

VALUE FOR MONEY STRATEGY AND ANNUAL REPORT

Report of the Finance Director & Company Secretary

1. SUMMARY

The Operational Board monitors Derby Homes' performance as part of its functions. Value for Money considerations have to be balanced against costs and this report attempts to bring these issues to the Board's attention.

A series of reports are produced each year and the Board is invited to comment on them.

The HCA has recently published data relating to average costs and Derby City Council and Derby Homes' joint costs are well below the median level.

The Value for Money Strategy is updated every three years, and a proposed new strategy is attached for consideration

2. RECOMMENDATION

That the Operational Board:

1. Approves the Value for Money Strategy
2. Considers the attached Value for Money statement and Housemark reports
3. Offers any comments that it feels appropriate.

3. MATTER FOR CONSIDERATION

- 3.1 This is the first annual report to the Operational Board on the issue of Value for Money (VfM). Each year, the Derby Homes Board publishes its accounts. The Homes and Communities Agency (HCA) require Registered Providers (RPs) to include in those accounts a Value for Money statement which concentrates on the Value for Money that has been delivered.

This year's Value for Money statement is attached at Appendix 1.

- 3.2 The Operational Board is charged with monitoring the performance of Derby Homes. As part of that function, it is helpful for the relative Value for Money of those services to be taken into account. This report is intended to be an annual update on this issue.
- 3.3 A second source of VfM information is our annual Housemark report which is attached at Appendix 2.

- 3.4 The HCA published in June 2016 some sector wide information on relative overall costs (in 2015). These will form a third way in which overall costs can be compared. Headline figures are that the Council and Derby Homes' average costs of operating Council housing is currently £3,209 a year or £62 a week without debt costs (payment of interest and repayment of loans). With average rents of just under £80 a week this leaves £18 a week (£936 a year) to service any debts.
- 3.5 The HCA data shows the best (lower) quartile as £3,200 a year, so Derby is currently £9 a year (0.3%) above that level. The median is stated as £3,550 a year. Derby Homes and Derby City Council's combined costs are therefore currently £341 below that level. If Derby spent at that average it would translate into a further £4.5m a year or £6.50 a week rent increase (8%).
- 3.6 Mean ('average') Housing Association costs are even higher at £3,950 a home (£76 a week excluding debt) due to a few very high cost (usually small) associations.
- 3.7 Overall these results back up the messages from Housemark and elsewhere which show that our overall costs are low.

Value for Money Strategy

- 3.8 The VfM Strategy is updated every three years, and the latest update is attached at Appendix 3 for consideration by the Operational Board. The strategy will then be considered further by the main Board once this Board has considered it.
- 3.9 Overall the strategy is in line with the operational practice of Derby Homes and the Council and seeks to set out to further improve performance and cost savings where possible over the next three years. The Board is invited to consider the strategy attached at Appendix 3 and make any suggestions or comments on it.

4. FINANCIAL AND BUSINESS PLAN IMPLICATIONS

The low costs of both Derby Homes and the Council mean that the average rent remains low and services can be maintained for tenants.

The areas listed below have no implications directly arising from this report:

Consultation
 Legal and Confidentiality
 Council
 Personnel
 Environmental
 Equalities Impact Assessment
 Health & Safety
 Risk
 Policy Review

If Board Members or others would like to discuss this report ahead of the meeting please contact:

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Background Information: HCA Summary Report on unit costs June 2016
 Supporting Information: None