Year ended
31 March 2018

Value for money

801-092018

Value for money
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Introduction

Our strategic priorities state our commitment to place value for money at the heart of what we do. We continually strive to achieve value for money to improve value and affordability for customers and the public purse and to give us the financial capacity and options to do more within the changing operating environment. Taking Hanover Forward, our change programme, provides the focus to our approach to value for money. However, value for money is also delivered through day to day efficiencies, customer scrutiny and internal challenge and scrutiny.

We have a series of value for money commitments. We have provided progress updates for these commitments.

Earlier in 2018 the Regulator of Social Housing published a new standard regarding value for money and a code of practice which guides how we should report on our performance on value for money. As a result, our Financial Statements now include a series of key metrics to explain our performance. This update provides a wider summary of the actions we have been taking to deliver value for money.

Our vision is of a world where homes and services offer choice and excellence for all older people.

Our mission is to be a top-class provider of homes and services, working in partnership to help older people to lead healthy, independent lives that offer choice and excellence for older people.

Our Value for Money objectives

- Driving value and affordability for customers and the public purse
- Maximising efficiency to generate additional financial capacity

Proposed merger of Anchor and Hanover

In May 2018 we announced that we are in talks regarding a proposed merger with Anchor Trust. Anchor is also a leading specialist provider of housing for older people which also operates over 120 care homes.

There are many benefits of the proposed new organisation, the Anchor Hanover Group:

- **More efficient:** We could negotiate better contracts with suppliers and pool resources and expertise to drive greater value for money for customers.
- **More options:** Colleagues would have more career options and our customers would have a bigger range of housing and care options.
- **More influence:** As a single organisation, it would be easier to talk to government to ensure the importance of older people's housing and care is understood and prioritised. It would also increase our work with local councils to deliver the services that communities need.
- **More locations:** As a single, bigger organisation, we could access more money to enable us to build more properties for older people than we could remaining as separate organisations. This could include social rented, shared ownership and outright sale new homes. The new organisation would continue to be a major provider of residential care to older people.

Generating additional financial capacity

We operate efficiently and effectively, to maximise our financial capacity to develop build new homes, invest in improving our existing homes and offer additional services. This is shown in our 2017/18 financial statements.

- Our income grew by £20.7m to £141.6m whilst our overall costs only grew by £10.4m. This reflected all our day to day housing and rent income plus investment in and returns from shared ownership and market housing sold to support our affordable homes growth programme.
- Operating costs (excluding the costs of delivering the housing we sold) fell by £1.6m to £84.6m.
- Overall we generated an accounting surplus for the year of £22.9m.
- We generated £50.6m of cash after all expenses and used this to pay interest on our debts, make some mortgage repayments but importantly we retained 48% in the business to help us maintain our existing homes and to give us funds so we can deliver more new homes.

Increasing the supply of homes available for older people

The operating environment has been uncertain, especially due to Government proposals that could have impacted on how we set rents and service charges. Along with similar housing associations we lobbied the Government to rethink these proposals. In a recent announcement the Government confirmed that Housing Benefit will continue to pay Housing Benefit to residents of housing for older people and there will be no caps applied. We welcome this decision, giving the sector the confidence to build more new homes. Our Board remains fully committed to growing the organisation in order to fulfil our charitable mission of providing housing for older people.

Woodside Square, Muswell Hill

VFM commitment update
We have committed to achieve 25% of new homes being let at affordable rent through the use of cross subsidy generated from the sale of homes. ► We are on target to deliver this commitment.

Quadra, Hackney

The proposed merger with Anchor would deliver additional capacity to allow us to deliver more new homes across a range of tenures and house types.

Investing in our homes

In 2016 we adopted our Asset Management Strategy. Central to this strategy is the assessment of all our estates to ensure we are spending money on them most effectively. This assessment has allowed us to ensure that our investment focusses on the issues that will make the greatest difference for residents. It has also highlighted a small number of estates where we have concerns about the quality of the homes or services that we offer, enabling us to concentrate on appropriate solutions.

As part of the proposed merger with Anchor we would review the standards that set the basis for our investment in the future, helping residents to understand what to expect from us and to challenge us if we do not meet our standards.

VFM commitment update
We have committed to spend £1,800 per property per year on maintaining our homes over the 5 year programme to 2022/23. ► During 2017/18 we spent £1,750

VFM commitment update
We have committed to develop an Environmental Strategy to set our standards. ► We have made good progress to identify our potential priorities for the Environmental Strategy. Further data is being collected to allow us to understand the impact of the environmental commitments that we will make. The development of strategy will be considered as part of the proposed merger with Anchor.

Delivering additional services

We are committed to providing homes and services that help to maintain and improve customers' health and wellbeing. Hanover estates are communities within which residents can develop valuable social networks and access a range of services provided by Hanover or by other organisations. Over the last year we have extended our offer across a number of estates. Here are some examples of what is happening:

- Offering physical activity classes in partnership Oomph!, a social enterprise.
- Supporting the development of a range of initiatives led by residents such as good neighbour schemes, men's sheds, grow your own schemes and social enterprises.
- Piloting offering health checks to encourage people to manage their own health and to access other services.

The proposed creation of the Anchor Hanover Group offers the chance to give customers access to a wider range of services. There would be the opportunity to improve the range of methods for customers to contact the new organisations, maximising the options for residents to access high quality care and expanding the services provided from one of the largest telecare providers in the UK.

Value and affordability for customers and the public purse

Rents

We are reducing most rents by 1% each year for three years from April 2017. With inflation running at between 2% and 3% this represents a significant benefit for tenants. It also gives a saving for the public purse where it contributes to housing costs through Housing Benefit.

Service charges

We recognise that delivering value and affordability for customers is key. Feedback from tenants shows that 87% see their rent as offering value for money. 76% feel that their service charges offer value for money.

We have maintained a real focus on how we can drive better value in the way we provide services on estates, having an open discussion with residents around the level of service they wish to pay for. We have also improved our ability to accurately budget for service charge costs reducing year end surpluses or deficits. However, we will retain this focus, working with residents to improve the information we provide to residents and to find ways to maximise the value for money of service charges.

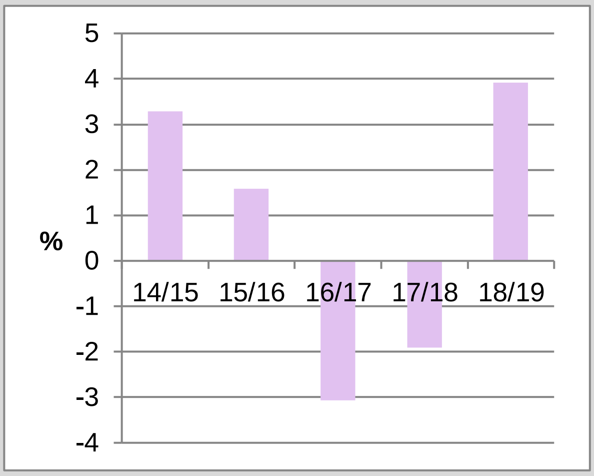
The proposed merger with Anchor Trust would offer the opportunity to deliver savings in our costs that would be reflected in service charges wherever possible.

VFM commitment update

We have committed to manage service chargeable costs (both resident and housing benefit funded) within RPI inflation over a three year period

► On average, service charges rose by 3.9% in 2018/19 mainly due to increasing energy and catering costs. However, average service charges had reduced for the previous two years.

Average change in service charges over the last five years



VFM commitment update

We have committed to complete a review of our management fee and charging structure to ensure it accurately reflects costs.

► The review of management fees has been delayed due to the Government's proposals on funding supported housing so we can understand the impact on the Housing Benefit that residents may receive before finalising our approach. This review will be completed during 2018/19 now we know the outcome of the Government's proposals on funding

Energy costs

We continue to invest in our existing homes to reduce housing costs for residents, concentrating especially on the homes that are less energy efficient. Our homes perform well with an average SAP score of 73 compared to an average of 70 for our benchmark peer group. During 2017/18 45 estates with D and E rated properties (our least energy efficient homes) have had energy efficiency works completed including heating and window upgrades. A total of 385 D rated properties and 4 E rated properties were improved.

We have also installed ground source heat pumps at a further 4 estates.

Case study
Ashfield Court, Ipswich

We installed ground source heating at Ashfield Court because it offered a better solution than gas central heating.

In just ten weeks, twelve communal boreholes totaling 1,700 metres deep were drilled, 92 night storage heaters and 22 vented hot water cylinders were removed, and twenty-three ground source heat pump systems complete with unvented hot water cylinders were installed along with 115 new radiators.

This project won the award for the most innovative retrofit scheme at the Housing Innovation Awards, 2017.

Maximising customers' income

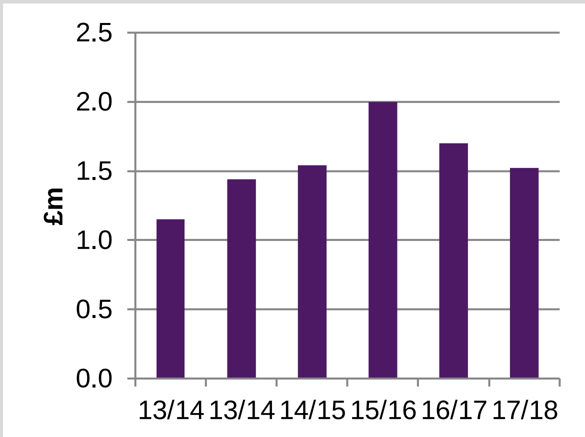
Our BeWise service provides welfare benefit and energy switching advice to customers and colleagues. Helping customers to meet their housing costs is also good for Hanover reducing our rent arrears and reducing turnover of tenants. We maintained good performance during 2017/18.

VFM commitment update

We have committed to generate in excess of £1.5m of additional income for residents each year through welfare benefits advice.

► During 2017/18 we gave advice to customers that generated an additional £1.55m income for them.

BeWise - Money secured for customers



Our four ways to value for money

The Taking Hanover Forward change portfolio

Taking Hanover Forward, our change programme, is the focus to our approach to value for money.

- Developing a fair service model that supports customers' health and wellbeing
- Having the right assets in the right places
- Effective engagement with customers
- Investing in the right technology
- Having the right offices in the right place
- Developing the right people with the right skills

VFM commitment update

We have committed to implement our change programme to generate £3m recurring savings per annum from 2019/20.

► During 2018/19 we anticipate delivering £600k savings as a result of our change programme and efficiencies.
► During 2017/18 we closed our Staines office and moved our Chippenham office to a new building saving a total of £0.7m each year.

New Chippenham office

VFM commitment update

We have committed to implement a new model for our service delivery by the end of 2019.

► We are investing in technology to make it easier for customers to contact us and to make our front line colleagues more mobile. We are also redesigning many of our processes. However, we have not made a final decision on changing how we provide services pending the outcome of the Government's proposals on funding supported housing.

VFM commitment update

We have committed to introduce new technology to support mobile working by the end of 2018.

► Our investment in technology is being reviewed subject to the outcome of the proposed merger with Anchor.

Day to day efficiencies

We have a rigorous budget setting process and we encourage customers and colleagues to suggest ways in which we can achieve value for money. Here are some examples of these day to day efficiencies, large and small, that were trialled during 2017/18:

- Arrangement with a major hotel chain to reduce costs and simplify the payment process.
- Use of split-ticketing to save money on train journeys.
- Work with an external agency to double check all utility bills, identifying savings for Hanover and residents.

VFM commitment update
We have committed to reduce travel costs by 10% by 2019/20 through the introduction of new technology compared to 2016/17, allowing for inflation ► We will deliver 3% reduction in travel costs during 2018/19.

Internal challenge and scrutiny

Strong financial management challenges all significant expenditure to ensure it is appropriate and offers value for money. Managers consider their actual spend and forecast spending on a quarterly basis to ensure close budget control to avoid unnecessary, unplanned expenditure but also to identify opportunities to spend money more effectively.

Customer scrutiny

Customer feedback gives us insight for service planning while customer scrutiny holds Hanover to account on the key issues for customers. This includes:

- Well established resident engagement groups that have tackled a number of issues over the last year to find better ways for us to deliver services.
- The resident Oversight and Intelligence Group that regularly receives performance information to allow it to challenge performance, complete scrutiny reviews and input to making improvements.
- Customer Service Principles and the new Hanover Communities Council "Residents' Charter" which allow customers to know what to expect from us and to challenge us when we do not deliver those standards.
- The InTouch Panel consists of 800 residents who can quickly provide focussed feedback on key issues to inform our service improvement.
- At an individual estate level we provide detailed information about estate service charges, which generates scrutiny and challenge over the cost and quality of services.

Feedback from engaged residents has highlighted the issues that matter most to them relating to value for money. These are reflected throughout this document:

- The importance of good communication, publishing clear information and standards that can be the basis for valuable discussion with residents.
- The effectiveness and availability of local team members because they are the first point of contact for many residents.
- The services provided on estates such as gardening and cleaning because these have the greatest day to day impact on residents. Residents want clear base standards with the opportunity to discuss value and cost of additional services.
- The ways in which properties are maintained including the quality of the finished works and how repairs are completed to achieve the best value.

In August 2018 the Government published a Green Paper, "A New Deal for Social Housing". It raised many questions around how to ensure residents' views are heard and the potential to strengthen regulation. We are keen to work with the Government and the regulator to ensure we can build on the implementation of our Resident Engagement Strategy.

We will learn from our experience of working with residents to ensure also that there is a strong approach to co-production in the proposed merger with Anchor.

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Our performance

Across Hanover we frequently use performance information to understand how effectively and efficiently we are providing services. We have a series of key indicators to show how well we are delivering our strategic priorities (appendix 1).

We also report on the sector wide value for money indicators set by the Regulator of Social Housing (appendix 2). These indicators concentrate on the financial health of the organisation and how we invest the money available to us.

For both set of indicators we compare our performance with other housing providers to give us some guidance on what we do relatively well and the relative cost of different parts of the organisation.

Satisfaction

A survey of residents during 2017 showed that 79% of tenants and 65% of homeowners were satisfied with the overall service provided by Hanover. Whilst the figures are similar to those for many other housing associations, these were disappointing results because the levels of satisfaction are lower than in previous surveys (91% for tenants and 80% for homeowners).

We recognise that we need to respond to this feedback. Our actions include:

- We have agreed a Residents' Charter with the Hanover Communities Council.
- We are providing customer service training to all our front line staff.
- Our homes will meet the Hanover Quality Standard so residents know what to expect.

Hanover on Call continues to be valued by residents with 96% saying that they were satisfied with the service during a survey completed during 2017.

The proposed merger with Anchor would allow us to review the way in which we provide services, learning from the experience within the two existing organisations.

Maintaining homes

For a number of years we have been investing relatively large amounts to improve our homes. During 2017/18 we reduced the amount we spent slightly but our investment in maintaining homes is still similar to other housing associations.

In our recent survey 85% of tenants said that they are satisfied with the quality of their home. This compares relatively well with other housing associations but we want to become more efficient in how we appoint contractors to work on our homes.

VFM commitment update
We have committed to implement a procurement plan for works to our homes to reduce costs by a minimum of £2m over the five year period to 2020/21. ► The asset management procurement strategy is progressing well. This will deliver efficiencies in future years. The proposed merger with Anchor offers the opportunity to procure services across a much larger organisation.

Rent collection

Rent arrears remain well managed in Hanover and we compare well with others. During 2017/18 we have maintained our strong performance, reducing the level of arrears.

VFM commitment update
We have committed to meet our target to minimise rent arrears at 1.35% of our income from rents and charges during 2017/18. ► At the end of March 2018 rent arrears stood at 1.1%.

Lettings

There have been challenges to maintaining our good performance on letting empty homes due to some changing demand and the impact of the right to rent checks introduced under the Immigration Act 2014. However, our continued focus on letting homes has led to us meeting our target during 2017/18.

VFM commitment update
We have committed to meet our target to minimise loss from vacant homes at 1.1% of our income from rents and charges during 2017/18 ► During 2017/18 the loss from vacant homes was 1.08%.

Listening to residents

In 2017 69% of tenants said that Hanover listens to their views and acts upon them. These figures compare reasonably well with other landlords but we want to do more to listen to customers and to reflect their views in how we provide services.

We have been rolling out our Resident Engagement Strategy. Joint work with the Hanover Communities Council and other residents' groups is proving especially valuable as we focus on different areas of our service delivery.

If you have comments, queries, or observations that you would like to share with us, please contact Nick Sedgwick, Director of Service Development. Nick can be contacted by telephoning 07714973038, or via email: nick.sedgwick@hanover.org.uk

Appendix 1

Hanover's key value for money metrics

We have adopted a series of metrics to understand how well we are delivering our strategic priorities.

Hanover strategic priority metrics

Strategic priority	Metric
To manage our assets proactively and effectively	Savings from Asset Management procurement strategy
	Planned maintenance cost per rented unit
	Reactive maintenance cost per rented unit
To modernise our service models to meet the housing and wellbeing needs of current and future residents	Management cost per unit
	Service delivery model savings
	Income lost due to empty homes
To grow the organisation to met more housing needs for older people	Number of starts on site
	Costs per unit of new developments
	Sales profit
To invest in the use of new technologies in all aspects of our work to help us achieve our future ambitions	Expenditure of IT as a proportion of turnover
	Investment made into IT improvements in the technology roadmap.
To be an employer of choice	Percentage of engaged staff
	Learning and development spend per employee
	Voluntary staff turnover
To place high performance and value for money at the heart of what we do	Costs of Chief Executive per unit managed
	Operating surplus per unit managed

Appendix 2

The Regulator of Social Housing value for money metrics

The Regulator of Social Housing has introduced new metrics against which all registered providers are required to report.

Regulator of Social Housing metrics 2017/18

Metric	Hanover performance 2017/18	Comparison with other housing associations
Reinvestment (%) The investment in properties as a percentage of total properties held.	3.47%	Hanover had a relatively low level of reinvestment in 2017/18 following a period of higher investment to improve the quality of homes.
New supply delivered (%) The number of new homes acquired or developed as a proportion of the total number of homes.	58 homes 0.41%	Hanover acquired or developed a low number of homes during 2017/18 compared to other similar organisations because of uncertainty over the future funding of supported housing.
Gearing (%) How much of the assets are made up of debt and the degree of debt finance after allowing for the cash we hold for future investment.	55.6% before netting off. 24.5% after allowing for cash held for future investments	Hanover has a relatively high level of gearing but retains significant cash ready to invest in more new homes
Earnings before interest, tax, depreciation, amortisation – major repairs included - interest cover (%) A key indicator for liquidity and investment capacity.	315%	Hanover was a high performing housing associations on this metric in 2017/18.
Headline social housing cost per unit Gives the cost per unit using a methodology set by the regulator.	£5,349	Hanover has a relatively high cost per unit compared with general needs housing associations. It is similar to other providers of housing for older people and the cost per unit has been reducing.
Operating margin (%) Profitability of operating assets before exceptional expenses are taken into account.	26.3%	Hanover has a relatively low operating margin compared with many housing associations because we manage a high proportion of leasehold estates and no surplus is made on the income through service charges. However, sales of shared ownership houses has improved performance
Return on capital employed Compares the operating surplus to total assets less current liabilities. It is a measure of the efficient investment of capital resources.	6.3%	Hanover is generally in the middle range of housing associations on this metric but in 2017/18 it has improved due to the performance on shared ownership and outright sales.