Paradigm Housing Group

VALUE FOR MONEY STATEMENT

2015-16

Paradigm

Introduction

Value for Money (VfM) is integral to how we manage our organisation. Paradigm is a social business, providing low cost housing for those who cannot afford to access a highly priced market. During 2015-16 we have reviewed and restated our purpose of providing a fair deal for our residents and using our financial strength to deliver more new homes.

The pressure on families and individuals in our areas of operation is demanding. We operate in West London and the Home Counties to the north and west of the Capital where housing costs are high but wages for most workers have not kept pace over the last 5 years. Welfare reform has had, and will continue to have, a significant impact on our customer base in the areas in which we operate, adding to the pressures on household budgets.

New legislation passed in 2016 relating to welfare reform and housing policy will have a substantial impact on our business. Four years of rent reduction will be good news for some of our residents but we have had to reassess our ability to continue to develop new homes for rent. We are in the process of identifying substantial cost savings over the next four years so that we can continue to deliver new homes. However a greater proportion will be for sale, primarily through low-cost home ownership initiatives.

VfM at Paradigm recognises the importance of delivering quality services efficiently. We benchmark our services against other housing providers and are challenged by our Board to deliver good services at lower cost. Our 2016-17 Business Plan includes organisation-wide change projects to help drive value from our assets and deliver cost effective services for our residents through a clearer service offer, better procurement and strong understanding of our asset performance.

As a Registered Provider we are required to meet the requirements of the Regulatory Framework published by the Homes and Communities Agency and these include the publication of a VfM self-assessment. The self-assessment is summarised in our Annual Report and Financial Statements 2015-16 and this document sets out how we are achieving VfM in delivering our strategic vision.

Our strategic aims

Our purpose, reaffirmed by the Board in March 2016, is to make the very best use of our resources so we can provide new affordable homes and a fair deal for existing residents.

Our approach is to use our balance sheet strength to lever in external funding for developing new homes in areas of high demand. In order to continue to strengthen our underlying asset base we must generate profits and the constraints on our future income imposed through changes in legislation mean that we need to continually challenge ourselves to reduce costs. We are committed to offer our existing residents a fair deal, providing good quality and responsive services. In return we expect residents to meet their side of the bargain by paying rent on time, behaving responsibly and looking after their home.

We recognise the imperative that we make the best use of our resources, to help those people who need our support. Our strategic targets set out how we plan to achieve this:

Maintaining strong financial health	We will stay financially strong. We know that without a stable financial position we will not be able to help new residents; and we will not put the homes of existing residents at risk.
Running an excellent business	We will run an excellent business, using commercial disciplines, continually striving to deliver efficiency improvements. We will attract high quality staff, invest in their skills and hold them to account for effective delivery.
Making best use of our property assets	We will make the very best use of our existing asset base. We will have a clear asset management strategy and sell or convert stock, as and when we can get better value in doing so.
Investing in new homes	By managing our finances well and driving value in the business, we will be able to invest in new homes. We will continue to offer a range of tenures, including shared ownership and some social and affordable rented housing.
Offer a fair deal to tenants	We will offer a decent service that reflects what tenants want and strikes an appropriate balance in cost terms between the needs of future and existing tenants. We will continue to support vulnerable residents to help them sustain tenancies.
Supporting our customers and investing in communities through the Paradigm Foundation	Our financial strength will enable us to support our customers and invest in local communities, through the Paradigm Foundation. Through this vehicle we will help residents into work, education and training; invest in community projects; and support those facing hardship, working with partners.

During the second half of the 2015-16 financial year, continuing through 2016-17, we have agreed a programme of change projects to help deliver the strategic goals. These initiatives cross the whole business and include:

- **Asset management** – to inform a new asset strategy including strong understanding of return on assets at a granular level
- **Tenant deal** – to reaffirm the services we will provide for our residents and what we expect in return; and identifying process improvements to deliver services effectively and efficiently
- **Repairs** – to review the Direct Labour Organisation (DLO) including cost, productivity and the use of sub-contractors; and how the business contracts with the DLO to ensure assurance on compliance and cost-effective, timely repairs delivered to residents
- **Procurement** – an end to end review of procurement and contract management that will highlight savings targets and quality improvements
- **Operating model** – to consider the most appropriate model to support our ambitions as an exemplar housing provider, aligning income, cost and service delivery

Achieving VfM is even more critical as we continue to bear down on all costs. During 2015-16 whilst our income per property (excluding property sales) increased by 3.5% to £6,491, we reduced operating costs (including capitalised major repairs) by 6.7% to £4,177 per property. For properties included in the HouseMark dataset the cost reduction was 8.1%. We continue to focus on a number of key indicators, both financial and non-financial, in order to measure VfM in terms of efficiency gains, increased service effectiveness and cost reductions. Further information on these indicators, our benchmarked performance and our targets is set out on pages 13 to 17.

Measuring value for money

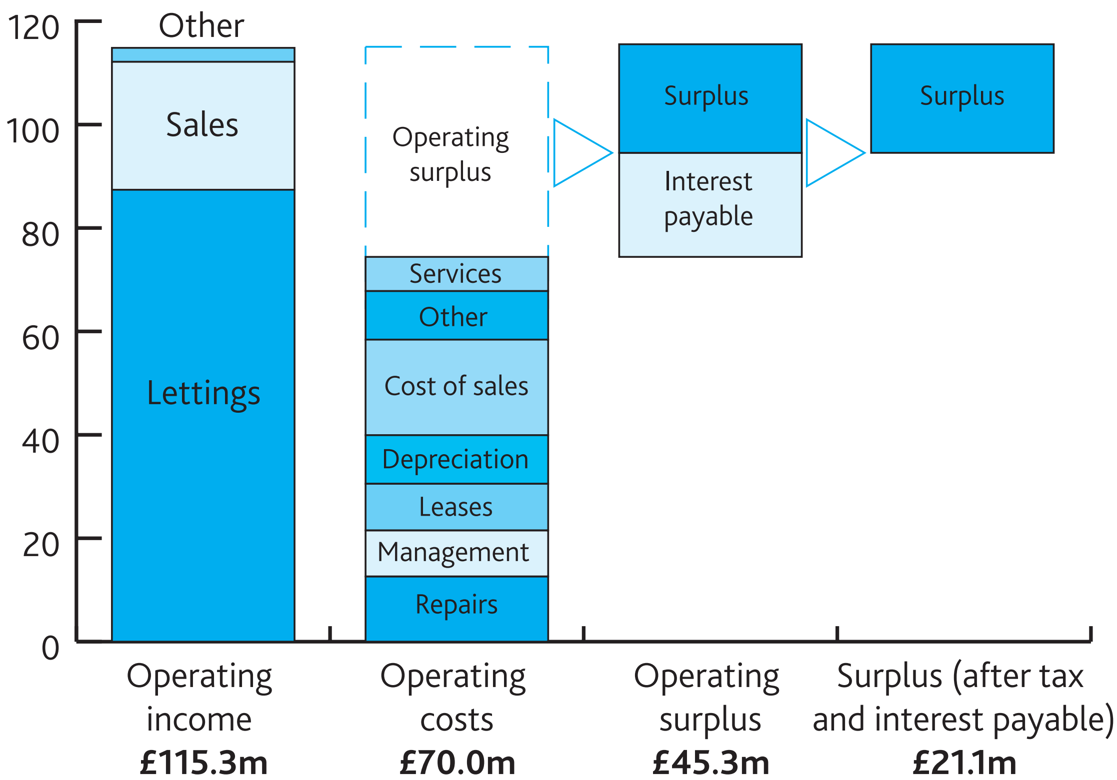
Financial strength

Paradigm's Board is custodian of an important legacy. Our core purpose is to nurture and grow that legacy and protect it and its customers for the long term. This can only be achieved by running a financially sound business. As a charitable housing provider we operate to a clear set of values; however we never apologise for seeking to maximise our profits as every penny is re-invested in new homes or improving services.

Maintaining strong financial health

Our financial strategy has a clear requirement that we should achieve a minimum annual surplus (10% of turnover) and that each part of the business should make a positive contribution to that surplus. For 2015-16 Paradigm Housing Group (the Group) surplus was £21.1m (18%), higher in both percentage and money terms than the previous financial year (£14.2m; 14%). In both cases these figures have been prepared using new accounting requirements and the adjusted prior year figure is higher than previously reported (£12.3m; 12%).

Income for the year was £115.3m and a simple breakdown of how we used that money is set out below:



Key financial indicators

	2015-16 TARGET	2016	2015	2014	2013	2012
Operating surplus for the year as % of turnover	-	**39.2%**	37.6%	32.9%	32.5%	36.0%
Operating surplus, excluding first-tranche surplus, for the year as % of turnover, excluding first-tranche sales	40.0%	**43.5%**	42.0%	42.2%	41.6%	38.9%
Annual surplus as % of turnover	10.0%	**18.3%**	14.0%	11.1%	11.1%	6.9%
Rent losses (voids and bad debt as % of rent and service charges receivable)	1.5%	**1.5%**	1.6%	1.6%	1.6%	1.4%
Rent arrears (current tenant arrears as % of rent and service charges receivable)	-	**5.4%**	5.4%	5.0%	4.0%	4.5%
Rent arrears (rolling average adjusted for timing of housing benefit, used for management purposes)	2.5%	**2.8%**	2.8%	3.0%	3.7%	4.4%
Interest cover (Earnings Before Interest Tax Depreciation and Amortisation divided by interest payable and capitalised interest)	1.4	**1.8**	1.6	1.6	1.8	1.5
Gearing (total loans less cash as % of capital employed)	52.0%	**57.5%**	57.3%	55.5%	63.8%	66.9%
Return on investment (earnings for the year as % of average total debt)	7.0%	**7.5%**	6.6%	6.5%	5.9%	5.9%
Return on assets (surplus for the year as % of average total assets, adjusted for property revaluation)	1.8%	**1.7%**	1.3%	1.7%	1.6%	0.8%

In order to develop and grow our business our aim has been to generate at least 40% operating surplus (excluding the impact of first-tranche shared ownership sales) so that we build net worth, enabling us to borrow and invest in new homes. Our focus for the next four years continues to be to at least maintain operating surpluses, in spite of the government-imposed reductions in rental income. We will bear down on cost across the business and our financial indicators reflect this intent with a focus on minimising losses from rent arrears and voids.

In maximising our borrowings a key restriction is the availability of security for new loans. Increasing numbers of new properties are shared ownership and on larger developments, built out over longer timescales than traditional schemes. Looking forward we anticipate more of our developments are likely to be for sale, either on an outright or shared-ownership basis. Effective treasury management continues to be critical for developing social landlords like Paradigm.

Treasury

As a business we borrow a large amount of money to fund the development of new homes. Our total borrowings at 31 March 2016 were £705.3m, with a slight reduction in borrowing per property to £52,458 (2015: £52,655) reflecting the reinvestment of sales proceeds and profits into new homes. We remain dependent on borrowings and a robust treasury management strategy is essential. Key treasury facts and achievements during 2015-16 include:

- Average cost of fixed rate funds is 5.00%
- Over 49% of debt fixed for more than 20 years
- 98% of current debt at fixed rates to reduce interest rate exposure
- Six months of cash secured and available at any time

Since the year end we have drawn a further £25m funding for new developments with Affordable Housing Finance Plc, under the government guarantee, in two tranches at low interest rates of 2.61% and 1.91%.

Procurement

Effective procurement, supporting business objectives, will deliver financial and qualitative benefits for us and our customers. During 2016-17 a review of procurement processes, including on-going contract management, is being undertaken as one of five key strategic projects that will help deliver VfM across the business.

Last year we reported target cost savings for 2015-16 and the following year of £1m per year. Procurement improvements in 2015-16 are anticipated to save £1m each year going forward as set out in the table below.

Area of business	Identified annual saving (£'000)	Comment
Insurance	460	Includes contents insurance previously provided to tenants but following review of cost v claims history; consideration of sector-wide practice; and tenant deal – withdrawn from 1 August 2016
Audit	30	Internal and external audit tendered during the year
Employee health and safety	20	Impact of competitive quotes for lone worker badges
Commercial fleet	200	Fleet leasing arrangements tendered during the year
Gas servicing and installations	130	Estimated saving following competitive tender but dependent on extent of use of sub-contractor
Asbestos removal and remediation	110	Estimated saving following competitive tender, dependent on volume of work
Electrical certificates	20	Estimated savings £10.50 (21%) per property
Out of hours contract	10	Dependent on number of contacts: saving £3 (40%) per contact
Legal costs – debt recovery	20	Impact of competitive quotes for debt recovery support
	1,000	

However, following the rent reduction announced in July 2015, we reviewed and revised our business plan so that annual cost saving targets across the business for 2016-17 and the following three years have increased. Areas for review during 2016-17, together with indicative new procurement savings, are set out below.

Area of business	Identified annual saving (£'000)	Comment
Property services	800	Materials; van stock. Further savings anticipated from improved contract management and better utilisation
Central costs	140	Legal services; printing, postage, stationery
Estates	300	Service and utility costs
	1,240	

Service charges and costs

Since 2013-14 our service charge policy has been to recover costs in full from those residents who benefit from the services. We recognised the impact for some residents, particularly those in sheltered accommodation, could have been significant and therefore applied a cap, restricting the charge. Over the past three years we have gradually increased the proportion of service charges recovered from 80% in 2013-14 reaching 100% in 2015-16 as the cap was lifted.

For service charges VfM is not only about recovering costs but also about minimising those costs wherever possible against agreed service standards. Savings arising from scrutinising and challenging utility bills, particularly for gas, have been identified during 2015-16 and are being passed on to residents in lower annual charges. Where the challenge has resulted in repayment of personal heating charges, of between £1 and £600 per person, these are refunded directly.

Further areas identified for review in 2016-17 include internal management costs, deferred from 2015-16 due to the additional work on utilities bills.

Making best use of our property assets

Any business wishing to achieve financial efficiency will optimise the management of its assets and Paradigm is no different. Changes to the way in which major works are planned together with targeted disposals will improve the quality of the stock, the outcomes for customers and generate significant resources for investment in new homes.

Our main portfolio is social housing assets and we achieved an operating surplus, excluding build for sale, of £39.2m in 2015-16, equivalent to an operating margin of 43.5% which is far in excess of the 31.0% average achieved by the registered provider sector according to the HCA's 2015 Global Accounts.

Our existing asset management strategy sets out our approach to ensure that our assets meet our longer term requirements in terms of location, condition, cost in use and rate of return on investment. Our focus has been to optimise asset location, in four different strategic ways to reduce operating costs:

Acquisition	We acquire housing stock from other housing providers where the location means that we can increase the density of our property base in different geographic areas and achieve economies of scale.
Development	A key part of our evaluation of a new scheme is whether it is adjacent or near to existing Paradigm properties to 'infill' our footprint and minimise operating costs.
Disposal	We review which properties we should dispose of as they become vacant.
Rationalisation	Where we own and manage properties outside our core operating areas, making the properties more expensive to manage and maintain as well as meaning residents may experience a lesser service, we have sought to dispose of the properties to other registered providers. Proceeds from the sale of 150 properties to Orbit in 2012-13 have been reinvested in new developments.

Our in-house IT system reflects strong integration between the finance, development and investment works systems so that we have up to date information on the age and cost of the key components in our properties. We are undertaking a full stock condition survey to confirm that the information held on the system is accurate. The survey has been in progress for almost a year and once this 'audit' is complete we will use the information to update the asset management strategy.

In the meantime we have improved efficiency in planning investment works which have, for the past two years, been scheduled on a rolling geographic basis, by postcode, meaning we can take better advantage of bulk purchasing and staff utilisation. This approach delivered a saving of almost £1k per property, or £200k per year.

We use the asset information as part of our review of void properties to determine their best use – for refurbishment and re-letting or disposal; for example some properties which have poor sound insulation require significant investment to bring them up to standard. In 2015-16 we generated £727k from 9 empty property sales

For those properties that we keep and re-let, the conversion to Affordable Rents (AR) increases the future rental stream and allows us increased borrowing ability as a consequence. In 2015-16 we converted 231 properties, increasing income by £266k, enabling additional borrowing of £4.6m.

We maximise our operating surpluses by ensuring that our properties are of good quality and in demand, keeping voids, bad debts and arrears low, and driving down costs of management and maintenance. In appraising new schemes we target return on investment (ROI):

Activity	ROI target
General social housing	**5.0%**
New business opportunities and development	**7.0%**
Commercial activities	**10.0%**

We currently achieve 7.5% overall, measured as operating surplus (excluding build for sale) divided by external debt.

One of the key projects being undertaken during 2016-17 as part of our change programme is a review of asset management. Expected outcomes include recommendations for system changes to support a new asset management strategy that will ensure that our assets meet our longer term requirements and will move away from the current reactive approach to investment/disposal decisions when properties are becoming void. We anticipate a more granular approach to return on investment so that we have a clear view of the rate of return on individual assets.

Investing in new homes

Our core social purpose is to provide new affordable homes for people who cannot afford to rent or buy in the open market. We aim to provide a range of housing solutions and, whilst we have not in the past concentrated on building homes for outright sale, we see the implementation of a prudent and limited outright sale programme as a way of subsidising our affordable homes programme.

Our development activity is funded from three principal sources: proceeds of property sale; capital grant; and borrowing. Reducing levels of grant and rental income mean we have had to take action to reduce our revenue costs (housing management and maintenance) as well as maintain our surpluses from sales in order to continue to invest in delivering homes for future customers.

Development appraisals for rented and low-cost home ownership properties reflect the total cost in use for residents, to ensure they receive value for money in the enjoyment of their home. Each scheme proposed for Board approval highlights the estimated weekly outgoings for each property type including rent, estimated utility bills, council tax and service charges.

Highlights of our development and sales activity during 2015-16 include:

- 542 homes completed for rent or shared ownership – delivering our commitments under the 2011-15 National Affordable Housing Programme in full
- 1,555 homes started and under development at the year-end
- Sold 196 new homes under shared ownership arrangements generating £25.1m
- Confirmed partner for £21.7m grant under the 2015-18 HCA and GLA programmes to deliver over 1,200 properties, although the mix and timing of developments is under review, in particular moving away from affordable rent to low-cost home ownership.

Supporting our customers and investing in communities through the Paradigm Foundation

We established the Paradigm Foundation in 2013 with a donation of 2% of annual profits. Having the Foundation enables us to 'ring fence' our added value and social value work so that we can focus on the core business of providing homes and housing services that our customers value. The Foundation is led by a board of trustees and operates independently from Paradigm, although we remain its largest donor.

Key aims are:

- Supporting residents and their families into work, education and training
- Alleviating financial hardship through initiatives and small grants relating to income maximisation and financial welfare
- Encouraging community involvement through grant funding for small and larger community projects.

Achievements during 2015-16 included:

- Launch of the Bucks Money Advice Service (BMAS), supporting and working with Citizens Advice Bureaux (CABs)across Buckinghamshire to share and standardise best practice, primarily in providing debt advice and support across the county

- £45k grants awarded to CABs across other areas in which Paradigm operates, to support their work with our residents
- £240k grants provided to a number of other not-for-profit organisations and community groups across the areas in which Paradigm operates to underpin wide-ranging initiatives including: Dial-a-Ride; Home Start – supporting families; and New Meaning – offering further education and training to support young people with access into work
- 32 small individual grants allocated to Paradigm residents for education and training, including work-based schemes to help them into employment, and relief of financial hardship
- Conclusion of a pilot employability project aimed at long-term unemployed people. Working closely with Watford Women's Centre the pilot made 432 new contacts over a two-year period and supported 12 people into paid or voluntary work with a further 29 into training so they are better placed to access future opportunities. Based on a tested methodology of assessing social impact (Community Investment Values from the Social Value Bank) the net social benefit (after initial investment of £38k) has been estimated as £44k.

The Foundation is seeking opportunities to roll the approach out to more Paradigm residents but this depends on identifying appropriate partners in different geographic areas.

We have agreed with the Foundation to undertake a review of the social and economic impact of their work to inform future investment decisions and anticipate that the study will be commissioned in 2016-17.

Customer Satisfaction

Delivering to agreed standards and as reliably and efficiently as possible is a clear message from our customers. As one of the corporate change projects we are revisiting the 'deal' with our tenants, including consideration of performance measures and targets during 2016-17 and will report further on the outcomes in our VfM statement next year. Our performance against existing targets is summarised below.

Running an excellent business

In order to deliver a service with minimum waste it is important to provide clarity for both customers and staff about what we can and can't do. Our customers have told us what is important to them and our service standards focus on keeping customers informed; personalising responses and tailoring services; resolution of issues; and reliability and responsiveness.

We recognise that the success of our business depends on the quality of our managers and staff and our performance against key targets is summarised below.

Key targets	Outcomes
To use our business and customer intelligence on impact, cost and affordability to drive improved standards	**On-going** – suite of indicators developed to drive performance improvements and inform operational decisions are being refined to ensure they support our plans for delivering future services.
Greater accessibility and self-service options	**Achieved** – automated telephone and on-line payments introduced during the year. Plans for 2016-17 include updates to the corporate website and customer portal.
The production of easy to read and accessible standards for customers and staff	**On-going** – our service standards were refreshed following consultation with residents and staff. We are reviewing them as part of the tenant deal.
Increased customer satisfaction	**Achieved** – positive satisfaction from survey results and year-on-year improvement noted based on smaller samples from 'rate your repair' card.
To have a comprehensive training strategy from induction to leadership development	**On-going** – we have continued to support apprentices in our property services team whilst, across the business, introduction of aspiring manager training has strengthened leadership development.
To introduce a new Total Reward strategy	**On-going** – continues to be reviewed and renewed.
To introduce and embed the new governance structure and to carry out a thorough governance compliance assessment	**On-going** – we have commissioned an independent review of the governance structure to ensure it aligns with our plans for delivering future services. The outcome will be reported in September 2016

Our involved residents undertook an audit of our performance against the HCA consumer standards and reported their findings to the Residents' Forum and the Board. Overall feedback was that the residents were happy with our performance which met the key requirements of the consumer standards. They made recommendations for discussion with the Residents' Forum and following that discussion we agreed to implement the principal recommendations.

Last year the recommendations from the residents' audit covered two areas:

- Home
- Tenant involvement and empowerment

This year the audit focussed on action taken on previous recommendations and reviewed performance against the other two consumer standards:

HCA standards	2013-14 recommendations	2014-15 recommendations	2015-16 assessment
Home standard	Continue to ensure the performance of first time fix rate for repairs improves and meets target	Very close to target and continue to monitor	This remains a work in progress and is closely monitored to ensure the 85% target is met
	Ensure technicians call ahead when on their way to a repair appointment	Monitoring required as evident that not always followed	Not tested during the audit but monitoring via the missed appointments PI
	Once implemented, adhere to PIs for aids and adaptations	Only recently introduced. Continue to monitor performance against PIs	Information is circulated on a weekly basis, with reports created each month and provided to Heads of Service, Management Team and Committee for review. Noted as work in progress and continue to monitor.

HCA standards	2013-14 recommendations	2014-15 recommendations	2015-16 assessment
Tenancy involvement and empowerment standard	Monitor impact of new policies/strategies for: • customer complaints • equality & diversity • vulnerable persons	Strong evidence of compliance with Equality& Diversity and Vulnerable Persons strategies. Training to be rolled out for Customer Complaints policy; complaints performance to be clearly published (on website).	The assessors looked specifically for information on complaints performance and noted that a specific website page has been created but reported that this was not easy to find. We agreed that performance information will be moved to the complaints section of the website.
Neighbourhood and community standard	-	-	Review of expectations against ASB policy documents, external publications and verbal/written communication with staff did not lead to any recommendations.
Tenancy standard	-	-	Review of expectations against tenancy policies on website together with verbal/written communication with staff did not lead to any recommendations.

One recommendation last year that did not receive full support was to introduce a charge where residents failed to keep repairs appointments but it was agreed, after discussion, that it would be kept under review. The recommendation will be reconsidered as part of the 'tenant deal' project in 2016-17.

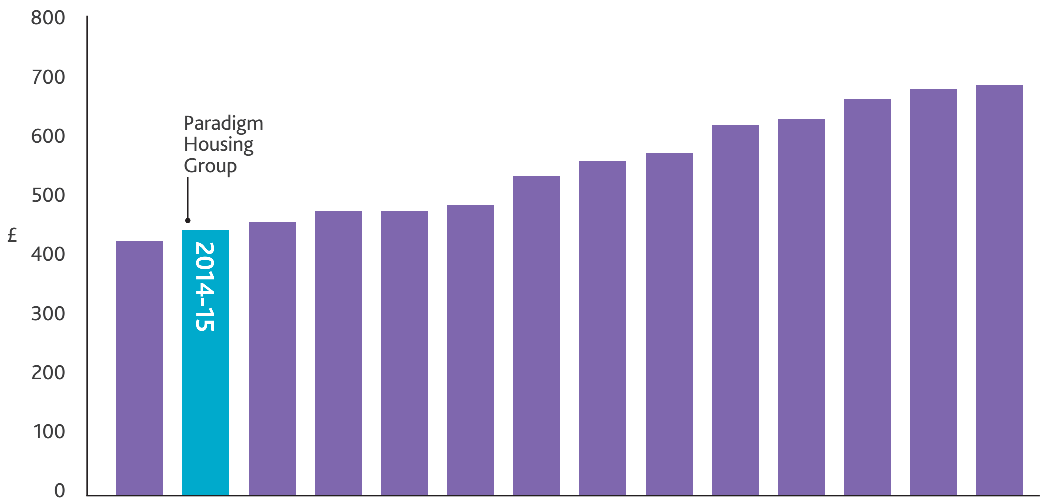
Benchmarking and Performance

Our operating surplus is high by comparison to our peers and In 2015-16 we reduced overall cost per property (including capitalised major repairs) by 6.7% to £4,177. We will continue to bear down on operating costs during 2016-17 so that we continue to generate healthy surpluses in spite of the challenge of lower rental income through government-imposed rent reductions.

Most sector-wide benchmarking information relates to social housing performance. The HCA has provided comparative information for social housing for 2014-15 and our headline social housing cost per unit was £3,560, at the median level (£3,550). In common with many other Registered Providers, Paradigm uses HouseMark to benchmark performance in housing management and maintenance services, although we recognise there are limitations in this benchmarking as it excludes shared ownership and temporary housing activities, both of which are substantial parts of our business.

Key components of the benchmarked costs are: overheads, housing management and property maintenance. We use the benchmarking as a guide as our figures suggest that the way we allocate overheads may make our overhead and housing management figures appear low but inflate property maintenance costs relative to our peers.

Using the HouseMark measures, our overhead cost (central overheads, finance, IT and office costs) as a percentage of turnover in 2014-15 was 6.53%, placing us in the upper quartile by comparison to a peer group of 15 other larger Registered Providers in London and the South East (median: 10.97%). For the same period (2014-15) our HouseMark direct housing management cost per property (excluding overheads) was £282.14, again placing us in the first quartile by comparison to our peer group. Including overheads the total housing management cost per property was £415.22 for the period:



We review key performance indicators at all housing and maintenance committee meetings throughout the year and in greater depth with the Residents' Forum and Board members twice a year. Key areas of focus have been:

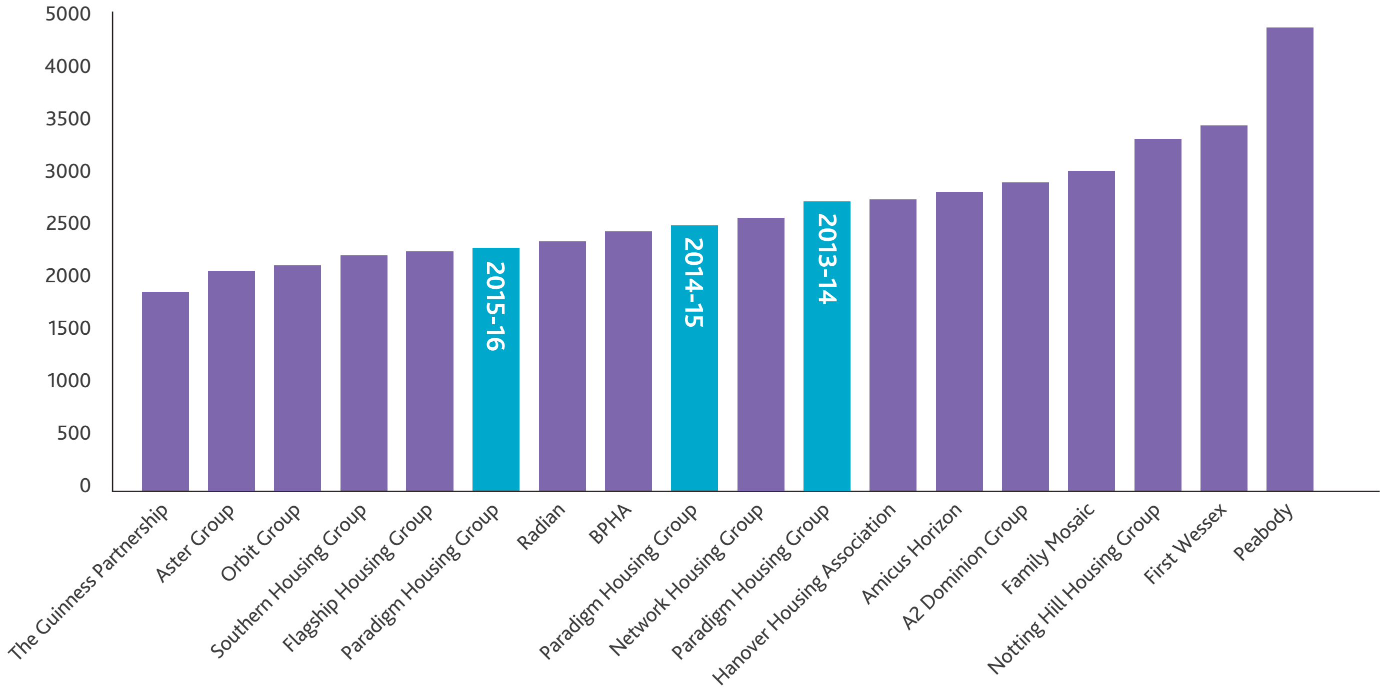
- repairs and maintenance
- voids and lettings
- rent arrears

We are reviewing key performance indicators during 2016-17 and plan to introduce a 'balanced scorecard' from September 2016 that will include both financial and non-financial indicators covering the whole business.

Repairs and maintenance

Paradigm continued to invest in a Property Services team who manage all investment, planned and responsive maintenance with 80% of all 2015-16 jobs undertaken by in-house technicians, the remainder being outsourced to sub-contractors who specialise in certain types of work such as roofing or wall insulation. In some areas we have continued to pro-actively increase the proportion of work delivered by our own technicians, improving overall utilisation as well as control and influence over timing of works. Key areas affected have been kitchen and bathroom replacement and central heating boilers.

At a detailed level, against 15 other Registered Providers in London and the South East our 'total repair cost per property', including major works, was £2,297 (2014: £2,487):



However the cost of responsive repairs (including voids) appears high by comparison to other providers. Whilst the way we allocate overheads may be a factor, a focus on reducing sub-contractor spend during the last quarter of 2015-16 has helped improve our performance for the year as a whole.

We recognise the opportunity to improve value for money across our property services business and have identified key areas as:

- Supply chain savings across sub-contractors and material suppliers
- Contract and commercial management
- Compliance assurance and management information
- Direct Labour Organisation (DLO) productivity
- Void costs and recharges
- Asset management

Commentary on performance against our targets for 2015-16 and plans for 2016-17 are set out on the following page:

Area of business	Performance 2015-16	Target 2016-17
Continue to renegotiate most major supply contracts, ensuring maximum quality and value for money. The first of these is the gas servicing contract which is expected to generate annual savings of over £100k per year	Gas servicing contract has been tendered and a new contractor appointed. Estimated annual savings will arise from a combination of lower contract costs and increased self-supply and are estimated as at least £130k per year.	Full procurement review (including contract and commercial management) to be undertaken as key project alongside retendering of major labour and materials contracts to drive out cost and increase surety around delivery and customer focus.
Building on the success of the gas servicing dashboard which uses real-time information to inform 'lead' performance indicators ensuring 100% gas compliance, to develop on-line dashboards to manage the efficient use of our resources, minimising cost and maximising customer service	Review of timeliness and accuracy of management information highlighted some weaknesses in the quality of information being used to manage gas servicing in particular. Systems and control improvements have been implemented to address these and ensure gas compliance.	Continue to develop and refine management information, systems and controls to drive efficiency whilst ensuring compliance in key areas within Property Services. Once the development of the compliance dashboard is completed, focus will shift to wider management information such as daily productivity statistics.
Refine the voids and lettings process to reduce the time properties requiring major works are empty and losing income	Focus on the voids and lettings process has resulted in shorter relet times, lower void costs and lower rent losses in 2015-16	Continue to drive down void costs and ensure that those attributable to residents are properly recharged and collected (Recharges project commencing in September 2016 will address these areas)
Reactive investment works and compliance performance – including use of sub-contractors and DLO productivity (a 2016-17 target)	Towards the end of the financial year management focus on reducing use of sub-contractors contributed towards lower costs than in 2014-15.	Review of reactive investment works and compliance activity and processes to identify scope for performance improvement (in terms of cost, time, quality, health & safety and customer satisfaction) is planned as a corporate project for 2016-17. Expected to link with the 'tenant deal' as well as 'voids and lettings' projects.
Undertake a stock condition survey of all properties built more than 10 years ago, to be complete by July 2016, to inform a review of our asset management strategy to ensure that future maintenance spend is directed at those properties most in need, with planned disposal of properties that are uneconomic to retain	Stock condition survey is on-going. Access to some properties was more difficult than anticipated and we have refined the outputs from the survey during the process. Completion date is expected to be November 2016.	Complete the full stock condition survey by November 2016. Undertake full review of asset management (key project), including identification and implementation of system changes required to provide more granular information in managing housing assets, including return on investment.

Lettings and voids

Average relet times reduced in 2015-16 to 22.1 days, from 26.2 days in 2014-15 (both against a target of 21 days). Our target for 2016-17 is 12 days and since the year-end our performance in this area has been sustained around this target figure following a major review of the voids and lettings process that started in the latter part of 2015-16.

During 2015-16 we relet 873 homes and supported 164 mutual exchanges. The mutual exchanges were a reduction from the previous year when a key focus was to encourage households, particularly those affected by the spare room subsidy or benefit cap, to move to more suitable and affordable accommodation. However we are planning for a possible increase in the number of people seeking to move as they affected by the impact of the welfare reforms, in particular the lower benefit caps that will apply from November 2016.

Arrears

As reported last year our rent arrears have steadily reduced since September 2012 following the introduction of a streamlined recovery process under which the recovery starts promptly so that the likelihood of large arrears balances building is reduced.

The cost of arrears recovery has remained in the upper quartile by comparison to our peers for the past five years. We continue to challenge ourselves to reduce arrears, even in a time of economic hardship for many of our residents who are affected by the welfare reforms introduced over the past five years and continuing over the next. Our target arrears (general needs and housing for older people) were 3.0% during 2015-16 and we are now targeting 3.0% across the business.

Whilst reducing the arrears target, we aim to maintain the upper quartile performance in cost per property and demonstrate on-going efficiency in arrears recovery.

Conclusion

Paradigm's Value for Money Statements has been designed to demonstrate our holistic approach to achieving value for money. We do not see this as a 'one-off' statement but rather report of our successes in the past year and on-going improvement plans designed to strengthen the effectiveness of our services whilst controlling and in some circumstances reducing costs.

Our overall commitment to value for money is referenced in a number of corporate documents (rather than restricted to this Statement) including: Business Plan; Annual Report and Financial Statements; and Annual Report to Residents, highlighting the different ways we embrace VfM.

We have not yet achieved all our targets and the Board and Executive are focussed on meeting the targets set out in this statement. In some instances we have achieved and are exceeding the objectives and have set more challenging targets going forward (for example rent arrears). We will continue to take this approach in future as we continue our value for money journey.