

value for money

Statement

2016

Introduction

This report explains our approach to Value for Money and how it underpins the work we do to achieve our purpose. It tells us how we're performing compared to our peers, the value for money gains we have achieved in 2015-16 and the gains we're going to achieve in 2016-17.

To us, value for money means providing a standard of service that meets our purpose as efficiently as possible. We continually remove waste and increase our financial capacity so that we can invest more in building new homes and supporting vulnerable people and communities.

Our purpose is to provide homes for people who can't access housing on the open market. And our five corporate ambitions support that:

- Providing a range of homes for those who can't access housing on the open market
- Vibrant communities and satisfied customers
- Brilliant people working together
- Maintaining our financial strength
- Being a partner of choice

We want to maximise our capacity to invest in new homes and support vulnerable people and communities. So, we've identified five value for money objectives that help us achieve our purpose efficiently:

- Provide efficient and effective landlord services
- Continually improve the return on our assets
- Maximise our contribution to tackling housing need
- Reduce our energy consumption and environmental impact
- Promote financial, digital and social inclusion



The following pages look at each of these objectives and explain how we're performing, what we've achieved in 2015-16 and our plans to become more efficient in 2016-17.

Objective 1:

Providing efficient and effective landlord services

	2012	2013	2014	2015	2016
Operating cost per unit £k	£3,269	£3,576	£3,345	£3,276	£3,370
Customer satisfaction %	95.8	95.6	98.2	-	-
Customer satisfaction index	-	-	-	78.5	80.8

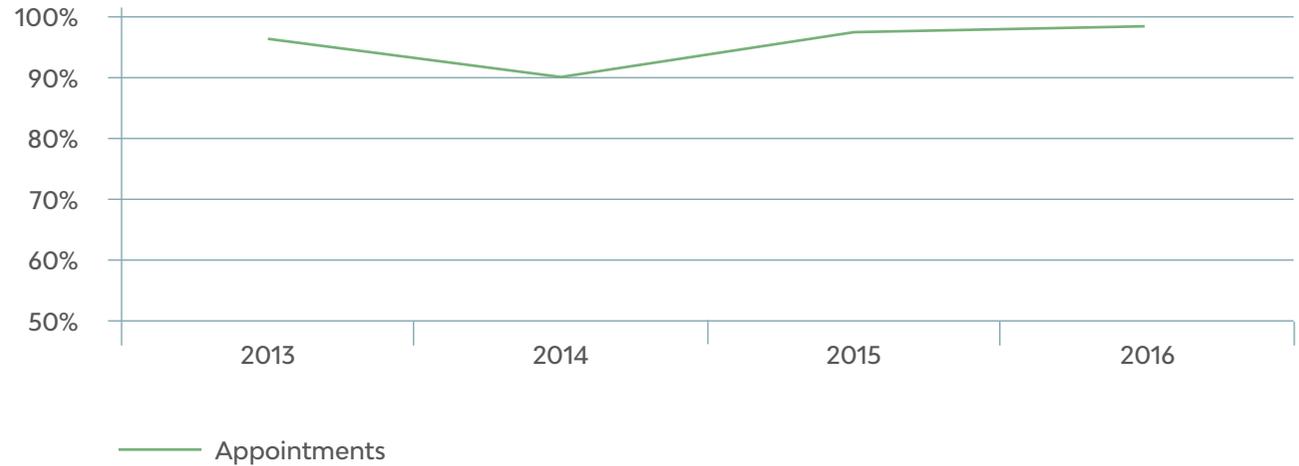
We consider ourselves to be providing an efficient and effective landlord service if we keep our operating costs under control and maintain good levels of customer satisfaction.

In 2015-16 we've focussed on improving customer satisfaction by being efficient: keeping our appointments and dealing with enquiries at the first point of contact. We've improved in both these areas and we've been able to improve our customer satisfaction index by 2.3% over the year. And we're continuing to stretch ourselves to improve further with a target of 84% for 2016-17.

We've reduced our re-let times by 4.5 days, reducing our lost income through empty properties to 0.6% a year. And we compare favourably with the top 25% in our peer group.

We've tightly controlled our operating costs, keeping them at 2012 levels. During 2015-16 we made total cost savings of £1.02m (2015: £1.07m).

Repairs appointments kept as a % of appointments made



We also compare our costs and performance to a peer group of other housing associations with large stock-holdings in Hampshire:

	Sentinel	Radian	First Wessex	Spectrum	Aster	Sovereign
Operating cost per unit	3,370	3,948	4,115	4,376	3,345	3,761
Operating margin	43%	28%	28%	24%	29%	32%
Net margin	35%	14%	12%	13%	19%	22%
Interest cover	444%	245%	238%	297%	304%	331%
Debt per unit	33k	37k	33k	23k	17k	32k
Current Tenant Arrears %	1.85	3.5	3.89	4.04	3.41	1.99
Average Re-Let Days	21.5	19.3	28.2	20.4	15.2	N/A
Void Loss %	0.60	0.59	0.78	1.51	0.49	0.55
Properties managed per FTE staff	56	41	33	46	57	60
Repairs completed right first time %	94.4	94	94.7	87.6	93.7	N/A
Repairs Appointments kept %	99	N/A	99.4	99.2	92.9	N/A
Average No of Days Sickness (days)	6.8	9.1	14.6	6.5	6.9	N/A
Staff Turnover	22.9	20.7	19.9	12.3	16.5	N/A

Table of costs for all organisations

	Sentinel	First Wessex	Spectrum	Aster	Sovereign
Headline Social Housing CPU (£K)	2.74	3.63	4.5	3.6	3.42
Maintenance CPU (£K)	0.98	1.14	0.97	0.88	1.07
Major Repairs CPU (£K)	0.76	1.06	1.12	1.10	0.79
Management CPU (£K)	0.62	0.85	1.06	1.12	1.25
Other Social Housing Costs CPU (£K)	0.15	0.14	0.64	0.21	0.07
Service Charge CPU (£K)	0.23	0.45	0.71	0.28	0.24

Global Accounts 2014-15

We've made cost savings of £1.02m in 2015-16 and in our 2016-17 budget we've identified another £2.2m of efficiency savings which will reduce our cost base by 9.1%

By improving our productivity we're also able to deliver more, better services at the same cost. We're doing this by piloting mobile working with 33 front line staff in 2016 for an initial investment of £25,000. We're using technology that gives people access to real time information when they're with customers and partners, and it also reduces the need to travel.

In 2016 we'll be measuring the productivity gains and the reduction in travel to evaluate whether mobile working should be deployed more widely.

And in 2016-17 we're making a big investment in new technology to consolidate all our data and applications, saving IT costs of £150k each year from April 2017. Our new system will also enable customers to manage their own payments, repairs and rent accounts. We're going to encourage self-service using our online platform and we've targeted further cost reductions of £1m from 2018 onwards.

Find out more about our digital vision

One of the biggest aspects of our 'doing it differently project' is our digital vision for the future.

11 million people in the UK lack basic digital skills. These are the minimum skills required to safely use the internet and access the benefits it can provide. Without these skills 1 in 5 UK adults will continue to be digitally excluded which could impact their job prospects, health, education and more.

Time waits for no man (or woman), so we've already started working towards achieving our digital ambitions.

In April 2015 we launched netpoint the first of many digital inclusion projects. netpoint gives our customers and their families, who don't have access to the internet at home or on a phone or tablet, free online access when they visit our offices.

Then in October 2015 we became a UK Online Centre - joining a network of 3,000 Centre partners and 2,000 Access Points that bring digital inclusion to the heart of local communities.

As a UK Online Centre, we offer Learn My Way courses aimed at people without basic online skills, or those looking to improve their existing digital knowledge. These courses are tailored to individual learners based on their needs and abilities.

We also offer accredited City and Guilds Online Basics qualifications. The Award in Online Basics helps learners demonstrate their digital skills to prospective employers and will look great on their CV - increasing their chances of finding work.

One person who's already benefitted from our online courses is Richard. Like so many people, unemployed Richard had no computer skills. But since using our UK Online Centre for just 4 weeks, he's now confident about using computers, has gained a qualification and has the self-belief to find a new job.

Richard tells us about his life changing experience...

"Being long-term unemployed, I was very depressed with no self confidence. My advisor at the job centre told me about STEP. I met Julie who runs STEP and we went through what I've done before and what skills I could build to help my confidence.

We first built a CV and looked for work experience placements, so I could gain skills for a new job. Julie also introduced me to Learn My Way (LMW) - an easy online learning tool. Sentinel is a UK Online Centre, so they provide one to one support to help you get online and develop your digital skills.

I started the Learn My Way courses because I had no computer skills whatsoever. It's so simple to use and the instructions are very clear. It starts with basic skills, like keyboard skills, online banking, using public services and uploading files and photos. After going to LMW for 4 weeks, I've now completed my City and Guilds qualification in Basic Online Skills.

“This is a nationally recognised award that I can add to my CV. And, being a Sentinel customer, it’s free!”

I was over the moon when I passed with a score of 89%. This is a nationally recognised award that I can add to my CV. And, being a Sentinel customer, it’s free, I really enjoy coming to Learn My Way each Wednesday. Anytime I need help and support they’re there for me and they’ve really helped me make a difference in my life. I feel so much more confident about using computers and as there’s so many things you need to do online now. It’s a must to learn these skills. I’m even thinking about getting a Facebook account! It’s made me feel I can move forward and build even more confidence.

I’m now doing the LMW online plus course and continuing to work with Julie at STEP to get back into work. So I’ll hopefully use my new skills there too.”



Objective 2:

Continually improving the return on our assets



We calculate the return on our assets by comparing our operating surplus with the historic cost of our assets. And we compare this with the average interest rate on our debts.

We've consistently achieved a return on assets between 6% and 7% over the last four years. And we've added to the value of our business by achieving a return on our assets that exceeds our effective interest rate.

We've improved our levels of voids and arrears to reduce the amount of rent lost from empty homes. Our improved performance has resulted in additional rental income of £219,000 being collected in 2015-16.

In 2015 we identified two under-performing schemes consisting of nine flats in listed buildings. We calculated that the cost of maintaining these homes in the medium term would exceed the rental income, making them a net drain on our business. We decided to sell these homes, generating £1.5m and re-use the proceeds to develop modern fit-for-purpose homes. The sales will also reduce our future maintenance costs by £0.5m. The first three properties were sold in 2015-16 raising £705,000 in sale proceeds and the remaining homes will be sold in 2016.

In 2016 we'll be updating our Asset Management Strategy. The new strategy will place greater emphasis on understanding the performance of our assets and using planned sales to provide additional funding for our development programme.

Objective 3:

Maximising our contribution to tackling housing need

For our size, we're one of the biggest developers in the country and we're committed to maximising the number of new affordable homes we build each year.

We achieve this by generating a healthy surplus and using it to subsidise our development costs. We can develop more than our peers because we generate more of the funding ourselves:

We manage the mix of our programme to generate a profit from sales which subsidises our affordable rented housing, taking care not to over-expose ourselves to the housing market.

Funding for our developments	2012	2013	2014	2015	2016
Grant funded	10.9	4.2	5.7	6.3	2.2
Debt funded	17.1	20.7	19.6	28.5	31.0
Self funded	19.9	17.3	27.4	35.5	38.0

new
homes

In 2016 we updated our Business Plan to include a much more ambitious development programme of 600 new homes each year. 20% of the programme is homes for social rent, making maximum use of our surplus to make our new homes as affordable as possible.

We've locked in low interest rates by fixing the rates on 67% of our debt for an average term of eight years, enabling us to put more into development without worrying about rising interest rates. The weighted average rate of interest on our debt is 3.07% compared to a 2015 sector average of 4.1%.

each
year

We're developing an even more ambitious business plan for 2016

Tenure	2016-17	2017-18	2018-19	2019-20	Steady State
Shared ownership	145	240	240	240	240
Affordable rent	147	120	120	140	120
Market Sale	30	120	140	111	120
Social rent	52	120	120	120	120
Total	374	600	620	611	600

Interest payable as % of total debt



Find out more about the difference our shared ownership homes are making

There are many benefits to living in the countryside; beautiful views, fresh air, lots of wildlife to spot...

But these things come at a cost and often local people are left priced out of buying a home of their own. We're working to change that for the people of Hartley Wintney. Over the last 3 years we've built 132 affordable homes with Barratt Homes at St Mary's Park; 81 for social rent and 51 for people to buy through shared ownership.

Building new homes to suit a range of customers is key to our strategy says Mike Shepherd, our Development and Regeneration Director;

'We know not everyone can afford to buy a home of their own so building homes for affordable rent is a crucial part of our strategy. So too is building shared ownership homes for people who can afford that bit more but are unable to buy their own home on the open market.

Figures out today from Legal & General predict the so called Bank of mum and dad will lend their children £5bn this year towards deposits. But with the average contribution around £17,500 this just isn't possible for everyone.

Through shared ownership we're providing an alternative which means people can buy a home without having to rely on their parents or spend 10 years saving for a deposit.'

That was just the case for Charlotte Boobyer and Graham Russell who took the chance to move back to the village they grew up in;

"We didn't want to waste anymore money renting privately but we wouldn't have been able to afford to buy a home here without shared ownership. Its amazing being back in Hartley Wintney, we're just around the corner from friends and family and we can walk our son to school. If anyone was thinking about shared ownership go for it, don't be scared, it's much easier than you might think."

Building on the success of St Mary's Park we've signed a contract with Bewley Homes to build another 38 affordable homes at Rifle Range Farm in Hartley Wintney. The site has planning permission for 95 homes in total with our 38 affordable homes being split between affordable rent and shared ownership houses and apartments.

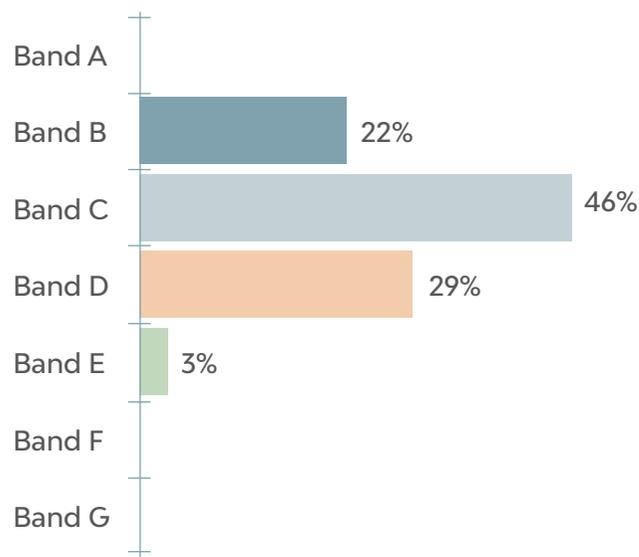
"If anyone was thinking about shared ownership go for it, don't be scared, it's much easier than you might think."



Objective 4:

Reducing our energy consumption and environmental impact

How energy efficient are our homes?



We work hard to maximise the energy efficiency of our homes – measured using the SAP rating. The average SAP rating for our new homes in 2015-16 was 85, compared to a national average of 67, making our homes cheaper for our customers to live in.

We monitor the SAP ratings of our existing homes and we're committed to having none in the least efficient (F and G) bands and we're investing to improve the ratings of homes in band E.

To improve the energy efficiency of our existing homes, we've invested £1.4m in 200 air source heat pumps to provide more effective and cheaper heating to homes that don't have a gas supply. The pumps will reduce the heating costs in these homes by £900 each year – a return on our investment of 12.9%.

Back in 2012 we invested £6m installing solar panels in 370 of our homes. The panels have continued to perform well, generating a total of 1.4 million KWh of free electricity for our customers in 2015-16 and earned us £335,000 of additional income by selling unused electricity back to the national grid.

Our repairs operatives now work more efficiently in set patches reducing their mileage and CO2 emissions by 4%.

We've reduced the number of business miles travelled, reducing our carbon footprint and also increasing the amount of time our people spend providing our services. For example, our repairs operatives now work more efficiently in set patches reducing their mileage and CO2 emissions by 4%.

In 2015 we completed a programme replacing all our IT equipment with more energy efficient models. All our desktop equipment is Energy Star compliant and we've reduced the number of servers from 120 to 30 and the number of printers from 20 to five. We've been able to reduce the energy consumption of our IT equipment by 60% and this has contributed to an overall reduction in office energy costs of 10% over the last two years.

As well as saving energy costs, we're also lowering our carbon footprint by recycling more of our waste. This year we met our target of recycling 95% of the waste from our repairs activity and 80% of our void waste.

In 2016-17 we'll be using a WEEE skip to recycle all our electrical waste, removing all toxic and hazardous materials from our repairs programme and only using products that are biodegradable.

We're working to improve the energy efficiency of our customers' homes

There are some things we all have to pay for in life. And heating your home is one that can often make a big dent in your income.

So when 200 of our customers found out they were to get new heating systems, saving them up to £500 a year it's not surprising they jumped at the chance.

Many of the homes in the project are in rural areas where a traditional gas heating system isn't possible. So, outdated solid fuel or storage heating systems have been replaced with new renewable technology which is much cheaper to run and offers more controllable warmth.

The project's £1.8million investment, 30% of which comes from the Government's Renewable Heat Incentive scheme, has seen us work with local firm Faulkners to install Mitsubishi Electric Ecodan air source heat pumps.

It's already making a big difference to customers like Andrew Jankowski;

"It's amazing the whole system was installed in just 4 days, Faulkners did a great job and now I've got a really lovely even heat around my home. I love the fact that its eco friendly and affordable, I'm expecting my bills to go down by 1/3 each year."

The project's part of our drive to lower living costs for our customers and reduce carbon emissions;

We work hard to find ways of helping to reduce fuel poverty so we're really pleased with the outcome of this project. In just 7 months we've transformed heating systems helping to reduce bills for 200 of our customers.

Customer feedback's been really positive throughout the project and we'll be checking back in with them later in the year to see the drop in their energy bills.

The project is part of our corporate social responsibility strategy which aims to work with suppliers, contractors and partners to reduce their carbon footprint, source products ethically and promote sustainability.

"I love the fact that its eco friendly and affordable, I'm expecting my bills to go down by 1/3 each year."

Wikerheating.co.uk



Objective 5:

Promoting financial, digital and social inclusion

We've invested £360k in three projects that support our most vulnerable customers and communities.

We attracted external funding of £22k which has contributed 6% of the projects costs. And we use the HACT wellbeing tool to calculate the social value of our community work – valued at £1,089,093 for 2015-16 which provided a return of 275% on our investment. We've helped over 600 people through our STEP and Get Online programmes – 80% of them were our customers.

Helping support our most vulnerable customers is really important to us. Our team of Tenancy Sustainment Officers offer customers support to manage debts and increase their independence. Over the last year we've helped our customers secure £676,000 of additional income – a 400% return on our investment in the service and exceeding the target we set of £350k.

But our most important contribution to social and financial inclusion comes from the 9,859 affordable homes we provide. In 2015-16 we received £49.9m in rent from our rented homes. The market rent for this portfolio would be c£83.1m, meaning that our rents are subsidised by £33.2m each year. Over the next 30 years the subsidy will be £510.3m (discounted value), which exceeds the capital grant subsidy that funded these homes by £339.8m. This represents a 200% return on grant, providing value for money to the taxpayer.



Over the last year we've helped
our customers secure £676,000
of additional income.

Vicki's story; Building a new life

It's more common than you think for a Project Manager earning £45,000, to be pushed to the edge and spiral out of control.

After being discharged from hospital with mental health problems, Vicki felt isolated, was in debt and losing her three bedroom house.

Vicki couldn't cope with her job anymore and wasn't in contact with her family due to her drinking problem and mental health. Things hit rock bottom. There wasn't even any heating or food in her home.

Until our Tenancy Sustainment Officer Lisa Stoner helped her into a better place.

Lisa helped vulnerable Vicki get back on her feet by claiming the benefits she didn't know she was entitled to. Now, she gets £135 in Housing Benefit, £55 of Personal Independent payment and £73 of Employment and Support Allowance a week. She was awarded a back payment of £1825 and DHP offered to cover the shortfall in rent before we helped her move house.

To avoid the under occupancy charge of living in a three bedroom house, on her own, we helped her downsize to a one bedroom flat.

We gave Vicki all the support she needed to deal with her debts. She was given a fridge and refurbished cooker from a community project, plus food vouchers worth £30.

As well as managing Vicki's money, we encouraged her to change GPs. So her medication is now up to date, she's cooperating well with her new GP and regularly goes to an alcoholic support group.

Vicki said she's left behind all the bad memories in her last house and is building a new life in her new home. She's also found the courage to contact her three children, who she lost touch with. Determined to get back to work, when she feels confident, we'll be there to give her the support she needs to take the next step.

We're delighted to share this heart warming story, to show the fantastic difference our Tenancy Sustainment Officers can make to our customers.

We gave Vicki all the support she needed to deal with her debts. She was given a fridge and refurbished cooker from a community project, plus food vouchers worth £30.



A final word

We believe that everyone has the right to live in a decent, affordable home.

And we exist to provide homes for people who can't rent or buy through the open market. Our number 1 priority is to build more new homes to help tackle the continuing housing crisis. And for those who need it we go beyond the bricks and mortar, offering the advice and support they need to help them reach their potential, and live happy, productive lives. The last few years have proved financially challenging for us and our customers and there's no doubt that's set to continue. We recognise that now more than ever operating efficiently is essential and you can find out more about how we operate in our corporate plan.



sentinelha.org.uk

Sentinel Housing 56 Kingsclere Road Basingstoke Hampshire RG21 6XG