homes
calico

VALUE FOR MONEY

SELF ASSESSMENT 2016

Part of The calico Group

CONTENTS

1 INTRODUCTION

Providing Value for Money (VFM) is an integral part of The Calico Group's strategic aims. As a Registered Provider (RP), Calico Homes produces an annual self-assessment against the Homes and Communities Agency's (HCA) Value for Money Standard. This demonstrates how by taking a sensible commercial approach, managing our resources and assets and innovating, Calico Homes realises our own ambitions alongside contributing to the wider Group purpose of "making a difference to people's lives."

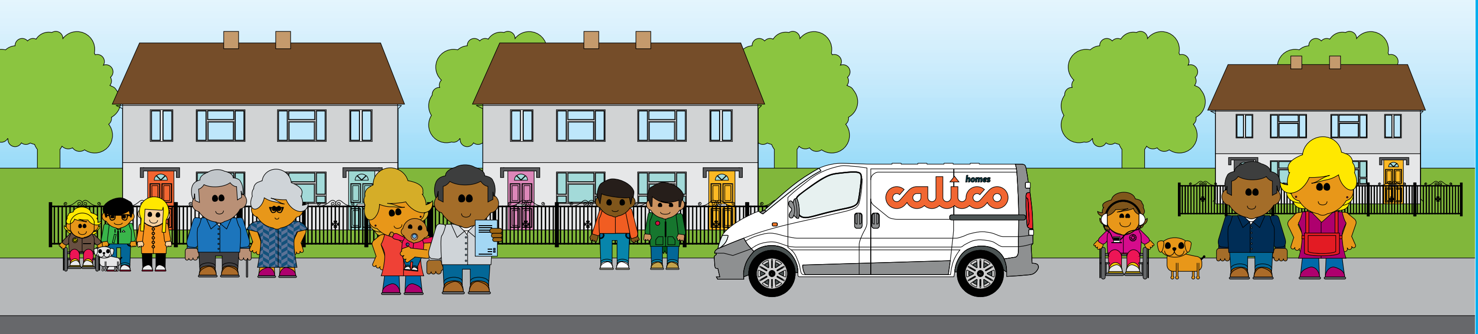
2015-16 has been a challenging time for Calico Homes Board. Reductions in income, welfare reform and changes within the political and legislative spheres have led to uncertainty within the operating environment. Despite this, operational and financial performance has once again improved, proving that Board's focus on VFM has been successful and has led to us delivering "more for less."

Furthermore, despite the adversity we face, our development programme is the biggest it has ever been and during the year, due to VFM savings we have been able to increase the number of units we are developing in our business plan. By 2020, we will have increased our stock profile by 10%.

Like many other RPs, the 1% rent reduction has impacted us significantly. However, we have built on our previous success by increasing existing efficiency targets across the business. The challenge we face is where previously we invested efficiency savings back into the business to support growth and innovation, now we must realise further savings to support these activities.

Being part of the Calico Group puts Calico Homes in a strong position around VFM. Not only do we share our central service costs, but we are also able to provide a unique service offer to customers which for 2015-16 has increased tenancy sustainment levels, and ultimately protected our income. Moreover, the relationship we have with our internal contractor Ring Stones realises Value for Money through partnership working, VAT savings and the creation of social profit. The challenge going forwards is improving these outcomes even further.

We are continuing our Value for Money journey with vigour. We are already developing our approach to understanding our costs in relation to other RPs and have introduced a focus on this within our corporate plan for 2016 – 2019. We are also delivering our new asset management strategy, which takes forward the findings and actions identified following the Savills asset performance exercise completed earlier this year.



2 VALUE FOR MONEY FOR CALICO HOMES

Calico Homes is part of The Calico Group, made up of several innovative not-for-profit and charitable companies working together to make a difference to people's lives.

As described in our VFM strategy, we consider VFM to be the effective use of our resources to maximise the achievement of our strategic aims.

Calico's Strategic Aims:

1) To be customer-led in delivering excellent services.
2) To create social profit for the areas where we work.
3) To provide value for money in everything we do.
4) To secure and deliver new business opportunities and partnerships.
5) To realise people's full potential.

Integral to our VFM approach is our ambition not only to operate efficiently and effectively, but also to realise social profit within the areas that we work. We define social profit as the positive difference we make to people's lives, whether directly, or through initiatives that improve long-term sustainability.

Being part of a Group provides an interesting context for Calico Homes Board who must ensure Calico Homes' best interests are prioritised above those of the Group. Board oversees the VFM agenda which during 2015-16 has focused around:

- Bringing down costs
- Maximising the return on assets
- Added value and social profit
- Value for money into the future.

The review process for the Value For Money Self-Assessment has been as follows:

- Being a Business Strategic Group collate information
- Content reviewed by Leadership Team
- Draft sent to Audit Committee and Calico Homes Board
- Summary table approved as part of the Statutory Accounts for Calico Homes
- Final Assessment issued to Audit Committee and Calico Homes Board.

3 BRINGING DOWN COSTS

The majority of Calico Homes stock is within the Borough of Burnley which is the 16th most deprived local authority within the country*. With low house values and an over-supply of poor quality terraced housing within the Borough, we face significant challenges in managing both properties and tenancies. High levels of unemployment and benefit reliance add further to this picture. Historically, we have recognised these challenges as impacting on our operating costs, recognising continued high performance comes at a higher cost in this area of the country than in others.

* According to the Index of Multiple Deprivation 2015

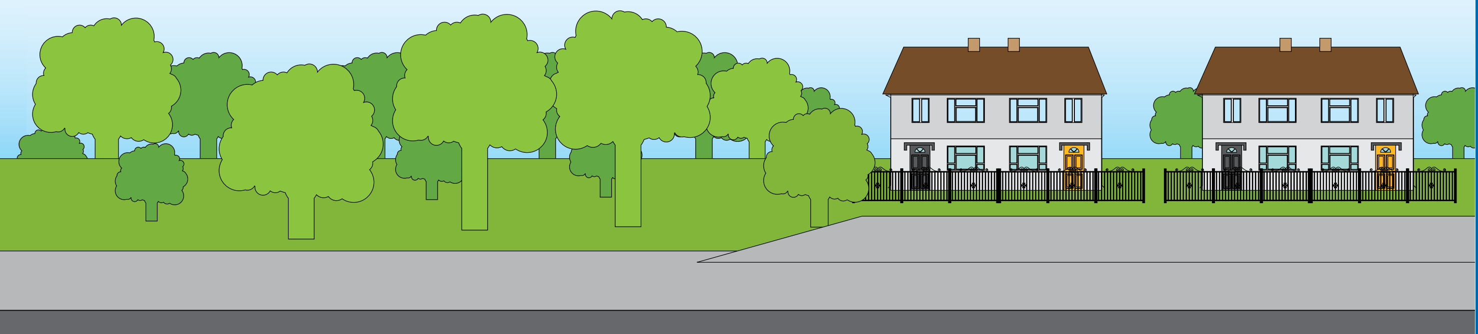
Benchmarking

Operating Cost Data Forecast to 2018/19

Entity	Closing social housing units managed	Headline social housing cost CPU (£k)	Management CPU (£k)	Service charge CPU (£k)	Maintenance CPU (£k)	Major repairs CPU (£k)	Other social housing costs CPU (£k)
Sector Level Data							
Upper Quartile 2015		4.30	1.27	0.61	1.18	1.13	0.41
Median 2015		3.55	0.95	0.36	0.98	0.80	0.20
Lower Quartile 2015		3.19	0.70	0.23	0.81	0.53	0.08
Calico Homes							
2014/15 (actual)	4576	3.42	1.13	0.14	0.95	0.98	0.21
2015/16 (actual)	4631	3.65	1.14	0.30	0.91	1.18	0.12
2016/17 (forecast)	4721	3.14	1.14	0.27	0.74	0.86	0.13
2017/18 (forecast)	4926	2.64	1.01	0.26	0.69	0.59	0.09
2018/19 (forecast)	5017	2.68	0.94	0.26	0.66	0.72	0.10

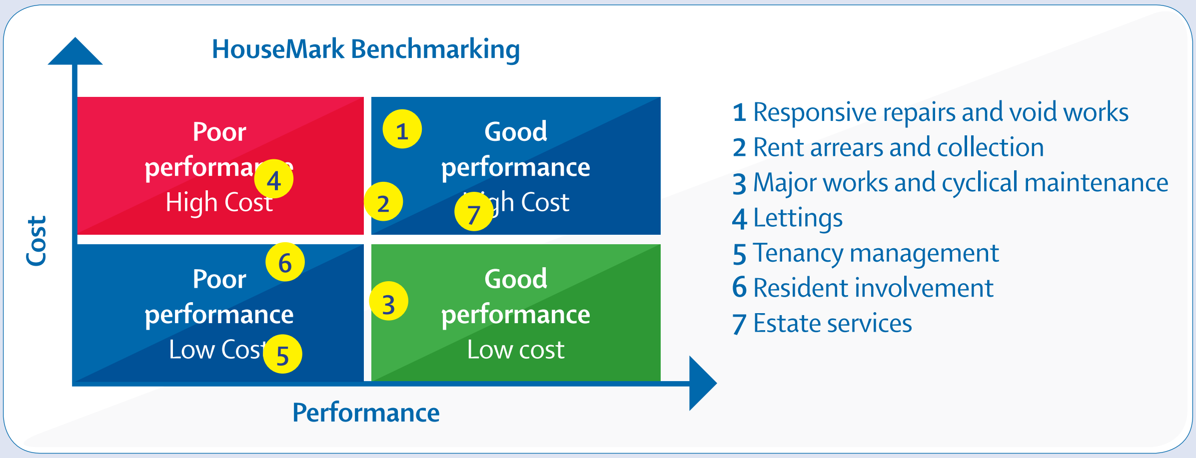
We do not yet have the quartile data for 2015/16. The table above shows that for 2014/15:

- Headline social housing costs per unit are just below the median. This evidences good overall cost control compared to the peer group
- Management cost per unit is above the median. This is because central services have provided support to other group companies. A revised system of recharging these services to group companies has been reflected in the 2017 budgets onwards.
- Major repairs are higher than the median. Major repairs spend is phased in line with the stock condition survey carried out and therefore fluctuates over the years. Future years show spend more in line with the median level.
- We continue to monitor performance against this and will regularly report to Board.

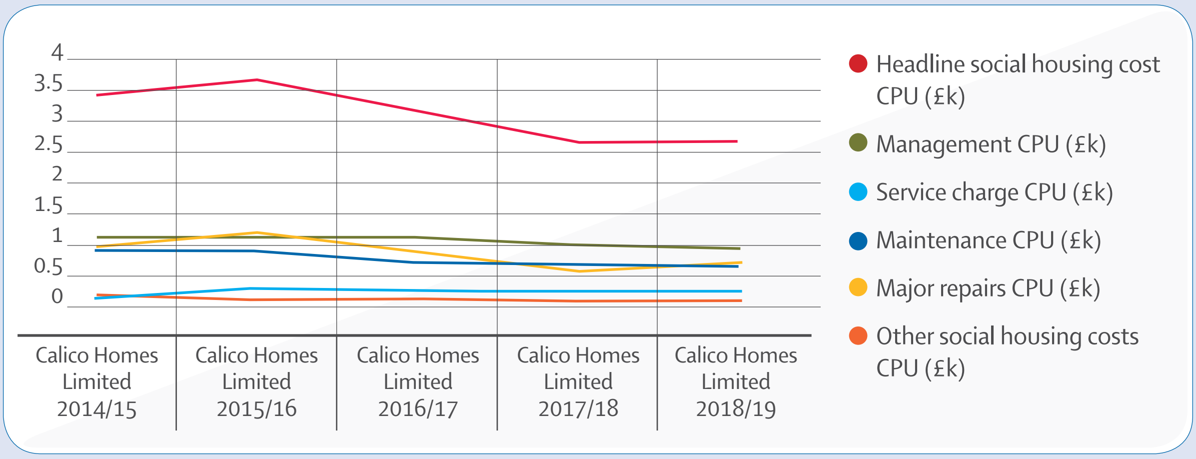


For future years:

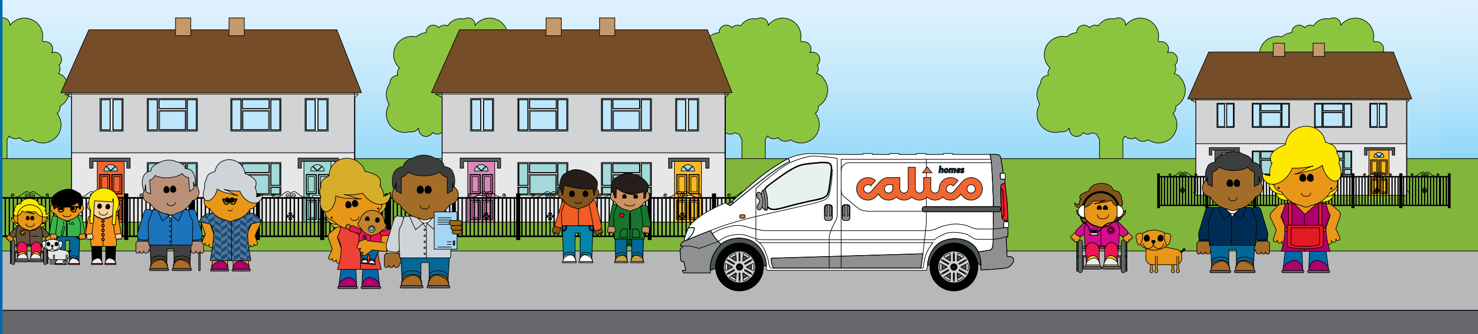
- The headline social housing cost per unit increases in 2016 due to a higher spend on major repairs as a result of bringing forward investment programme spend in 2015/16 to carry our our Energy Company Obligation (ECO) works on our estates to save energy costs for customers and help reduce carbon emissions. Below is a graph of the 2014/15 results. The 'Being a Business' group will now decide how we move this information forward.



- Costs in Management and Maintenance are reducing over the four years, which reflects our cost reduction plans included within in the Business Plan. We recognise other organisations costs in these areas will also reduce shifting the quartile thresholds.
- Service charge costs increased from 2015 to 2016 due to the introduction of Intensive Housing Management service charges in our sheltered stock. This is reflected in an increased income into these services. The graph below shows the cost reduction:



To complement this information, we have submitted cost data into Housemark for 2014/15 which has been validated and the submission of 2015/16 results is nearing completion. Going forward we will also be working in partnership with RSM and Vantage Business Solutions to acquire further sources of data which will provide more detailed information and will support the scrutiny of our costs even further. Board have introduced targets within the corporate plan and additional key performance indicators will be introduced into our performance monitoring processes.



Our strategic approach to efficiencies

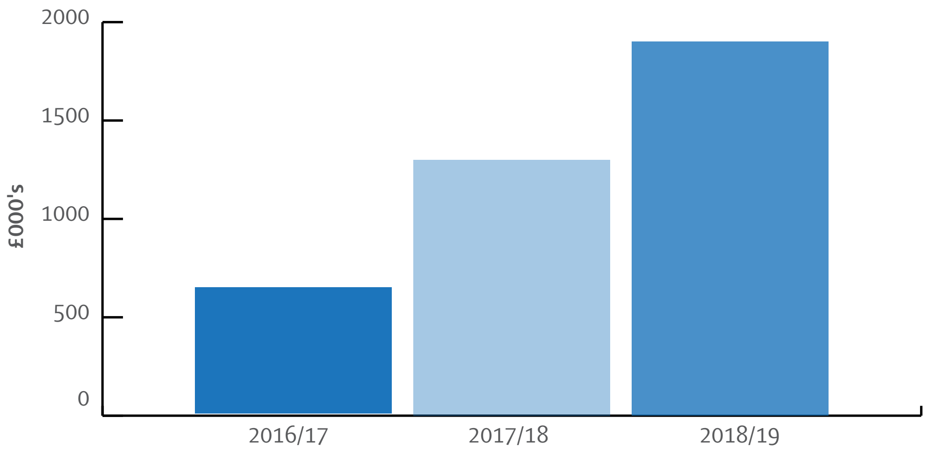
Historically we have had a target of 3% efficiency savings against budgets in place. Any efficiencies realised were reinvested back into the business to support service improvement, innovation and growth. Following the government requirement for registered providers to reduce rents by 1% for a four year period commencing 1st April 2016, we have adjusted our business plan and increased efficiency targets to 6% across the business. Savings identified contribute towards the total cost saving required and therefore any funding for additional activities now needs to be found by achieving further efficiencies.

- In October 2015, Board approved a revised business plan which included £2.8m efficiency savings, which were required to mitigate the impact of reducing rents by 1% for 4 years from April 2016. Some of these efficiencies were achieved by reviewing business plan assumptions, such as restricting salary increases to 1% for three years, and reducing the variable interest rate assumption until 2020.
- The business plan also includes efficiencies required as a result of the reduction of Supporting People funding to the Older People's Service.
- Efficiencies which deliver the target for 2016/17 of £640k have been included within the budgets and business plan, which have been approved by Board.
- Further £1.1m saving are required in 2017/18 and 2018/19 and work is underway to deliver these.
- We are aiming to deliver the efficiencies with as little impact to service provision as possible. Where changes to services are planned, customer consultation will be carried out.
- The development programme has been reviewed and changes made to assumptions which allowed additional units to be added into the plan, generating additional income.

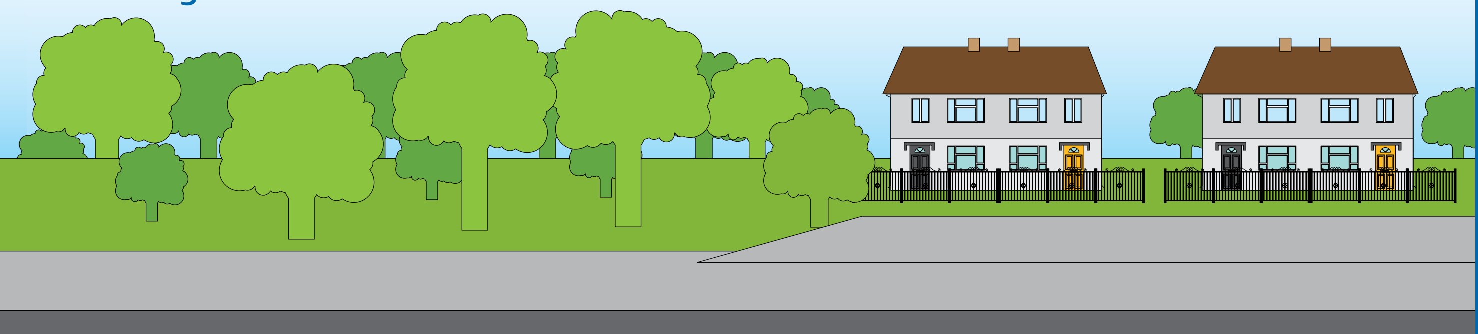
In delivering the efficiency programme, Board agreed a number of principles:

- Protecting core services – specifically income collection, void property management and tenancy sustainment
- Reducing redundancy costs by taking an organic approach to reducing staffing resources for the first 12-18 months
- Increasing income to off-set savings required
- Focusing on productivity (do more for less)
- Maintaining levels of investment in properties in line with the stock condition survey
- Maximising opportunities within development (increasing the size of the programme)
- Open and honest communication throughout

The amount of cumulative savings is as follows:



Savings created



The table below, in Forecast Financial Return (FFR) format, shows the key cost lines for 2015/16 and the next three years:

	2015/16	2016/17	2017/18	2018/19
	£000	£000	£000	£000
Management costs	5,285	5,375	4,973	4,724
Service costs	1,395	1,267	1,290	1,315
Routine maintenance costs	3,680	3,480	3,387	3,292
Major repairs	1,899	2,286	1,698	2,067
Rent losses from bad debts	-61	685	703	714
Depreciation charge	2,514	2,636	2,875	3,068
Impairment	131	0	0	0
Other social housing expenditure - lettings	203	145	222	248
Expenditure on social housing lettings	**15,046**	**15,874**	**15,148**	**15,428**
Support costs	296	421	170	175
Other social housing costs non letting	73	70	71	73
Cost of sales – properties developed	1,774	819		
Other non social housing costs	653	550	524	526
Operating expenditure	**17,842**	**17,734**	**15,913**	**16,203**

The cost lines demonstrate a reduction in costs over the 4 year period in line with our efficiency targets.

2016/17

A project team and action plan are in place to manage the efficiency programme. The Calico Homes Board oversee the delivery of the programme through key financial information and regular updates.

Board approved the budgets for 2016/17, which identify the £640K savings required for 2016/17. An extra £119K efficiencies have been included within the Calico Homes business plan, above and beyond £640k required.

Costs of central services have increased due to increased staffing in the HR, Business Improvement and Finance teams. This investment was required to support the growth of the wider Group. A full review of the basis was carried out in consultation with the Group companies and, as a result, recharge income for Calico Homes has grown from £455k for 2015/16 to a budget of £877k for 2016/17. Previously, newer subsidiaries in the Group had paid reduced recharges for central services to support their growth, specifically Ring Stones Maintenance and Construction and Acorn Recovery Projects.

Some of the efficiencies identified within the 2016/17 budget are:

- £63k reduced costs on repairs and gas servicing materials
- £80k reduction in Older People's Service staffing costs
- £76k reduction in number of operatives in repairs team
- £57k reduction in training and conferences budget, customer service training at £30k carried out in 2015 16
- £31k reduction in grounds maintenance contract due to a review of service provided and some work now carried out in-house
- £28k reduction in PR and marketing budget due to utilising more cost effective formats
- £23k reduction in funding to partners

• £20k reduction in void property security and facilities due to reduction in void levels
• £20k reduction in lone worker costs (increasing to £32k in 2016/17)
• £9k reduced costs on jetting services
• £9k reduction to neighbourhood salaries due to changes in service delivery model
• £4.5 reduction in recruitment advertising
• £23k income for managing Burnley Borough Councils' Empty Homes programme
• £70k income per year for PV on south-facing stock.

All savings are recurring.

Work is underway to deliver projects that will generate additional savings in future years which include:

• Review of central services (forecast saving £50k)
• Restructure of neighbourhood services team (forecast saving £100k)
• Restructure of repairs office team (forecast saving £81k)
• Sustained reduction in terminations and voids (forecast saving £85k)
• Review of disabled adaptation service (forecast saving £22k)
• Review of telephony system (forecast saving £34k)
• PV panels on Centenary Court (head office) (forecast saving £50k)
• Fleet review (forecast saving £50k)
• Corporate benefits review (forecast saving £40k
• Total forecast savings - £512k.

Board have recognised that, in order to have a funded business plan that meets our corporate objectives, the above activities may potentially have an impact on both customer and staff satisfaction as they may affect customer service standards and staff engagement.

Other savings for Overheads/Central Services
The cost of central services and overhead are shared by companies across the Group through a system of recharges.

This minimises the overall cost to each company.

• Facilities have saved £19K (7% of budget) through the return of unused vehicles where natural wastage meant they were no longer needed.
• Savings of £12K for cleaning (12% of budget) and £9K for gas (17% of budget) were made as a result of refunded unused credits.
• £9K (71%) was saved from rearranging the scheduled Legionella testing framework across the Group.
• Last year, we rebuilt the website on a more stable platform for £6k. As a result, we immediately saved £6k in annual hosting and maintenance charges while delivering a better service and staff time savings/improved accessibility for customers. This development also saves us additional web development costs in the longer term.
• We have saved £22K against projected customer involvement spend. The majority of the savings were achieved by carrying a vacant post for three months, and sourcing free customer training provision where possible. Calico's involvement cost per property was £9.57.

Overall costs and performance of Calico Homes

Despite the reducing income within Calico Homes business plan, we are proud to have improved operational performance once again, delivering "more for less" and achieving our ambitions within the VFM strategy.

Rent collection, void management and tenancy sustainment

In 2015/16

- We collected 99.4% of all available rent (from 99.2% in 14-15). Our rent collection performance is within the top quartile when compared with other providers using the Housemark national benchmarking facility – in particular, our performance with the average level of Universal Credit arrears, which are currently £397 against a national average of £637 (as of November 2015).
- Our current tenant arrears were 2.2% (cash value £465K), which is well within our business plan provision for bad debts of 3.2%.
- Former tenant arrears of £279K have increased in the last twelve months. The increase is largely attributed to the limited successful collection routes for former tenant arrears in the current economic climate. Although the value of these arrears is still within our business plan provision for bad debt, we have revised our former tenant arrears procedure and are beginning to see some improvements in collections.
- We reduced our rent loss as a result of empty properties to 2.38% (from 2.4% in 14-15)
- There has been a 16% drop in terminations year on year (534 to 31st March 2016 compared to 639 in the previous 12 months). Although the overall cost of voids works has increased in 2015/16, the reduction in tenancy terminations equates to an efficiency saving of more than £350k when based on the average void costs. We have completed qualitative benchmarking with some peer organisations and they are experiencing tenancy termination rates of a similar level.
- 84% of customers sustain their tenancy for at least 12 months. All new customer have a tenancy visit six weeks after their tenancy has started.
- We secured external funding of £14k towards our tenancy management costs as a result of the management service we deliver on behalf of a Local Authority.

In 2016/17 we aim to reduce the cost of income collection and tenancy management by restructuring our teams. We expect that this will save around £100k per year and will result in service improvement as we increase our strategic focus on tenancy sustainment and the handling of complex anti-social behaviour.

Anti-social behaviour (ASB)

In 2015/16

- We successfully resolved 98% of cases of ASB, an improvement from 2014/15 where we had successfully resolved 95% of cases.
- 96% of customers were satisfied with how their case was handled. This is a slight reduction on 2014/15 where 98% of customers surveyed were satisfied with how their case was handled. We have managed over double the numbers of cases in 2015/16 and have changed the way in which customers are asked about their experience. We will continue to closely monitor this performance to ensure it remains at a high level.
- ASB cost £115k in 2015/16, when we handled and closed 693 cases and it was the same cost in previous years.

- 680 cases were successfully resolved – only 13 cases were closed but unresolved. In 2014/15 293 cases were successfully resolved with 16 cases closed but unresolved. The significant increase in the number of cases handled is the result of work we have completed to build customers' confidence in our ability to tackle unacceptable conduct. We have also introduced a bespoke case management system which has contributed to the increase in the number of cases recorded. There was no additional cost to handling the increase in cases and we have continued to increase the amount of legal work we complete in-house to tackle anti-social behaviour.

In 2016/17, we aim to reduce the costs of ASB by changing our approach to mediation and low-level case management by empowering customers themselves.

Customer service
In 2015/16

- We answered 81.4% of calls within 30 seconds with reduced resource compared to the previous year (2014/15 performance was 81.3%).
- 90% of customers are satisfied with the helpfulness and friendliness of staff this is a slight reduction on 2014/15 where the level of satisfaction was 91%. We will continue to monitor this performance to ensure it remains at a high level.
- We reduced the number of avoidable contacts to 8% (2014/15 performance was 11%).
- In 2015/16, our customer services teams cost £360,484, which is £12k lower than the budgeted sum. Despite this, we exceeded our Key Performance Indicator for call handling times and reduced the number of avoidable contacts we receive.

In 2015/16, the average cost per call handled was £3.60 against an average of £3.68 when benchmarked against another eight housing providers.

We have taken steps to further reduce these costs in 2016/17, when we expect to reduce our operating costs by another £17k.

Neighbourhoods
In 2015/16

- 88% of customers were satisfied with their neighbourhood as a place to live. There has been a slight reduction in satisfaction since 2014/15 where 90% of customers said they were satisfied with their neighbourhood as a place to live, and this has resulted in a fall to the 3rd quartile when compared with peer organisations. We are taking steps to identify why there has been a reduction in some neighbourhoods so that we can target specific services in these areas.
- Our open spaces service made efficiency savings of £41k, which were achieved largely by a change in our approach to gardens and hiring skips.

In 2016/17, we expect to sustain the cost reduction in addition to negotiating a contract sum that has reduced by £14.5k per annum with our grounds maintenance provider.

Elizabeth Street Project (ESP) and Supported Housing

In 2015/16

- Rent loss across all supported housing achieved 5.37% against a target of 1.15%.
- Rent loss for rooms at ESP was 4.04%, against a target of 5%. Measures introduced to increase referrals have had a positive impact in filling empty rooms and helping collect more rental income.

Supported Housing generates higher rental returns and the payback on investment is significantly earlier compared to general needs properties. As such a project was started in 2015 to make Supported Housing a key strand to business growth within Calico. There were two elements to this, one was maximising rents on existing stock and the other was growing the number of supported housing units.

In 2015/16, the rent on existing homes generated an additional £108k of income. Also, in the 2016/17 business plan there are 232 units of supported stock out of the 489 total number of units.

Our Business Plan 2016-19 will generate growth in supported housing by widening our offer of accommodation to more customer groups and deliver different models of accommodation. Over the last 12 months, we have developed a a new scheme consisting of 12 bungalows in Hyndburn and four self-contained units in Burnley with learning disabilities, and six self-contained units in Burnley for individuals with substance misuse and offending history.

Realising People's Potential

In this year's Best Companies survey, we received a two-star rating, and our score for staff retention increased from 5.37 in 2014/15 to 5.40 in 2015/16 (this score is out of seven).

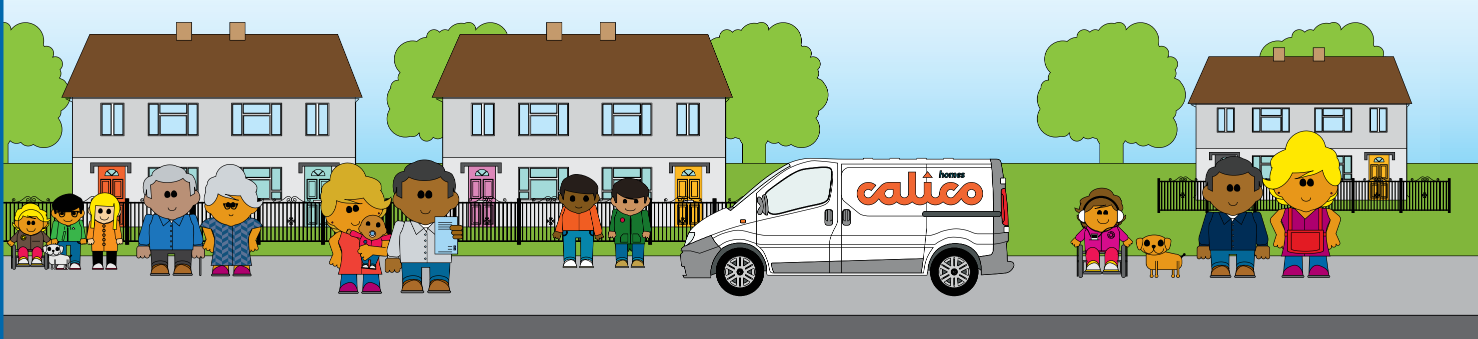
During the year, the Group developed a new Pay and Benefits Policy, setting out aspirations around pay, and a new cyclical salary benchmarking process has commenced. The introduction of the National Living Wage has been implemented across the Group for all ages (excluding apprentices), as opposed to the legislative mandatory age requirement for those over 25.

We introduced a job shadowing procedure across the Group. This supported staff potentially at risk of redundancy to trial a new role within another department or company. This led to some staff being offered jobs in other areas of the business instead of being made redundant, which increased job satisfaction and reduced redundancy costs.

Human Resources

There have been several complex and lengthy sickness cases this year, which have impacted upon the overall sickness level shown below.

	Actual	Target
Combined overall sickness	4.64%	3.5%
Long term sickness	3.05%	1.25%
Short term sickness	1.59%	2.25%



4 MAXIMISING THE VALUE OF OUR ASSETS

Calico Homes owns and manages nearly 4700 properties across the North West. It is important we understand and optimise the return on our assets and have a sustained rental income from them, so that we can continue to provide services that will secure a brighter future for the communities in which we work.

Our asset management strategy aims "to ensure assets are managed in a way which maintains and maximises their value. If we do this successfully, our assets will support financial viability, growth and social profit."

We consider value to comprise four themes:

- There is current and future demand for the asset
- The asset is fit for purpose
- The asset is financially viable
- The asset contributes to creating social profit and growth.

Our Asset Management Strategy objectives are aligned to these themes, two of which are:

Financial performance – we will understand our Group assets, their value and how they are performing financially and use this information, in conjunction with neighbourhood profile mapping, to ensure continued or maximised income.

We will have a strategy for optimising the future returns on assets – including rigorous appraisal of all potential options for improving value for money including the potential benefits in alternative delivery models - measured against the organisation's purpose and objectives.

Value for Money – Using financial performance information to target investment or options appraisal and therefore get the best return on assets we will deliver economy whilst maximising effectiveness and efficiency.

Asset performance information

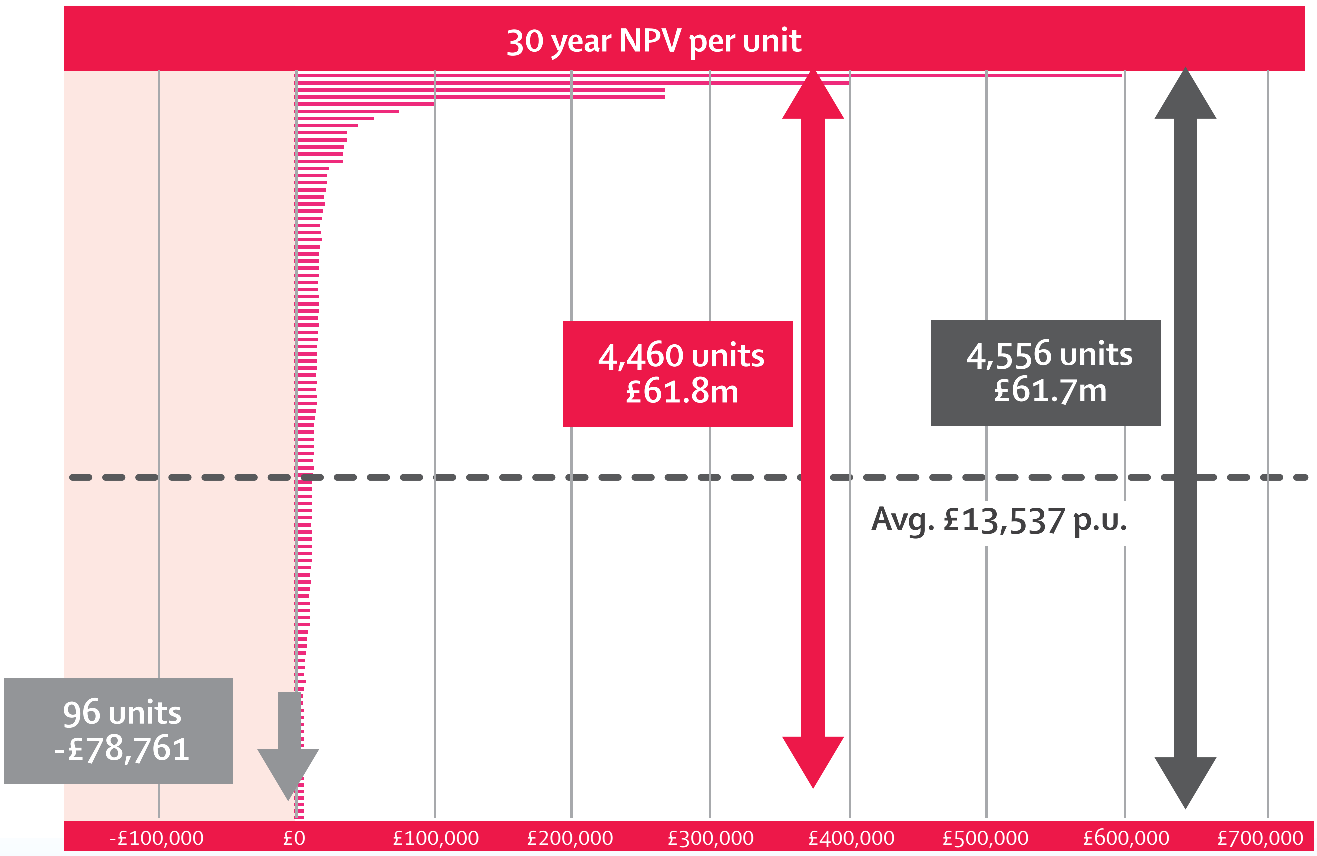
Working alongside Savills - who are specialised asset consultants - we have undertaken a full review of the financial performance of our homes. The 30 year average Net Present Value (NPV) per unit is £13,537 (against a benchmark within the region of £18k - formulated before the rent reductions).

- There are 96 units in asset groups with an average NPV per unit which is negative.
- The majority of stock (73%, 3,336 properties) is in asset groups that have marginal cashflows with an average NPV of below £15,000.
- A quarter of the stock (25%, 1,124 units) is in asset groups that have NPVs which are above £15,000 per unit representing relatively strong financial performance over the long term.

Overall performance is marginal with the majority of the stock in asset groups with an NPV between £0 and £15,000. This reflects the environment and housing market in which Calico operates. The proportion of assets with marginal cashflows reflects the fact that average rent levels are low compared with more active housing markets, and in addition the required reductions in social housing rents are reducing income further.

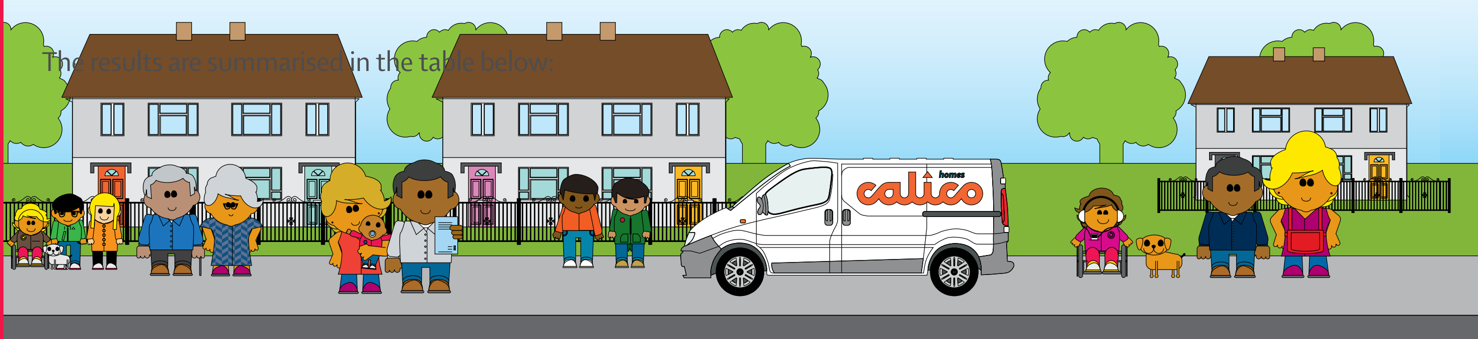
This large group of assets needs further investigation to identify how best to manage risk and improve value going forwards. This has an impact on the worth of business plan cashflows and value movement in the short term, with the value of cashflows set to reduce marginally over time unless remedial action is taken to balance income loss with cost reduction.

NPV Range - Calico managed stock overall



Source: Final Model 2016

The results are summarised in the table below:

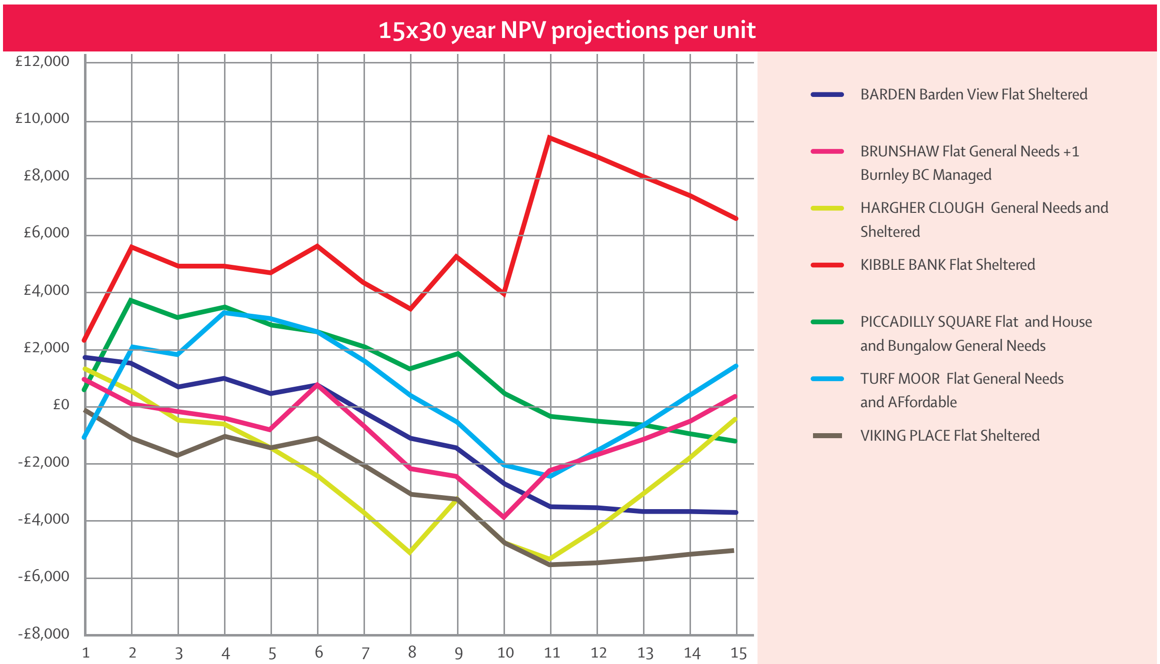


30 Year NPV Per Unit	Performance Description	No. of Units	% Units	Total 30 year NPV	NPV per Unit
Below £0	Poor	96	2.11%	-£78,761	-£820
£0-£15,000	Marginal	3336	73.22%	£34,668,285	£10,392
Above £15,000	Good	1124	24.67%	£27,087,102	£24,099
Total		**4556**	**100%**	**£61,676,626**	**£13,537**

The 96 properties within the 'Poor' category are all within two asset groups: Turf Moor Flats (General Needs and Affordable) and Viking Place (Flat Sheltered).

There are 2000 properties within the 'Marginal' category, some of whose performance will decline to a negative Net Present Value at some point within the period of the Business Plan if performance is not addressed.

This chart shows the future NPV projection for the poorer performing asset groups:



It is currently anticipated that the NPV of the majority of these asset groups will decline into negative values at varying points over the next 15 years. Drivers for these declining Net Present Values are low average current rents and therefore rental income; high average % voids loss and bad debts and low sustainability scores. Planned capital expenditure for Brunshaw, Piccadilly, Kibble and Turf Moor is also relatively high in comparison to some asset groups, which is another driver for declining NPVs.

Board have reviewed the initial information and are agreeing an action plan which includes:

- Review our Investment Strategy and Programme and consider smoothing, to improve cash flow and therefore Net Present Value in the medium-long term
- Review asset groups in the 'marginal' category with declining NPVs over the course of the business plan, with an initial focus on those with declining NPV after the four year rent reduction period
- Review asset groups scoring poorly against NPV and sustainability criteria
- Consider options for sheltered schemes/stock which are performing poorly
- Complete an options appraisal of the asset group with poor NPV performance and high Open Market Values
- The Supported Housing Properties with high NPVs need consideration. A possible strategic decision will be required about the level of expenditure to support their high value and deliver objectives to the specific needs groups
- Calico Homes properties leased by Acorn and Safenet also need consideration to ensure data accuracy and review income arrangements to Calico Homes
- Consider the asset groups most at risk from competition from the private sector.

Repairs and maintenance

Our repairs and maintenance service continues to perform strongly when compared to other similar organisations. However, we have identified that our costs are higher than others in our peer group.

Responsive – Performance

Measure	2015/16	Benchmark Average	Comments/Actions
% performance against target responsive repairs timescales - Emergency	99.64%	97.50%	Out-performing benchmark average
% performance against target responsive repairs timescales – Urgent	98.97%	99.20%	3 day target, as opposed to 5-7 ave benchmark target
% performance against target responsive repairs timescales - Routine	99.56%	97.50%	Out-performing benchmark average with more challenging targets of 15 working days, compared to benchmark ave target of 22.4 days. We have reduced our targets in line with benchmark and the efficiency agenda – from 15 to 20 working days.
Average time in working days to complete reactive repairs	5.23	7.4	Out performing benchmark average
% response repairs with appointment made and kept	98.20%	98.47%	In line with benchmark
% customers satisfied with repairs service	86%	89.90%	

Compliance - Performance

Measure	2015/16	Benchmark Average	Comments/Actions
% of properties with current CP12	100%	99.97%	-
% of stock where a fire risk assessment has been carried out	100%	90.25%	-
% of stock where asbestos surveys have been completed	62.50%	67.20%	This has increased to 66.9% as at 30/04/16, bringing us further in line with benchmark average. Target of 70% by the end of March 2017.
% of stock with a current electrical periodic inspection	93.5%	N/A	This has increased from 80% at the beginning of 2015/16

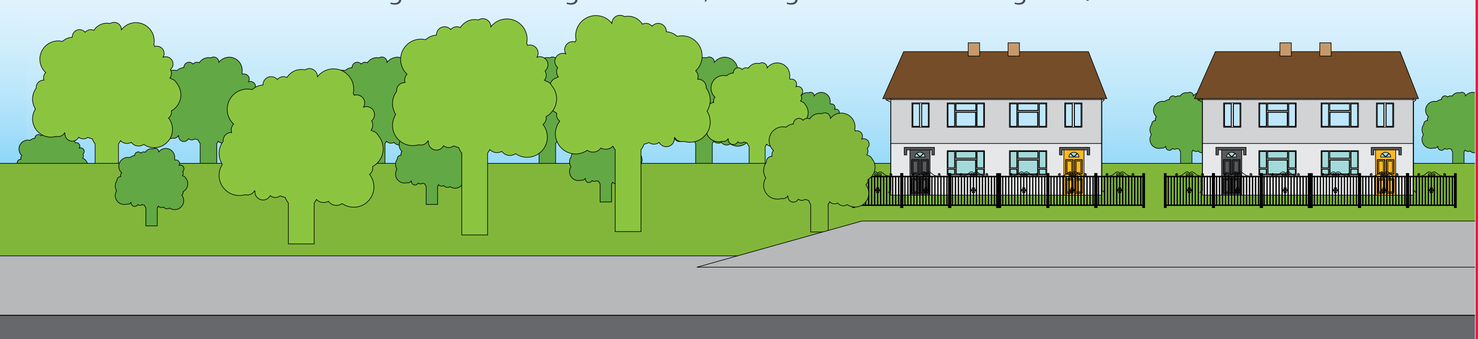
Responsive – Cost

Measure	2015/16	Benchmark Average	Comments/Actions
% expenditure on planned repairs and maintenance	50%	57.69%	We are focusing on completing more repairs within planned programmes rather than on an ad-hoc/responsive basis).
Emergency and urgent repairs as a % of total response repairs	21.90%	34.80%	Out performing benchmark average. This is a reflection of our repairs policy and excellent controls.
Average number of response repairs jobs per dwelling per annum	3.70	3.26	Review of our repairs policy will support improvement of this figure.
Average cost of a response repair job	£99.26	£123.21	Out performing benchmark average
Whole cost/property/annum	£371.74	£316.57	We are reviewing our staffing/ management structure. Service delivery review and materials supply reviews will also support improvement of this.
Average cost of gas service per dwelling	£50.77	£60.69	Out performing benchmark average

Our budget reduction programme and efficiency targets will improve costs into the future and this includes; staff reduction programme through natural turnover, service review, re-negotiation of our materials supply arrangements.

We have made a number of procurement savings:

- Overhead profit reduced with Ring Stones on heating and Roofing programme from 24% to 19%, which will save on average £39k across both workstreams.
- Energy Performance Certificates to be completed in-house, which will result in savings of approx. 10k per annum.
- Asbestos contracts have been re-tendered, saving approx. £22k per annum.
- Periodic electrical testing has been brought in house, making an estimated saving of £4k.



CASE STUDY – REPAIRS

We have reduced material procurement fees from 8% to 2.5% within our current materials contract, saving between £50k-60k per year. Our procurement framework structure had changes, so we are able to reduce fees until the end of our contract (July 2017).

Gas materials have been renegotiated, with an anticipated saving of £25k per year. We have benchmarked costs and renegotiated pricing to realise a saving.

Our Investment and Repairs teams have been merged into a new Property Services structure, with savings of £11k per annum and streamlined processes.

We reviewed our jetting contract, and a 27% reduction in routine repair costs has been agreed, saving £7k per annum.

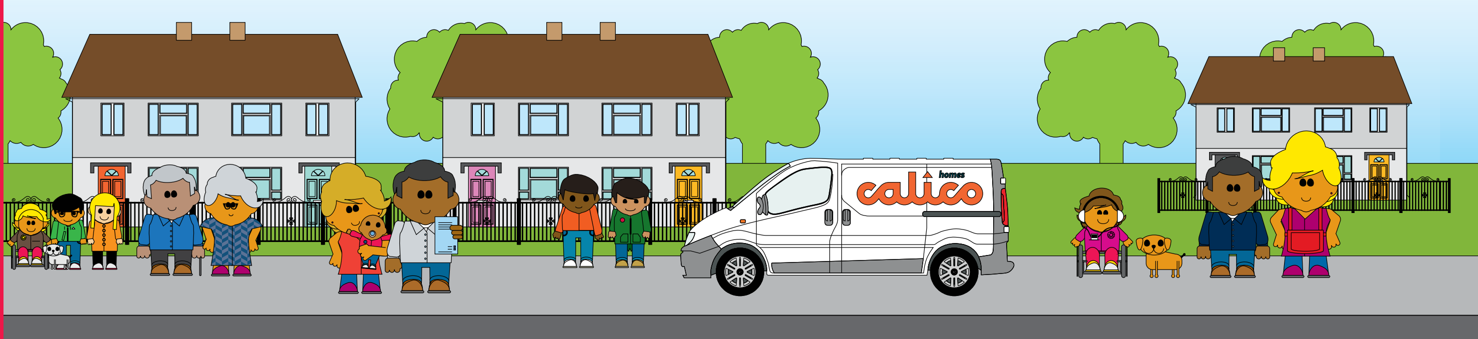
We have renegotiated our asbestos contracts, with anticipated savings of £25k per annum. Electrical Periodic Testing has been brought in-house, with anticipated savings of 11k per annum.
We have reviewed our disabled adaptations service, with anticipated savings of £20k per annum.

Managing void properties

Void property performance has improved significantly during the year realising securing income and reducing the associated expenditure of this activity.

Measure	Year end 2014/15	Year end 2015/16	Target
Vacant homes (available)	99	65	80
Vacant homes (not available)	14	30	-
Total vacant homes	113	95	80
Rent lost through properties being vacant	2.39%	2.38%	1.75%
% tenancies sustained for at least 12 months	80.75%	84.27%	83%

- As at 31st March 2016, there were 65 available void properties, compared to 99 at year end 2014/15.
- Void re-let times are a priority improvement area in 2016/17 – at 31st March 2016, 64% of properties had an overall turnaround time of four weeks or less.
- In 2015/16, empty homes cost £2m in total, with an average cost per empty home of £3k. This represents a year on-year increase in costs and is largely the result of increased rent loss arising from properties requiring high levels of repairs, which created a backlog.
- Achieving rent loss of 2.38% for 2016/17 against a business provision of 3% should realise an income of £138k above the amount assumed in the business plan.
- Last year, we also reduced the cost of void security by £15k. We expect to reduce this by a further £1k by switching supplier this year.



Next steps

Measure	Year End 2014/15	Year End 2015/16	Target
% properties re-let within 4 weeks	81.96%	63.99%	82%
Overall Void Turnaround Times (CORE) Definition	20 Days	36 Days	28 Days

Measure	2015	Benchmark Average	Comments
Average Cost Per Void	£2455.70	£2244	Due to additional painting and decorating costs – an additional £397 per void in 2015/16. We are reviewing our service level agreement with our P&D to reflect a more flexible approach in response to reducing void numbers

We will continue to focus on void property management through our Voids Action Group. The focus for the next twelve months will be to improve re-let times and address the cost per void property. The actions include:

- Revising void categories and repair turnaround targets to minor (five days) and major (15 days).
- Reviewing our approach to allocations, and exploring options that will allow us to use a range of methods to broaden our customer base and help us to offer a greater number of market rent tenancies.
- Creating a Tenancy Sustainment Strategy that outlines our aims and objectives for providing a flexible offer to customers.
- Focussing on successful use of the voids process management module within our housing management system.
- Reviewing the impact of the Local Housing Allowance cap to understand which customers will be affected, to help us provide relevant support to customers.
- Setting targets for 2016/17 for reduction of £184k in the "cost of voids" to support the efficiency programme.

Investing in properties

In 2015/16, we spent a total of £4.4m investing in our properties. The majority of this spend was on an external wall insulation (EWI) programme, which achieved external capital funding of £618k. We also completed a PV project which realises an income of £70k annually and realises a return on our investment in 13 years

External Wall Insulation (EWI)

- 447 properties received EWI on this on this programme with PV across Belvedere, Turf Moor and Burnley Wood.
- Properties identified are classed as 'hard to treat', so have poor insulation.
- The works save customers between £150-£300 per year on utility bills, depending on their property size, and the SAP rating has increased to 69.5 and should increase to 71 once works are complete.
- This is a £2.8 million programme, with £618k funding obtained from British Gas, who will complete the works in partnership with Ring Stones.
- We will have EWI installed to over 1500 properties on completion of this scheme.
- We are carrying out another programme of 249 properties across a further four estates, which commenced in June 2016. The total cost of the work is £1.2m, with £397k funding obtained from British Gas.

PV

- In 2015/16, Calico installed PV panels to 255 properties across our stock, with a total cost of £1 million.
- Calico will obtain approx. £70k income per year on Feed in Tarrif/export tarrif for the next 20 years = £1.4 million.
- Customers will save approx. £250 per year on electrical bills.

Despite the challenges we face around creating efficiencies, the Calico Homes Board have decided to continue our planned level of investment in properties throughout the life of the business plan.

Works to be undertaken in 2016/17 include:

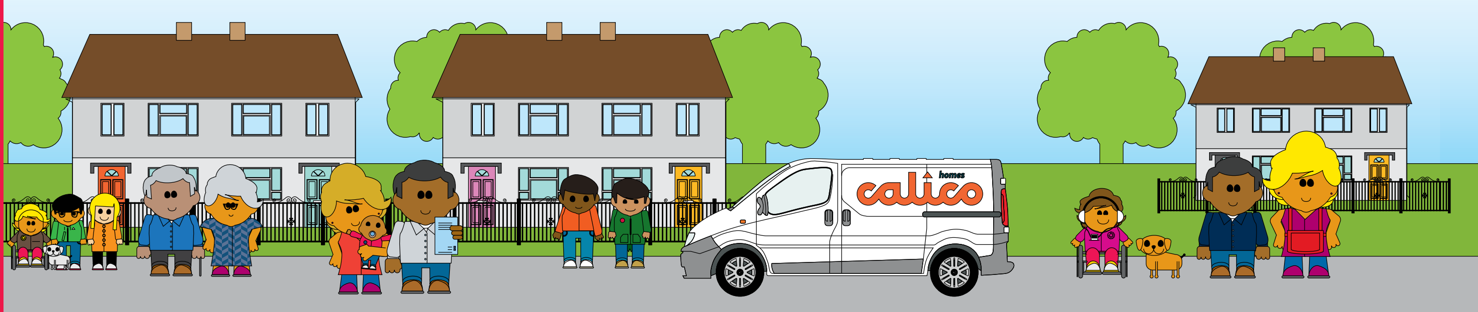
- EWI programme
- Brunshaw improvement programme, pending completion of the EWI programme
- Heating programme
- Damp works
- Aids and adaptations
- Roofing
- Asbestos removal and surveys
- Commercial PV.

CASE STUDY – ECO PROGRAMME

2015/16 saw the completion of phase one of our ECO programme, which involved a total of 455 properties, at a cost of £2.8m, £618k of which was funded by British Gas. The programme was delivered in partnership with Ring Stones and British Gas. Works included external wall insulation (EWI) and replacement fascia, soffits, bargeboards and rainwater goods.

Customer feedback is excellent, and we are reporting 100% satisfaction to date on the scheme. Customers have benefitted financially (a reduction in fuel bills between £150 and £300 per annum). The programme has also reduced noise pollution, and improved aesthetics and thermal comfort.

The anticipated carbon savings for properties included in phase one is almost 14k tonnes. We negotiated high rates of funding and received £44.43 per tonne, which compares favourably with the market – when we have benchmarked these figures, sector standard is between £20-£25 per carbon tonne.



Value for money partnership with Ring Stones

In September 2011, when Calico Homes had the role of Group parent, the Board approved the launch of a joint venture partnership which was set up to deliver property investment and new-build services. The joint venture – Ring Stones – was established in June 2012 in partnership with HT Forrest and aimed to respond to the increasing cost of this type of work within the external market by:

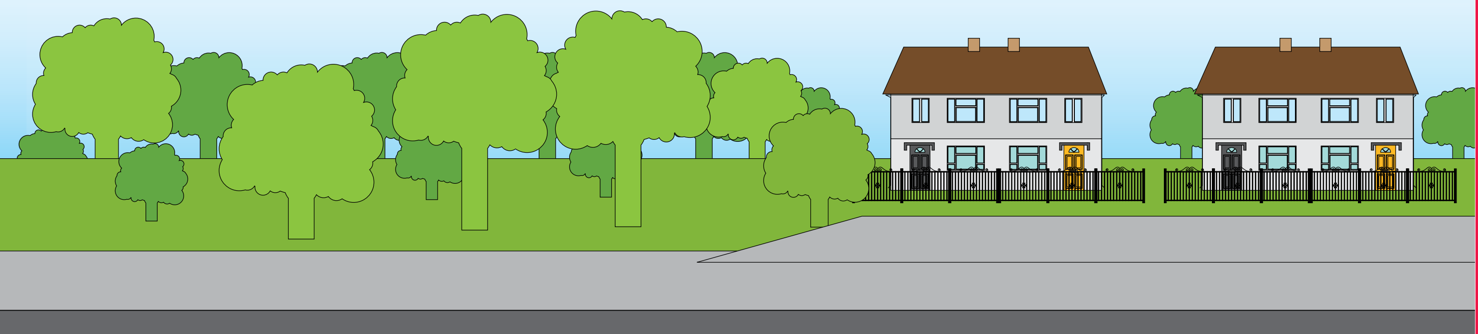
Aim	Result
delivering VFM through VAT savings	2015/16 £200k VAT savings on labour and £35k VAT savings on surplus achieved
reduced tendering costs, procurement and material costs	All development and investment work has been allocated without any tender exercises (excluding Whitworth and ECO phase 1) resulting in £40k salary cost savings
achieving external work	Achieved £274k work in 2015/16 with £54k surplus
sharing of corporate services	2015/16 £123k contribution to Calico Homes 2016/17 £350k contribution to Calico Homes
the opportunity to re-invest surpluses back into Calico	2014/15 - £293k (51% share) re-invested into Calico Enterprise and SafeNet and 2015/16 - £174k (100% share from August 2015) used to purchase Forrest share of Ring Stones.

A re-financing exercise was approved by the Calico Group Board and Calico Homes Board in October 2014 which achieved an additional £30m funding for property development, increasing Homes' development programme to 489 units (from April 2015 to March 2020).

Ring Stones is now 100% owned by Calico since August 2015.

When Ring Stones was set up in 2012, a key focus was around providing value for money to Calico Homes. It is evident that, as Ring Stones has continued to mature, value for money has been achieved in a number of areas which can be evidenced through external benchmarking and internal customer satisfaction.

It is recognised that there are opportunities to increase value for money further and an action plan has been produced to support this.



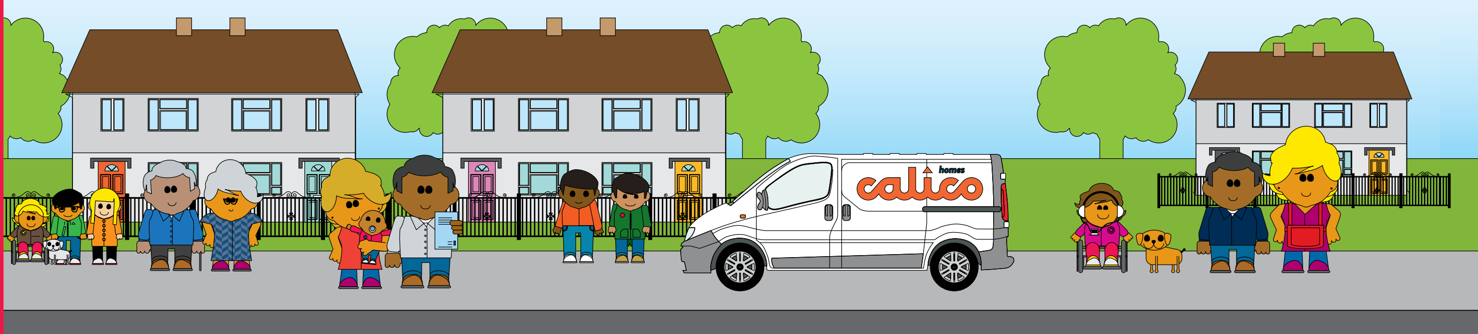
	Actions	Date
1	**Review approach to contracts (Head of Development)** - Review four year development framework between Calico Homes and Ring Stones - Embedding of the PPC2000 contracts	December 2016
2	**Review of work streams (Head of Property)** - Review electrical testing work – currently completed by Ring Stones but intend to bring in-house - Review damp work – currently completed by Ring Stones but due to reducing demand, this will be more efficient to complete in-house. Expenditure will reduce from £600,000 (2015/16) to £300,000 (2016/17) - Planning and negotiation of costs for 2017/18 investment programme	June 2016 September 2016 November 2016
3	**Benchmarking (Head of Finance)** - Benchmarking of Calico Homes' costs via Housemark - Comparison between the margin charged on work for Calico and external work won competitively - Review of HCA Global cost information	July 2016 September 2016
4	**Continual Improvement (Head of Property)** - Internal process and procedure review within Ring Stones focusing on creating efficiency - Continuing Ring Stones business growth to realise reduced overheads to Calico Homes. Ring Stones target to increase external work to £1.5m resulting in reduced cost of staff prelims/overheads for Calico Homes - New Procurement Manager to implement effective procurement processes and building of supply chain relationships - New Design Manager to drive early stage design to realise cost savings	November 2016 On-going – to be reviewed annually November 2016 November 2016
5	**Organisational Development (Director of Customer Service)** - Re-investment of surplus at year end, should this be reviewed and a calculation be agreed that returns a certain amount of profits to Calico Homes. - On-going work to develop culture and employee engagement within Ring Stones increasing productivity and reducing costs of recruitment	March 2017 December 2016
6	**Social Profit (Director of Customer Service)** - Social profit accounts for Ring Stones to be produced	June 2017
7	**Annual Review** - Next annual review to Calico Homes Board	June 2017

Property Development

Asset growth is a key target for Calico Homes for several years. We have increased our loan facility by an additional £30m which sees us delivering our largest development programme to date. By 2020 we will have increased our property portfolio by 10% and will have diversified our activities into care, different types of supported housing and other tenure types such as shared ownership or rent to buy.

Business Plan

- Our Business Plan for 2016/17 includes the building of 410 homes up to 2019/20. 79 units were developed in 2015/16.
- In 2015/16, total spend was £3.8m against a budget of £10m. Delays to the HCA contract announcement, where two large schemes were not progressed as planned, contributed to this. Time taken to secure land has also been a major factor. The underspend has been reforecast for 2016/17.
- Within the overall development programme, 268 units have been allocated – of these, 79 were delivered in 2015/16:
  - 60 homes on Primrose Mill, 14 of which were for sale.
  - We also acquired 13 supported bungalows in Clayton Le Moors and Acorn House, which consists of six units.
- We have achieved grant funding from the HCA for three programmes. This extra income allows us to increase the range of services we can deliver and the amount of rental income we can generate:
  - AHP Affordable Homes Programme 15/18 = 52 units
  - AHP CME Affordable Homes Programme 15/16 – Continuous Market Engagement = 68 units
  - HfC Homelessness for Change = 45 units.
- Since the start of 2015, these funding bids have generated £5,418,872 of HCA grant income, which will support us to build further houses.



5 ADDED VALUE AND SOCIAL PROFIT

Because Calico aims to create social profit, we're working to improve people's quality of life – reducing the likelihood of them being in poverty, unemployment or ill health. We believe that investing in the community delivers a much greater return on our investment by creating sustainability and reducing the long-term costs associated with poverty and deprivation.

Our growth strategy is designed to harnesses the strengths of our unique group structure (see GROUP STRUTURE section). Not only will we positively impact on the lives of our customers, and the wider community, but we will achieve value for money through shared efficiencies and savings to the public sector.

Below are a number of examples which demonstrate how we add value into people's lives beyond the basics of service provision.

Skills and Enterprise

Clearance and Clean provides a clearance service for Calico Homes' void properties. Over the past 12 months, the service has seen seven people through employment, and has offered two traineeship placements. There have also been two volunteers, one progressing to employment.

Calico Interiors provides a painting and decorating service for Calico Homes.

- Calico Interiors has supported the employment of nine apprentices, 100% of whom were from disadvantaged groups and were previously NEET.
- 80% of the apprentices live in Burnley and 11% are female.

Constructing the Future (CtF) provides high quality apprenticeships in construction.

- Currently, CtF has employed 17 apprentices, 100% of whom were from disadvantaged groups and were previously NEET.
- 82% of the apprentices live in Burnley and 12% are female.
- An area for development is to increase the number of apprentices with Repairs to futureproof the service going forward.

Bean Good Coffee Shop is a social enterprise that delivers catering and provides nutritious and wholesome meals to predominantly homeless people. We also provide training and development opportunities to NEET people, specialising in supporting ex-offenders and people with learning disabilities. This enhances the offer from Calico Homes to its customers.

Calico Careers

Calico Careers provides a range of employment and skills support, and a traineeship programme to help individuals into employment, apprenticeships or further education. These services are targeted at the areas in which Calico Homes works to support the community and reduce worklessness which, in turn, has an impact on tenancy sustainability and rental income.

In the last financial year:

- 109 people have accessed our Skills and Enterprise training programmes.
- 89% have achieved programme outcomes.
- 63% of those are either now in apprenticeships, or have since gone on to jobs or training.
- 100% of people who have accessed our Skills and Enterprise programme are from diverse backgrounds.
- 118 people have accessed our training courses.
- 166 people have accessed work experience placements.
- 171 have accessed IAG appointments.

We provided around 80 work experience opportunities, which supported departments with additional resource, helped meet contractual objectives, and provided trainees vital experience. New contracts have been gained as a result of the good outcomes achieved from previous contracts. As increasingly more funding will be channelled through consortiums, our reputation as a credible delivery partner is essential. Areas for development include increasing the offer to all customers regardless of age, ability and barriers.

CASE STUDY – SAFENET

SafeNet is a registered charity that empowers women and children to live free from domestic violence and abuse, and is committed to working with commissioners and key partners to maximise our Social Profit contribution, whilst delivering value for money.

SafeNet supports people who are experiencing or are at risk of domestic abuse. Through Calico Homes, they work to relocate women in new housing, and support independent living skills and tenancy sustainment. In addition, they contribute to our Social Profit by:

- **Employing locally based staff wherever possible.**
- **Paying a Living Wage and providing flexible working conditions.**
- **Promoting volunteering opportunities for all local residents.**
- **Procuring goods and services from local businesses.**
- **Securing additional funding (from trusts and grant giving bodies) that enhances service delivery.**
- **Supporting smaller third-sector providers to build capacity and sustainability in the sector.**
- **Providing our services in ways which maximise environmental sustainability.**

Within all our support services, we seek to recruit local volunteers, both ex-service user and community, in order to enhance our service delivery. Around 50% (and often higher) of staff and volunteers are survivors of interpersonal abuse and, as a result, they empathetically deliver support services from a place of experience and understanding.

Older People's Service

460 hours of volunteers' time has been delivered across the service this year, providing added value and a presence at schemes, enabling staff to focus more on their support.

CASE STUDY – PROTECTING SERVICES FOR THE VULNERABLE AND ELDERLY

The Older People's Service has managed to achieve efficiencies and bring in new income to continue to provide a low level tenancy related support service, mitigating reductions in Supporting People Funding and a proposal to cease funding entirely in 2017.

In March 2015, the funding reduced by £309k per annum. This was mitigated by the introduction of a General Housing Management service charge.

General Housing Management relates to the housing-related activities we deliver to older vulnerable customers. The charge makes up part of the full cost for customers and is applicable for Housing Benefit for those who are eligible. Customers can also self-fund this element. The income from this stream is approx. £377K per annum.

Following this reduction, a proposal was agreed to cease funding sheltered accommodation support services via Supporting People Funding in April 2017. Efficiencies have been secured within the service ahead of schedule, enabling us to manage without the last of the funding (£239K per annum). Staffing has been reduced by seven posts, and salaries have been benchmarked to ensure equity as part of a full structure review. These functions have been streamlined and are now being managed within the existing team.

100% of safeguarding cases were reported within policy timescales in the last 12 months.

Satisfaction with our service is high at 85% for 2015/16. However, there has been a decline over the past year from 93%. Work is planned to focus on the reasons why customers are happy or unhappy with their service this year.

- 97% of customers have had a support plan put in place within ten working days of them taking up services with us.This outperforms our target of 90%. We are now able to provide personalised support in a timely manner, ensuring our clients have the correct level of support in place.

Corporate Activity

We have introduced new initiatives to increase collaboration between teams to share best practice, resolve issues and improve services to customers. This new approach encourages all staff to make a difference to people's lives in a way that goes beyond their job role.

Whitworth Care Trust

The Whitworth Care Trust gets involved in lots of local activities, and local groups contribute funds for our facilities. We also received donations from local events. All staff are due to attend a Jewels in Dementia Care training session, and we are looking at increasing the role of volunteers.

We have established a system for obtaining customer satisfaction, and are now looking at how to improve it. Two areas for improvement have been identified – social activities and catering. We are currently reviewing how we deliver social activities, and the current menus are being reviewed and implementing a new catering provision. Last year, we received no complaints and numerous compliments. The Care Quality Commission rated the service as good, although improvements were identified in the area of safety.

Calico's vision for the Trust is to improve service provision through the development of a brand new care facility in Whitworth, which will enable services to be financially viable in the long term. Over the last 3-4 years, we have been working to provide better business management and financial stability.

Ring Stones

Through our work with Ring Stones Maintenance and Construction, we have created the following apprenticeships for 2015/16:

- 9 Apprentices 2015/16
- 2 more starts August 16
- 4 completing August 16
- 1 being kept on full time
- £91,974.28 billed in 2015
- £66,780.40 billed in 2016 YTD

Based on our Social Profit calculations, for every £1 Calico Homes invests in Ring Stones projects, £2.01 is reinvested in our communities as Social Profit.

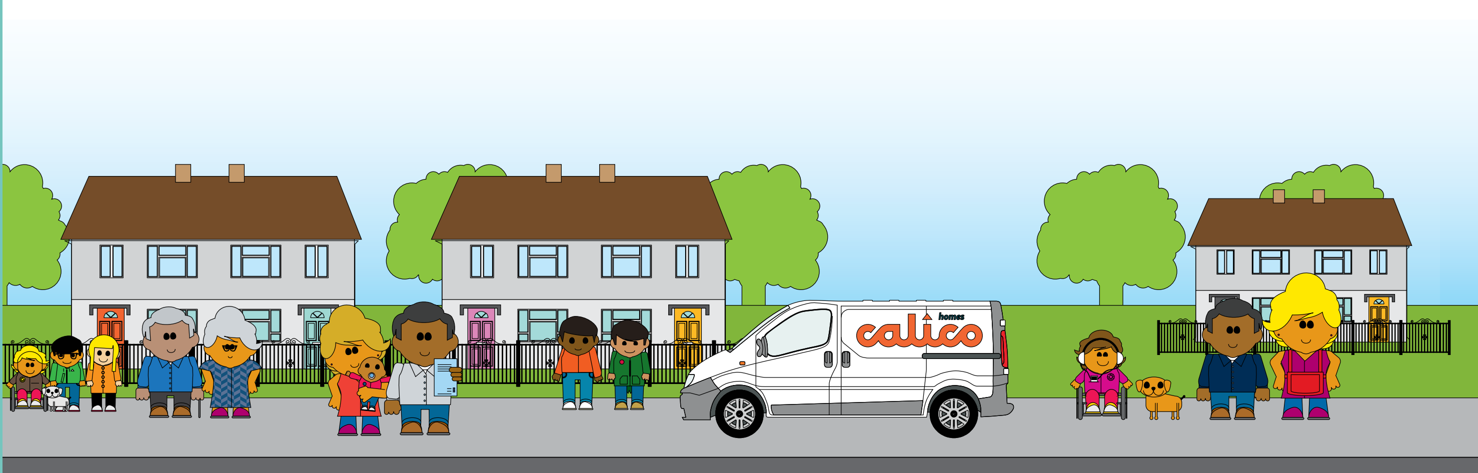
CASE STUDY – CO-REGULATION

In 2015/16, we agreed a new approach to co-regulation.

Our previous approach to co-regulation cost £4k per annum. We expect that the new approach will cost less than this, as it will allow us to attract external funding of around £3k and will result in more tangible outcomes.

The new approach includes an informal approach to customer engagement, which has been proven to increase social capital. We have already piloted this approach through the introduction of the South West Burnley Community Plan, which was written following involvement from more than 500 members of the community.

Our new approach has led to higher levels of engagement in our neighbourhoods. The benefit of having more social contact alone is conservatively estimated to have generated a social value of £5k.



Passionate about customers

In 2015/16, we trained 250 staff in the Mary Gober 'Be the Best You Can Be' Passionate About Customers tools. Services now have plans in place to integrate this learning into everyday behaviour. The training cost Calico Homes £31k, but has already reduced avoidable contacts from 11% to 8%, making an ongoing saving of £12k a year. It will also improve customer retention and reduce the costs associated with escalation, e.g. rent loss and void costs.

- 40 customer champions have been recruited, with a further 250 trained across the rest of the Group.
- 88% of customers are satisfied with the overall service we provide, and this is a second quartile position. Almost two thirds rate our service as better than other providers. 91% find our staff helpful and friendly.

We have introduced the 'what our customers are saying' customer insight report. We expect the insight will be used by managers as a tool to support leaner processes and improved service delivery. The report does not cost anything to produce other than staff time, and uses insight data already collected to provide a rounded picture of what customers are saying about Calico.

We will carry out a programme of customer profiling and journey mapping. This will support us to offer flexible services that more closely meet the needs and expectations of different customer segments. The project will also map a number of customer journeys to help us create leaner processes.

A revised policy and action plan for complaints handling will also be approved by September 2016. The review has not cost anything other than staff time, and we expect the outcomes will result in most issues being resolved at the first point of contact.

In 2015/16, we integrated an empty community centre into our community engagement offer, with 18 wellbeing opportunities now available to customers. Last year, we received £22.5k of external funding to contribute toward the cost of delivery of customer engagement.

Growth Group

The need to reduce service delivery costs in increasingly competitive markets has ensured that we understand our service delivery costs. The hourly rate for delivering support services has reduced from over £20 per hour to, in some cases, less than £16.50 an hour.

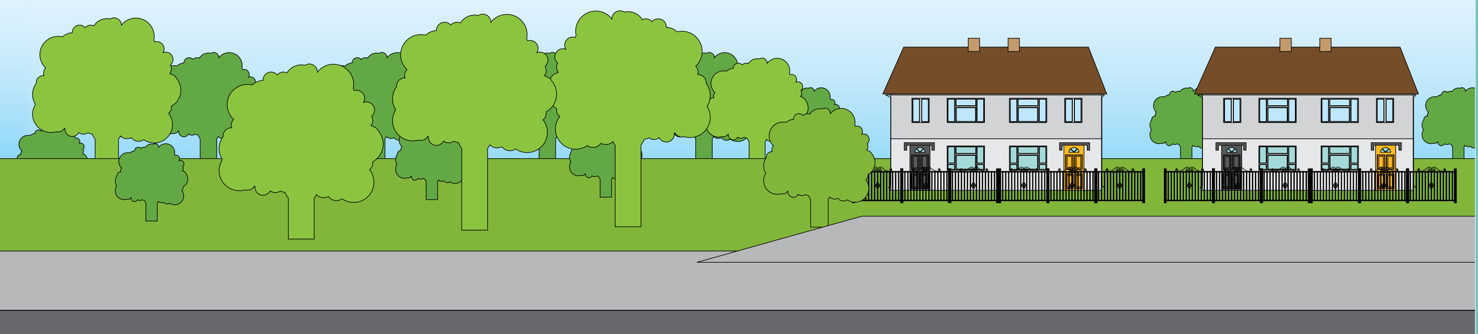
We are working to simplify the Bid Budget Template to make it more accessible, ensuring understanding and ownership of costs is spread across a wider group of staff. We are also working to ensure costs are accurate and that the process allows us to highlight those that have a disproportionate impact on unit costs.

We are also working to quantify the impact of our current work on health, the potential impact of future health offers, and how our service offer can deliver real savings to health budgets.

Social profit

The group has developed a 'social profit calculator'. It enables the organisation to quantify and measure the impact of our activity in relation to social return on investment, local economic impact, and cost benefit analysis. It enables us to place a financial proxy on our work that we can use to promote the social impact of our investments.

We are externally influencing around the social profit agenda through involvement and discussion with key partners and stakeholders. Our future ambition is to undertake a review of our procurement processes.



Elizabeth Street Project (ESP)

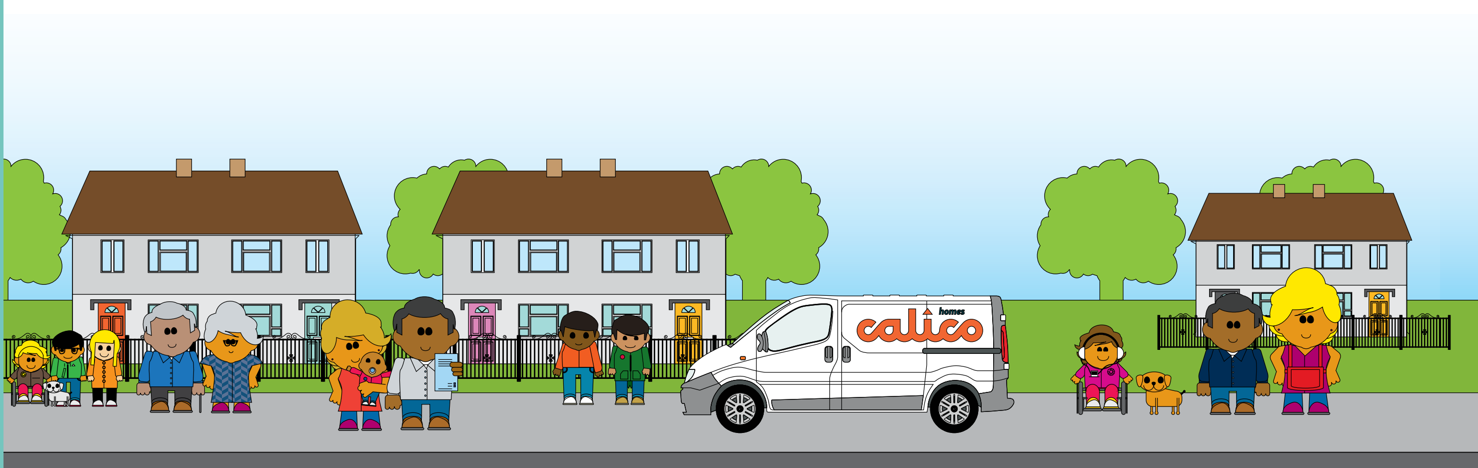
ESP was validated by Lancashire Supporting People and received a contract extension until the end of March 2017. We are currently looking at developing new premises for our homeless services and other health and wellbeing initiatives to be delivered in the community.

- The value of the contract is currently £166k per annum.
- 98.21% of customers at ESP were satisfied by the overall service offered during 2015/16, against a target of 95%.
- 97.40% of rooms were re-let within one week, against a target of 85%.

Customer Involvement

This year, we trained fifteen Older People's Service customers as Digital Champions, at a cost of £651. We have also signed up as a UK Online Centre. Approximately 64 volunteer hours were delivered up to the end of 2015-16.

This is one of a range of initiatives we are introducing to support customers to access services online. Digital inclusion not only reduces social isolation, it also increases accessibility for customers and reduces customer service costs to the business in the long run.



6 VALUE FOR MONEY INTO THE FUTURE

Our balanced approach to value for money, and our sensible approach to spending, puts The Calico Group in a strong position to be a sustainable, successful business and local employer.

Our plans for the future, as set in our Value for Money Strategy, are designed to continue improving customers' quality of life, whilst further increasing sustainability and reducing costs for years to come.

We are updating our VFM action plan in response to this self-assessment. A number of key items to be included are:

- Increased focus on the core benchmarking information from Housemark and development of an action plan based on the results
- Taking part in the Vantage/RSM Performance Improvement benchmarking club which will provide global accounts information earlier as well as other cost and KPI benchmarking data
- Leading in developing a Value for Money culture
- Delivering asset performance action plan including completing options appraisals on stock
- Bidding to HCA for further capital funding to support the development programme
- Continuing to develop the partnering approach to contract management with Ring Stones
- Carrying out an annual self-assessment of Value For Money relationship with Ring Stones (see action plan on p22).
- Reviewing Value For Money of inter-group activity

7 FINANCIAL PERFORMANCE DETAIL

Financial Performance

The tables below summarises Calico's overall financial performance over the last three years:

Income and Expenditure Account	2013/14 £k	2014/15 £k	2015/16 £k
Turnover	20,988	21,379	23,602
Operating costs and costs of sale	(17,979)	(16,544)	(17,840)
Operating surplus	3,009	4,835	5,762
Surplus on disposal of assets	32	(69)	(8)
Net interest payable & finance costs	(3,599)	(4,088)	(4,843)
Taxation	(11)	-	(11)
Surplus/(deficit) for the year after tax	(569)	678	900
Key Financial Ratios			
Growth in turnover	13.17%	1.86%	10.40%
Operating margin	14.3%	22.6%	24.4%
EBITDA (1)	25%	33%	39%
Interest cover (2)	0.84%	1.17%	1.19%

(1) EBITDA = Earnings before interest, tax, depreciation and amortisation.
(2) Interest cover = How many times the company's earnings cover the interest payable on outstanding debt.

The comparatives for 2014/15 have been restated in line with updated accountancy standards (i.e. FRS102).

The performance clearly shows an improved performance for 2015/16. Turnover shows significant growth year on year. Operating margins have increased from 22.6% to 24.4%. Earnings before interest, tax, depreciation and amortisation (EBITDA) have increased from 33% to 35% and interest cover has increased to 1.19.

Balance sheet	2013/14 £k	2014/15 £k	2015/16 £k
	Not restated for FRS102		
Housing properties at cost less depreciation	74,001	78,321	82,712
Social housing grant and other grant	(10,352)	(9,814)	(11,194)
Other fixed assets	3,998	3,941	4,561
Net current assets	(337)	(1,369)	1,618
	67,310	71,079	77,697
Creditors: after more than one year	79,868	93,339	99,971
Other long term creditors	6,746	10,375	8,636
Capital & reserves	(19,304)	(22,751)	(19,628)
	67,310	(80,963)	88,979
Key Financial Ratios			
Liquidity (1)	0.92	0.73	3.25
Return on assets (2)	-0.8%	1%	1.2%
Growth in total assets	13%	7%	4%
Gearing (3)	119%	131%	129%
Debt per unit	17,477	20,366	21,555
Housing stock owned and managed at year end	4,570	4,583	4,638

(1) Liquidity = The measure of the extent to which the company can meet immediate and short-term obligations.
(2) Return on assets = How profitable a company is relative to its total assets.
(3) Gearing = Total loans as % of capital grants plus reserves.

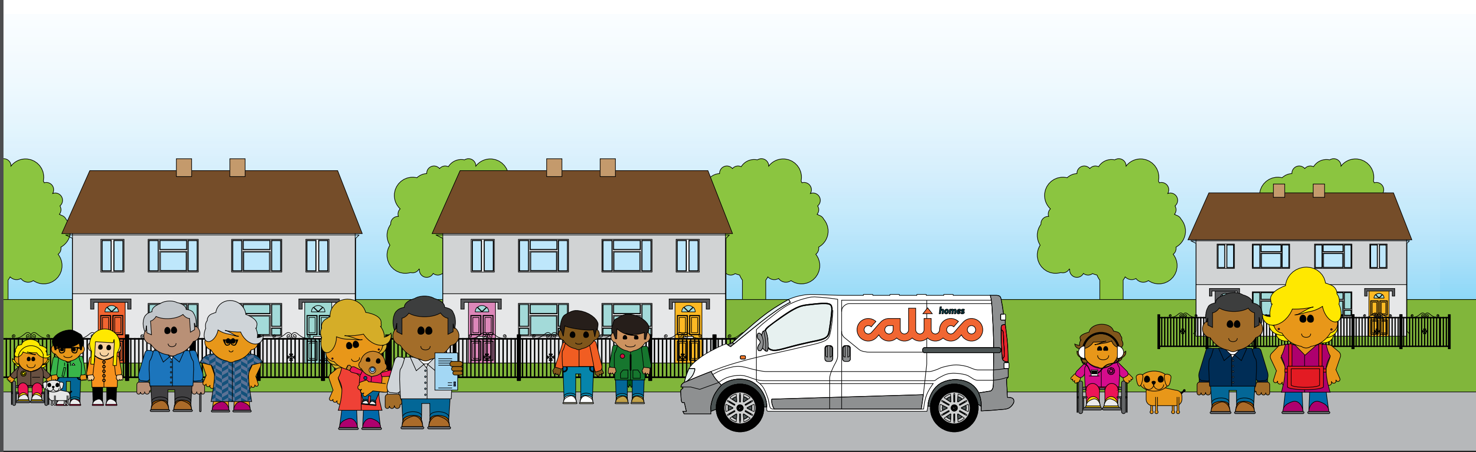
Liquidity, return on assets and gearing both show improvement on the previous year. The debt per unit has increased, however money has been borrowed to fund schemes that are not yet complete, therefore this ratio should improve when the schemes complete.

8 SELF-ASSESSMENT AGAINST THE VALUE FOR MONEY STANDARD

In line with regulatory requirements we have published a value for money self assessment on our website at www.calico.org.uk/vfmselfassessment. It contains detailed information supporting and expanding on the matters included below on how we think Calico Homes is meeting the value for money standard. It also includes other information which is beneficial to those wishing to understand how we deliver value for money.

In addition to the above, the Board set out below why they believe Calico Homes meets the requirements of the VfM standard as required by our Regulator, the Homes and Communities Agency ("HCA"):

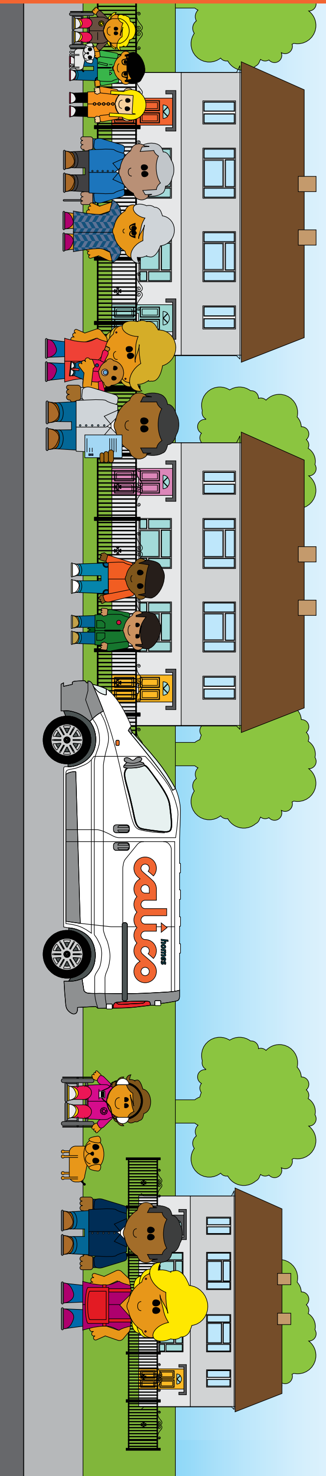
Specific expectations of the HCA	Summary of how Calico Homes is meeting these expectations
Registered providers shall:	
Have a robust approach to making decisions on the use of resources to deliver the provider's objectives, including an understanding of the trade-offs and opportunity costs of its decisions	Value for Money is one of our Group strategic aims. Each year we produce a corporate plan that sets out our strategic objectives for the next 3 years and identifies how we plan to deliver them. We set and monitor efficiency targets and have a 40 year business plan and loan covenants that have to be met which are detailed in the corporate plan. Our thorough budget setting and business planning processes which are approved by Board ensure that we have an appropriate assessment of what is required in future years. VfM is a key priority throughout the organisation. A strategic group made up of managers from across the Company focusses on delivering and monitoring initiatives to ensure we "provide value for money in everything we do". This group has been reviewed and has become the "Being a Business" group in 2015/16 to set the direction for how we deliver effective and efficient services and maximise the use of our resources across the group. Achieving Value for Money in the delivery of our development programme is a priority. In working via PPC2000 contract arrangements with our partner Ring Stones, we are able to gain a greater understanding of programme constraints, transparent costing and the ability to make key design decisions throughout the build period.



Specific expectations of the HCA	Summary of how Calico Homes is meeting these expectations
Understand the costs and outcomes of delivering specific services and which underlying factors influence these costs and how they do so	We benchmark our performance at an individual service level and benchmark specific costs, eg. regular benchmarking of all salaries, repairs, gas boiler replacements etc. We also use the HCA global accounts to benchmark our costs and are looking to join a back office benchmarking group to enable us to compare support costs. Benchmarking also indicated that voids costs were higher than the comparative average therefore the service level agreement with the contractor is being reviewed. Ring Stones, a member of the Calico Group, delivers the previously outsourced planned maintenance and development work. This results in VAT savings but it also enables us to ensure that targets for local employment are met.
Understand the return on its assets, and have a strategy for optimising the future returns on assets – including rigorous appraisal of all potential options for improving value for money including the potential benefits in alternative delivery models – measured against the organisation's purpose and objectives	Every 5 years our stock condition survey information is externally validated and used to populate our 40 year business plan. The individual property data is updated on a rolling inspection cycle. All our housing stock is located in close proximity to our head office in the centre of Burnley and is primarily estate based. Our neighbourhood strategy is focussed on developing places where people want to live. The Board believe this is best achieved by retaining stock on these estates. Long term voids on our estates have been investigated and action taken to deal with the issues which are preventing their letting, eg. conversion of 1 bedroom energy inefficient flats into energy efficient family homes. A financial investment appraisal is undertaken for all non estate based sundry properties when they become void to determine a course of action re retention/disposal. **Options Appraisal/Reduction In void numbers** We have a process in place to monitor the performance of our stock and take action to address poor performing assets. In 2015/16 we have significantly reduced void numbers as follows: • Three long term voids have undergone options appraisal and been brought back into stock • Three properties that were originally supported housing underwent a change of use and are now general needs properties • Royal court – options appraisal and now awaiting demolition • 17 properties now have alternative use: - Five supported housing - Five Safenet - Five Pennine Reconnect - Two Acorn Finding alternative use for these properties , or bringing them back into stock, has meant that: • Additional rental income • Fewer voids • Impact on communities/ASB/links to other services • Improved performance of our stock The asset management strategy was reviewed during the year and approved by the Board. Work commenced during the year to assess and procure an appropriate model that will allow us to understand our assets and support future decision making. The Savills model was selected and it is anticipated that this will be fully operation in August 2016.

Specific expectations of the HCA	Summary of how Calico Homes is meeting these expectations
Have performance management and scrutiny functions which are effective at driving and delivering improved value for money performance	We keep accurate and timely data of our service performance coupled with detailed financial records of costs. Targets are set and monitored for key performance indicators, as is the direction of travel (improving/deteriorating). These are reported to Board on a quarterly basis together with financial costs and expected out turns. The effect on loan covenants is also reported. Customers are involved in the selection of contractors and in the review of their performance. Review and scrutiny of activity takes place regularly through our 'co-regulation framework'. Through our involved customers we are able to scrutinise costs and determine whether the services we offer are meeting the needs and aspirations of our customers. Our repairs service has been externally accredited by Housing Quality Network and this is reviewed regularly.
Registered providers' boards shall demonstrate to stakeholders how they are meeting this standard. As part of that process, on an annual basis, they will publish a robust self-assessment which sets out in a way that is transparent and accessible to stakeholders how they are achieving value for money in delivering their purpose and objectives. The assessment shall:	
Enable stakeholders to understand the return on assets measured against the organisation's objectives	Our website contains a detailed self assessment (www.calico.org.uk/vfmselfassessment) which sets out our focus on the neighbourhoods where we own stock. Delivering a vibrant neighbourhood where people want to live is a key objective and our approach to asset management reflects this. The impact on the neighourhood is a key consideration when investment and disposal decisions are undertaken. We have introduced Savills' property performance system and Board will be involved in understanding the data and setting an action plan which will include a new options appraisal process for our poorest performing properties. Our annual property valuation undertaken for funding purposes shows a small decrease in value of our social housing assets and this has been impacted by the reduction in rent levels. The £30m increase in our loan facility means that an additional 489 properties are to be developed in the 5 years from April 2015, with 79 properties being delivered in 2015/16.

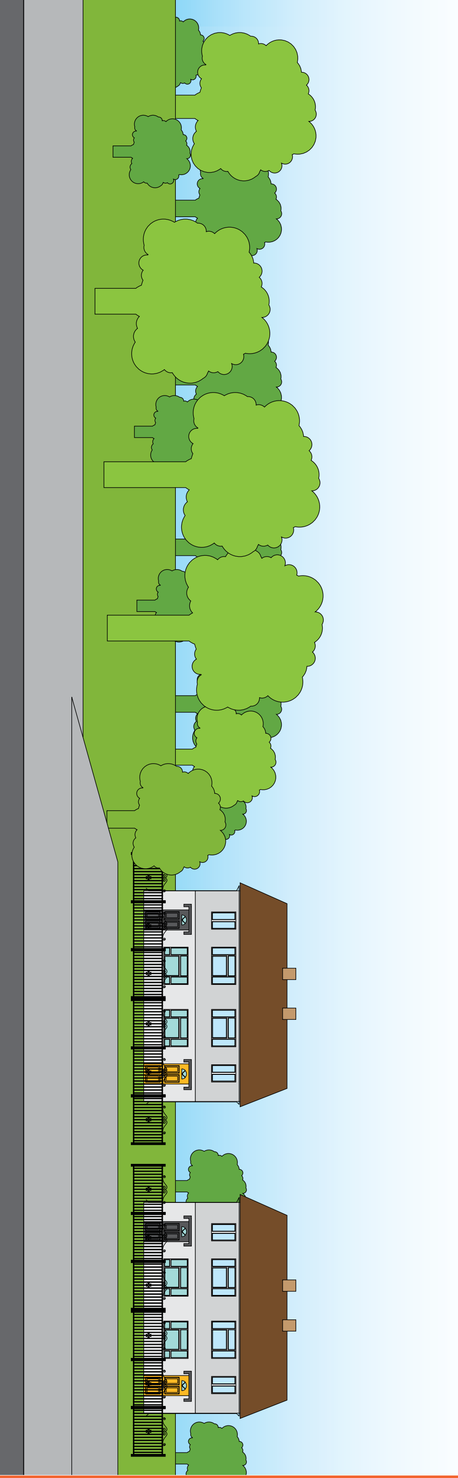
Set out the absolute and comparative costs of delivering specific services	We compare costs of individual activities, eg. voids, over time and through the budget setting process where comparisons to the previous year are made. We have benchmarked ourselves against our peers using the global accounts and identified why we are more expensive than others. The focus in this area is continuing to help us understand how costs can be reduced without adversely impacting on satisfaction. Going forward this benchmarking will be complemented with the use of the Housemark results. We are also developing a tool to measure the levels of social profit delivered.
Specific expectations of the HCA	**Summary of how Calico Homes is meeting these expectations**
Evidence the value for money gains that have been and will be made and how these have and will be realised over time	To mitigate the impact of the reduction in the rent levels, efficiency targets have been put in place to deliver cumulative savings of £1.8m over three years. These savings are being captured and reported to Board.



GROUP STRUCTURE

Schedule of Intra Group Services

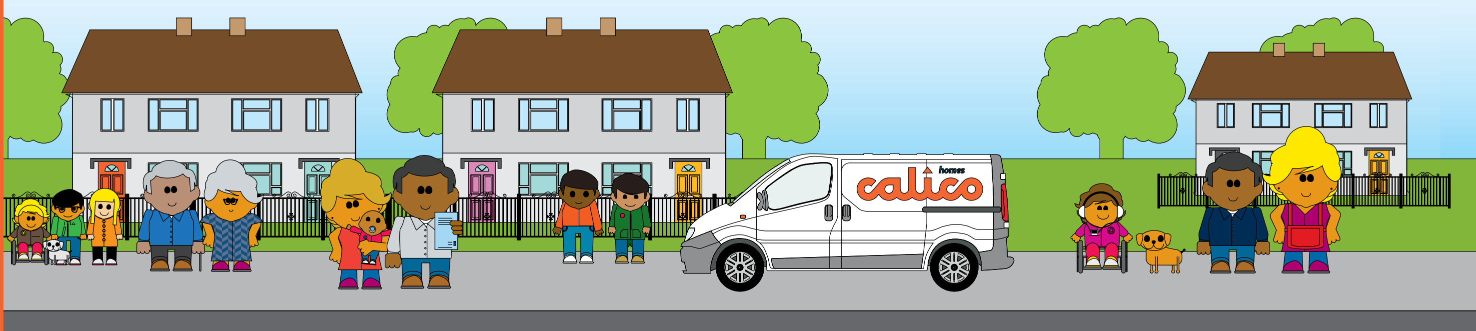
	Buyer of Service	Seller of Service	Description	Value 15/16 £	Timescales	% of Turnover of Seller	Comments
1	Calico Homes	Calico Enterprise	Interiors - Painting and Decorating	£296,573 (budget in 16/17 is £220,012)	Agreed on an annual basis	7%	10 staff employed by interiors. Plus 7 apprentices, £17k recharge back to Homes.
2	Ring Stones	Calico Enterprise	Interiors - Painting and Decorating	£69,601 (budget in 16/17 is £68,497)	Agreed per job	2%	10 staff employed by interiors. Plus 7 apprentices, £17k recharge back to Homes.
3	Calico Homes	Calico Enterprise	Interiors – Clear & Clean	£168,754 (budget in 16/17 is £168,754)	Agreed on an annual basis	4%	5 staff employed by interiors. £11.5k recharge back to Homes
4	All Calico Companies	Calico Group	Internal Recharge – Board members / salaries	£96,000 (budget 16/17 £67,000)	Agreed on an annual basis	100%	16/17 Recharge to Calico Homes, Calico JV and Hobstones only.
5	All Calico Companies	Calico Homes	Finance HR IT Office PR Business Improvement Internal Audit Community Involvement Governance Management Total	£153,678 £146,921 £83,604 £38,680 £27,332 £3,099 £2,126 £2,971 £18,885 (16,216) £461,080	Value agreed on annual basis. Service on-going	2%	Budget for 16/17 is £877k



6	Calico Homes	Calico Enterprise	Calico Creative	£40,000	Annual basis	0.9%	Contribution towards 1 member of staff
7	Calico Homes (via Hobstones for Development works – see note below)	Ring Stones	Development Investment Work Responsive Works	£2,949m £5,072m £305k	per job Agreed annually Per job	98%	60+ staff employed by Ring Stones. Recharges back to Homes = £123,000 and potential of Gift Aid (budget 16/17£350k)
8	Acorn, SafeNet	Calico Homes	Leases of various properties	SafeNet £51k Acorn £51k	As per tenancy agreements	Less than 1%	
9	Acorn	Calico Enterprise	Support to Social Enterprises – Café	Nil (budget 16/17 £19,272)		Less than 1%	Acorn have covered the overhead costs of the café within their building. Starts 1 April 2016
10	Calico Homes	Calico Enterprise	Employment of apprentices via CTF	£3k (only for 2 apprentices for 2 months in 15/16)	Agreed per apprentice		No commitment to actual numbers. CTF pays £25k recharges to Homes
11	Ring Stones	Calico Enterprise	Employment of apprentices via CTF	£88k	Agreed per apprentice	3%	7 apprentices in 15/16
12	Acorn	Calico Enterprise	Calico Creative	£17k (budget 16/17 nil)		Less than 1%	Ended 31 March 2016
13	Calico Homes	Calico Enterprise	Recharge of MD's salary	(budget 16/17 £44k)	Agreed on an annual basis	1%	
14	Calico Homes	Calico Enterprise	Recycling, cost of waste	16/17 £10k	Project work		Contribution to the cost of 1 employee

Note:

- To optimise our VAT position, expenditure for Development is paid via Hobstones (a Calico Group company which sits outside our VAT group). Calico Homes pays Hobstones and Hobstones pays Ring Stones).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