



# Value for Money Self Assessment

2014/15



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# VALUE FOR MONEY (VFM) SELF ASSESSMENT 2014/15

## 1. Introduction

This document summarises the approach taken by Calico Homes in relation to VFM and identifies those initiatives and actions undertaken to embed and deliver it.

It also provides the evidence to support our self-assessment against the economic standard for VFM included in the Directors Report in the annual financial statements of Calico Homes Limited.

The recent budget announcement, in particular in relation to the reduction in rent to be charged over the next four years has a significant effect on our long-term business plan. Calico has a track record of making efficiency savings year on year, however has made the decision to re-invest these savings to improve services, maintain our high level of income collection and fund development – these savings are noted in this self assessment.

It is due to the re-investment of these savings that management costs are higher than some of our peers. However these costs are now unaffordable in the long term and will need to be reduced. We expect staffing levels to reduce over the next four years and as pay levels will need to be affordable, there is the potential of low or no salary increases.

The efficiency savings that are required are cashable savings that will not be re-invested and will be based on targets set across the organisation. An indication of these savings is shown in the table at Section 11

## 2. Calico's strategic approach to VFM

- 2.1 Delivering VFM has been and remains a long-term commitment for Calico which commenced at transfer some fifteen years ago. Our focus on VFM has enabled us to deliver the decent homes standard, further enhance the quality of our stock, e.g. external wall insulation, meet the requirements of the rent standard, improve the sustainability of our neighbourhoods, drive up performance, improve customer satisfaction, grow our stock and achieve (and maintain) a V1 regulatory judgement for financial viability.



## 2.2 *Strategy and objectives*

Our Group wide VFM strategy is in the final stages of the approval process and has the following objectives:

- ✓ Make the best use of resources available
- ✓ Meet the expectations of customers and service commissioners
- ✓ Maximise customer involvement in value for money
- ✓ Further embed a VFM culture within the organisation

This self-assessment highlights activities undertaken in relation to these objectives and was approved by Board in September 2015.

To support us in the delivery of our vision to “provide quality services which make a difference to people’s lives” we have five strategic aims which are supported by strategic groups. Our Boards have recently reviewed our strategic aims, ensuring they respond to the growth of the organisation and the complexity of the operating environment in which we work. This has ensured VFM remains a fundamental priority for Calico Homes and also across the Calico Group.

The members of the “Being a Business” strategic group have been selected from across the Calico Group, whose purpose is to drive improvements ensuring they have a VFM focus, to lead on specific initiatives pertaining to their role and to continue to embed VFM throughout the organisation.

## 2.3 *Overarching target*

This year we have achieved our target of delivering at least 3% cost efficiencies (excluding repairs costs) within Calico Homes for the 7th year running.

As part of the budget setting process we identified £360,000 (3%) efficiencies which were re-invested into a new development team structure to support the delivery of the increased development programme and capital works on the head office at Centenary Court to create capacity for the growth aspirations of



Ringstones – the profits from which can be distributed across the charitable organisations of the Group.

Monitoring of actual expenditure against budget through monthly management accounts and quarterly reporting to Board, ensures that the budgeted efficiencies are delivered.

The details of the budget announced in July 2015 will be a significant challenge for Calico Homes. However, we are confident we can respond to these positively by bringing forward efficiency projects to realise savings which will support the 30 year business plan.

To deliver the required savings we are increasing the efficiency target and will ensure efficiencies realise savings. In previous years, efficiency savings have been re-invested, however going forward any investment will need to be funded by additional savings.

## 2.4 *Board*

Our Board champions a VFM culture across the organisation. Board requires efficiencies to be generated, whilst understanding that in some cases we will choose to pay more to deliver a high quality service which meets our customers specific needs. Board recognises this can mean we are more expensive than others in our peer group.

Following the recent budget announcement, our Board have realised that costs need to be reduced and are in the process of agreeing a new business plan that will deliver significant efficiency savings.

We keep our Board informed and involved in our VFM journey through regular updates. Furthermore, by being involved in the budget process Board challenge and direct us and ultimately approve the use of efficiency savings within the organisation

In addition to the above, every Board paper requires the completion of a VFM section. This section provides the Board with details of the cost/benefits of the decision being taken so that an informed view can be taken.

## 2.5 *Culture*

A VFM approach is an integral part of our culture. Managers regularly discuss VFM with teams and staff are rewarded for identifying ways to be more efficient. Staff are encouraged to record efficiencies on the BE SMART system which encourages staff to “Bring Efficiencies, Save Money And Reach Targets.” The entries come from all areas of the business, and are diverse in nature. Calico Stars are awarded to staff for the best efficiencies delivered and there is an annual award which is presented at our staff conference for the best VFM initiative. In the year to 31 March 2015, 114 entries were made on the system and a sample of the entries is included in Appendix 2.

We also use the publication of our management accounts as an opportunity to continue to embed our VFM culture. We use ten VFM performance indicators that enable managers to understand the costs of their services, allow these to be managed effectively and encourage them to identify efficiencies.

This approach will continue to be reviewed and enhanced to ensure the most appropriate method is adopted to support managers in their decision making in relation to managing their costs.

### 3. VFM standard

Calico Homes is regulated by the Homes and Community Agency (HCA) who have published standards which all registered providers of social housing are required to comply with. A copy of the VFM standard is [available to view online](#).

The standard states that “on an annual basis, registered providers (RPs) will publish a robust self-assessment which sets out in a way that is transparent and accessible to stakeholders how they are achieving VFM in delivering their purpose and objectives”. This report represents Calico Homes’ self-assessment.

The HCA Accounting Direction for Social Housing in England from April 2012, states that the RP should undertake and publish in its financial statements an assessment of the performance of the RP for the year which sets out to stakeholders how it is achieving VFM in delivering its purpose and objectives, in accordance with the regulator’s standard on VFM. A summary of the main elements of this report is included in that document, in addition to a reference to this complete document.





## 4 Approach to asset management and return on investment

### 4.1 *Existing homes and neighbourhoods*

Calico Homes' housing stock falls within a thirty mile radius of Burnley with the majority concentrated on large estates within the Borough of Burnley. This means that we are able to manage our own stock and undertake repairs using our own operatives with minimal lost time in respect of travelling.

The average vacant market value of our stock is £66,056 per property compared to an existing use valuation – social housing (EUV-SH) of £34,282 as per our stock valuation report as at 31 March 2015. A number of recent new build properties have values in excess of this but have either been built under the grant funded affordable housing programme or are on mixed development schemes where there are some properties for sale.

The majority of the housing stock is estate based, where due to right to buy and right to acquire sales, there is a mix of social housing, owner-occupiers and private rented properties. In some instances, the quality of the privately owned properties is poor. Calico Homes still owns approximately 50% of the properties on the estates which enables effective management to be undertaken.



In managing the estates, it is important to be able to maintain demand for our properties by tackling anti-social behaviour and ensuring the appearance of the neighbourhood generates "kerb side" appeal. Therefore, we have made the decision (as included in our asset management strategy section 4.11) not to dispose of empty properties on the open market when they become void, even if there is significant investment required to bring a property back to a lettable condition, as this removes our ability to determine who occupies the property and how well the property is maintained.

The Board are of the opinion that the risk of this position materialising is significant, the potential impact is high and as a result the risk needs to be managed. We will review this approach after the government's proposals extending Right to Buy are confirmed.

Where houses become void which are not on one of our main estates we undertake an assessment to determine if disposal would be beneficial. The assessment looks at the cost of the void works required to bring the property up to our decent homes plus standard, the demand for the area and type of property, the locality of the property in general, the condition of neighbouring properties and other works/improvements being undertaken in the area, primarily by the local authority.

The assessment is reviewed and recommendations are made to the Executive Team prior to a final decision being made. Such sundry properties rarely become void and to date when this occurs, the decision to retain has always been made.

Six years ago we commissioned an independent review of our sheltered housing schemes to ensure they remained fit for purpose before undertaking an extensive investment programme. This review concluded that five of the seven schemes were suitable for investment but one scheme was no longer fit for purpose (which was closed and sold) and another (Royal Court) should be reviewed at five yearly intervals.

Following a review in 2014, the Board have determined that due to low demand, lack of internal accessibility, the inappropriateness of the bedsit accommodation and the level of remodelling investment that is required, which would make the scheme financially unviable, that Royal Court should be closed. The process of closing down the scheme has now started. Following consultation with the existing residents, each household has been allocated a new home either at our new development at Primrose Mill or in an existing sheltered scheme where we have remodelled our ex-warden units to provide additional accommodation.

Each of the customers has been provided with an intensive support package and feedback to date has been extremely positive. Additionally, Board are considering a number of options in terms of re-development of the site and a provision has been made for this in our business plan.



The following table summarises information in relation to our assets, the market and our funding position:-

	2011/12	2012/13	2013/14	2014/15
<b>Asset information</b>				
<b>Number of properties</b>	4,455	4,468	4,570	4,583
<b>Net book value per property £</b>	11,210	12,429	13,928	14,948
<b>Valuation per property (EUV-SH) £</b>	23,434	25,621	30,290	34,282
<b>Estimated market value per property £</b>	68,197	69,876	60,599	66,056
<b>Debt per property</b>	13,468	16,115	17,396	18,045
<b>EBITDA per property</b>	1,077	1,081	1,169	1,537
<b>Interest cost per property</b>	632	731	788	796

The table demonstrates we are achieving a year on year growth of our asset base and that our investment in our stock is creating value. It further highlights the relatively low and declining market values in our area of operation which supports our strategy of asset retention.

We are currently reviewing our asset management strategy which will respond to the recent budget announcements and will be approved by Board later in the year. As part of this strategy we have identified actions which will ensure we increase our understanding of the return on our assets. We have launched an exercise and will complete a full exercise on return on investment on all of our properties in Autumn 2015.

On 1 November 2013 Calico Homes acquired the Whitworth Care Trust, an eight bed care home and associated day care centre which is an area into which we wanted to expand. During the feasibility work it became clear that the home was not of the size required to generate a surplus and deficits were being made which would ultimately lead to closure. Following detailed consideration by the Board it was determined that Calico Homes should formally take on the running of the home and look to provide an alternative, larger scheme which would be capable of making a surplus. This has progressed during 2014/15 and planning permission has been obtained on a suitable site for a twenty eight bed scheme to provide dementia and nursing care.



Every five years a stock condition survey is undertaken to identify the long-term expenditure required to maintain the quality of our housing stock. Following the receipt of this data, we compared the income expected to be received from each property over the next thirty years with the total of the anticipated long term expenditure and the expected voids, bad debts, housing management and responsive repair costs.

This identified thirty eight properties where the anticipated costs were in excess of the income. The detail of this were the properties that we were aware of, mainly being the sundry properties, those in the sheltered scheme being closed or other sheltered schemes, all of which we are aware of and taking appropriate action

During 2015/16, Calico is working in partnership with British Gas to deliver an external wall insulation programme to 448 properties across two estates. We have obtained funding through ECO 2 to the value of £618,000 to assist with the cost of the programme, which equates to circa £3m. The programme will support Calico's contribution to the Green Agenda & achieve significant savings on fuel bills for our customers contributing to Calico's fuel poverty strategy.

In managing our assets, we consider the wider neighbourhood and the local community. East Lancashire provides a challenging operating context with a decreasing population resulting in low demand for housing. This has a knock on effect into the housing market where private rents are often at the same level as affordable/social rents. This is evident for Calico through the levels of turnover we have within our properties.

Additionally, deprivation levels are high meaning many of our customers have complex needs and face challenges in managing their tenancies. This requires us to invest considerable resource into supporting customers to sustain tenancies and managing the process when properties become empty. To tackle this challenge we have aimed to be innovative with our approach to ensure the best use of our limited resources to achieve value for our customers.



## 4.2 *New property development*

In 2015, Calico extended its loan facility with the current funders by £30m from £85m to £115m. This has enabled us to provide for the development of 464 additional new build properties in the current business plan by 2020. We have also secured grant funding of £1.4m from 2015 Affordable Housing Program to contribute to the development of 52 of these properties.

An area of growth is the development of supported housing properties which will be used by other companies in the group and will provide income to Calico Homes. We have submitted a bid for grant funding for two of the planned developments through the Homelessness Change initiative.



The Board have agreed a set of assumptions to use when appraising new build developments. A payback period under forty years must be achieved for a scheme to proceed without further Board approval being obtained and all developments are appraised using this model.

New build activity is undertaken through Ring Stones, a joint venture of which the minority share was purchased by Calico during August 2015, resulting in Ring Stones being wholly owned by the Calico Group. This will enable the profit generated to be re-distributed as gift aid to the charitable organisations within the Group. Ring Stones supports local employment opportunities, sustainability of employment and apprenticeship creation, all of which contribute to creating social profit, one of our strategic aims.

We currently have two sites with properties for sale. The Cobden Mill site now has six remaining units for sale which are each valued at around £180,000. Two sales were secured in April 2015 as a result of increased marketing activity with plans for further marketing initiatives such as open days. We are to review the position in October 2015 with a view to converting any unsold properties to rental stock, as there is a good level of demand in the area.

Our site at Primrose Mill is nearing completion and six of the fourteen plots for sale have been reserved off plan. There is a high level of interest in the site with viewings taking place daily, so we are confident that we will achieve the business plan target of nine sales for the year. The remaining properties for sale have an average value of £150,000.

## 5.0 VFM delivered

### 5.1 Strategic groups

Our corporate vision “Providing quality services that make a difference to people’s lives” is underpinned by five strategic aims as follows:

- ✓ To be customer led in delivering excellent services.
- ✓ To create social profit.
- ✓ To effectively use our group resources, providing value for money in everything we do.
- ✓ To secure and deliver new business opportunities and partnerships.
- ✓ To realise people’s full potential

In turn these aims are delivered through six strategic groups.

- ✓ Realising people’s potential
- ✓ Passionate about customers
- ✓ Being a business
- ✓ Social profit
- ✓ Growth
- ✓ Care and support

During 2014/15 we have reviewed the role of the strategic groups to ensure they respond to the new Group structure and the challenging operating environment in which we work.

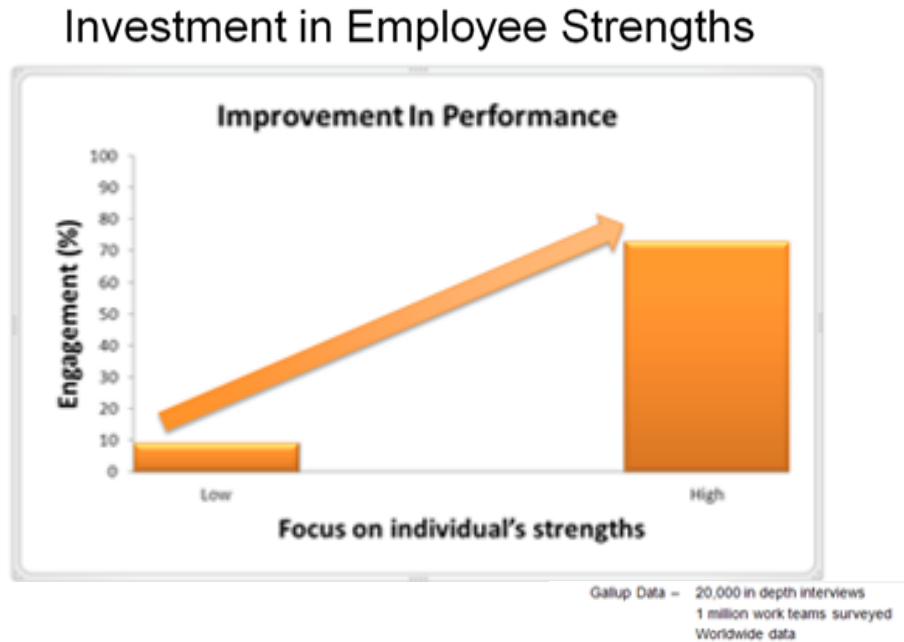
The Value for Money group has evolved into the Being a Business group. The aim of the group is to set the direction of for how we deliver effective and efficient services and maximise the use of our resources including protecting our assets across the Group. Achieving VFM across the Group is an integral part of this groups’ role.

We have also added new groups to recognise other important strategic areas. The Social Profit Group will lead on issues relating to social value, including monitoring, measuring and ensuring we maximise the social value benefit of our business activities. The Growth group ensures the delivery of our growth strategy to develop opportunities and manage change. The Care and Support group has been established to lead on generating new opportunities by promoting Calico, whilst determining how we can further improve services to customers across our support services.



## 5.2 Realising Peoples Potential Group

This strategic group focuses on increasing employee engagement by realising peoples potential. Research has shown that by identifying, developing and deploying people's strengths, individual performance is maximised which leads to an improvement in company performance. See table below:



We measure how engaged our staff are through the Sunday Times Best Companies to work for survey. From the results of the November 2014 survey, 84% of staff indicated that “this job is good for my personal growth”. There are high levels of staff engagement with 93% of employees who feel they can make a valuable contribution to the success of the organisation and 91% agreeing that the organisation provides a great service to its customers. Results of the survey are made available to managers to enable them to identify areas where improvements are required.



Recruiting the right people who fit the Calico culture is important given the cost of recruitment and induction of new staff. It is estimated by the CIPD that recruiting the wrong candidate costs £8,200. To reduce the number leaving during their probationary period, pre selection recruitment workshops are delivered through Calico Enterprise at no additional cost to Calico Homes. Since the introduction of these workshops no-one has left the organisation during their probationary period compared to 4 the previous year.

A programme of advanced multi-skilling continues to be rolled out with additional operatives being trained each year and this has resulted in an increase in customer satisfaction with how we deal with repairs and maintenance increasing to 85% in 2014/15 (79% 2012)

Calico has been operating a well-being programme for a number of years, with the aim of reducing sickness absence. During the year, 51 staff had an NHS funded health "MOT" check and as a result of this there were two instances where a previously unknown potentially serious condition was identified. It is estimated that this early diagnosis has saved over £16,000 in occupational sick pay and absence cover etc.

During the year, 67 employees attended a financial education seminar and a number provided feedback that they would be able to save a significant amount of money due to the changes they would make following the session.



Other well-being initiatives delivered include; offering annual flu jabs for staff, providing fresh fruit on a weekly basis, offering discounted gym memberships and access to independent occupational health advice which includes a helpline. This has helped us achieve sickness absence performance at 1.37% compared to a target of 2.25%.



### 5.3 Passionate About Customers group

Delivering good customer service is key to an organisation like ours. The Passionate About Customers group looks at how to deliver customer service excellence through involving customers in decisions and scrutinising of our services, educating customers so they can fully contribute to the decision making process and recognising that customer communication can always improve.

Good customer service leads to satisfied customers, which in turn leads to demand for our properties and services and reduced complaints. Overall it delivers better VFM.

The automation of services wherever possible leaves staff more time to deliver valued customer service. An example of this is our automated payments process whereby customers use their phone key pads to make debit card payments rather than talking to a call centre staff member which enables the call centre staff to deal with other customer calls.

We have made progress in delivering further automation of services during 2014/15 in the following areas:

- ✓ We have introduced a desk-top tasking system which has been rolled out to more areas of the organisation. This uses a workflow method which tracks a query and prompts a response, providing a more efficient service to our customers and reducing duplication of work.
- ✓ The first phase of our customer portal was introduced which allows customers to access their own real time information 24 hours a day. 24 % of our customers have now opted for digital communications and this has resulted in reduced printing and postage costs generating a cost saving of circa £9,600 per annum. Further development work in relation to expanding the use of digital communication will continue over the coming months.
- ✓ A new mobile working solution is in the process of being rolled out to all repairs operatives. . New performance measures are being developed which will improve job costing and productivity.
- ✓ Promotion by newsletters, and the free access at Calico's main reception area led to 1000 customers signed up to digital services by the end of 2014/15.
- ✓ A priority for 2015/16 is to invest in an integrated Customer Relationship Management system which will allow access to all previous customer contact on one screen. This will reduce the time required to resolve a customer query, therefore improve efficiency whilst maintaining high customer satisfaction.

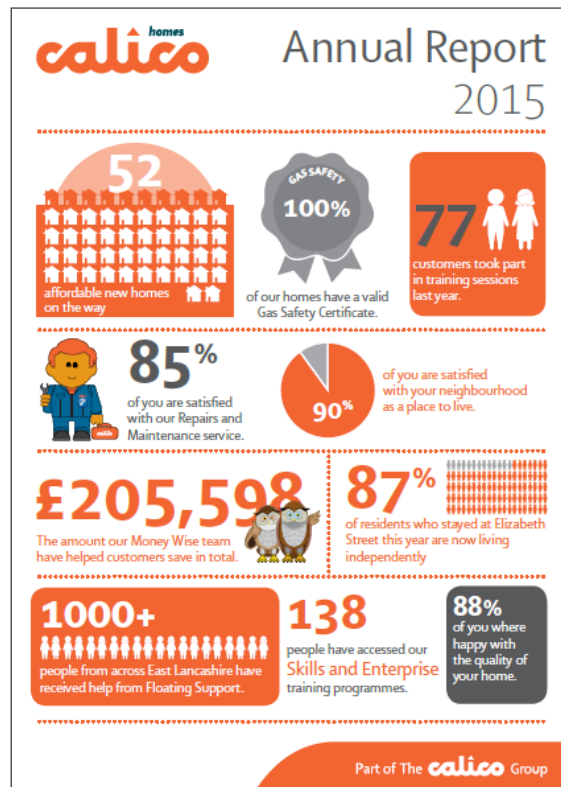
Further work on the reduction of numbers of 'avoidable contacts' has been a major priority for our services during 2014/15. Reducing repeat calls and queries has enabled us to improve our performance in this area answering 81.25% of calls within 30 seconds ( 80.08% in 13/14)

Our customers told us that they received too many surveys therefore we changed our approach to issue fewer surveys on a day to day basis and capture satisfaction by a quarterly survey to a quarter of our tenants. This has delivered savings of time, stationery, postage and outsourced STAR survey costs of £14,000 a year.

An on-going priority has been to reduce voids and sustain tenancies for longer. Whilst terminations are still above target, performance has improved from 685 in 2013/14 to 637 in 2014/15 We have an overall strategy to reduce voids with an associated action plan which are [available on the Calico website](#). Our tenancy sustainability action plan is in place with actions to reduce terminations and is also [available on the Calico website](#).



Our Annual Report to customers contains information on the work we have done during the year. . It explains how customers can access services from other companies in the Calico Group as and when required. The report also contains information on how we have performed in relation to our local offers, including cost information. This document can be found [on our website](#).



## 5.4 VFM Group (now the Being a Business Group)

VFM performance indicators have been monitored throughout the year and are summarised at Appendix 2. They are produced from the management accounts and are therefore calculated consistently. Their production helps managers understand the cost drivers behind their service.

A three year cost reduction strategy was successfully completed at the end of 2013/14 delivering a year on year cost reduction. During 2014/15 we saw an increase in the cost of materials for both void and responsive repairs. We are currently reviewing our materials supply arrangements and will be looking for a more cost effective supply chain.



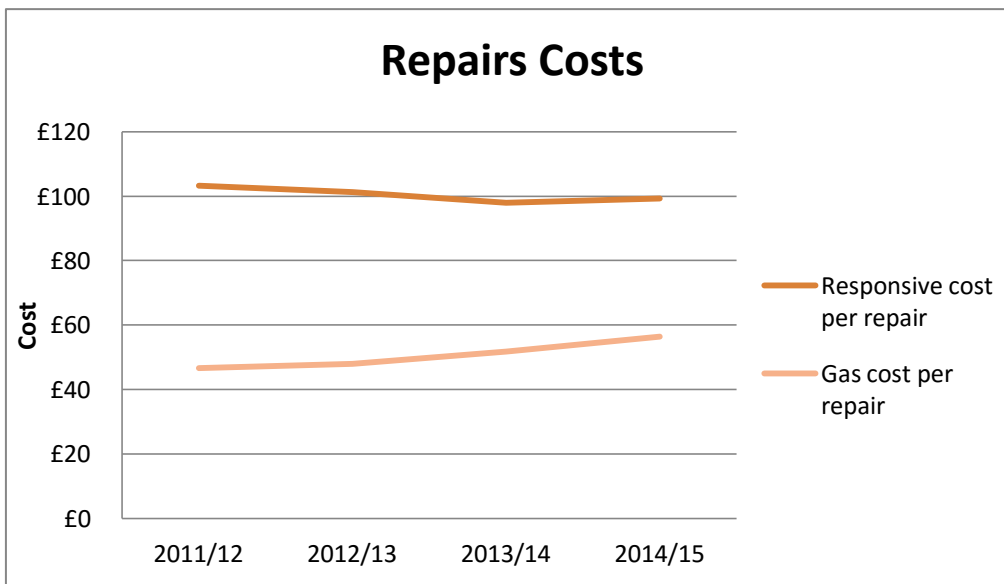
Void numbers have increased steadily over the last 5 years with terminations increasing from 545 in 2010/11 to 639 in 2014/15, however this is a reduction against the 692 terminations in 2013/14. The void turnaround time for 2014/15 was 20 days (2013/14 24 days and 2012/13 29 days), demonstrating a steady improvement across the years. The voids team work to 'advanced' multi-skilling standards which reduces the number of operatives required to complete a void job, improving productivity and reducing turnaround times.

The cost of outsourcing electrical call outs has reduced by 44% and plumbing call outs has reduced by 30%.



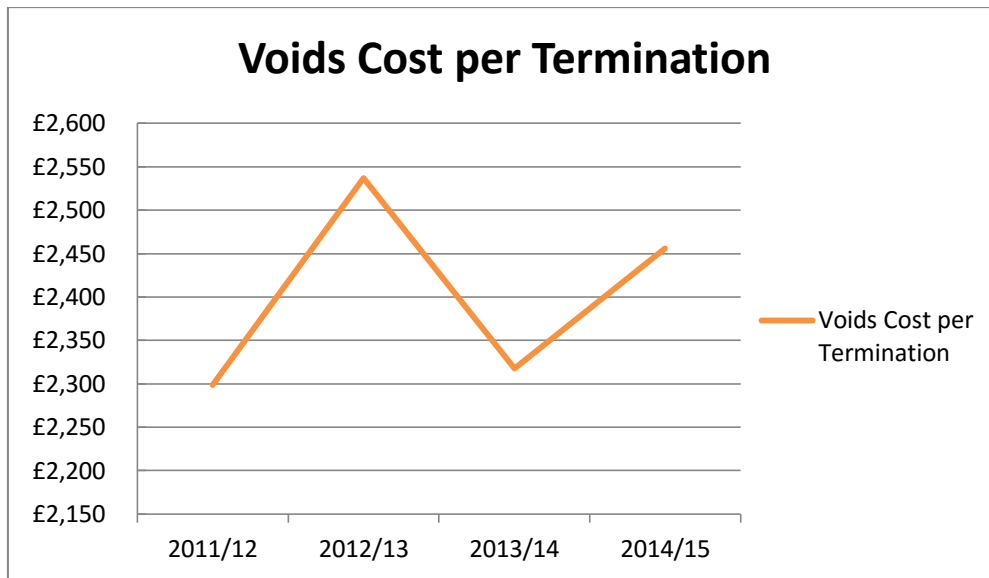
The following table and charts highlight the overall cost reductions over the last 4 years:

	2011/12	2012/13	2013/14	2014/15
<b>Voids</b>				
<b>Material Cost/Termination</b>	£511.37	£460.19	£441.17	£522.30
<b>Ave Total Cost/Termination</b>	£2298.48	£2536.87	£2317.57	£2,455.70
<b>Ave Cost per Repair</b>	£318.39	£333.50	£255.75	£236.85
<b>Responsive</b>				
<b>Cost per repair</b>	£103.24	£101.28	£98.00	£99.26
<b>Material cost/repair</b>	£21.41	£18.59	£16.54	£18.78
<b>Ave Total cost per property</b>	£37.54	£37.26	£37.27	£30.26
<b>Number of repairs per property</b>	3.99	4.06	4.08	3.75
<b>Gas</b>				
<b>Cost per repair</b>	£46.69	£47.99	£51.75	£56.43
<b>Ave cost per Breakdown</b>	£41.08	£42.37	£51.47	£61.80
<b>Ave cost per service</b>	£40.17	£35.30	£35.25	£50.77
<b>Cost per property</b>	£129.30	£141.82	£144.07	£150.49



The increase in the costs of the gas service is an indicator of the age of a high proportion of our gas boilers which are circa 12 years old. A planned program to replace the older boilers is underway.

Following the budget announcement we expect the repairs service to make savings of 6% in 2015/16.



The voids cost per termination has increased in 2014/15 due to more properties requiring substantial repair work. All figures include inflation which was 13.8% from 1 April 2010 to 31 March 2015.

A new mobile working solution is in the process of being rolled out to all operatives which will enhance our performance management information. This will improve our accessibility to productivity and right first time information to further improve efficiency in the team.

In 2013/14 the repairs service undertook an external assessment of its services by the Housing Quality Network as part of their DLO accreditation benchmarking service. Our DLO was re-accredited in 2013/14 and our follow up review in October 2014 confirmed that we are still performing well. The service retains its accreditation with strengths outweighing weaknesses in the seven areas assessed. Housing Quality Network undertook a repairs cost and value comparison for the service in 2013/14. This concluded that the cost efficiency of the responsive repairs service is good compared to others in the sample with high cost repairs being managed extremely well.

The report also noted that the volume of repairs was high compared to others. Monthly inspections have been introduced for properties with high volume repairs and this is one of the contributing factors to the reduction in the number of repairs.

Calico Homes became a registered charity on 1 April 2013. This change removed a potential £50m corporation tax liability, which would have arisen over the next 40 years, and has also delivered the following benefits:

- ✓ Only 20% business rates are incurred on our office and repairs warehouse accommodation
- ✓ Only 20% domestic rates are incurred on void properties
- ✓ Recruitment advertising costs no longer attract VAT
- ✓ Software licences obtained significantly below retail and public sector agreement prices (e.g. £25 for Microsoft Office versus £395 retail).



We established our Money Wise campaign in 2012/13 and recruited additional staff at an annual cost of £55k to work with customers to improve their financial positions. This is seen as a key priority as they will be better able to manage the effects of welfare reform and promote sustainable neighbourhoods thus reducing the impact on Calico of increasing arrears and terminations. In addition, the team undertake affordability assessments with every new potential applicant before they become a customer.



The table below shows some of the significant benefits that the Money Wise initiative has delivered in the last two years:

Benefit	2013/14	2014/15
Rent collection rate	97.98%	99.25%
Number of customers supported	884	784
Customers affected by the under-occupancy charge	135	115
Total income gained for customers	£96,023	£211,914
Discretionary housing payments	£43,000	£60,000
Savings for customers helped with switching fuel suppliers	£4,500	£500
Fuel debts written off	£1,900	£128
Income gained for customers from charities	£9,536	£6,082
Value of white goods sourced for customers	£3,500	£4,500

Calico Homes provides support services such as Human Resources, ICT, finance, marketing and PR and business support to other members of the Calico Group for which a charge is made. As the Calico Group grows, economies of scale come into effect and the cost of these services reduces for all those to whom the service is supplied, including Calico Homes. This is demonstrated as follows (all figures include inflation which was 13.8% from 1 April 2010 to 31 March 2015):



The increases in some years represent the effect of the step changes which are required in staff numbers to meet the increased demand. There has been a significant increase in Group turnover in 2014/15 which is reflected in the trend of the cost per £1000 turnover. We will review the intra Group recharge policy as part of our efficiency programme.



Ring Stones a joint venture between Calico and H T Forrest, was established in 2012 to undertake planned maintenance work and new build development for Calico Homes and ultimately external customers. In August 2015, Calico acquired the Forrest share of the joint venture and now Ring Stones is wholly owned within the Calico Group. The main benefits of this arrangement are:

- ✓ VAT on labour costs to undertake the work is saved
- ✓ Focus on creating local permanent jobs – currently 58 employees of which 43 live locally and 11 apprenticeships
- ✓ Calico's share of the surpluses are gift aided to charities within the Calico Group
- ✓ More control for Calico over the quality of customer liaison and staff customer service standards
- ✓ A joined up approach for material procurement which should potentially reduce material costs going forwards
- ✓ Involvement in development projects at feasibility stages assists with the quality of the development projects
- ✓ Better knowledge of the schemes by the contractor to ensure deliverability
- ✓ Less reliance on external contractors as Ring Stones expand the areas they deliver, such as damp work

An initial VFM review of the contract, indicated that the prices being paid by Calico Homes for the work were above average but within acceptable bounds, particularly given the high level of social value Ring Stones delivers. Ring Stones have commenced an internal review of processes which is expected to be complete by the end of the financial year. Efficiencies generated by Ring Stones following this process will be of benefit to other Group member companies either through reduced contract costs or gift aided profits.



Large energy efficiency and development contracts let to Ring Stones, have been externally reviewed and signed off as VFM. One new development is currently being put through a formal tender process which will further test VFM. Ring Stones are now in the final stages of delivering the development of sixty new properties on our Primrose Mill site and have been successful in securing work from external customers.

We were notified during the year that from April 2015, there would be a reduction of 55.4% of the current Supporting People income for the sheltered housing and community alarm services, equating to £309,000 per year. A review of how we delivered the service and the associated costs took place and in particular how the costs of the services are allocated.

This review resulted in cost savings but also due to the change in the way in which the service is now delivered also allowed service charge income to be collected, resulting in the service being delivered to our customers remaining the same.

# Huge cash cuts won't hit our old folk: Calico

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**Calico has secured new funding to protect services for older people which would have otherwise been affected by Supporting People funding cuts.**

Of its 1,165 tenants who receive older people support, the vast majority have now been told their services will continue unaffected, which is good news for many who rely on the support to continue to live independent lives in their own home.

Calico is now working to ensure the remainder have the support they need following

the change, which comes into effect in April.

Kate Heelas, housing support manager, said: "We would like those customers who are affected to be reassured nothing is changing until next year, and we are committed to making sure they continue to receive the support they need.

"We will shortly be contacting each one individually to identify what their specific needs are and to work with them to ensure their support needs are met."

Support services across the region are being affected by £300m. worth of cuts to Lancashire County Council's funding from central government.

Locally, these cuts to Supporting People funding are set to have a significant impact on

**We will be contacting each one**

vulnerable people across the region.

For Calico, this means older people in sheltered accommodation and in receipt of support delivered on behalf of the county council.

In the coming weeks, Calico staff will be visiting everyone who needs alternative support arrangements.

The intention is to ensure everybody affected continues to receive the support they need after the funding ends.

Work has already started to review our older people's service concentrating on efficiencies being achieved from reviewing the current structure, level of service provision and sourcing alternative income streams. Savings in staff costs have already been identified and are reflected in the budgets for 2015/16.



The table below summarises our overall financial performance over the last three years:

Income and Expenditure Account		2012/13 £000	2013/14 £000	2014/15 £000
Turnover		18,546	20,988	21,232
Operating costs and cost of sale		(15,235)	(17,979)	(16,375)
Operating surplus		3,311	3,009	4,857
Surplus on disposal of assets		(516)	32	(69)
Net interest payable & finance costs		(3,265)	(3,599)	(3,647)
<b>Surplus/(deficit) for year after tax</b>		-	(11)	-
		(470)	(569)	1,141
<b>Key Financial Ratios</b>	<b>Sector avg 2014</b>			
Growth in turnover	5.00%	5.54%	13.17%	1.16%
Operating margin	26.5%	17.9%	14.3%	22.9%
EBITDA		26.0%	25.0%	33.0%
Interest cover	1.98	0.86	0.84	1.31

Balance Sheet		2013/13 £000	2013/14 £000	2014/15 £000
Housing properties at cost less depreciation		64,567	74,001	79,127
Social housing grant and other grant		(9,031)	(10,352)	(10,620)
Other fixed assets		3,126	3,998	4,011
Net current assets		1,662	(337)	(944)
		60,324	67,310	71,574
Creditors: after more than one year		72,547	79,868	83,104
Other long term creditors		8,915	6,746	10,031
Capital & reserves		(21,138)	(19,304)	(21,561)
		60,324	67,310	71,574
<b>Key Financial Ratios</b>	<b>Sector avg 2014</b>			
Liquidity	1.52	1.53	0.92	0.80
Return on net assets	2.7%	-1%	-0.8%	1.6%
Growth in total assets	7.5%	23%	13%	7%
Gearing	69%	120%	119%	116%
Debt per unit	19,221	16,226	17,477	18,105
Housing stock owned and managed at year end		4,468	4,570	4,583

The Income & Expenditure account shows steady growth in turnover year on year. The operating margin also shows significant year-on-year growth, indicating a more efficiently run organisation.

With an increasing surplus, interest cover has also increased significantly showing an improved ability to meet interest payments. As the organisation has achieved a surplus position this also means that the return on assets is now in a positive position. The main reason for the increase in long term creditors in 2014/15 is due to changes in the assumptions relating to the pension scheme.' The 2014/15 statutory accounts are [available on the website](#).



## 5.5 Services For All Group

The Services for All group ensures that Calico not only complies with Equality legislation but raises the profile of Equality Diversity and Inclusion (EDI). The benefits of this approach are:

- ✓ Protecting and enhancing our reputation
- ✓ Customer and Staff satisfaction
- ✓ Having a representative and diverse workforce
- ✓ Understanding different cultures
- ✓ Setting an example to partners and the supply chain
- ✓ Having an impact on anti social behaviour and hate crime - resulting in sustainable communities and increased demand for services
- ✓ To ensure that we meet legislative requirements and minimise the risk of reputational damage and tribunal cases occurring.

Our approach is to provide support and direction by sharing best practice across services areas and this has supported the achievement of Level A in QAF assessment for Supporting People contracts. A range of training has been delivered to staff on equality topics which enhance knowledge and confidence, improving productivity and performance and therefore achieving better VFM from services. Staff involved in the strategic group are fully committed to delivering this approach as evidence by our achievements:

- ✓ Leaders in Diversity accreditation achieved for the Calico Group in July 2014.
- ✓ Participated in Housing Diversity Network North West Regional Steering Group to develop a Board mentoring programme which will be offered to Calico Board members in 2016.
- ✓ Successful Cultural Awareness Event held in 2014. A 12 month programme has been developed for 2015 which include all companies in the Group, with supporting promotional materials to assist teams in delivery.
- ✓ EDI training has been reviewed and new topics now included in 2015-16 Calico Extra staff training programme.
- ✓ Equalities Analysis toolkit and training module reviewed - to be rolled out through management training to all parts of the Group.
- ✓ The Calico Group website has been fully reviewed and now achieves greater accessibility standards. Homes customers now have access to on line information to support greater value for money in service delivery.
- ✓ EDI staff training now delivered to all parts of the Calico Group
- ✓ Calico Homes customer satisfaction results can now be analysed by protected characteristics to identify any areas of potential discrimination. These results now form part of the regular STAR report and no areas of concern have been identified.
- ✓ BME workforce has increased from 8.5% to 11% in the year
- ✓ BME Lettings at 8.7% which has increased by 5% in the last 2 years
- ✓ BME satisfaction with services from the STAR survey is generally above the results for white British in all areas
- ✓ Press reputational target exceeded



It is our aim to deliver efficiency savings without any demonstrable negative impact on staff and customers from the recognised diversity strands. To support this approach we carry out equality analysis to ensure we understand the impact on diversity in development of services and policies and that sound decisions are made on robust information.

Managers are trained in undertaking equality analysis and this is an integral part of the approval route for strategies and policies by our Board. Our Board is also provided with regular updates and information on EDI to ensure they are confident in challenging new proposals

The strategic group includes staff from across the Calico Group and the estimated annual cost of the group is £9,000, which included £2,500 for the Leaders in Diversity accreditation.



## 6 Performance

Calico's performance management framework ensures progress against targets is continuously monitored, and action is taken where required. Performance is reviewed by Board on a quarterly basis.

The key headline targets and performance for 2013/14 and 2014/15 are shown below:

Measures	Target	Performance 2013/14	Performance 2014/15
<b>Rents</b>			
Rent available that was collected (excl. arrears)	98.5%	97.98%	99.2%
Current tenant arrears	2.3%	2.38%	2.5%
<b>Empty Homes</b>			
Homes available to let	80	113	109
Unavailable to let	-	16	14
Rent loss through homes being vacant	1.75%	2.38%	2.4%
Properties re-let within 4 weeks	82%	79.49%	81.7%
Tenancy Terminations	17%	17.2%	19.09%
<b>Asset Management</b>			
Homes meeting Decent Homes Standard	100%	100%	100%
Average SAP (energy) rating	-	66.1%	66.1%
<b>Repairs</b>			
Urgent repairs completed to target	99%	99.42%	98.97%
Routine repairs completed to target	98%	98.64%	99.56%
Emergency repairs completed to target	99%	99.64%	99.64%
Homes with current gas safety certificate	100%	100%	1005
Customer satisfaction with repairs	82%	79% (STAR)	85% (STAR)
<b>Customer Services</b>			
Customer satisfaction with services overall (STAR)	88%	84%	89%
Satisfaction with ASB interventions	80%	82.8%	82%
Complaints completed within 10 day deadline	95%	91.9%	83.16%
Satisfaction with complaint handling	74%	79.17%	61%
<b>Staffing</b>			
Short term sickness absence	2.25%	1.24%	1.37%
Long term sickness absence	1.25%	1.42%	2.35%
Voluntary turnover	7%	11.4%	7.11%

Repairs performance remains high which shows that the work done to reduce costs over that last 3 years has not adversely affected performance.

Void performance in 2014/15 has been inconsistent, with improvement gains and losses according to numbers of tenants terminating at any one time. The overall trend for rent loss for voids has been upwards for the past 5 years and in years 2013/14 and 2014/15 we have had in place an action plan to improve performance.

Overall re-let property numbers for 2014/15 were 637 against a year end target figure of 502 and this area remains a key focus of the organisation with an action plan in place to address this.

Satisfaction with how we deal with complaints has decreased quite significantly and is below target. This is being reviewed by the Passionate About Customers strategic group and is a key focus for the customer service training being rolled out to all staff this year.



Voluntary turnover of staff has reduced in comparison to the previous year and is now broadly in line with target.



## 7 Procurement and Contract Management

Ensuring savings are generated through procurement is a key part of achieving vfm. We have in place a procurement strategy which sets out our approach and establishes guidelines as to the level of spend at which tenders and multiple quotes must be obtained. Regular monitoring of actual spend with suppliers is undertaken to identify where a tender process is required to be undertaken.

In procuring goods and services, a lifetime cost approach is used in conjunction with other qualitative criteria. This means that it is not always the cheapest product or service which is chosen. In addition, through the creation of Ring Stones (which was procured through an OJEU compliant process), the volume of tenders required to be undertaken has reduced thus saving time and resources on this activity.

The vfm position on major contracts let to Ring Stones is, however, externally reviewed and verified and at times will be further tested by carrying out a full tender process for some contracts.



Materials for the repairs and gas services are procured through a framework agreement and we have our own managed stores based at our repairs depot which provides an efficient mechanism to issue material supplies to operatives. Work is on-going to look at the reduction of specific costs in relation to gas materials and procurement fees.

The following are examples of procurement activity undertaken in the year together with details of the outcomes based on comparison to historic costs.

Area of activity	Outcome
<b>Insurance re tendered</b>	Remained with the existing supplier for all except the motor policy which was awarded to a broker with a more competitive rate. Total saving of £21,000 per annum from July 2014
<b>Repairs call out service was re-tendered</b>	£17,800 saved in 2014/15
<b>Jetting service retendered</b>	Savings of £4,000 per annum
<b>New supplier for waste management for repairs and caretakers</b>	Saving of £57,000 in 2014/15 and more savings anticipated
<b>Lone worker contract re-negotiated</b>	Savings of £2,500 per annum
<b>Energy contract supplier changed</b>	Savings of £13,500 per annum
<b>Appointment of a new health provider</b>	Expected to reduce costs by £6,000 in 2015/16 for hearing checks and personal safety awareness
<b>New BT contract for line rental agreed</b>	Savings of £4,216 per annum from June 2015
<b>Gas boiler contract renegotiated</b>	Cost of the boiler and associated parts reduced by £30.62 per boiler for the 2015/16 replacement programme which will give a total saving of £7,655
<b>Damp programme is to be delivered by Ring Stones in 2015/16</b>	This will save VAT costs and will equate to £6,000 per annum



## 8 Benchmarking

The Homes and Communities Agency publish the financial results of each registered provider. Utilising this information the following comparison can be made:

<b>Comparatives: LSVT's North with 2,500 to 7,500 units (21 in sample)</b>					
	Average 2014 £	Calico 2014 £	Position	Calico 2015 £	Position using 2014 average
<b>Routine maintenance per unit</b>	764	761	11th	755	10th
<b>Planned maintenance per unit</b>	282	197	8th	201	10th
<b>Management cost per unit</b>	857	1,111	17th	1,129	18th

We have a good understanding of our costs in relation to the management of our housing stock but need to continue to find opportunities to improve this. We are maintaining our overall position but it is recognised that we work in a very challenging area with high levels of deprivation. As a result, we allocate more resource than others to income management and support to customers for financial inclusion and dealing with anti-social behaviour.

For example, during 2014/15 a review of the staffing in the neighbourhood management team led to the structure being changed from nine Neighbourhood Officers to ten staff of eight Neighbourhood officers and two newly created posts of Neighbourhood Assistants. This achieved an increase in staff numbers with no cost increase.

The additional resource is to focus on challenging neighbourhoods and voids reduction to reduce costs /increase neighbourhood sustainability. - Customer satisfaction with neighbourhoods is top quartile, highlighting that the higher than average costs of management result in a positive outcome for customers.



Work that has been done in the repairs service to manage and reduce costs is demonstrated by the results above which show that routine maintenance costs per unit are reducing and are below the average in the comparison group.

All posts in the organisation are benchmarked every three years using an external organisation. In addition, salaries in respect of new posts and any team restructuring are benchmarked using the same external organisation.

We are now trialling an alternative organisation for this information. We aim to pay median salaries for posts. Where there is more than a 5% difference – up or down – between the benchmarked salary and the salary paid action is taken to move the salaries into line.

Individual services undertake qualitative benchmarking against other providers as part of benchmarking groups. This includes:

HouseMark Voids Club	Direct Works Forum
HouseMark Forum (Gas)	BDA networking group
Housemark Quarterly (Gas)	Airport Governors Group
HouseMark Tenancy Management Club	TeamNet (Repairs)
TeamNet (Repairs)	North West HA's HR Group
Housemark Customer Contact Centre	

Other examples of benchmarking are:

- ✓ Gas engineer audits are carried out by Morgan and Lambert with 100% compliance. The results are then benchmarked against and our results were ranked 17th out of 202 organisations.
- ✓ Our repairs service has received HQN accreditation and a re-accreditation visit takes place annually.
- ✓ Ad hoc benchmarking with other registered providers has taken place on the Community Involvement structure and service delivery as part of the recent service review.
- ✓ Finance, IT and the caretaking team structures have been benchmarked.
- ✓ Staff attend benchmarking groups to share best practice in areas such as health and safety, income management, IT and human resources.

Following the budget announcement, there is a need to reduce costs, however organisations we benchmark ourselves against will also be in a similar position where they also need to reduce costs, therefore our management costs may remain higher than some of our peers we benchmark against. There is a clear understanding of the cost base and the expected outcomes from that investment, and we need to continually review the benchmarking information to understand how we compare with our peers.



## 9 Savings created and used

VFM activity is undertaken throughout the business on a day-to-day basis. The effect of this activity, both planned and spontaneous, is quantified through the annual budgeting process (see 2.5 above) where an efficiency target is used to ensure the gains are realised.

We have a track record of delivering savings, as shown in the table below:

	2013/14 £000	2014/15 £000	2015/16 £000
Budget excl major works	12,336	11,775	11,919
Savings on previous year	407	614	364
Underspend against total Overhead budgets	83	48	

The budget process for the 2013/14 budget created savings in excess of £400,000. Of this, £167,000 was reinvested in two posts in the Income Management Team recognising the potential impact of welfare reform, additional resource to undertake building repairs and ad hoc handy man activities and feasibility work around the development of a care village. The balance was released to the business plan to use for development activity. A further saving against budgets of £83,000 was made during the year which demonstrated that the efficiencies had been achieved. Repairs costs were however overspent due to the increased number of voids and the need to undertake asbestos removal activity mentioned above.

The budget process for the 2014/15 budget created savings in excess of £600,000, with a range of contracts being reviewed and procured in a more efficient way. A proportion of these efficiencies were invested in resourcing a Head of New Business, to look at generation of new revenue streams and therefore strengthening the financial viability of the organisation. The remainder of the savings were re-invested in the business plan to support new build development activity.

The accounts for the year ended 31 March 2015 showed that we had achieved a saving against budget on directorate overheads of £168,000, demonstrating that the above efficiencies had been realised. Repairs costs were however overspent due to the increased number of voids.

The new budgets for 2015/16 have generated the target savings from the base budget which have been reinvested to contribute to capital improvements to the Centenary Court office and the costs of increased resource in the development team structure to manage the planned development of 464 units over the next five years. We have also allocated costs for the replacement of CO2 detectors across the housing stock.

Our vfm approach is also about maximising income where possible. Following a review of rents for some of our supported housing properties, annual income has increased by £20,000 and has been fully approved for housing benefit.

## 10 Future VFM activity

The recent budget announcements in relation to the required 1% rent reduction over a four year period has meant that the 30 year business plan that was approved by the board in March 2015 has been re-worked and efficiency savings will be made in order to manage this reduction in rental income. The initial savings of £640,000 required for the business plan for next year have already been identified and are as follows:

Saving	£
Reduction in support costs by reviewing Group recharges	100,000
Reduction of 7 posts	190,000
No salary increase	70,000
Review of contracting arrangements – vans, materials, tipping etc.	100,000
Increased income from PV Panels project	80,000
Increased income from Leased properties	20,000
Various smaller items	70,000
<b>Total</b>	<b>640,000</b>

In addition to the Being a Business Group, there is a project group in place to deliver the savings required from 2017/18 onwards and will require further delivery of key projects. These will include: at all areas across the organisation and cross subsidiary activity to identify the areas where potential efficiencies could be made, a selection of just some of the activities to be carried out by the groups are:

- Review of any non core activity
- Review all team structures (customer involvement, call centre, caretaking, neighbourhoods, property services, Money Wise, income management, voids)
- Full service review of the Repairs Service
- Further review of Older People's Services structure
- Review of Finance and Corporate Services structure
- Review of van fleet
- Salary benchmarking, review of terms and conditions (including pensions)
- Review grounds maintenance contract
- Review waste management options
- Review all internal and external contracts
- Consider PV on commercial buildings
- Review of telephony system

There is an efficiency plan in place to monitor the progress of these savings which will be regularly reported to board.

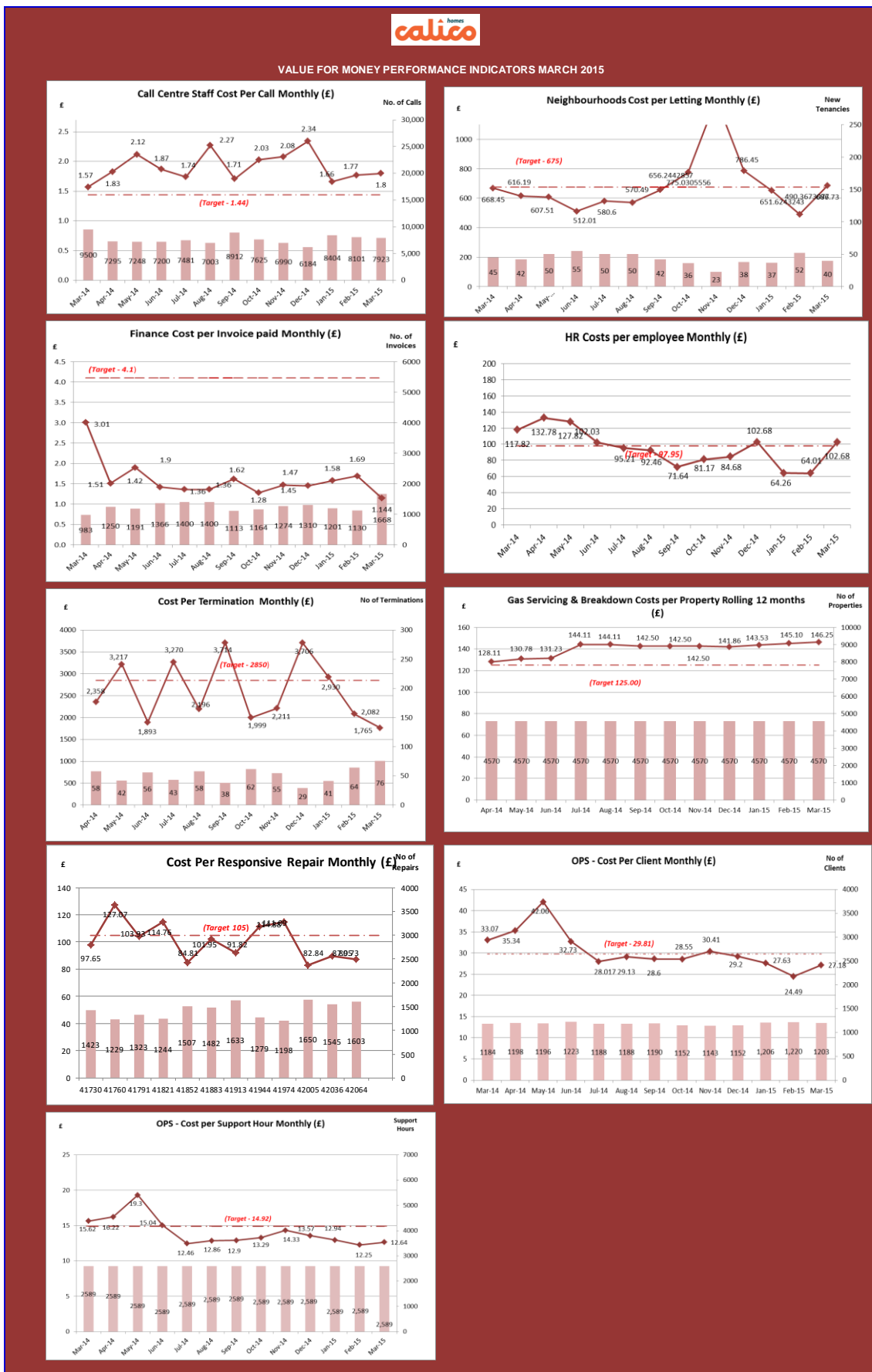
A self-assessment against the VFM standard has been undertaken which provides a summary of how Calico Homes is meeting the expectations of each of the points in the standard. A copy of this self assessment can be found [on our website](#).



## 11 Future efficiency targets

	Year 1	Year 2	Year 3	Year 4
	2016/17	2017/18	2018/19	2019/20
	6%	5%	5%	0%
Category	£'000	£'000	£'000	£'000
Management overheads	393	345	289	-
Repairs overheads	212	189	156	-
Investment overheads	33	29	24	-
Investment programme*	82	77	95	-
Development			500	
Total	719	640	1,064	-
*Based on 3% of investment programme				

## Appendix 1





## Appendix 2

### Example of entries from staff in BE SMART register 2014/15

Streamlining of the procedure for adding new assets onto ActiveH by setting out who should do what tasks in order that new assets are not missed off the New Tenancy sheet.	I found a cheap alternative to a potentially expensive upgrade to the hold music on the phone system. The new system allows Calico to change the music used to hold music as frequently as it likes with no additional cost after a one of license fee of £55.
Rent Account Adjustment Request form amended to include information relevant to the Finance Admin team who perform the task to prevent adjustments being done incorrectly.	Letters drafted to be sent out with Cheque Payments and Remittances that are being posted rather than emailed. The letter relating to Cheque Payments asks the supplier to complete a form and email Finance with their bank details and email address for remittance advice.
Queried call out cost for repair to S/Alarm at Cent. Court. Original cost was made up of 2.5 hours travel plus site time when engineer on site for only 40 mins. Cost was £203.40 of which only £7.00+vat was attributed to parts. Agreed costs of £165.60.	The caterers we use only have minimum order quantities of x10 people when ordering pie and peas. I rang the caterers and asked them if they could reduce the minimum order quantity as some food was being wasted and they agreed.
I found a way of changing the DPI settings on the RDS servers. This allows the Ease of Access function that enlarges system and application text and images. This has allowed me to improve the life of the existing screens for people with visual impairments.	Installing felt lap ventilators, instead of roof vents where applicable to save scaffolding costs of approximately £400 per property.
Wrong door was fitted to an address, replacement ordered and re fit but the door we took off was reused on an emergency job. The operatives planned all this themselves.	Streamlining of the procedure for adding new assets onto ActiveH by setting out who should do what tasks in order that new assets are not missed off the New Tenancy sheet.
Power saving using 73 terminals rather than 73 PCs.	Further reuse of adaptations rather than purchase new.
Secured training on new ASB powers for team at no charge for Neighbourhood Officers.	H&S Training. Some brought in-house on the appointment of the current H&S Manager. Other savings made by the introduction of different External Providers. Total savings £6,485.
Found a cheaper website that sells ID Card holders less cost for twice as many holders.	Making running income process more streamlined for Acorn via email/bankings/uploads.
Installed network cables under the raised floor in: Nutter, Demdike, Chattox, Calder and Pendle meeting rooms for PC terminals. Saving an external contractor charging for the works. The installation also eliminate trailing cables across the floor.	Workshops delivered to Ring Stones, Development and Finance staff to highlight and clarify when and where works should be routed through Hobstones to maximise the VAT recovery on works contracts. Due to the complexity of group trading these workshops were required and this has ensured that all staff are aware of the process.
Comparable quote obtained from JTG to replace 2x Emerg lights & 1x Smoke detector – Total price £342.00. Existing contractor (Chubb) quoted £827.28. PO given to JTG with a saving of £485.28.	Did a bulk upload of car parking passes to car parking database. Also used some coding to automatically return and reissue all passes to staff in the background. This has saved a staff member several hours in doing this manually.
Edited rent increase letter to prevent the need for an extra sheet, saving money in printing costs.	Discussions with HVRC and a VAT Consultant in relation to the treatment of intercompany trading within the VAT return workings, has led to an increase in the amount the Calico Group can recover in VAT> The expected % recovery has increased by 3%.