

**DGHP ANNUAL VALUE FOR MONEY STATEMENT NOVEMBER 2017
(USING 2016/17 RESULTS)**

1. Introduction

Achieving good value for money (VfM) is a top organisational priority for DGHP. Our VfM Strategy can be summarised as:

- ❖ Making the best use of resources for the benefit of DGHP’s tenants and local communities
- ❖ Continually improving the value that tenants receive from DGHP
- ❖ Working in a way that is economic, efficient and effective.

This Annual VfM Statement provides information about:

- ❖ DGHP’s recent performance and costs, and how we are ensuring a positive financial return on our assets
- ❖ Tenant feedback about our current performance and how we are responding to this
- ❖ Our priorities for improving VfM, in a challenging financial climate for tenants and for DGHP.

2. Benchmarking Results for DGHP: Value for Money Dashboard

DGHP’s participation in the HouseMark benchmarking system allows us to compare our performance and costs with a wide range of social housing providers throughout the UK.

Figure 1 shows a high-level assessment of VfM in DGHP’s major service areas, using the HouseMark Dashboard tool comparing against our peer group of Northern England LSVTs with a stock size of 7,500 –15,000 units:

- ❖ DGHP’s costs, performance and tenant satisfaction levels for eight major service areas
- ❖ Comparison can also be carried out with DGHP’s results with more than 30 social landlords in Scotland.

Figure 1: VfM Dashboard for DGHP, 2016/17 (source: Housemark) (14 Landlords) Peer Group

<p>Poor Performance, High Cost</p> <ul style="list-style-type: none"> ➤ No service areas 	<p>Good Performance, High Cost</p> <ul style="list-style-type: none"> ➤ Rent Arrears and collection ➤ Responsive repairs and void works
<p>Poor Performance, Low Cost</p> <p>No service areas</p>	<p>Good Performance, Low cost</p> <ul style="list-style-type: none"> ➤ Anti-social behaviour ➤ Major works and cyclical maintenance ➤ Tenancy management ➤ Resident involvement ➤ Estate services ➤ Lettings

Source: HouseMark, as at 7 November 2017

The Dashboard results show that:

- ❖ DGHP achieved the optimum VfM result of “**good performance and low cost**” in 6 out of 8 service areas in 2016/17.
- ❖ None of the 8 DGHP services were classed as poor value for money (“poor performance and high costs”).
- ❖ For rent arrears and collection, DGHP achieved good performance overall, but some elements of our costs were higher than the median costs for our peer group.
- ❖ For Responsive Repairs and Void Works this has moved into good performance/high costs for 2016/17. However please note that DGHP’s costs have decreased for 2016/17, however the peer group median costs have significantly reduced which has resulted in DGHP being placed in this area. Our performance and satisfaction for this area remains high compared to our peer group.

3. Value for Money Scorecard

Figures 2 and 3 show a more detailed analysis of DGHP’s performance over the last 5 years, in the form of a **Value for Money Scorecard**.

The VfM Scorecard is based on data held in the HouseMark Core Benchmarking system and it addresses four different dimensions of VfM:

- ❖ Process measures
- ❖ People measures
- ❖ Business and Financial measures, and
- ❖ Value measures, based on feedback from DGHP customers and other measures that illustrate a direct benefit for customers.

The Scorecard shows DGHP’s performance and costs for each of the last 5 years, and how this compares with the average (median) results for our chosen peer group.

For this more detailed review of VfM, we have chosen to benchmark DGHP’s performance against Large Scale Voluntary Transfer (LSVT) housing organisations based in the North of England that own between 7,500 and 15,000 housing units. That peer group currently stands at 14 organisations, which includes DGHP.

This peer group matches DGHP’s size and funding structure better than any Scottish housing associations, although we also compare our performance with Scottish landlords each year and report this to tenants in our annual Charter Report Card.

KEY	
	DGHP performance better than or equal to peer group median
	DGHP performance worse than peer group median or Scottish National Average if there is no PGM

PGM = Peer Group Median

Figure 2: VfM Scorecard 2012/13 to 2016/17: DGHP Performance and Comparison with HouseMark Peer Group

PROCESS	DGHP 12/13	DGHP 13/14	DGHP 14/15	DGHP 15/16	DGHP 16/17	PGM (as at 7-11-17)
% repairs completed at first visit	81.0%	81.0%	89.1%	88.6%	91%	92.4% Is SNA
Current and former tenant arrears as % of rent due (excl. voids)	2.3%	2.4%	2.9%	3.27%	3.15%	5.66%
Rent collected (excluding current arrears brought forward) as a % of rent due	99.9%	99.5%	99.3%	99.58%	100.1%	96.58% SNA=99.61%
% of properties where gas safety check completed by the due date	100%	100%	100%	100%	100%	100%
% of dwellings with a valid gas safety certificate	100%	100%	100%	100%	100%	100%
Average calendar days to complete repairs	13.8	8.1	7.7	8.9	7.88	8.2
% of tenants evicted due to rent arrears	0.32%	0.32%	0.27%	0.31%	0.28%	0.37%
Average number of days to re-let empty properties	27.49	29	39.47	33.72	30.5	30.7 SNA = 31.5
% of all homes vacant but unavailable to let	0.3%	0.2%	0.3%	0.45%	0.51%	0.55%

SNA – Scottish National Average

PGM (as at 7-11-17) – Peer Group Median figure shows date in which data was collected from HouseMark’s Annual Cost & Performance section.

VALUE	DGHP 12/13	DGHP 13/14	DGHP 14/15	DGHP 15/16	DGHP 16/17	PGM (as at 7-11-17)
% of residents very or fairly satisfied with quality of new build homes	100%	100%	99.2%	99.2%	n/a No longer collected	n/a
% of tenants very or fairly satisfied with the overall service provided	94.1%	90.6%	90.6%	90.6%	95.2%	89.8% SNA = 89.7%
% of tenants very or fairly satisfied with repairs and maintenance (overall – STAR question)	94.8%	88.8%	88.8%	92.8%	93.6%	85.88%
% of tenants satisfied with neighbourhood	87.9%	93.1%	93.1%	91.8%	91.9%	87.1% SNA
% of tenants very or fairly satisfied that their rent provides value for money	84.5%	84.5%	86.8%	90.1%	83.3%	86.8% 81.9% SNA
% of respondents satisfied with the way their ASB complaint was dealt with	87.5%	85.2%	100%	100%	100%	89.85%
Repairs appointments kept as % of appointments made	94.8%	83.9%	87.6%	93%	96.6%	98.1% SNA = 95.7%
% of complaints resolved at first contact	91.36%	92.5%	96.7%	95.87%	n/a No longer collected	n/a
Tenancies terminated as % of properties managed	8.5%	9.9%	9.2%	8.7%	9.01%	9.08% SNA = 8.4%
% of Tenants satisfied with the standard of their home when moving in			75.3%	84.5%	96.1%	90% SNA

BUSINESS & FINANCIAL	DGHP 12/13	DGHP 13/14	DGHP 14/15	DGHP 15/16	DGHP 16/17	PGM (as at 7-11-17)
Total cost per property (CPP) of Housing Management	£379	£374	£358	£364	£367	£456
Total CPP of Responsive Repairs and Void Works	£793	£806	£810	£837	£761	£761
Total Overhead costs (excluding notional office rent) as % of adjusted turnover	12.16%	11.07%	10.78%	10.13%	10.34%	10.66%
Rent arrears of current tenants as % rent due (excluding voids)	1.98%	1.96%	2.55%	2.68%	2.45%	4.11% SNA = 3.26%
Former tenant arrears written off (gross arrears written off as % of rent due)	0.7%	0.4%	0.6%	0.5%	0.53%	0.79% SNA-0.76%
Rent loss due to voids	0.75%	0.82%	1.03%	0.81%	0.81%	1.23% SNA = 0.87%
Growth in turnover	9.1%	9%	7.6%	4.6%	0	0%
Operating margin	15.7%	26.7%	28.2%	28.5%	28.6%	31.6%
Total overhead costs as % of direct revenue costs	22.9%	24.6%	24.4%	24.54%	25.08%	25.93%

PEOPLE	DGHP 12/13	DGHP 13/14	DGHP 14/15	DGHP 15/16	DGHP 16/17	PGM (as at 7-11-17)
% of staff turnover in the year	6.4%	8.6%	8.7%	8.6%	23.1%	13.7%
Average number of working days/shifts lost due to sickness absence per employee	8.4	6.9	7.5	7.2	7.9	8.4
% of staff satisfied with employer (most recent staff survey)	n/a	n/a	97.7%	90%	n/a No survey carried out	n/a

Figure 3

DGHP's Performance: Description of 5-Year Trend Information 2012/13 to 2016/17

DGHP better than/equal to HouseMark peer group median in at least 4 of the 5 years	
<p>PROCESS MEASURES</p> <ul style="list-style-type: none"> ➤ Rent arrears. Top quartile each of last 5 years. ➤ Rent collected. Top quartile in 3 years of 5 years. Above median in 16/17. ➤ Properties with valid gas safety certificate. Top quartile each of last 5 years. ➤ Gas safety checks completed by due date. Top quartile 5 of last 5 years. ➤ Time to re-let empty properties Median in 3 out of 4 years (but above benchmark in 2014/15) Equal to median in 16/17. ➤ Properties vacant but unavailable to let Better than median in 16/17. ➤ Average time taken to complete repairs Improvement from bottom quartile in 2012/13, to top quartile 2014/15. Above median for 2015/16 & 2016/17 ➤ Evictions due to rent arrears. Top quartile in each of last 5 years (i.e. fewest evictions) 	<p>PEOPLE MEASURES</p> <ul style="list-style-type: none"> ➤ Staff turnover. Top quartile (i.e. lowest turnover) in each of the last 4 years. In lower quartile for 2016/17, due to staff restructuring. ➤ Staff sickness absence. Better than/equal to peer group median in each of the last 4 years. Upper quartile for 2016/17
<p>VALUE MEASURES</p> <ul style="list-style-type: none"> ➤ Tenants very/fairly satisfied with overall service provided by DGHP. Top quartile in 5 out of 5 years. ➤ Tenants very/fairly satisfied with repairs and maintenance. Top quartile in each of the last 5 years. ➤ Tenants satisfied with neighbourhood. Top quartile in 4 of last 5 years. ➤ Tenants very/fairly satisfied that rent is VFM. Top quartile in 2015/16. Below peer group median for 2016/17 ➤ % of tenants responding who were satisfied with how an ASB complaint was dealt with. Top quartile for 2016/17. ➤ Tenancies ended (turnover) Just above median for 2016/17 	<p>BUSINESS & FINANCIAL MEASURES</p> <ul style="list-style-type: none"> ➤ Housing management cost per property. Lower than HouseMark median in all 5 years and top quartile in 2016/17. ➤ Responsive repairs and void works costs. Lower than HouseMark median in all previous 4 years. Equal to median in 2016/17. ➤ DGHP overhead costs. Have improved from below median 2012/13, to upper quartile 2015/16. Better than median in 2016/17 ➤ Current tenant arrears. Top quartile (i.e. lowest arrears) in each of the last 5 years. ➤ Former tenant arrears written off. Better than peer group median in 3 of last 4 years. Upper quartile for 2016/17 ➤ Rent loss due to voids. Top quartile in each of the last 5 years. ➤ Growth in turnover. Median in 2016/17 ➤ Operating margin. Middle upper quartile in 3 of the last 4 years. Below median in 2016/17 ➤ Overhead costs % of direct revenue costs. Below median in last 4 years
<p>DGHP below HouseMark peer group median in at least 3 of the last 5 years</p>	

PROCESS: Repairs completed at first visit. Below peer group median in all 5 years, but gap between DGHP performance and median has closed from 11% (2012/13) to 1.4% (2016/17).

VALUE: Satisfaction for value for money. Below peer group median of 86.8% however DGHP are sitting above in relation to the Scottish National Average of 81.9%.

VALUE: Repairs appointments kept. Below peer group median in all 5 years. Also below Scottish national average for Scottish Social Housing Charter in 2013/14, 2014/15 & 2015/16. Improvements have been achieved in 2015/16 and 2016/17 (96.6%) up by 3.6%, but DGHP's performance is still below peer group averages however is above Scottish average of 95.7%

PEOPLE: Staff turnover in the year: Top quartile in every other year (i.e. lowest turnover). 2016/17 is above the peer group median of 13.7%, due to staff restructuring.

4. Value for Money Review for DGHP's Service and Business Areas

This section of the VfM Statement reviews DGHP's costs and performance in the following areas:

- ❖ Rents and Affordability
- ❖ Responsive Repairs
- ❖ Housing Services, focusing on Voids and Lettings and on Rent Collection and Income Management
- ❖ Tenant Feedback and Engagement
- ❖ Asset Management, including Housing Investment and Development
- ❖ DGHP's Use of Resources
- ❖ Financial Performance and Policies

Having set out the data and key issues in this section, our proposals for improving or maintaining Value for Money are then set out in the concluding section of the VfM Statement.

4.1 Rents and Affordability

DGHP's rents continue to be among the lowest in Scotland, and have been so since the original stock transfer took place in 2003.

Our 2003 transfer Business Plan was based on a 30-year profile of RPI+1.0% rent increases. The Business Plan now assumes that rents will rise by inflation +1.75% (for transferred stock) or inflation +1.0% (for new build stock).

The move to RPI+1.75% took place in 2008, to raise the additional funding needed to meet the Scottish Housing Quality Standard.

This change in policy was supported by tenants, who accepted that the installation of central heating (not provided for in the pre-transfer Business Plan) would help to reduce their overall spend on housing and heating costs, even with rent increases of RPI+1.75%.

Despite the fact that rent increases at RPI+1.75% have now been in operation for several years, DGHP's rents continue to be **substantially lower** than those of:

- ❖ The other main RSL providers in Dumfries and Galloway;

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- ❖ Other LSVT social landlords;
- ❖ All social landlords in Scotland (local authorities and RSLs).

The relevant comparisons are shown in **Figure 4**.

Figure 4
DGHP's Rents: Local and National Comparisons (2016/17)

	DGHP	All Scottish landlords (average)	DGHP rents lower by (%)
2 apartment	£65.03	£71.67	10.2%
3 apartment	£71.39	£73.13	2.4%
4 apartment	£76.69	£79.42	3.6%
5 apartment	£83.66	£88.02	5.2%
House Size	DGHP	Other D&G RSLs ¹ (average)	DGHP rents lower by (%)
2 apartment	£65.03	£71.68	10.2%
3 apartment	£71.39	£82.14	15.1%
4 apartment	£76.69	£87.44	14%
5 apartment	£83.66	£92.81	10.9%
House Size	DGHP	Other Scottish LSVTs ² (average)	DGHP rents lower by (%)
2 apartment	£65.03	£70.44	8.3%
3 apartment	£71.39	£76.02	6.5%
4 apartment	£76.69	£82.68	7.8%
5 apartment	£83.66	£89.28	6.7%

Tenant satisfaction that rents represent value for money is one of the most important measures of VfM. DGHP's results on this measure are again **better** than most of our Scottish peers and the national average for all social landlords in Scotland. This will be tested again during the consultation for our 2018 annual rent review. Full details are provided in the Tenant Feedback and Engagement section later in this document.

¹ In Figure 4, other D&G landlords are Loreburn HA, Home in Scotland and Irvine HA

² In Figure 4, the other LSVT landlords are Argyll Community HA, River Clyde Homes and Scottish Borders HA

As part of our approach to rent-setting, DGHP considers affordability for different types of household. We do this by calculating the amount of rent a household has to pay (after any Housing Benefit they are entitled to) as a percentage of the total household income (including tax credits, child benefits, pension credit etc.).

The results of this assessment for 2017/18 rents are shown in the following table:

Figure 5

DGHP Rents 2017/18: Affordability Analysis for Typical Household Types

(based on household income and rent left to pay (LTP) after HB, assuming no under-occupancy)

Household Circumstances	Household Income	Weekly Rent	Housing Benefit	Left to Pay by Tenant	LTP (as % h/hold Income)
Single parent aged under 25, with one child Working 16 hours per week at minimum wage. Also receives Child Tax Credit, Working Tax Credit and Child Benefit	£273.79 per week	£72.68	£37.88	£34.80	12.7%
Single parent aged over 25, with one child As above, except parent is aged over 25	£280.99 per week	£72.68	£33.20	£39.48	14.1%
Couple under 25 with two children One person works 30 hours per week on minimum wage. Also receives Child Tax Credit, Working Tax Credit and Child Benefit	£427.42 per week	£78.73	£20.75	£55.13	12.9%
Couple over 25 with two children As above, except parents are over 25	£440.92 per week	£78.79	£10.98	£67.81	15.7%
Single person aged under 25 Working 20 hours per week at £7.05 per hour	£141 per week	£66.73	£15.97	£50.76	36%
Single person aged over 25 Working 20 hours per week at £7.50 per hour	£150 per week	£66.73	£20.00	£46.73	31.2%
Single pensioner Receiving the State Retirement Pension (SRP) and an occupational pension	£237.68 per week	£66.73	£24.40	£42.33	17.8%
Pensioner couple Receiving the State Retirement Pension and an occupational pension	£310.98 per week	£68.25	£33.91	£34.34	11%
Single pensioner Receiving the State Retirement Pension and Pension Credit	£159.35 per week	£66.73	£66.73	0	0
Pensioner couple Receiving the State Retirement Pension and Pension Credit	£243.25 per week	£68.25	£68.25	0	0

The indicators in the final column indicate DGHP's rents are within acceptable affordability parameters for most household types, with single tenants working part-time in low paid jobs facing the greatest pressures in being able to afford and sustain a tenancy. This is the result of UK tax and benefit policy. Like all social landlords, DGHP cannot change the tax and benefits system, but we do offer advice and support on income maximisation (for example, assistance with applying for Discretionary Housing Payments).

To sum up on rents and affordability:

- ❖ DGHP's rents are low in comparison with those of other landlords in Dumfries and Galloway and throughout Scotland as a whole
- ❖ We have relatively high tenant satisfaction ratings that our rents represent value for money and our affordability testing is acceptable for most household types, with single people in low paid part-time work having to pay the highest proportion of their incomes on rent
- ❖ We acknowledge that our continuing policy of annual rent increases of inflation plus 1.75% will eventually raise sustainability issues, when our rent levels converge with those charged by other social landlords in Dumfries and Galloway. This is incorporated in our financial planning, within the proposed 2018/19 Business Plan.

4.2 Responsive Repairs

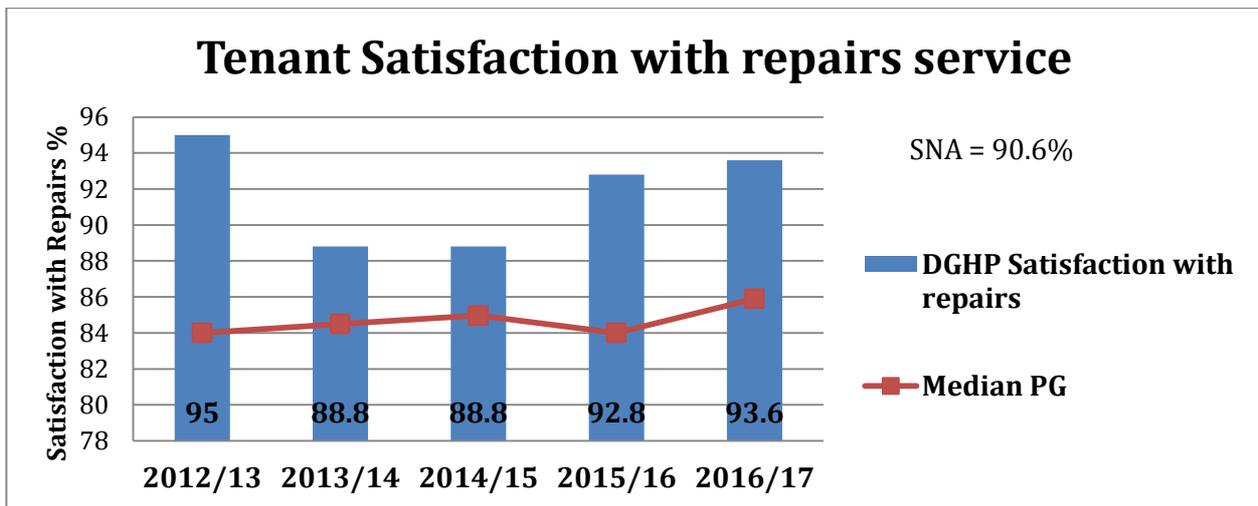
Tenant Satisfaction

DGHP completed its most recent survey of tenant satisfaction with the repairs service in May 2017.

Overall, **93.6% of respondents** said they were **very or fairly satisfied** with the overall repairs service. This is an excellent result and 0.8% improvement since our last survey in 2015/16. The HouseMark peer group median is 85.9% so we are sitting in the top quartile. This is illustrated in Figure 6.

DGHP's ongoing satisfaction rating for repairs has also been consistently better than the Scottish National Average. DGHP's results for 2016/17 are 99.4% and the Scottish National Average is sitting at 90.6%.

Figure 6: Tenant Satisfaction with DGHP Repairs Service (%)



Repairs Appointments and First Time Fixes

Performance in respect of repair appointments kept has improved considerably in 2016/17 to 96.6% compared to a Scottish average of 95.7%.

Our performance in completing repairs right first time improved considerably during 2014 to 2016, and at 91% was 1.4% below the Scottish national average of 92.4%.

Repairs Completion Times

DGHP's average time taken to complete emergency repairs was better than the Scottish Charter national average in both 2013/14, 2014/15, 2015/16 and 2016/17. We completed emergency repairs in 2.1 hours compared to the Scottish national average of 4.7 hours.

DGHP's 2016/17 average number of days to complete non-emergency repairs (7.7 days) was above the Scottish Charter average of 7.1 days. There have been substantial improvements in this area of performance during the last 4 years. For all responsive repairs DGHP's figure sits at 7.88 calendar days for 2016/17 and the HouseMark peer group median is 8.2 calendar days.

Repair Service Costs

DGHP carries out around 40,000 responsive repairs each year. Most repairs (other than gas repairs and servicing) are carried out by our main contractor, Morgan Sindall.

DGHP's **total cost for delivering repairs and void services** was £761 per unit in 2016/17.

While DGHP's costs were lower than the median for our HouseMark peer group from 2012/13 to 2014/15, our cost per unit has decreased by 9.1% between 2015/16 and 2016/17.

Even though DGHP's costs have decreased for 2016/17; the peer group median costs have also significantly reduced which has resulted in DGHP being placed in the high cost area of the dashboard. Our cost per property for repairs is 33p above the median in our peer group. Our performance and satisfaction for this area remains high compared to our peer group.

DGHP carries out more repairs per property than our HouseMark peer group. In 2016/17, our average number of repairs per property was 3.94 (peer group median 2.8).

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Service Improvement

DGHP and Morgan Sindall, the main repairs contractor, have established a joint Project Board to monitor contract performance and implement measures that will make the service more effective and efficient. The Project Board has given particular attention to achieving higher levels of first time fixes and kept appointments, as well as establishing a number of pilot projects in rural areas (e.g. multi-skilling in Upper Nithsdale and the Machars, and property MOTs in Langholm).

4.3 Housing Services: Voids and Lettings

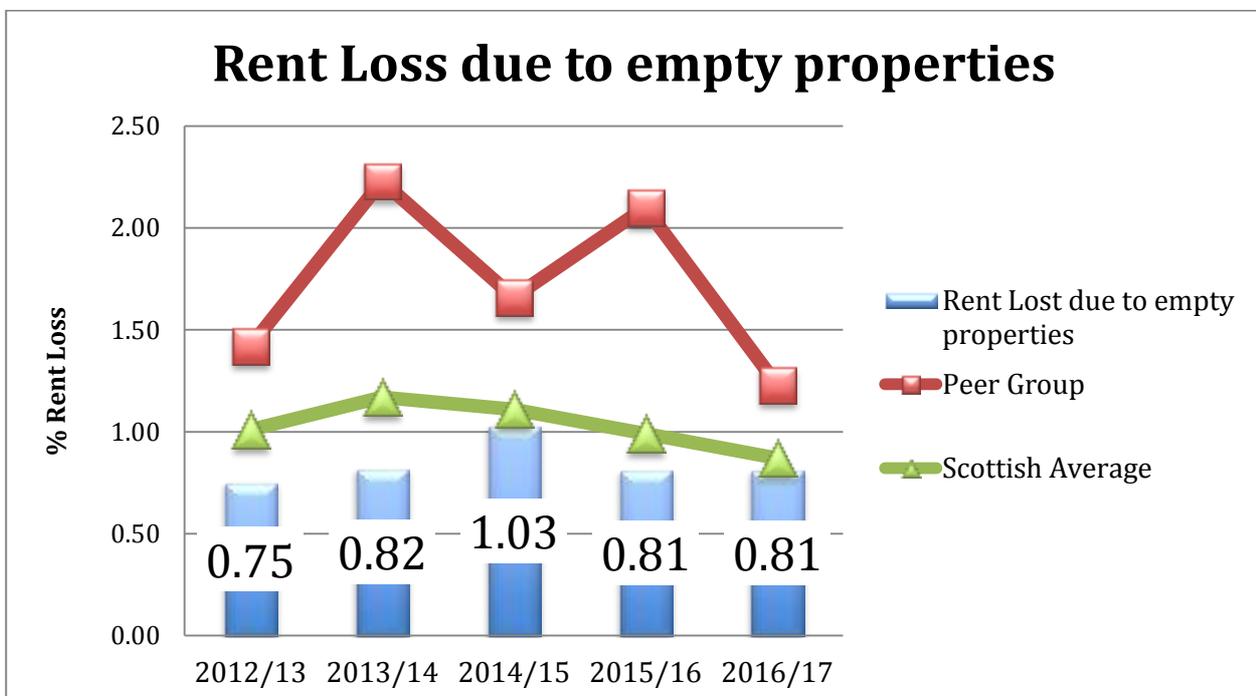
DGHP's average voids spend per unit in 2015/16 was £2,521 (around the benchmark average).¹ This decreased in 2016/17 to £2,274 per unit, and placed in the top quartile.

DGHP's total cost for delivering the void works (includes direct employee costs, overheads and direct non-pay) sits within the top quartile for our peer group in HouseMark. For 2016/17 we are sitting at £203.31 where the HouseMark median is £225.21.

The following graphs show DGHP's rent loss due to voids over the last five years (an area of sustained strong performance) and the average time we have taken to re-let empty properties (an area with more mixed results). As before, DGHP performance is shown in the solid bars in the graph, while our HouseMark peer group median is shown as a line.

Figure 7
DGHP Void Management Performance, Compared with HouseMark Peer Group

Rent lost due to empty properties, as a % of rent due

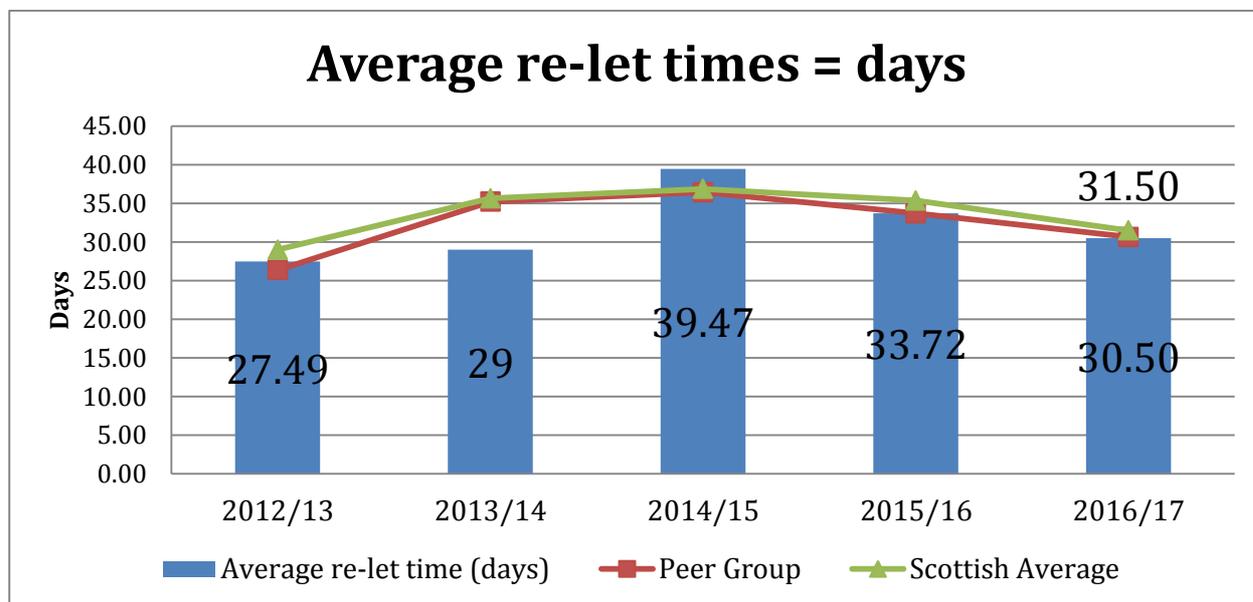


¹ DGHP Asset Management Strategy 2017² Source: HouseMark Value for Money Statement: Approved by Board Nov 2017

With regard to **rent loss due to voids**:

- ❖ DGHP's performance has been in the top (best) quartile for our peer group in each of the 5 years from 2012/13 to 2016/17.
- ❖ Our performance was also better than the Scottish Charter national average in 2013/14, 2014/15, 2015/16 and 2016/17

Average time to re-let empty properties



With regard to **void re-let times**:

- ❖ DGHP's average re-let time was better than both the HouseMark peer group median and the Scottish Charter average in 2013/14 but higher than both of these measures in 2014/15, by 3 days and 2.5 days respectively. For 2016/17 DGHP are equal to the median for HouseMark at 30.5 days.
- ❖ DGHP's performance has improved significantly in 2016/17, the average re-let time at the end of October 2017 being 25.3 days. This is significantly better than the Scottish national average which is sitting at 31.5 days.

New tenant satisfaction with the standard of the home when moving was above the Charter national average levels in 2016/17:

- ❖ DGHP's satisfaction new tenant rating in 2016/17 was 96.1% (Scotland average: 90%)
- ❖ DGHP's satisfaction levels have improved significantly since 2015/16 (84.5%), as new service management measures were implemented.

DGHP's total cost per property for lettings has reduced from £72 per property (2012/13) to £66 per property (2016/17). Our costs have been better than the average for our HouseMark peer group in each of the last five years, HouseMark **median** figure for 2016/17 is sitting at £83.

DGHP is the host organisation for the new **Dumfries and Galloway Common Housing Register**, Homes4D&G.

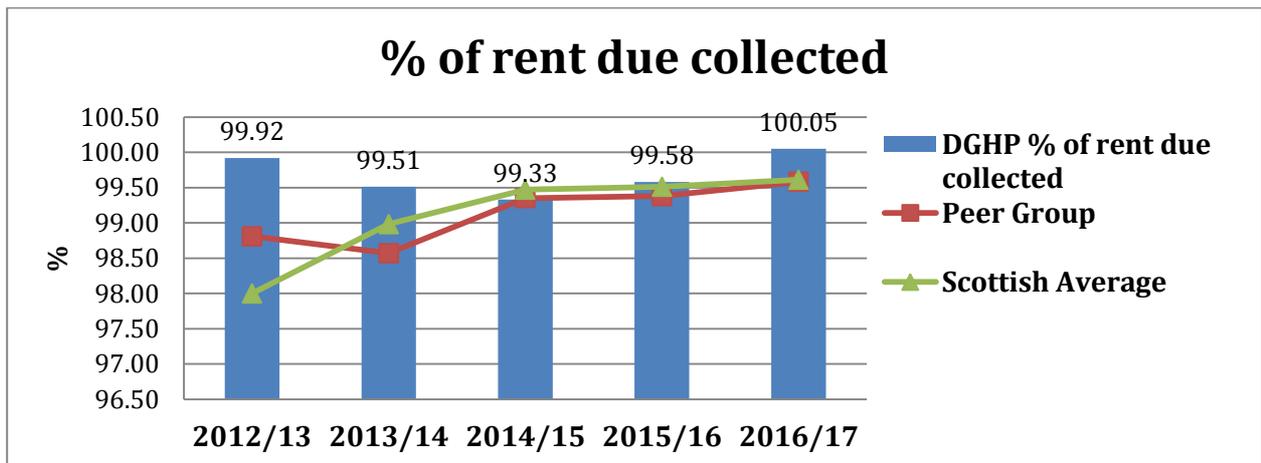
4.4 Housing Services: Rent Collection and Income Management

DGHP's performance in rent collection and managing rent arrears has been of a consistently high standard in the period 2012/13 to 2016/17.

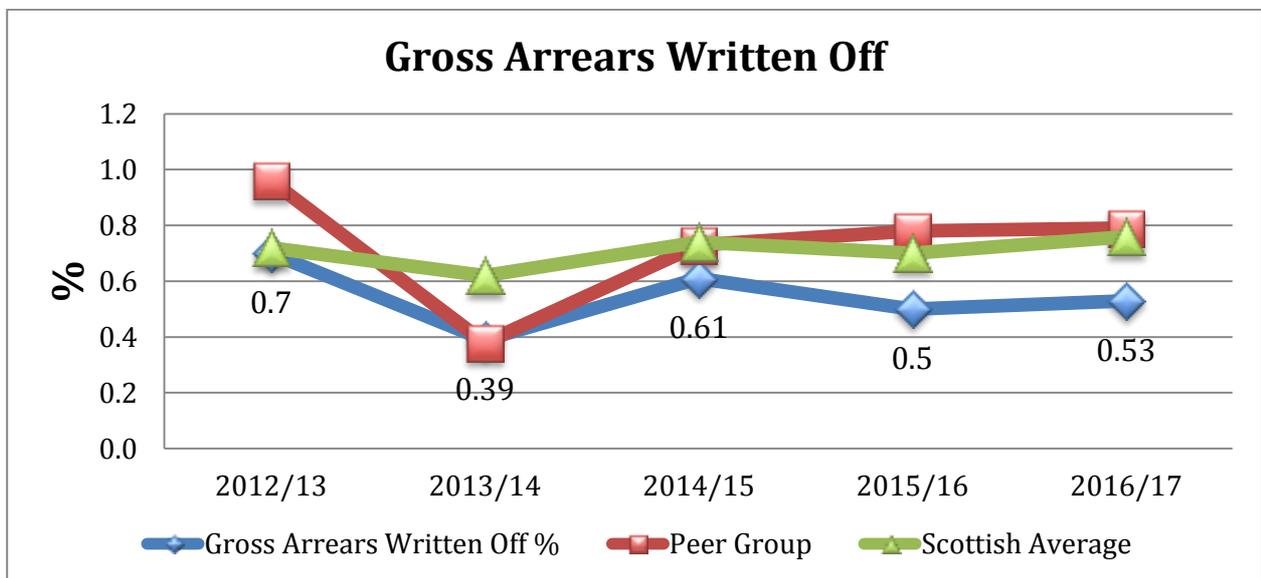
The following graphs illustrate 5-year trends in performance in relation to rent collection; current and former tenant arrears; arrears written off, and evictions due to rent arrears.

Figure 8
DGHP Rent Collection and Income Management, Compared with HouseMark Peer Group

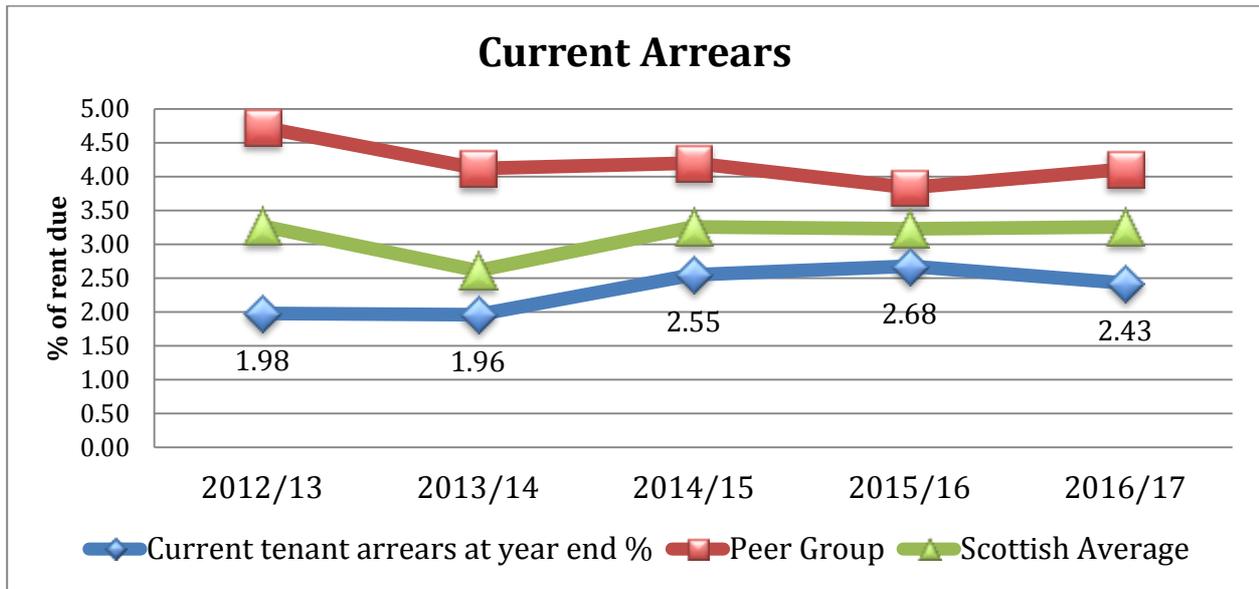
% of rent due that was collected



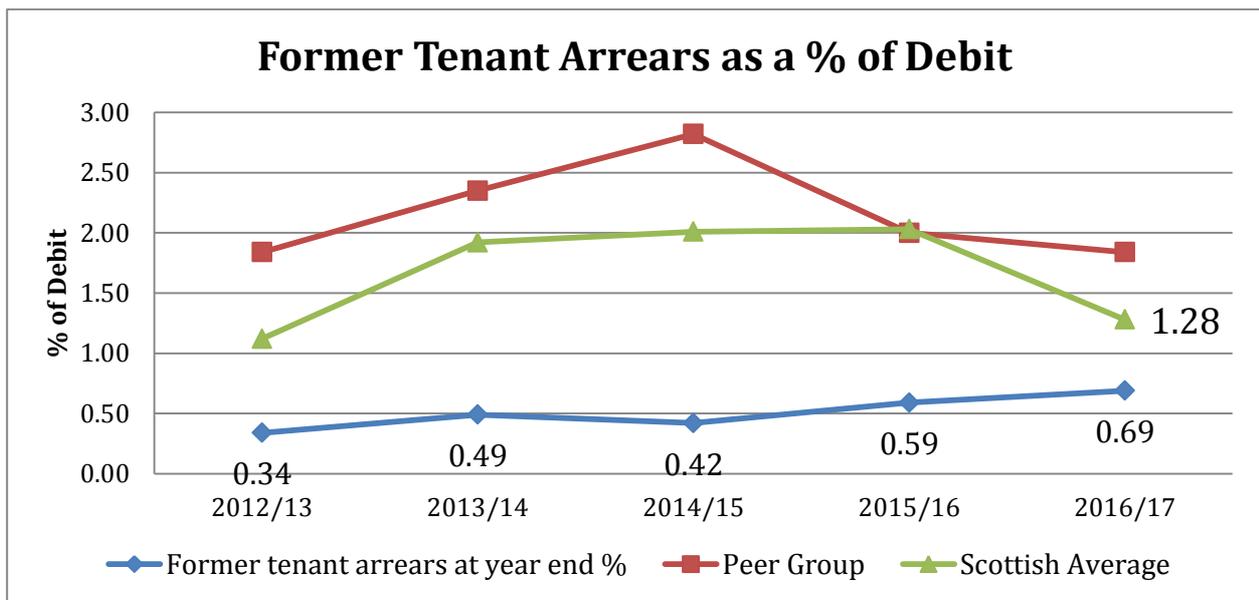
Gross arrears written off as a % of rent due



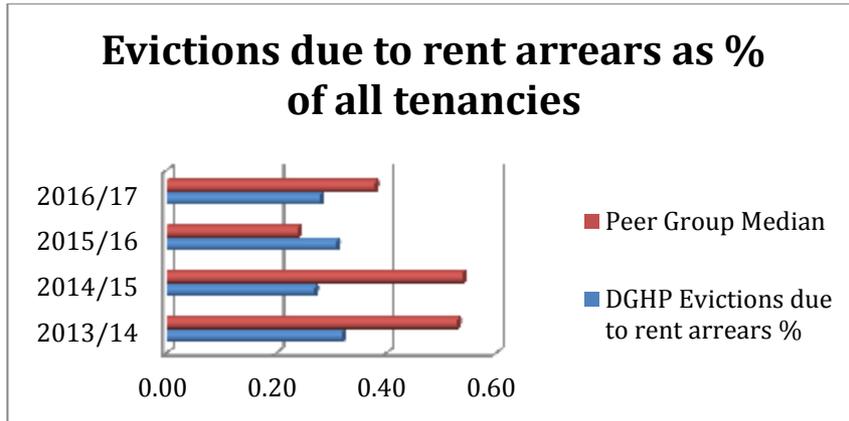
Current tenant arrears at the year-end as a % of rent due (excluding voids)



Former tenant arrears at the year-end as a % of rent due (excluding voids)



Evictions due to rent arrears as % of all tenancies



Income Management Service Costs and Improvement

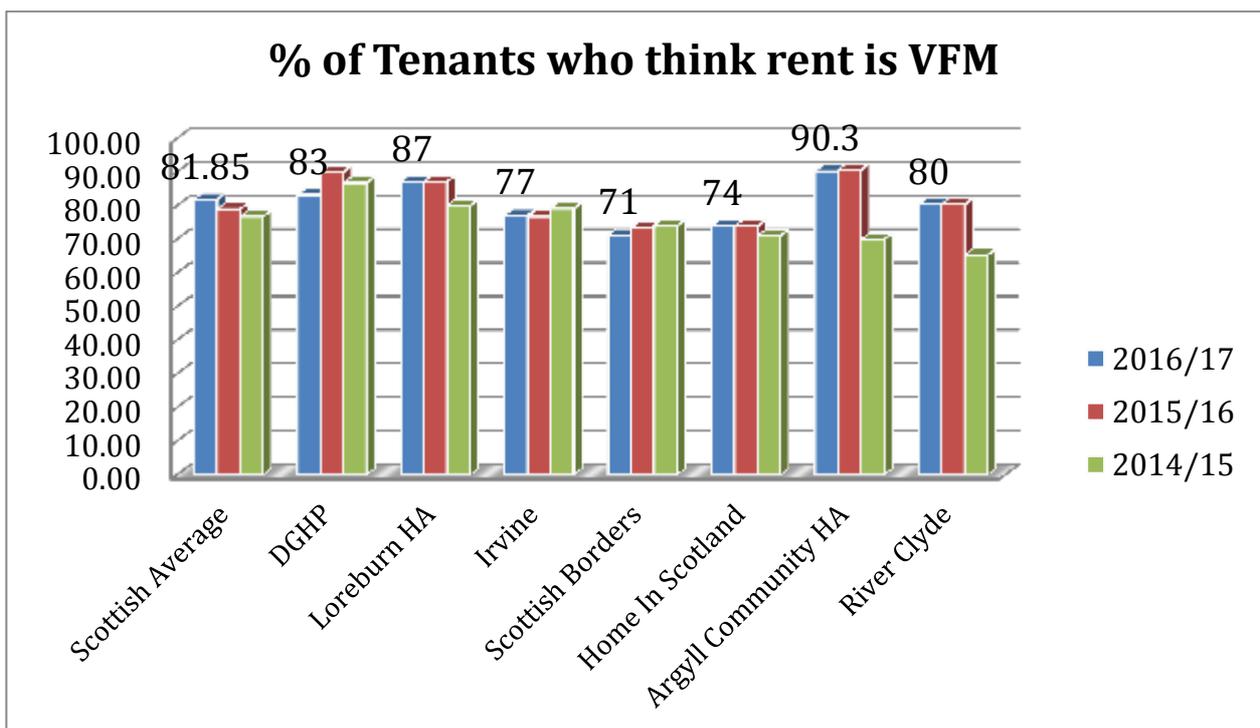
The costs of providing this service were £149.87 per unit in 2016/17, around 0.27% or 33p per unit higher than our peer group average. This does not cause concern in light of the excellent performance that is being achieved, and the challenges we will face in future as a result of Welfare Reform measures.

Like all social landlords, DGHP is anticipating increases in rent arrears and rent collection costs as Welfare Reform measures take effect. DGHP's priorities are to provide tenants with support while also managing the risks to our income.

4.5 Tenant Feedback and Engagement

Tenant feedback and tenant involvement are both at the heart of DGHP's approach to VfM.

Figure 9 shows that DGHP tenants have a more positive view of VfM than tenants of other Dumfries and Galloway landlords, other LSVT landlords and Scottish social landlords as a whole.



DGHP carries out consultation with tenants in January and February each year to establish that proposed rent increases are acceptable and affordable. The 2017 consultation results indicated that:

- ❖ 90% of tenants believe their rents were 'very good' or 'fairly good' value for money (2015/16 result: 87%)
- ❖ 89% of tenants agreed that they were "OK with the rent rise"
- ❖ 84% of tenants understood the reasons for the proposed rent increase (2015 result: 85%)

The independent tenant survey conducted later in 2017 showed that the 90% rating earlier in 2017 had reduced to 83% of tenants rating their rents as very or fairly good value for money. Although reduced this rating is still above the Scottish national average, however we will not be complacent, we believe this to be an important indicator and we will explore ways to improve our score over the next 3-4 months. We will in the interim:

- Commence large scale renewal programmes to replace windows, roofs, render;
- Continue to invest in new heating systems, communal door and entry system replacements, kitchen and bathroom replacements and aids and adaptations;
- Consult tenants on the proposed rent increase for April 2018, including giving options and maximising choice;
- Conduct another survey in early 2018 to monitor our performance in this area.

In terms of tenant engagement, 94.5% of DGHP's tenants said in 2017 "that they were satisfied with the opportunities given to them by DGHP to participate in decision making processes. This compares very well to our peer group average of 67.50%.

Overall, the tenant feedback received should be a source of pride for the Board and staff alike.

The Tenant Scrutiny Panel has a direct role in advising DGHP on the efficiency and effectiveness of our services from a tenants' perspective. During the last couple of years, the Tenant Scrutiny Panel has been involved in:

- ❖ Preparing a report on the effectiveness of DGHP's repairs service;
- ❖ A review of the out of hours service for emergency repairs; and are
- ❖ Currently working on Rechargeable Repairs

DGHP is also encouraging tenants to become more involved in decisions about how value for money can best be achieved. For example:

- ❖ The four District Management Committees have decided that resources should be diverted from the Community Pride Fund (grants to local community organisations) and used instead to pay for additional welfare rights officer resources. The DMCs were keen to offer support to tenants and felt that this represented better use of tenants' money.
- ❖ For the first time, the 2016/17 rent consultation invited tenants to select from a list of possible areas where savings of up to £100,000 could be made in order to reinvest in services. While only 4% of tenants chose to respond to this part of the consultation, the exercise has value as a way of understanding tenants' VfM priorities and we will repeat it in future years.

4.6 Asset Management

Investment in Existing Homes

Tenant satisfaction with DGHP investment works – a key measure of VfM - is currently running at around 89.3%.

The investment programme to date has been shaped by our transfer promises (met in full and ahead of time), and by the need to achieve and then maintain the Scottish Housing Quality Standard.

DGHP has used information from specialist asset management consultants, ARK, to benchmark our current costs for major works types against those of 12 English housing associations comparable to DGHP, with the following results:

Figure 10

DGHP Investment Programme Costs 2014/15 (by type of works) Add 10% for 2017

	ARK Benchmark (£)	DGHP Cost (£) 2014/15
Bathrooms	£3,150	£3,917
External Doors	1,250	1,474
Central Heating	4,000	4,762
Kitchen	4,500	4,531
Rewiring	3,000	2,640
Roofs	8,300	8,237
Windows	4,300	4,725
Planned 30 year spend in Business Plan (per unit per annum, for major components)	1,148	1,110

All the DGHP contracts in the benchmarking exercise were procured competitively through traditional tendering and are representative of the market price at the time of tendering. The major variances relative to the ARK benchmark costs for bathroom and central heating installations.

❖ Bathrooms

DGHP bathrooms costs are higher specification and higher cost (shower/wall boarding/lino finish to the floor are all provided by DGHP).

❖ Central Heating

DGHP has a number of off gas areas that cannot be served by gas central heating, and we have opted for Air Source Heat pumps, which involve higher costs than gas central heating. In areas where there is gas, a 50% uptake on new gas supply has involved a one-off cost premium.

❖ Contractors' workloads are generally on the increase and there is an ever increasing skills shortage, which are both having an effect on tender prices. This will have a particularly marked effect in D&G due to the dearth of large and medium sized contractors, and if the current reluctance of central belt contractors/sub-contractors to tender for our works were to continue.

- ❖ It is also almost certain that Brexit will have an effect on tender levels if the current level of the GBP is maintained. Where imported raw materials, e.g. timber, copper, etc. are required then this will see prices increase, and we would imagine that this could vary quite a bit between the different headings in the table.

Development of New Housing

DGHP's new build programme has made a major contribution to meeting housing needs throughout the region. It has also received exceptionally positive feedback from tenants.

The below area of satisfaction was not collected by HouseMark in 2016/17.

Figure 11
% of tenants satisfied with quality of new home, 2012/13 to 2015/16

	2012/13	2013/14	2014/15	2015/16
% of tenants satisfied with new home	100%	100%	99.2%	99.2%
DGHP ranking in HouseMark peer group	1	1	2	4

DGHP takes a rigorous approach to ensuring that proposed development projects demonstrate financial viability and will bring long-term value to DGHP's asset base.

- ❖ At appraisal stage, we require all proposed projects to achieve break even by year 25 and to demonstrate a positive Net Present Value (NPV) by year 40.
- ❖ In the long-term, new build projects will have a positive impact on DGHP's cash flow, since rental income net of management and maintenance costs is greater for new build than existing properties.

The new build programme has generated substantial economic benefits for the Dumfries and Galloway economy due to its scale and geographical distribution. The following table illustrates the wider VfM impacts of DGHP's development programme during the last 6 years.

Figure 12
DGHP Development Programme 1 April 2010 to 30 September 2017

Measure	VfM Outcomes
Number of new houses completed (to 31/09/17)	Housing for social rent: 616 Shared equity: 119 Mid-Market Rent: 104 Total: 839
Total expenditure	£140 million
Private finance generated	£53 million
Estimated value added to the local economy	Grants of £79 million from Scottish Government and DGC have enabled total construction spend of £140 million.

Measure	VfM Outcomes
	The wider value to the local economy is estimated at £294 million (using UK/Scottish Government multipliers, whereby £10 million invested in affordable housing supply will generate £21 million in the wider economy)
Estimated number of jobs created or sustained	<p>Circa 450 jobs over the last 5/6 years.</p> <p>Over the last 5/6 years, training initiatives have created over 150 training opportunities where local people (mostly DGHP tenants) have been trained in the construction industry.</p> <p>60% of participants have gone onto full time jobs in the construction industry, with 20% going to other training opportunities or higher education. In total 80% have had positive outcomes from the training programmes developed in partnership by D&G College, DGC and DGHP.</p>
Welfare Benefit Advice	<p>Each quarter we look at the additional weekly income that we have been able to generate for all tenants who have been referred for welfare benefit advice.</p> <p>As of October 2017, 602 tenants have been referred for welfare benefit advice. This has generated an additional weekly income of £19,633.24 up to the end of Q2 for those who were entitled to additional benefits. £17,284.81 per week of this is attributable to DWP benefits being awarded. This is all additional money that can be used to help the tenant with their day to day needs. It is also additional money that our tenants can be using in the local economy.</p> <p>Over a period of 12 months we have increased the income of our tenants by £1,222,090.338 in total so far.</p>

4.7 DGHP's Use of Resources

Figures 13 and 14 give an overview of DGHP's operating costs and staffing levels in 2016/17.

Figure 14 shows our direct costs per function (pay and non-pay costs) and includes expenditure on repairs and major works.

In keeping with the way our accounts are prepared, the cost of new house-building and loan interest and repayments are excluded from the analysis.

Figure 13

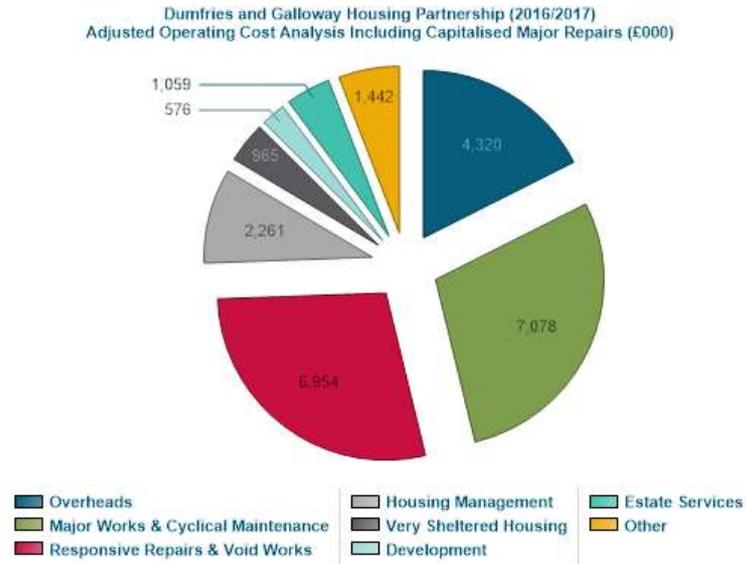
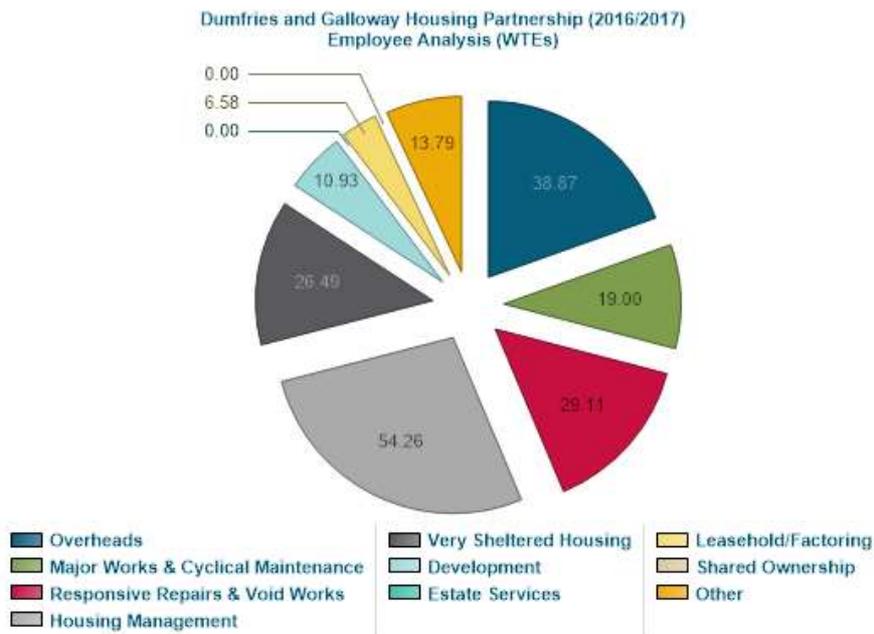


Figure 14.



Overheads

Figures 15 to 19¹ show DGHP’s overhead costs during the last 5 years. The key results may be summarised as follows:

- ❖ Total overhead costs have reduced in 4 of the last 5 years, for total overheads and the cost per unit
- ❖ Total overheads in 2016/17 were £256,983 lower than in 2012/13, a reduction of 6%

¹ Source: HouseMark
Value for Money Statement: Approved by Board Nov 2017

- ❖ Overhead costs per unit have been in the top (i.e. best) quartile for our HouseMark peer group in each of the 5 years. DGHP's costs were the lowest for the peer group in 2014/15, 2015/16 and 2016/17
- ❖ Our costs as a percentage of turnover were in the lowest quartile for our HouseMark peer group in 2012/13. Since then, DGHP has first met and then bettered the peer group median. We are now in the middle lower quartile.
- ❖ In individual service areas, DGHP's costs for housing management have remained fairly stable over the last five years with only small fluctuations, repairs and void works have significantly reduced in 2016/17. Major works and cyclical has increased due to the increase in minor planned works and the investment programme increasing after a three year lull.
- ❖ Business support costs per service user have increased across the board this year. This is partly attributable to the number of direct users decreasing as a result of re structure. Costs are being apportioned to a lower number of users (DGHP's overall staffing establishment grew from 189 full-time equivalents (FTEs) in 2012/13, to 223 FTEs in 2015/16), and was then reduced back to 199 in 2016/17.

Figure 15: Total Overhead Costs (excluding notional office rent): 5-Year Trends

Year	Total Overheads
2016/17	£4,320,325
2015/16	£4,477,928
2014/15	£4,252,390
2013/14	£4,368,184
2012/13	£4,577,308

Figure 16: Overhead cost per unit: 5-Year Trends

Comparator Group Quartiles	Upper	Median	Lower
	413.01	476.13	544.94
DGHP	DGHP Result	DGHP Rank	DGHP Quartile
2016/2017	365.70	1	TOP
2015/2016	342.58	1	TOP
2014/2015	325.36	1	TOP
2013/2014	335.16	2	TOP
2012/2013	368.48	4	TOP

Figure 17: Overhead costs (excluding notional office rent) as % of turnover: 5-Year Trends

Comparator Group Quartiles	Upper	Median	Lower
	9.64	10.10	12.71
DGHP	DGHP Result	DGHP Rank	DGHP Quartile
2016/2017	10.34	8	MIDDLE LOWER
2015/2016	10.13	5	UPPER
2014/2015	10.78	9	MIDDLE UPPER
2013/2014	11.07	12	MEDIAN
2012/2013	12.16	17	LOWER

Figure 18
Major Service Areas (Total Cost per Property or CPP): 5-Year Trends

	2016/17	2015/16	(2014/15)	(2013/14)	(2012/13)	5 YEAR TREND
Total CPP of Housing Management	£367.32	£364.06	£358.03	£374.20	£378.65	Costs reducing and then slight increase
Number of direct employees working on Housing Management per 1,000 properties	5.35	5.53	5.55	5.56	5.44	Staffing levels slight decrease
Total CPP of Estate Services	£98.08	£100.03	£99.86	£91.63	£145.64	Costs reducing
Total CPP Per Property of Responsive Repairs & Void Works	£761.10	£837.15	£810.69	£806.54	£792.68	Costs reasonably stable and reducing in 2016/17)
Total CPP Per Property of Major Works & Cyclical	£746.46	£680.76	£615.13	£878.70	£1,791.61	Costs now increasing as minor planned works and level of investment programme increases
Total CPP of Resident Involvement	£30.65	£29.03	£22.52	£28.55	£30.54	Re alignment of staff 2016/17

Figure 19: Business support overheads: total cost per user: 5 Year trends

	2016/17	2015/16	(2014/2015)	2013/2014)	(2012/2013)	TREND
Premises	£3,310	£3,211	£3,184	£3,127	£3,451	Reduced but increasing from 2014/15
ITC	£5,870	£5,448	£5,602	£5,991	£6,182	Reducing over years, increasing in 2016/17
Finance	£3,078	£2,736	£2,436	£2,576	£2,980	Reduced but increasing from 2015/16
Central	£9,450	£9,102	£8,858	£8,881	£9,747	Reduced but increasing from 2015/16

Note: Total users users have decreased in 2016/17 as a result of re structure this has increased the Business support overhead costs.

4.8 Financial Performance and Policies

Figure 20 provides a snapshot of financial performance information, benchmarked against DGHP's HouseMark peer group.

Figure 20

Financial Performance Profile (2016/17) Benchmark against National LSVT's > 7,500 = 14 RSLs (includes DGHP)

KPI	Peer Group Median (as at 8-11-17)	Dumfries and Galloway Housing Partnership (2016/2017)		
		Result	Rank	Quartile
Debt per unit managed	8,186	15,918	10	LOWER
Adjusted net leverage	41.4	62.89	11	LOWER
Growth in turnover	0.8%	0%	7	MIDDLE LOWER
Operating margin	30.6%	28.6%	10	MIDDLE LOWER
EBITDA (MRI)	324.9	199.1	11	LOWER

Working within Business Plan Resources

DGHP's Business Plan is constrained by the terms of the Dexia loan agreement around borrowing from other lenders, and the changes to price and terms that Dexia would require to give consent to any relaxation of these conditions.

For this reason, DGHP has always budgeted prudently, to ensure that the company will meet covenant and debt limits without having to reduce service or investment standards below the standards agreed with tenants or required by the SHR and Scottish Government.

It is also DGHP's policy not to commit to new build housing without the agreement of Scottish Government and DGC grant funding at a level that makes each scheme financially viable over less than 40 years, with realistic assumptions for rent income, void losses and management, maintenance and investment costs, and funding available from committed private funding.

Extensive stress testing is undertaken on the key pressure points in the Business Plan, and reported to the Board twice yearly.

Business Plan Risk Management

The key Business Plan risk is breach of Dexia loan agreement covenants. This is managed by developing the Business Plan to create headroom for unexpected costs within the covenant calculations, by tight budgetary control, and by stress testing to identify the variables most likely to create a breach. Contingency plans are developed for these events.

Other key risks are identified as cost control in repairs and staff costs; these are managed by regular review of actual to budget spend, with explanation of variances and development of contingency plans. Performance against plan is closely monitored for void losses, arrears levels and bad debt write offs.

The Business Plan assumes that new build schemes will proceed at the planned timescale, with grants to be paid at the completion of a scheme. Given that building schemes are likely to slip, but not to accelerate, and that the Scottish Government will on occasion pay grant at milestones of a scheme, this approach builds in risk management.

Cash flow is tightly controlled and forecast in detail, to avoid missed contractual payments, unplanned borrowings or excess cash balances.

The Business Plan also considers longer-term risks, notably the affordability of rent and the political acceptability of above inflation rent increases that are dependent on Housing Benefit or Universal Credit to be collectable in full. The 2018 plan will reduce long term increases to the Scottish norm of inflation +1% once rent reaches the Scottish average.

Interest rate risk is managed through a professionally developed Treasury Management Policy, which defines how counter parties will be selected, and sets limits on the proportions of fixed and floating debt. Treasury management advisers provide regular forecasts of interest rates, which are used as the basis for the Business Plan assumptions. In the Business Plan, a higher rate than the forecast is used, to allow for the risks around Dexia.

DGHP operates tight financial control systems, to ensure costs are properly incurred and charged to the appropriate budget and to minimise the risk of successful fraud attempts. Internal audit is used proactively in these areas.

5. Return on DGHP's Assets

Figure 21: Summary information about DGHP's cost and asset base

	DGHP Profile
Properties owned/managed (as at 30/10/17)	10,292 owned (social rent and MMR) 15 Shops (Novantie) 966 garages 1,199 garage sites 624 factored owners in multi tenure blocks
Rental income versus costs of management, maintenance and investment (Business Plan 2017)	Rental Income (net) £39.511 million Management £5.486 million (staff) and £4,444. million (Other) Maintenance £9.346 million Investment Programme £14.383 million
Capital invested in housing assets, net of grant received	In investment to existing stock - £160m incl fees and VAT In new build – spend £140m, grants £79m, NSSE sales income £7.8m. Built 588 units for social rent, 99 for MMR, 119 NSSE

Net Present Value

Using the draft 2017 Business Plan DGHP's 30-year cashflows before interest costs and loan repayments generate a **Net Present Value of £230 million**, based on a discount rate of 5.0%. This is a significant margin over peak debt of £157m.

Return on Assets

In 2016/17 we calculate a return of 4.8%, with our operating surplus being £12.6m and the cost of our social housing being £264m, at 31 March 2017.

Development of new housing

DGHP applies rigorous VfM criteria to our consideration of each new development. Three golden rules must be met, to evidence long-term value to the Business Plan:

- ❖ Achieve break even by year 25
- ❖ Demonstrate a positive internal rate of return of at least 4% by year 40
- ❖ Demonstrate capacity for full debt repayment by year 40.

Stock Performance

DGHP has analysed the sustainability of our housing stock, to identify any properties that may not be economically sustainable in the longer term. This takes account of a range of management, cost and future investment data.

The initial assessment carried out covered all of DGHP's existing stock and indicated that only 300 properties give some cause for concern in terms of their long-term performance and sustainability.

As part of our overall Asset Management Strategy, DGHP is currently developing a methodology for conducting options appraisals to determine the future of poorer performing stock.

6. Future Plans for Improving VfM

DGHP will use the evidence set out in this Statement, to consult tenants, District Management Committees and the Tenants Federation on the proposed rent increase for April 2018. This Statement will also be used during these consultations to identify, with our stakeholders, the priority areas where we wish to improve value for money. Our priorities areas will be based on:

- ❖ Improving value for tenants, and/or
- ❖ Improving own effectiveness and efficiency in delivering services and managing the business of DGHP.

We will conduct these consultations in December 2017, January 2018 and February 2018. Once we have identified priorities we will report back to Board in February 2018.

We will then set out our planned actions in the DGHP Business Plan 2018, and in a VfM Actions document that we will produce in February 2018. This will ensure that VfM is fully integrated within our strategic planning.

If we look at the data in the body of the statement in order to identify those areas which stand out as needing further scrutiny e.g. classed as high cost and or performance is below our peer group median, the following areas emerge.

We will discuss these areas with our stakeholders:

6.1 Rent Arrears and collection – Good Performance, High Cost

The costs of providing this service were £149.87 per unit in 2016/17, around 0.27% or 53p per unit higher than our peer group average. We would argue that this does not cause concern in light of the excellent performance that is being achieved, and the challenges we will face in future as a result of Welfare Reform measures. We are better than the Scottish National average cost at £164.05 per unit and have made a conscious decision to employ more staff dedicated to supporting our tenants e.g. Welfare Benefits Advisor.

6.2 Repairs and Maintenance and Voids – Good Performance, High Cost

DGHP's total cost for delivering repairs and void services was £761 per unit in 2016/17. While DGHP's costs were lower than the median for our HouseMark peer group from 2012/13 to 2014/15, our cost per unit has decreased by 9.1% between 2015/16 and 2016/17. Even though DGHP's costs have decreased for 2016/17; the peer group median costs have also significantly reduced which has resulted in DGHP being placed in the high cost area of the dashboard. Our cost per property for repairs is 33p above the median in our peer group. Our performance and satisfaction for this area remains high compared to our peer group. We perform better than the whole of the UK (297 associations in HouseMark), £25 per unit below the median cost and £18 per unit below the Scottish National average.

6.3 Tenants who believe our rents represent Value for Money

The independent tenant survey conducted later in 2017 showed that the 90% rating earlier in 2017 had reduced to 83% of tenants rating their rents as very or fairly good value for money. Although reduced this rating is still above the Scottish national average, however we will not be complacent, we believe this to be an important indicator and we will explore ways to improve our score over the next 3-4 months. We will in the interim:

- Commence large scale renewal programmes to replace windows, roofs, render;
- Continue to invest in new heating systems, communal door and entry system replacements, kitchen and bathroom replacements and aids and adaptations;
- Consult tenants on the proposed rent increase for April 2018, including giving options and maximising choice; and
- Conduct another survey in early 2018 to monitor our performance in this area.

6.4 Repairs appointments kept as % of appointments made

Performance in respect of repair appointments kept has improved considerably in 2016/17 to 96.6% compared to a Scottish average of 95.7%. We are still below our peer group average however at 98.8%.

6.5 % repairs completed at first visit

Our performance in completing repairs right first time improved considerably during 2014 to 2016, and at 91% was 1.4% below the Scottish national average of 92.4%.

6.6 % of staff turnover in the year

Top quartile (i.e. lowest turnover) in each of the last 4 years. In lower quartile for 2016/17, due to staff restructuring.

6.7 Financial Profile

We are below the median in most of our financial profile measures

This is primarily due to the nature of our business and our origins – Large Scale Voluntary Transfer and the high levels of associated debt.

6.8 Whilst the main areas we will address in the Business Plan 2018 have not yet been agreed, some of the areas identified in 2017 will carry forward into 2018 and may be summarised as follows:

Rents and Affordability

- ❖ Ensuring that DGHP's rents remain affordable and are seen by tenants to represent good value for money
- ❖ Developing a medium-term strategy for reducing annual rent increases

Repairs Services

- ❖ Implement the work of DGHP's Scrutiny Panel on rechargeable repairs
- ❖ Continue to negotiate the extension(s) of DGHP's main repairs and gas servicing contracts into 2018/19 to mitigate re-pricing risks, and consider options around the future procurement of these contracts;

- ❖ Continuing our efforts to further improve performance on first-time fixes and the keeping of repairs appointments
- ❖ Continue to develop our vision and strategic approach to how the repairs service should be delivered in the medium term

Voids and Lettings

- ❖ Continue to reduce the average time taken to re-let empty properties
- ❖ Continue to host the Dumfries and Galloway Common Housing Register, maintaining the good outcomes the partners are achieving for applicants coming forward through the homeless or Strategic Needs routes, and investigating with the partners the feasibility of a choice-based lettings approach for D&G

Rent Collection and Income Management

- ❖ Helping tenants to maximise their incomes and the rent paid to DGHP, in the face of Welfare Reform changes.
- ❖ Continue to use the Rent First initiative to discuss and make sure that rent payment is discussed at every contact DGHP has with a tenant
- ❖ Shifting of income management resources to early intervention and scaling back resources at legal stage

Supported Housing

- ❖ Complete the review of the provision of housing for older people, in particular around the future provision of Sheltered Housing and the need to explore a range of operating models

Tenant Engagement and Insight

- ❖ Involving tenants in how DGHP reviews and develops our services
- ❖ Consulting closely with tenants on annual rent reviews, and maintaining high levels of satisfaction that our rents represent good value for money
- ❖ Continue work with tenants in fuel poverty to help maximise their returns, also back boiler replacements
- ❖ Continue to Utilise the Federation bus to visit rural communities – focusing on fuel poverty and money matters

Asset management

- ❖ Delivering the investment programme within what is affordable under the Business Plan
- ❖ Examining how we can procure investment programme components at a lower cost
- ❖ Developing plans for DGHP stock that is not popular and that does not add long-term value to the Business Plan
- ❖ Developing a Long Term Investment Plan and supporting plans for procurement and delivery
- ❖ Enter into framework agreements for the procurement of DGHP's programmes for external works (roofing, external render and windows);

- ❖ Seek continued Scottish Government funding for our EESSH programme, building on our success in gaining £240,000 for central heating installations in 2016/17

Building New Houses

- ❖ Reviewing DGHP's financial capacity to build additional houses, beyond our already committed and funded programme
- ❖ Carefully consider demand issues in appraising development opportunities (e.g. to address sustainability, rural depopulation, negative impacts on demand for existing DGHP stock);
- ❖ Continuing to apply rigorous VfM appraisal criteria to any proposed new developments, to ensure that they will add long-term value to our Business Plan

Organisational Management

- ❖ Reviewing our office premises
- ❖ Investing in the development of DGHP's digital strategy, so that we are better placed to deal with future changes in how our tenants want to interact with DGHP
- ❖ Provide all our staff with training to further improve our customer service, through confidence building and self-awareness techniques
- ❖ Continue to participate in HouseMark's core benchmarking system to enable meaningful comparisons with other RSLs
- ❖ Ensuring that managers and staff in all parts of the business are proactive in examining procurement arrangements and costs, to help achieve best value
- ❖ Develop stronger links with NHS Dumfries and Galloway and Dumfries and Galloway Council in respect of the national programme of integrating Health and Social Care; and utilising any opportunity to access funding to support any short term projects e.g. reducing hospital admissions from sheltered housing residents