VFM Self-Assessment 2015/16, we set out our 2016/17 VFM objectives, which are shown below:

2016/17 VFM Objectives	What We Achieved
Continue to seek Value for Money gains through growth and/or mergers with other similar minded housing associations	On 3 April 2017, Isos Housing Ltd; Cestria Community Housing Association Ltd and Derwentside Homes amalgamated to create Karbon Homes.
Continue to embed the core principles of Value for Money through our lean systems approach to streamlining our current processes and practices and continue to undertake service and/or process reviews.	Lean systems approach used through the Stronger Together Programme and also the Futures Programme in respect of aligning core systems.
During 2016/17 we plan to carry out a lean review of our process for recharging customers for repairs, our process for rectifying defects on new properties and our complaints process.	Lean process reviews undertaken with efficiencies identified and processes improved.
Continue to deliver the Futures programme which is one part of a wider transformational programme which includes a review of office accommodation, ICT requirements, staff terms and conditions including pensions and other benefits.	The Futures Programme was put in place in 2016 and is over 3 phases.
Continue to work with our Board to understand how our cost and performance compares with others and how we can make improvements.	Performance & cost bench-marking is reported to Board.
We will be providing the Board with comparisons of our costs against our peers using data from the Global Accounts, in addition to presenting the Board with a series of 'deep dive' reports, starting with Responsive and Planned Repairs.	Board received a 'deep dive' report in respect of Isos Group Repairs and Maintenance Services.
Continue to focus on cost control during the budgets process. We will also closely monitor actual costs against budget due to a reduction of £2.5m in the 2016/17 budgets compared to the previous financial year.	The required cost reductions savings were achieved.
Maximise the use of technological advancements and core systems to support solutions implementation for example mobile working solutions for housing management staff, dynamic repairs scheduling of repairs appointments and handheld devices for repairs operatives.	Aligning core systems is being rolled out through the Futures Programme. The full benefits of this will be realised in 2017/18 when mobile working and further enhancements are available to all staff.
Look to extend the services provided via the cost sharing vehicle in order to increase efficiencies and enable us to reduce overhead costs to the Association.	We plan to further expand the CSV in the coming years in order to maximise efficiencies.

2016/17 VFM Objectives	What We Achieved
Listen and respond to feedback from our customers, including acting on the results of customer satisfaction information, in order to improve our services.	We value all customer insight to help improve services. We reviewed the way we manage complaints and, following customer feedback, improved the process.
We will make improvements to the customer journey as a result of the lean review of our complaints process.	A full review of our complaints process was undertaken resulting in a new Complaints Policy and new efficient processes.
Deliver against our target of completing 142 new homes and selling 23 new build home ownership properties.	Completed 247 new homes and sold 24 new build home ownership properties.



Children learn about construction on a Karbon development site in South Shields.

Our Approach to Value for Money

Our aim is to ensure that everything we do is as effective and efficient as possible so that any capacity within our resources can be reinvested into our communities, either in terms of new homes or improved services. Continued growth, sensible asset management, sustainable procurement, the use of benchmarking, undertaking lean service reviews, a rounded review of current performance and stretching targets for the future remain key, but we also plan to release the untapped capacity within our business plan to provide added value.

Our success in delivering VFM is judged by the quality of our services, the resources used, whether the services are fit for purpose and ultimately, the satisfaction of our customers. It is also about how each individual staff member understands that they have a part to play in achieving VFM and ensuring our organisation and team goals and priorities are achieved in the most efficient, effective and economical way possible.

We recognise that if we want to deliver our strategic aims we have to find the additional financial capacity through a combination of managed cost savings and income generation.

Business Improvement

Our Business Improvement & VFM Framework ensures a consistent approach to the way service performance, quality, economy, efficiency and effectiveness are achieved, managed, monitored, reviewed and reported at all levels across the Isos Group.

A successful framework helps to promote a culture where staff are committed to the delivery of efficient and effective services in line with the Group's strategic priorities. The framework therefore ensures individuals understand what the organisation is aiming for, how that translates into key priorities and how staff and teams contribute to achieving the key strategic priorities. The annual appraisal process helps to support staff through this and there are clear communication channels where staff can easily access performance information.

Annual targets are set for key performance measures and these are monitored through our Executive meetings, Corporate Management Team and service team meetings and reported to Board. Performance information is available on the intranet which ensures that performance is being monitored using current and up to date information and is made available to tenants and published on the internet.

Sector Efficiency Scorecard Pilot

The new efficiency scorecard pilot was launched January 2017 and aims to create an agreed set of metrics upon which housing providers can compare our performance and ensure we are providing VFM for our customers. It will also demonstrate our approach in optimising efficiency in the achievement of our objectives.

We will take part in the year-long pilot to thoroughly test the scorecard. The purpose of the pilot is to gather more views as to how we can make best use of the scorecard for the benefit of the sector and, if needed, refine the indicators within it.

Lean Service and Process Reviews

In order to embed a culture of continuous improvement, a programme of lean service and process reviews will continue to ensure our services are delivered as efficiently and effectively as they can be.

Lean service and process reviews have been fundamental when aligning core systems and ensuring we eliminate wasteful processes, enabling us to be more efficient. We will measure our success by improved customer satisfaction and performance.

For each core service across the Group, teams of staff have analysed how each part of the former Isos Group delivers services, particularly in the areas of responsive repairs, void properties and income management, and have devised a future model of service delivery for Karbon Homes that builds on all the existing best practice to improve performance and seek further efficiencies.

Following a number of successful lean service and process reviews, we have achieved the following results:

Re-lets

 35 days

Reduced the average number of days to re-let a property from 51 days

 1.04%

Re-let performance also links to rent loss performance, which has improved from 1.66%

 91%

Increased customer satisfaction from 82%.

Responsive Repairs

 11 days

Reduced the average number of days to complete a repair from 14 days

 85%

Increased customer satisfaction from 80%

Lean systems methodology is fundamental through the Futures Programme as we analyse how each legacy organisation currently delivers services, with a view to designing a future model of service delivery that builds on best practice to improve performance and seek further efficiencies.

‘Stronger Together’ and Efficiency Savings

The partnership between Isos Housing and Cestria Community Housing which was formed in October 2014, combined the specific strengths, expertise and services of the two organisations to achieve increased cost effectiveness and improved outcomes in front line services and back office functions.

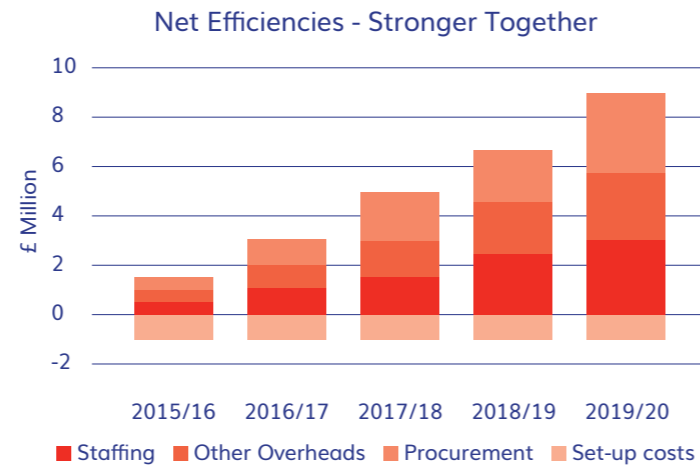
The focus of the Stronger Together alignment programme was to establish a ‘one team, one system’ approach. We moved to a single senior team enabling us to reduce our costs by around £458,000 per annum. We also took opportunities to review staffing when vacancies arose, where possible moving to a Group solution.

We also moved to a single Housing System, Finance System and an integrated HR and payroll system across the Group creating savings of around £100,000 per annum.

Other Stronger Together achievements include shared approaches to Customer Services Management, Income Management, Treasury Management, managing anti-social behaviour, property sales, communications and marketing and helping tenants manage the impact of welfare reform. Alignment of service improvement methods has led to an improvement in responsive repairs times and void loss as well as substantial efficiency savings through group-wide procurement of materials and services such as repair contracts, vehicle fleets, insurance and audit.

The business case for the partnership included a forecast of net efficiency savings over five years, excluding set-up costs and annual efficiency savings. The savings are recorded as Group savings for Isos and Cestria. Where savings are unable to be attributed to each individual operating company, they are allocated on the basis of property numbers.

At the end of the second full year of the partnership we exceeded our target by making recurring efficiency gains of almost £2.5m per annum which is almost £10m over the period of the business case through a combination of staff, procurement and other overhead savings.



We reached an agreement with Morpeth Town Council for these allotments to be managed by the local community.



Our Performance

This section provides a rounded review of performance for Isos Housing, using two main benchmarking sources:

- Global Accounts : Financial indicators have been compared with the statutory accounts from our HouseMark peer group;
- HouseMark: a recognised benchmarking information provider within the Housing Association sector.

The peer group for Isos Housing is made up of 74 housing providers which are Large Scale Voluntary transfers (LSVTs) or traditional housing providers with over 7,500 properties. The organisations within the peer group are shown in appendix 1.



Children in Lynemouth helped us tidy up their village

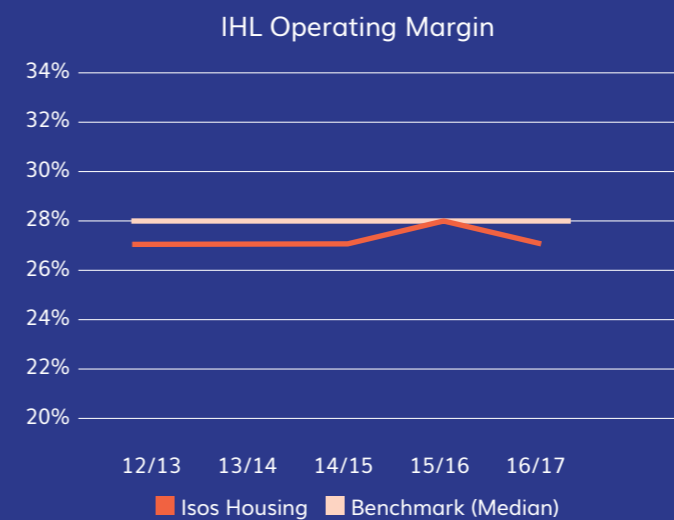
Global Accounts Analysis

KPI	Benchmark (Median)	2012/13	2013/14	2014/15	2015/16	2016/17
		Actual	Actual	Actual	Actual	Actual
Headline Social Housing Cost per Unit	£3,801	£3,120	£3,249	£3,224	£3,160	£3,093
Social housing lettings operating margin	31%	26%	27%	29%	30%	29%
Surplus per Unit	£1,415	£573	£501	£642	£858	£878
Net margin	18%	14%	12%	14%	17%	16%
Weighted cost of capital	5.0%	5.1%	5.2%	5.2%	5.0%	4.2%
Debt per home	£13,560	£11,027	£11,146	£11,295	£12,574	£14,274
Gearing	88%	52%	50%	50%	57%	63%
Interest cover	257%	182%	179%	200%	217%	226%
Return on capital employed	6.4%	6.54%	6.36%	6.90%	4.03%	3.87%

We have a strong balance sheet and we are using the spare capacity to good effect by delivering more housing. The Association's debt per home and gearing (the ratio of debt finance to other sources of finance such as grant and reserves) compares favourably to the peer group average. The interest cover ratio indicates capacity to service additional debt.

In August 2016 the Isos Group secured £35m of new long-term funding at an interest rate of 1.99%. As our long-term business plan assumption for interest rates was 7.75%, this lower interest rate will reduce interest costs by £2.1m compared to the business plan and will provide significant further capacity. Future interest rate management will reduce our weighted cost of capital, further reducing the effective interest rate we are paying on our debt finance. Where possible we will take advantage of the low variable rates but be ready to respond to any Bank of England increase in rates when they come.

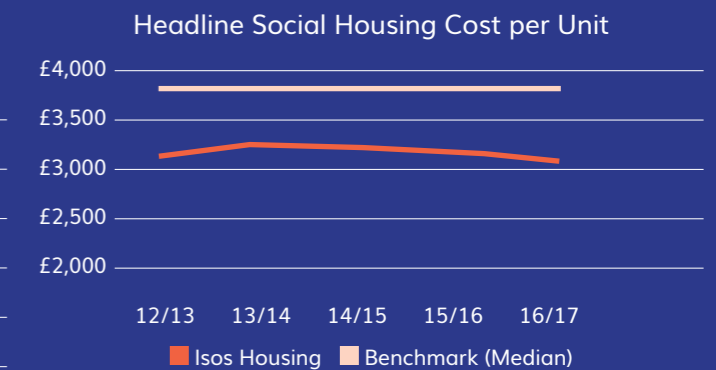
Following the rent reduction and grant cuts several years ago, the Board made the decision that if we were to continue to develop new homes we would have to generate savings by maximising our income and reducing our cost base. Since embarking on this strategy, over the last 5 years, the Association has seen operating margins increase from 25% to 30%.



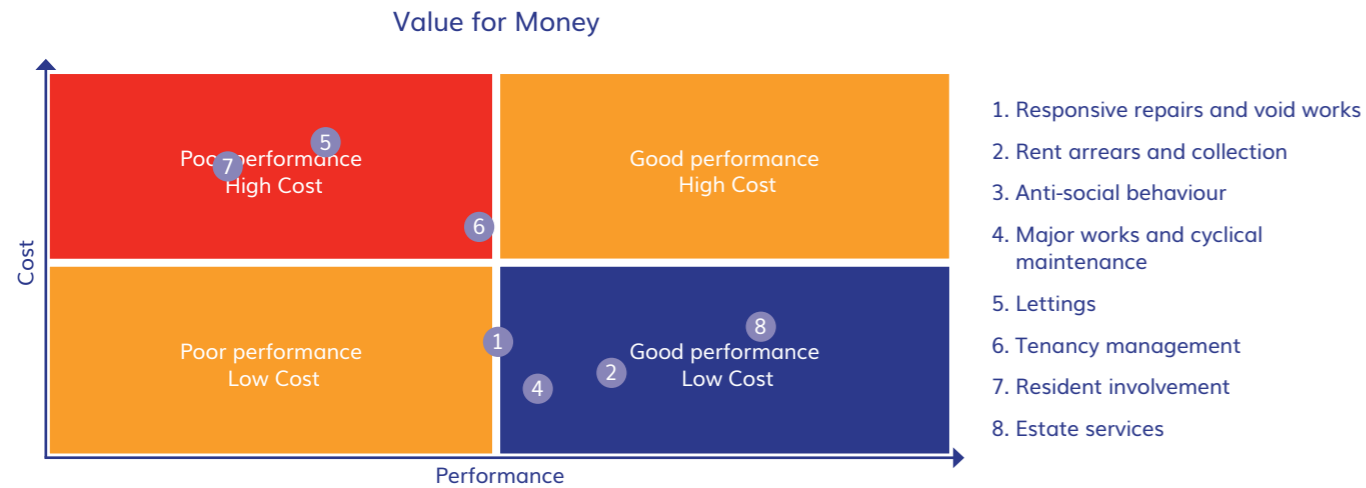
Our regulator, the Homes and Communities Agency, considers headline social housing costs per unit as the best general-purpose cost definition to begin to inform consideration of costs across the sector as a whole.

'Headline social housing costs per unit' is made up of the main components of management, service charge costs, maintenance, major repairs and other social housing costs. It is a broad measure and so is not generally affected by different approaches to apportioning costs between narrow lines. It is a 'proxy cash' measure that excludes notional expenditure items – depreciation, impairment and bad debts – that are sensitive to different accounting policies and presentation of data within financial statements. It excludes costs of sales and includes capitalised as well as expensed major repairs. It is divided by social housing units.

Our analysis shows that our headline social housing cost per unit at £3,093 is 19% lower than the benchmark of £3,801 and demonstrates our commitment to reducing cost. Our weighted cost of capital, debt per home and gearing (the ratio of debt finance to other sources of finance such as grant and reserves) also compare favourably to the peer group average.



HouseMark



We compare costs and performance with peers using HouseMark. The results of the most recent benchmarking for Isos Housing, using the year 2015/16, are summarised in the HouseMark VFM benchmarking dashboard above, for a number of our key business areas.

We are currently working to determine our 2016/17 benchmarking position. As a result, within the detailed breakdown of the results from the above benchmarking, the cost figures for 2016/17 are shown within the tables below as the 2015/16 actuals uplifted for inflation at 1.3%. The benchmark position for 2015/16 has also been uplifted by 1.3% (as per the HouseMark standard). Other performance figures are based on the actual position for 2016/17.

Responsive Repairs & Void Works Summary

Key Performance Indicator	Meeting or exceeding benchmark?	Benchmark (Median)	2016/17	2016/17	2015/16	2014/15	2013/14	2012/13
			Target	Actual	Actual	Actual	Actual	Actual
Direct Cost Per Property of Responsive Repairs & Void Works	●	£707	-	£584	£577	£614	£706	£636
Total Cost per Property of Responsive Repairs & Void Works	●	£852	-	£758	£749	£802	£750	£822
% of respondents very or fairly satisfied and maintenance (GN & HfOP)	●	82.5	-	85.4	85.4	85.4	80	80
Average number of calendar days taken to complete repairs	●	9.01	10.5	11.3	10.9	10.8	12.9	14
Average number of responsive repairs per property	●	3.5	-	3.5	3.5	3.4	3.5	No data
Average cost of a responsive repair	●	£127	£120	£115	£113	£117	£109	No data

Overall performance is well within the benchmark median other than average time taken to complete a repair which is partially influenced by offering appointments that are convenient to both the customer and the business. By managing appointments and balancing resources we are achieving competitive costs and good levels of customer satisfaction.

A recently completed Karbon Homes scheme in the Northumberland village of Stanington



Rent Arrears & Collection Summary

Key Performance Indicator	Meeting or exceeding benchmark?	Benchmark (Median)	2016/17	2016/17	2015/16	2014/15	2013/14	2012/13
			Target	Actual	Actual	Actual	Actual	Actual
Direct Cost Per Property of Rent Arrears & Collection	●	£84	-	£68	£68	£67	£64	£62
Total Cost per Property of Rent Arrears & Collection	●	£140	-	£112	£110	£108	£103	£102
% of rent collected from current and former tenants (excl. arrears b/f)	●	99.5	100	99.4	99.9	98.5	99.7	100.1
Current tenant arrears as % of rent due	●	3.45	-	3.94	3.94	4.71	3.95	4.81
Former tenant arrears as a % of rent due	●	1.51	0.8	0.74	0.65	0.43	1.03	0.71
Gross arrears written off as % of rent due	●	0.52	0.5	0.39	0.38	0.65	0.39	0.59

The cost of rent arrears and collection compare favourably with the benchmark costs. During the final quarter of 2016/17 a new approach to recovering current tenant arrears was adopted, making use of new recovery actions and SMS text messaging. The full benefits of this will be realised in 2017/18 when mobile working and further enhancements are available to all staff.

Current tenant arrears remain consistent with levels recorded in 2015/16 despite transitional arrangements arising from the implementation of the new housing management system during quarter 4 and the continued rollout of Universal Credit and other welfare reforms.

In respect of former tenant arrears performance, the pilot project to increase outbound collection activity has continued with over £204k being collected in the 2016 calendar year. Levels of former tenant arrears have increased as expected, due to more debt being actively recovered and a longer period of time over which attempts are made to trace customers with no forwarding address. Levels of write-off have remained consistent with 2015/16 and this indicator, together with levels of former tenant arrears, continue to benchmark favourably with our peers.

Anti-Social Behaviour Summary

Key Performance Indicator	Meeting or exceeding benchmark?	Benchmark (Median)	2016/17	2016/17	2015/16	2014/15	2013/14	2012/13
			Target	Actual	Actual	Actual	Actual	Actual
Direct Cost Per Property of Anti-Social Behaviour	●	£42	-	£40	£40	£35	£34	£27
Total Cost per Property of Anti-Social Behaviour	●	£66	-	£59	£59	£53	£50	£41

Although costs compare favourably to the benchmark median, in 2015/16 a group ASB service was implemented to maximise the use of resource. A further review of service delivery will be undertaken as part of the Futures transformation programme.

Smart new Karbon Homes bungalows on Orchard Drive in Newbiggin Hall, Newcastle



Major Works & Cyclical Maintenance Summary

Key Performance Indicator	Meeting or exceeding benchmark?	Benchmark (Median)	2016/17	2016/17	2015/16	2014/15	2013/14	2012/13
			Target	Actual	Actual	Actual	Actual	Actual
Direct Cost Per Property of Major Works and Cyclical Maintenance	●	£1,336	-	£1,004	£992	£1,112	£1,198	£1,204
Total Cost per Property of Major Works and Cyclical Maintenance	●	£1,428	-	£1,084	£1,070	£1,200	£1,270	£1,271
% of respondents very or fairly satisfied with the overall quality of their home (GN &HfOP)	●	83.8	-	87	87	87	83	83
% of dwellings that are non-decent	●	0	-	0	0	3	1.5	4
Average SAP rating	●	71	-	68	68	70	70	69
% of dwellings with a valid gas safety certificate	●	100	100	99.78	99.39	99.76	99.39	No data

Our performance on the costs of major works and cyclical maintenance has improved significantly since 2012/13 and compares favourably to our peer group. Customer satisfaction is also favourable when comparing to the benchmark median.

Although the average SAP rating remains constant, we continue to strive towards an improved rating.

The percentage of dwellings with a valid gas safety certificate is marginally lower than the sector target and benchmark median but is restricted by not gaining access to some properties. We achieve compliance by visiting all properties within their safety inspection anniversary date and adhering to a comprehensive and robust set of follow up procedures.

Our new Temple Park Court flats are providing homes for the over 55s in South Shields

Lettings Summary

Key Performance Indicator	Meeting or exceeding benchmark?	Benchmark (Median)	2016/17	2016/17	2015/16	2014/15	2013/14	2012/13
			Target	Actual	Actual	Actual	Actual	Actual
Direct Cost Per Property of Lettings	●	£44	-	£63	£62	£56	£53	£47
Total Cost per Property of Lettings	●	£76	-	£104	£102	£92	£87	£81
Average re-let time in days (standard re-lets)	●	28.5	28.0	35.3	35.5	42.2	45.0	40.5
Rent loss due to empty properties (voids) as a percentage of rent due	●	1.03	1.00	1.04	1.29	1.29	1.61	1.66
Number of tenancies terminated as % of properties managed	●	8.77	10.00	10.28	11.73	10.59	11.45	No data

Our lettings performance continues to improve as we implement recommendations from a recent lean review, together with identified best practice and alternative ways of working. These initiatives have had a positive impact on performance as evidenced by improving re-let times, void rent loss and tenancy terminations.

We will continue to drive down costs and improve performance through initiatives such as piloting new approaches to advertising and refurbishing re-lets whilst also adopting a demand-led approach to repair works. We will also use lean techniques through the Futures programme to seek further efficiencies in this area.



Housing Management Summary

Key Performance Indicator	Meeting or exceeding benchmark?	Benchmark (Median)	2016/17	2016/17	2015/16	2014/15	2013/14	2012/13
			Target	Actual	Actual	Actual	Actual	Actual
Direct Cost Per Property of Housing Management	●	£284	-	£298	£294	£277	£270	£242
Total Cost per Property of Housing Management	●	£452	-	£477	£471	£443	£427	£394
Average re-let time in days (standard re-lets)	●	28.5	28.0	35.3	35.5	42.2	45.0	40.5
% of respondents very or fairly satisfied with the service provided (GN & HfOP)	●	87.65	-	91.1	91.1	91.1	82	82
% of respondents very or fairly satisfied with their rent provides value for money	●	81.9	-	83.2	83.2	83.2	82	82

The analysis shows the costs per property of housing management is marginally higher than the benchmark. There have been a range of actions carried out during 2016/17 to address costs of service provision in each of the areas comprising the housing management function. Further efficiencies are being sought through the Futures programme, using lean techniques.

An animation project at Weavers' Court Extra Care in Alnwick saw residents create plasticine figures to star in a film

Tenancy Management Summary

Key Performance Indicator	Meeting or exceeding benchmark?	Benchmark (Median)	2016/17	2016/17	2015/16	2014/15	2013/14	2012/13
			Target	Actual	Actual	Actual	Actual	Actual
Direct Cost Per Property of Tenancy Management	●	£66	-	£76	£75	£75	£98	£58
Total Cost per Property of Tenancy Management	●	£111	-	£131	£130	£127	£116	No data

The cost per property of tenancy management is above the benchmark median. Direct costs are primarily staffing related and have remained relatively static over recent years. It is anticipated we will see increased use of technology, in particular mobile working solutions and digital access channels, and the reconfiguration of resources to deliver modernised tenancy management services.



Resident Involvement Summary

Key Performance Indicator	Meeting or exceeding benchmark?	Benchmark (Median)	2016/17	2016/17	2015/16	2014/15	2013/14	2012/13
			Target	Actual	Actual	Actual	Actual	Actual
Direct Cost Per Property of Resident Involvement	●	£37	-	£50	£50	£43	£51	£44
Total Cost per Property of Resident Involvement	●	£56	-	£70	£69	£62	£71	£61
% of respondents very of fairly satisfied that their views are being listened to and acted upon	●	72.8	-	66.9	66.9	66.9	67	67

In 2016 a review of all resident involvement was commissioned with a view to developing a new model which is more inclusive, accessible and demographically representative with a clear focus on tangible outcomes and greater VFM.

The new model is comprised of five principle elements, each underpinned by increased use of customer insight data to enable tenants to more effectively challenge and influence service delivery and performance. The model will evolve further as new technology is implemented.

Non staff costs have been significantly reduced for 2017/18 in anticipation of increased digital engagement whilst staffing resources have been redirected to support community investment activity.



Our new Sherringham House supported housing development in the north west of Newcastle

Estate Services Summary

Key Performance Indicator	Meeting or exceeding benchmark?	Benchmark (Median)	2016/17	2016/17	2015/16	2014/15	2013/14	2012/13
			Target	Actual	Actual	Actual	Actual	Actual
Direct Cost Per Property of Estate Services	●	£148	-	£136	£135	£125	£120	£136
Total Cost per Property of Estate Services	●	£183	-	£145	£143	£136	£131	£146
% of respondents very of fairly satisfied with their neighbourhood as a place to live	●	84.93	-	89.8	89.8	89.8	89	89

Costs per property for Estate Services compare very favourably with our peer group and customer satisfaction also compares well. We will continue to drive out further in-efficiencies through the increased use of mobile working and through lean techniques as part of the Futures programme.

Children created artwork to brighten up our Park View sheltered housing in Lynemouth



Customer Service

Key Performance Indicator	Meeting or exceeding benchmark?	Benchmark (Median)	2016/17	2016/17	2015/16	2014/15	2013/14	2012/13
			Target	Actual	Actual	Actual	Actual	Actual
Average time to answer inbound calls (seconds)	●	29	80% within 20 seconds	11	15	19	No data	No data
% of complaints upheld at Stage 1	●	56.4	-	64	48	55	No data	No data

Performance on call handling compares very favourably with our peer group.

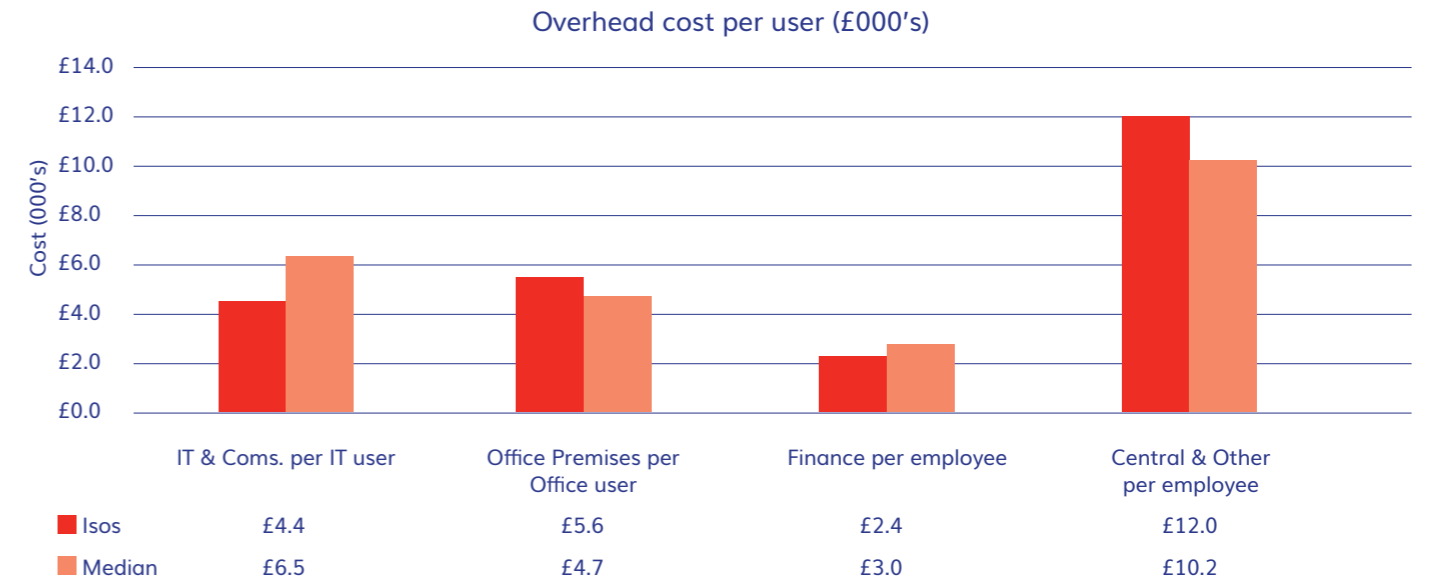
Listening to our customers and the management of complaints remain a business priority, particularly in terms of understanding the reason for complaints and to implement learning so that we can continue to improve services.



Anne Marie Trevelyan MP visited our Weavers Court Extra Care scheme in Alnwick.

Overhead Costs

Overhead costs per user are shown below and have been taken from the HouseMark report for 2015/16.



This benchmarking analysis shows that whilst several of our key services are high performing compared to others, we still need to improve on cost. We recognise that this will be a challenge, however in order to improve, we will have a continued focus on efficiency and will focus on:

- delivering the Futures programme, which is our transformational programme, focusing on efficiency transforming the business to deliver our vision and strategic aims;

- looking to further address a number of cost indicators which demonstrate that we are not performing as well as our peers, particularly in respect of central overhead costs;
- completing the aligning of our core Housing, Finance and HR/Payroll system across the whole of Karbon Homes;
- using 'lean' methodologies, empowering our staff to come up with effective and efficient solutions that drive improved performance and quality of service to the customer;
- considering the lessons learned from the 'Stronger Together' alignment programme in respect of project management arrangements, project governance, communication and benefits realisation as we continue with the Futures Programme;
- reviewing our operating model to maximise technology and increase digital engagement with our customers to create efficiency savings and improve customer choices;
- undertaking a review of office accommodation in light of increased mobile technology to maximise use of office space and reduce overhead costs.

VFM and Procurement

Our procurement processes ensure all of the works, goods and services we buy deliver the best VFM for our customers.

During 2016/17 we tendered and awarded a range of contracts on a 'best value' basis ensuring that suppliers and contractors were pre-qualified to the Isos Group standards and that bids were evaluated on both cost and quality.

The total annual value of new contracts delivered by the Procurement team during 2016/17 was in excess of £2.6m including VAT.

VFM was measured by three main strands:

- Budgeted Savings – contracts delivered for lower cost than anticipated
- Cost avoidance – contracts delivered on budget, but lower than the anticipated market value
- Increased output – contracts delivered on budget, but which provided increased scope

Procurement activity for the year, excluding rollover measures, realised the following:

 £461k

including VAT was achieved in budget savings and rebates

 £188k

including VAT was achieved in cost avoidance

 £87k

including VAT was achieved in increased output

Procurement savings in 2016/17 were realised in the main from the tender of our planned maintenance programme works in addition to banking and communications. We also procured new consultant frameworks for engineering, valuation and legal conveyancing services and this programme will continue into 2017/18 to ensure we further improve VFM across our development activities.

To help reduce project costs, we utilise Isos Developments Limited to enable recovery of VAT payable on professional fees associated with the development of new homes activities.

Cost avoidance was achieved in contracts awarded for flooring, structural void works and insurance, where rates paid through tender were on average lower than standard market levels, and added value within the tender process.

Increased outputs were achieved via the delivery of additional works beyond the expected programme in our garage refurbishment works contract; disabled adaptations; and legal services in relation to anti-social behaviour.

In addition, procurement savings from contracts let in previous years (due to the contract period rollover) were calculated as £318k including VAT. Meanwhile newly procured contracts will continue to be measured for the term of the respective arrangements.



Residents at the new Welbeck Close development in Walker can grow their own vegetables.

VFM and Asset Management & Development

Our approach to VFM puts a strong emphasis on asset management and investment across the Isos Group, ensuring asset performance is a key consideration when setting investment and intervention priorities and plans.

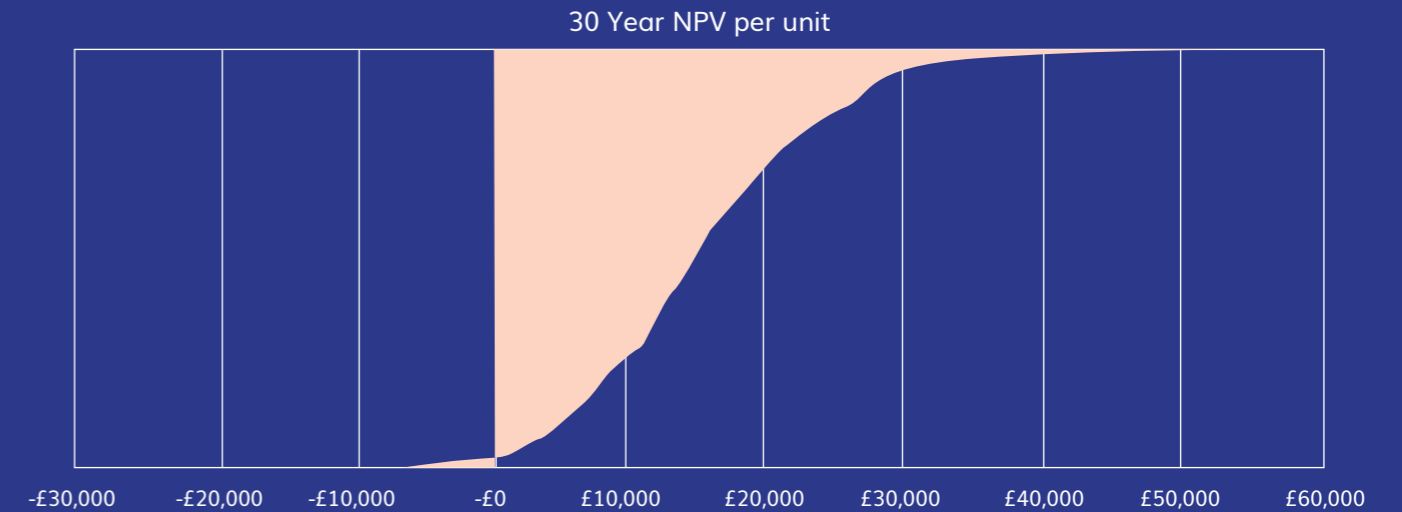
We use an 'asset performance evaluation' (APE) tool to calculate the net present value (NPV) of housing stock at individual property, estate and stock levels. The NPV compares future rental income, investment costs and management costs discounted back to a current value. We use this tool alongside operational intelligence to inform investment decisions.

An example of a reporting output (a tornado graph) from the model is provided below which highlights at an asset group level, the average NPV over 30 years. On interrogation, this report highlights asset groups which at the lower end of the tornado achieve a negative or marginally positive NPV.

The output from the model is used along with information on neighbourhood sustainability, demand and operational views on stock condition. By 2021 we are aiming to improve the quality and strength of our portfolio by delivering a range of interventions to address poorly performing properties as well as to ensure that we target investment where it has the greatest impact on the estates we wish to retain.

In addition, through analysis of NPV against market values, we will identify potential market disposals to generate receipts that can be used to support the delivery of new homes and/or wider strategic objectives.

We will deliver the maximum possible number of new, high quality homes for a range of tenures, within the capacity of our business plan. We will also diversify into new tenures including market rent and outright sale, maximising net income to support investment in existing and new affordable homes and neighbourhoods.



Case Study

During 2016/17 we utilised the APE model to identify underperforming assets which had regeneration potential. This resulted in a funding bid being made to the Homes and Communities Agency under the Shared Ownership and Affordable Homes Programme 2016-21 which will address 72 low demand, low NPV properties which will be replaced with 76 new mixed tenure homes.

Going forward, we will be undertaking several key service developments to amalgamate asset strategy, policy and business process, some of which were deferred from 2015/16 in light of the amalgamation of Isos Housing, Cestria Community Housing and Derwentside Homes.

As Karbon Homes, these will include:

- select and apply a new financial performance and sustainability model for all Karbon Homes' assets;
- update investment standards and specifications and review performance measures across responsive and planned repairs;
- develop a new 5 year investment plan that utilises the results of the new finance and sustainability model to ensure underperforming/unsustainable stock is omitted from the 5 year programme until an option appraisal has been carried out;
- develop an option appraisal process to find the best solution for each property being assessed;
- consider conversion of tenure, conversion of property type or outright disposal of property if declared surplus as part of the option appraisal;
- maximise disposal receipts where properties are declared surplus.

We will measure our success against set targets for Karbon Homes for 2017/18:

 431

new homes over a range of locations, to be completed

 90%

customer satisfaction with new rented homes

 90%

customer satisfaction with new shared ownership homes

 43

new build home ownership sales

 100%

compliance on decent homes

Effective Staff

We aim to maximise the return from our staff as our people are our most important asset and we spend around £15m per annum on staff costs. We aim to maintain an effective and supportive working environment as research shows that this helps staff engagement which leads to high customer satisfaction.

We have continued to be recognised as a great employer through external validation. We hold the prestigious Investors in People gold accreditation, and the Organisation Development Team were shortlisted for 'HR Team of the Year' 2016 in the North East CIPD awards. In addition, we achieved the Better Health at Work Gold accreditation.

We continued with another phase of our 'Performance through People' programme.

We have made a total of £24k savings on our staffing costs through effectively sharing HR resources within the Isos Group to cover maternity leave and reduced hours. We have also recovered an element of our overheads by delivering services to Byker Community Trust through the Isos Complete Support cost sharing vehicle.

We are now delivering a new organisation structure and a new set of terms and conditions in support of our Karbon Homes' strategic vision and ambition to grow. We need to be in the best possible shape so we can respond to the new political and economic environment and we will therefore create a structure that helps us to be more flexible and adaptable as we continue to change and grow.

Involving Customers

Throughout 2016/17 a new model for customer engagement (including tenant scrutiny) has been developed and implemented in order to ensure we continue delivering tangible outcomes and greater VFM in this area.

The new model was informed by a full review of previous arrangements as well as significant research into best practice and extensive tenant consultation. Business and customer feedback highlighted that our previous, more traditional, customer engagement methods were perceived as being one-dimensional; focussed primarily on face-to-face interactions which restrict opportunities for involvement for all but a few of our customers.

The model is comprised of five principal elements, each underpinned by increased use of customer insight data to enable tenants to more effectively challenge and influence service delivery and performance. The five elements are: Tenants Panel; regional forums; digital engagement methods (including surveys, Facebook, Twitter and website options) local engagement and scrutiny.

VFM & Measuring the Impact of our Investment

Community Investment

Within the Isos Group, we always saw ourselves as 'more than landlords' and sought to contribute as far as possible to sustaining our communities and improving their social, economic and environmental well-being. In addition to cost and performance measures, we committed to using social and wider economic analysis to understand the impact our investment made on communities.

In order to conduct a social well-being evaluation we use two on-line toolkits: Community Insight and Value Insight which are both developed, managed and maintained by the Housing Associations' Charitable Trust (HACT). This enables us to utilise extensive data in relation to our communities.

Many of the projects we have supported have attracted matched funding from partners totalling £152,000 and our innovative iSearch forum has allowed us to source additional funding for community projects totalling £74,500. Our projects continue to deliver positive outcomes for participants, examples of which include:



84

individuals moving into employment;



147

individuals participating in employment training;



418

young people engaged in a variety of activities including employability training, IT skills and volunteering within their communities.



We've struck a deal with Orange Box to provide affordable furniture across Tyneside

Financial and Social Inclusion

This year has seen further roll out of the Government's Welfare Reform agenda and we will continue working with tenants to ensure they receive the payments they are entitled to, thereby supporting them to meet their commitments, including payment of rent. During the year, we helped secure:



£3.4million

annualised income gains (an increase of £800,000 on 2015/16);



£200,000

reduction of customer debt;



£600,000

of Housing Benefit gained;



£196,000

additional rent received.

Benefit Cap Case Study

A single parent with four children had their Housing Benefit entitlement reduced by £138 per week due to the reduced benefit cap. This left them unable to meet their financial commitments. Support was provided to review income and outgoings, provide budgetary advice and to consider suitable solutions.

The tenant had not worked for approximately 10 years and agreed that employment was the only option to improve her financial situation. Self-employment was suggested and after extensive advice and support, the client registered as self-employed. Six months later, the tenant is £176 per week better off, and their rent account is in credit.



Our stunning new Willow Court supported housing scheme in Benwell, Newcastle

Karbon Homes

Towards the end of 2016 and in early 2017, we held a series of consultation workshops with senior managers, staff, customers and Board Designate with the purpose of considering our identity (building on the best of our three organisations' existing cultures), to develop our new name and identify our priorities. Strong themes emerged which informed the development of our new name, Karbon Homes, along with clarification of our core purpose, our promise to customers and a description of our unique characteristics:

Our Purpose

To provide a strong foundation for life

This is the reason we exist as an organisation

Our Promise

The possibility to develop the life you want

This is what we offer our customers

Our Characteristics

A strong business head and a strong social heart

This is who we are as a business, our personality. We are efficient, effective, agile and sustainable, as well as being caring, friendly, understanding and fair.

Our vision and strategic aims are aligned with our collective strategic priorities as shown in our Interim Strategic Plan 2017-18. Over the course of the Interim Strategic Plan, we will undertake further consultation with a view to developing our longer-term vision, strategic aims and values. This will help to build a strong culture that recognises and embraces our new vision, values, and behaviours.

Our Vision

'We will be financially strong, flexible and resilient and one of the biggest contributors of new homes amongst northern housing associations, helping people meet their aspirations across a range of tenures. Our services will enable customers to lead successful, independent lives, sustain our business and communities and make maximum use of technology. Our customers will be very satisfied and our brands seen as a guarantee of high quality'.

'We will improve continuously and be highly efficient, helped by additional income from our successful commercial activities. We will be a valued regional provider of services, including through cost-sharing, and welcome others into our Group. We will have a strong reputation and significant influence regionally and nationally and will grow throughout the North East and beyond as the first choice for customers, partners and employees'.



This wonderful mural has been painted on the side of our iLearn centre in Stobhill, Morpeth

Our Strategic Aims

Aim 1

To provide as many good quality homes as we can

We will build and continue to supply new homes across the North of England providing a range of tenures including homes that are truly affordable, to meet the acute level of housing need and strengthen our asset base.

We will aim to be as efficient as possible using innovative construction methods; recycling increased income from property sales, including Right-to-Buy; redeveloping under-performing assets and by operating through subsidiary companies.

We will continue to explore joint ventures, form partnerships with private house-builders and seek suitable opportunities to acquire stock from other

housing providers who want to review their stock profile.

We will optimise our investment standards to increase customer satisfaction, strengthen demand, reduce reactive repairs and maximise our procurement advantage.

We will improve our competitiveness and customer offer by addressing low demand, out-dated homes through a range of investment solutions; improving our neighbourhood environments and investing in homes that are 'harder to heat' to reduce fuel poverty, improve affordability and comfort levels of customers in these homes.

Aim 2

To deliver excellent, modern services to all our customers

We will seek to make a real difference to our communities by eliminating discrimination, advancing equality and diversity and fostering good relations between different people. We will be locally responsive and offer a diverse range of services that are efficient and effective to meet the needs of our customers.

We will be active in a wide range of housing markets to enable us to meet a broad range of housing need for current and prospective tenants. Through improved customer profiling we will understand our customers' requirements based on effective and powerful insight into their needs, preferences and behaviours.

We will provide specialist housing and support services for older people, those living with long-term

conditions, mental health problems, people with physical or learning disabilities and people fleeing domestic violence and other issues.

We will follow a practice of 'right first time' and seek to improve continuously through innovation, process improvement using lean techniques and by learning from the best organisations within and beyond our sector. We will have a focus on improving those services that address our customers' priorities with the objective of making it easier and more cost effective for them to access.

Our services will be accessible 24 hours a day, 365 days a year, at a time and place convenient to our customers. We will make our services available digitally via mobile and other devices, as well as in more traditional ways.

Aim 3

To build successful and sustainable communities

We will contribute to the development of balanced and sustainable communities.

We will deliver schemes to improve the environmental fabric of our neighbourhoods, ensuring that priorities for these schemes, alongside our property investment decisions, are driven by customers through improved consultation and feedback mechanisms.

A community investment strategy will be developed, giving priority to areas of activity which strengthen the organisation in the future. This will include facilitating and sign-posting to build more resilient communities.

Our approach will be selective and driven by business need, learning from the evaluation of our

investment to date. Strategic partners such as charitable foundations will be commissioned and we will encourage our staff to volunteer.

We will make every effort to conserve natural resources. We will make a strong commitment to environmental sustainability which will be reflected in the management and development of our housing stock and other assets, particularly where this delivers a direct financial benefit to our customers. We will help to reduce fuel poverty for our customers, minimising our impact on the environment and reducing our contribution to climate change wherever possible. We will continually assess our environmental impact and actively work to reduce it.

Aim 4

To grow the business and its reputation

We believe that our increased scale will enable us to develop strategic relationships with key stakeholders where our capacity and preferred partner status will be valued. We will be better placed to bid for and access start-up funds, grants and other initiatives that may be offered.

With our presence largely focussed in the North East of England, we will link into the developing regional agenda in terms of the delivery of housing and complementary service offers to support economic and social development.

We have many ongoing partnership opportunities

and will continue to seek partnerships with other like-minded organisations which share our vision. We will develop key strategic relationships with other stakeholders, especially developers, local authorities and partners in health and education.

We will continue to support the growth of social enterprises and build on their successes. Existing projects already support people into employment and provides many services for Karbon Homes such as maintenance and gardening services, and the supply of low cost furniture and white goods to our residents.

Aim 5

To maximise capacity to deliver our ambitions

We will focus on driving real efficiencies as measured by improvements to operating surplus, and reductions to total unit costs. We have identified efficiencies rising to a recurring £3 million per annum (£10 million over the first 5 years) generated from amalgamating. This is a minimum ambition and will be delivered over the next 5 years. Thereafter, the next planning period between years 6 to 10 will deliver a further £17.5 million.

Our increased scale as an organisation will allow us to deliver some services directly, where they have previously been outsourced, but only where this represents the best value-for-money.

We will seek further reductions in our costs over the period of our Interim Strategic Plan and beyond, taking a balanced and measured approach, primarily through the ongoing Futures transformational programme.

Futures Programme and Efficiency Savings

In anticipation of the amalgamation of the Isos Group and Derwentside Homes in April 2017, we put in place a robust programme of alignment and transformation which we named the Futures Programme.

Via the Futures Programme we will also develop an agile, 'fit for the future' structure including attractive, flexible terms and conditions which are appropriate to a modern employer. The programme is aimed at aligning people, process, technology and best practice to deliver our strategic aims.

We have identified efficiencies generated from amalgamating including the capacity to more than double the existing development programme from c5,000 to c11,000 homes over the lifetime of the business plan. We have identified a recurring £3.5 million per annum saving by year 5 from consolidating our business, including over £10 million within the first 5 years.

The Futures Programme is over 3 phases:

- Pre-amalgamation - the point to which we become the new organisation, Karbon Homes;
- Integration – 1 April 2017 to 1 July 2018 - the point when the new structures are all in place;
- Transformation - when we begin work in earnest to fulfil our new vision, building on all the foundations we have put in place.

The programme has a clear governance structure and comprises 14 work-streams, from a strategic and operational level, which collectively contribute to the overall transformation of Karbon Homes. Colleagues are working collaboratively to develop efficient, customer-focussed service delivery models which will be supported by the implementation of systems designed to deliver the service models in the leanest way possible.

The Futures Programme, is a substantial undertaking and this will be balanced with the need to maintain high standards of service delivery and performance.

VFM Plans for Next Year

As we look back over the 12 months of 2016/17 at what Isos Housing achieved, we know we made some great strides towards achieving our vision and strategic aims.

We believe that this robust self-assessment demonstrates how we are providing a VFM service to all our stakeholders, but we recognise there are still challenges.

The self-assessment also demonstrates we can do more through our future plans, so we will be well placed to deliver on our strategic aims.

Informed by this self-assessment, over the next year, Karbon Homes will:

- continue to deliver the Futures programme which is one part of a wider transformational programme which includes a review of office accommodation, ICT requirements, staff terms and conditions and other benefits. We will also be reviewing our staffing structure to ensure that it is fit for purpose, enabling us to transform the business to deliver our strategic objectives. This will enable us to deliver the efficiency savings set out in the business case for the amalgamation;

- continue to embed the core principles of VFM through our lean systems approach to streamlining our current processes and practices. We also plan to train up to 12 staff in the principles of lean and we will complete a review of rechargeable repairs;
- continue to work with our Board to understand how our costs and performance compare with others and how we can make improvements. We will also obtain the findings from the pilot of the Sector Efficiency Scorecard;
- continue to focus on cost control during the budgets process;
- maximise the use of technological advancements and core systems to support solutions implementation, for example we will be focusing on the digital agenda and how we can improve customer access to our services via self-service;
- look to extend the services provided via our cost sharing vehicle in order to increase efficiencies and enable us to reduce overhead costs;
- listen and respond to feedback from our customers, including carrying out a customer satisfaction survey in order to improve our services. We will also make improvements to the customer journey as a result of the lean review of our complaints process;
- deliver against our target of completing 431 new homes and selling 43 new build home ownership properties.



Young Preston, aged 2, feels right at home in his new house in Teams, Gateshead, with parents Stephen and Kayleigh

Appendix 1

HouseMark Benchmarking Peer Group

The Isos Housing peer group is made up of 74 housing providers which are Large Scale Voluntary Transfers (LSVTs) or traditional housing providers with over 7,500 properties. This group consists of the following organisations:

Organisations in Peer Group

Organisation	Total Stock	Organisation	Total Stock	Organisation	Total Stock
A2Dominion Group	35,086	First Choice Homes Oldham	12,621	Orbit Group	42,805
Accord Group	10,472	First Wessex	19,530	Paradigm Housing Group	13,686
AmicusHorizon	29,317	Flagship Housing Group	22,224	Peabody Group	28,746
Aspire Housing	11,093	Fortis Living	17,149	Pennine Housing 2000	12,297
Aster Group	35,511	Golden Gates Housing Trust	8,856	Plymouth Community Homes	18,761
Bernicia Homes	10,216	Great Places Housing Group	18,122	Radian	24,159
Bolton At Home	19,107	Greenfields Community Housing	11,411	Regenda Group (The)	12,888
BPHA	17,661	GreenSquare Group	13,199	Riverside Group	52,521
Bron Afon Community Housing	11,120	Hanover Housing Association	18,768	Rochdale Boroughwide Housing	15,726
Catalyst Housing	21,607	Home Group The Association	48,270	Salix Homes	8,997
Chevin Housing Association	9,882	Incommunities	21,717	Sentinel Housing Association	9,734
Choice Housing Ireland	9,968	Liverpool Housing Trust	11,629	Shoreline Housing Partnership	9,397
CHP	10,325	Liverpool Mutual Homes	15,598	Southern Housing Group	24,407
City West Housing Trust	16,398	livin	11,196	Spectrum Housing Group	16,773
Coast and Country Housing	11,918	Magenta Living	12,955	Town and Country Housing Group	9,483
Contour Homes	12,563	Network Housing Group	18,779	Trafford Housing Trust	10,139
Cross Keys Homes	12,832	New Charter Homes	15,411	Trivallis	12,317

Organisation	Total Stock	Organisation	Total Stock	Organisation	Total Stock
Curo Group	13,141	NIHE - Belfast (Managed Entity)	34,137	Twin Valley Homes	9,577
DCH Group	23,612	NIHE - North (Managed Entity)	30,233	Wakefield and District Housing	34,757
Dumfries and Galloway Housing Partnership	13,071	NIHE - South (Managed Entity)	28,633	Walsall Housing Group	22,743
East Durham Homes	8,403	North Hertfordshire Homes Limited	11,919	Wrekin Housing Trust	22,743
East Thames Group	15,359	Notting Hill Housing Group	30,660	Wythenshaw Community Housing Group	13,987
Eastlands Homes	7,963	One Manchester	12,600	Yarlington Housing Group	12,748
Family Mosaic	27,178	One Vision Housing	12,771	Yorkshire Housing	16,254
First Ark	14,953	Ongo	11,677		



Our new supported housing scheme in Kenton was presented with a piece of artwork by local schoolchildren

