

# Operating and financial review

## Value for money

Value for money has been enshrined as a key principle for Genesis through inclusion in the Corporate Strategy 2015–20 high level outcomes.

Our approach to value for money has a number of elements:

- Benchmarking – using the Housemark analysis and comparisons with peer associations in the G15
- Self-assessment by service managers linking the cost of service provision with meeting Corporate Objectives
- Understanding the economic performance of our property assets through participation in the development of IPD's UK Social Housing Index
- A strategic approach to procurement to make sure Genesis gets the most appropriate goods and services with a view to delivering value for the whole life of its contracts
- An understanding of the Social Return on Investment, working with the Housing Associations' Charitable Trust (HACT) model to demonstrate how investment from Genesis benefits the public purse.

Below we report on the activities undertaken and achievements realised under each of the elements.

Value for money information will be published on Genesis' website for 2015/16 providing more detail on our activities, including regular updates on future benchmarking evidence as it becomes available.

## Benchmarking results

The results below are based on Housemark benchmarking results for year ending March 2015 which are the most up-to-date at the point of publishing

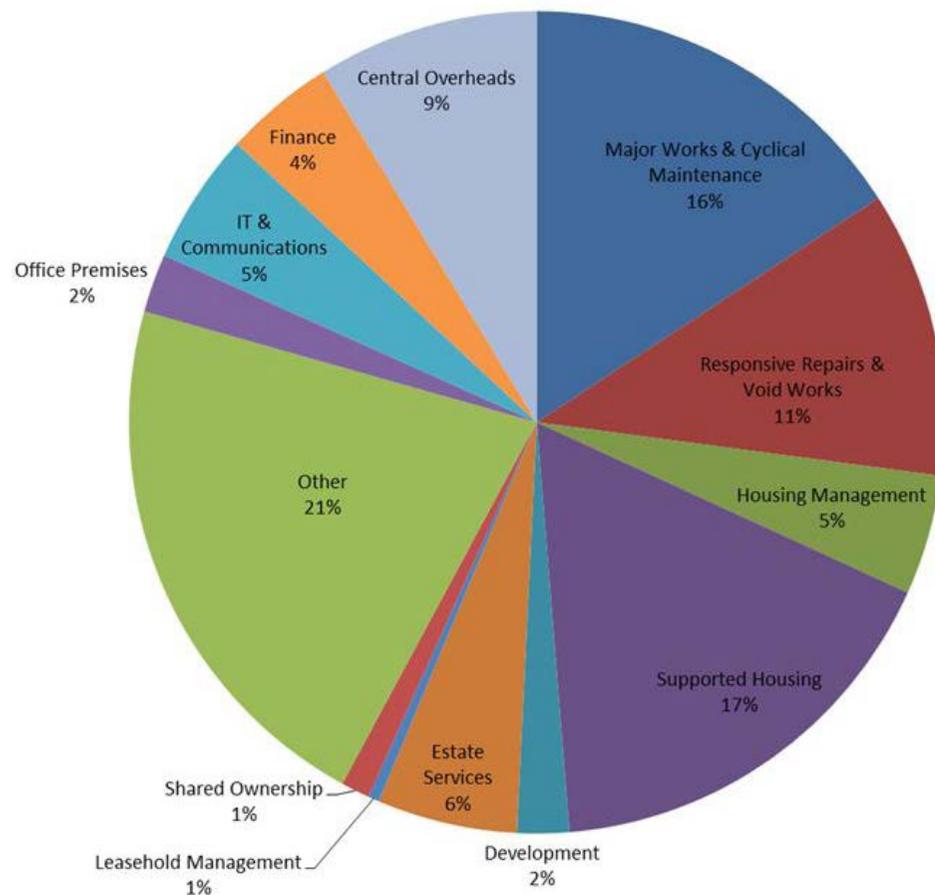
Overall there are 639 categories of which Genesis was ranked 6th overall.

## Ranked No.1 amongst G15 14-15

Current tenant arrears attributable to unpaid HB %	Service charges collected (excl. arrears b/f) %
Direct cost per property of anti-social behaviour non-pay costs. Ranked 1st for the 2nd year	Overhead employees as % of all employees (% of all staff)
Properties accepted on first offer %	Office premises costs as a % of direct revenue costs – heating, light, power and other services
Overhead cost per property of major works (service provision). Ranked 1st for the 2nd year	Office premises costs as a % of direct revenue costs – office cleaning
Direct cost per property cyclical maintenance	Overheads analysis Finance cost per property – Treasury/Corporate Finance
Overhead cost per property cyclical maintenance	Overheads analysis Finance cost as a % of turnover – Treasury/Corporate Finance
Total (management) cost per property of cyclical maintenance. Ranked 1st for the 2nd year	Overheads analysis Finance cost as a % of direct revenue costs – Treasury/Corporate Finance
Cyclical Maintenance (management) % of total cost	Overheads analysis Finance cost per employee – Treasury/Corporate Finance
Direct cost per property responsive repairs and void works costs	Overheads analysis of central overhead cost per property – training
Direct cost per property void works (management) costs	Finance costs as a % of turnover – Treasury
Supported Housing average relet times (standard relets)	IT & Communications performance – employees per '000 units

The chart below shows where Genesis spends its money, so for each pound of rent, for example 16 pence is spent on Major Works and Cyclical Maintenance and 5 pence on IT and Communications.

### Function as a % of Operating Costs 2014/15



## Self-Assessment

Value for money assessments have been based on Service Managers' views and judgments and were ratified at a VfM workshop attended by members of the VfM forum (a range of staff from across the business). The focus of the VfM exercise this year has been to extract key areas where VfM has been achieved within our corporate aims and objectives.

# Operating and financial review

## Movement of services from 2014/15 to 2015/16

Cost	Service quality		
	Basic	Medium	Higher
Higher			<ul style="list-style-type: none"> <li>Development ↔↔</li> </ul>
Medium	<ul style="list-style-type: none"> <li>Leasehold ↔↔</li> <li>Control (Asset Trust)*</li> </ul>	<ul style="list-style-type: none"> <li>HR ↔↔</li> <li>IT ▲↔</li> <li>Service Charges ↔△</li> <li>Tenant Management ↔↔</li> <li>Voids &amp; Lettings ↔▽</li> <li>Estate Services ↔↔</li> <li>Property Services ▲↔</li> <li>ASB ▼↔</li> <li>Portfolio Management ↔▽</li> </ul>	<ul style="list-style-type: none"> <li>Contracts (Stratford Halo)*</li> <li>Finance ▲↔</li> <li>Procurement ▲▽</li> <li>Income Collection*</li> <li>Governance &amp; Compliance ↔↔</li> </ul>
Lower		<ul style="list-style-type: none"> <li>Commercial ↔↔</li> <li>Contact Centre ↔△</li> <li>Contacts (Key Places) ▼△</li> <li>Care &amp; Support ↔↔</li> <li>Complaints ↔↔</li> <li>Customer Involvement ↔↔</li> </ul>	

The current position is based on the 22 services shown above. 95% (21) of Genesis' services are within the green areas of the value for money grid shown.

VfM is seen as an intrinsic part of corporate objectives; work carried out, or planned as part of achieving objectives is detailed below:

### 1. Improved customer satisfaction with our services

#### Achievements in 2015/16

- Post project review process introduced to improve contact centre satisfaction (76% satisfaction level achieved against a target of 71 % with the service)
- Continuous improvement in complaints responded within target (89% against a target of 85% in 2016/17, compared to 55% in 2014-15) by focussing management attention and reinforcing expectations.
- Reduction in the abandonment rate on calls to the commercial team achieved 23 % against a target of 6%.
- Training and support for the commercial team resulted in a 78% satisfaction level being achieved against a 71% target.
- Continuous focus on quality of service meant that Care & Support passed all external inspections and satisfaction is the highest in the organisation. 83.3% achieved against a target of 69 %
- Cleansing of customer email addresses
- Consolidated rent policy so that one team provides a consistent service
- Procured Resident's benefit portal
- Procured WiFi at housing schemes in Norfolk and London.

#### Direction of Travel Key

Improved Quality	▲	Improved Cost	△
Deteriorating Quality	▼	Deteriorating Cost	▽
Static Quality	↔	Static Cost	↔
New Service Area	*		

**Work planned for 2016/17**

- Continuing on the good work of 2015/16 management focus will be maintained to ensure solutions to complaints are delivered in line with promises made to customers
- Review of information provided to new tenants with the aim of improving advice for when they move to their homes
- Enhanced quality framework within Care & Support requiring services to undertake a series of planned audits and assessments on service delivery will be implemented
- Introducing a Customer app. which will improve access to our services.

**2. Improved well-being of the communities we serve****Achievements in 2015/16**

- Facilitated regular and well attended customer forum meetings
- Reduction of ASB youth 'hotspots'
- By working closely with customers and understanding their situations the Tenancy Support Team gained nearly £250,000 in additional income in unclaimed HB thereby reducing rent arrears
- A refurbishment of the interiors of 75% of care & support schemes branded as "Pride in Your Scheme" increasing satisfaction both from customers and commissioners
- Developed and implemented a new personalised approach to supporting & enabling customers to meet their needs and aspirations (PECs)

**Work planned for 2016/17**

- Introduction of an energy efficiency budget within the Asset Improvement Programme to start to address poor thermal performance of parts of our stock where Standard Assessment Procedure (SAP) energy rating levels are low in order to address fuel poverty issues for our residents
- A refreshed contract management framework will be developed and implemented in 2016/17 ensuring services remain fully contract compliant and deliver required results.

**3. Concentrating on our core areas by moving out of some of the peripheral locations within our portfolio****Achievements in 2015/16**

- Disposal of circa 100 properties (Lincolnshire)

**Work planned for 2016/17**

- Plans to exit from 388 properties in Cambridge, Peterborough and Northampton
- Options appraisal on schemes in Essex
- Continued rationalisation of outlying exit areas

**4. Investing in at least 5,000 homes****Achievements in 2015/16**

- Continuation of Portfolio plan frameworks identified opportunities for creating 950 units

**Work planned for 2016/17**

- The acquisition of 1500 new units into the delivery programme through new opportunities, Genesis' existing portfolio and Regeneration schemes
- Converting hard to let properties into family sized homes
- Developing 53 new key worker homes at John Astor House adding £800,000 to the key places rent roll.

**5. An engaged and high performing staff team****Achievements in 2015/16**

- Various training modules and workshops being delivered in-house. This provides opportunities for staff and savings on the use of external trainers
- Training delivered to staff on domestic abuse and ASB management
- Delivery focussed IT training programme. Using digital training to enable staff to train themselves at convenient times.

**Work planned for 2016/17**

- Training for contact centre staff on first time resolution
- 'Learning by doing' approach to training that is targeted to identified skills needs
- Business partnering approach being adopted by HR
- Develop more joint working between departments
- Develop provision of internal trainers

# Operating and financial review

## 6. Access to our services will be digital by default

### Achievements in 2015/16

- Reduced file storage by 50%
- Migrated the onsite DR data centre into an offsite third party site, releasing space
- Carried out a service improvement plan to reduce call drivers and increase efficiency in the service desk and business
- Delivered 90% of all service plan IT improvement projects
- Driving digital by default design agenda- enabling online services and reducing interaction
- Electronic case management enabling smarter working within Care & Support
- Increased use of Qlikview has saved time in performance analysis
- Real time business information, supporting improvements in income collection (£2m reduction in current arrears) and complaint answering (62%)
- Improvement in complaints responded in target
- Increased focus on performance management resulting in performance improvement.

### Work planned for 2016/17

- Go live with an app & portal to enable customers to manage their accounts and customer information
- Go live with the asset and management system to enable better strategic management of our portfolio
- Commence implementation of ISO27001, reducing risk of data loss

- Improving data quality – introducing Informatica to automate data quality processes
- Migrate bespoke temporary housing system to a standardised platform
- Smart technology pilots and increased use of existing reporting tools within Care & Support
- Introduction of multimedia centre within the Contact Centre
- New HR and Payroll software more integrated as part of core systems with improved capability.

## 7. Financial management, better budget management and improving VFM

### Achievements in 2015/16

- £176,000 saved due to legal work being undertaken in-house
- Greater scrutiny of legal spend which resulted in £100,000 further saving against budget
- £20,000 saved by Health & Safety officers by identifying unnecessary fire risks works
- Procurement of surveys for asbestos and legionella saving £250,000
- 10% saving on contact centre staffing costs following restructure including savings on London weighting by relocating contact centre staff to Chelmsford from London (£80,000 per annum over three years)
- Removal and outsourced repairs service provider resulting in £90,000 savings
- Top quartile for rent and service charge income collection

- Continued reduction in rent arrears (£4.4 million over three years)
- Redesign of staffing models leading to savings of circa £742,000 per annum in Communities directorate.

### Work planned for 2016/17

- Review of out of hours service within the contact centre
- Introduce procurement framework for Portfolio Management
- Targeted savings of £3.5m included in the 2016/17 budget.

## Understanding the economic performance of our property assets

We have been founding members in a group supported by the property data organisation IPD, the purpose of which was to enable social housing landlords the ability to use commercial skillsets and methodology to appraise the value and growth in the value and performance of their property assets. This work has allowed us to quantify both the capital growth and revenue return of all owned assets. Benchmarking of growth and income return on the Genesis portfolio in comparison with other landlords is now available.

The tables below show the areas of growth and how we are comparing to the other members of the group, with national housing indices and with commercial sectors.

Participating in this work allows us to quantify the social dividend generated from our homes being at reduced rental tenures.

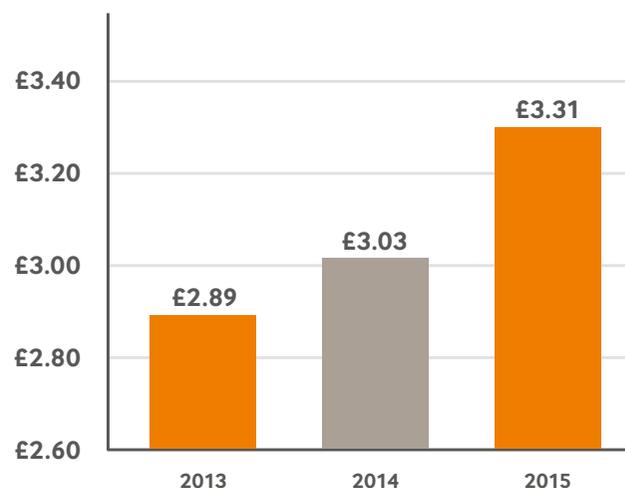
At the point of this report 2015/16 information was not available.

## Capital values (£bn)

The total capital value of Genesis' owned assets equates to £3.3bn. There has been an increase of approximately 15% in capital values of Genesis' asset base between 2013 and 2015.

	2013	2014	2015
Capital values	£2,887.7bn	£3,033.6bn	£3,308.1bn

## Capital values (£bn)



## Income and capital return

### Return and operating cost comparators

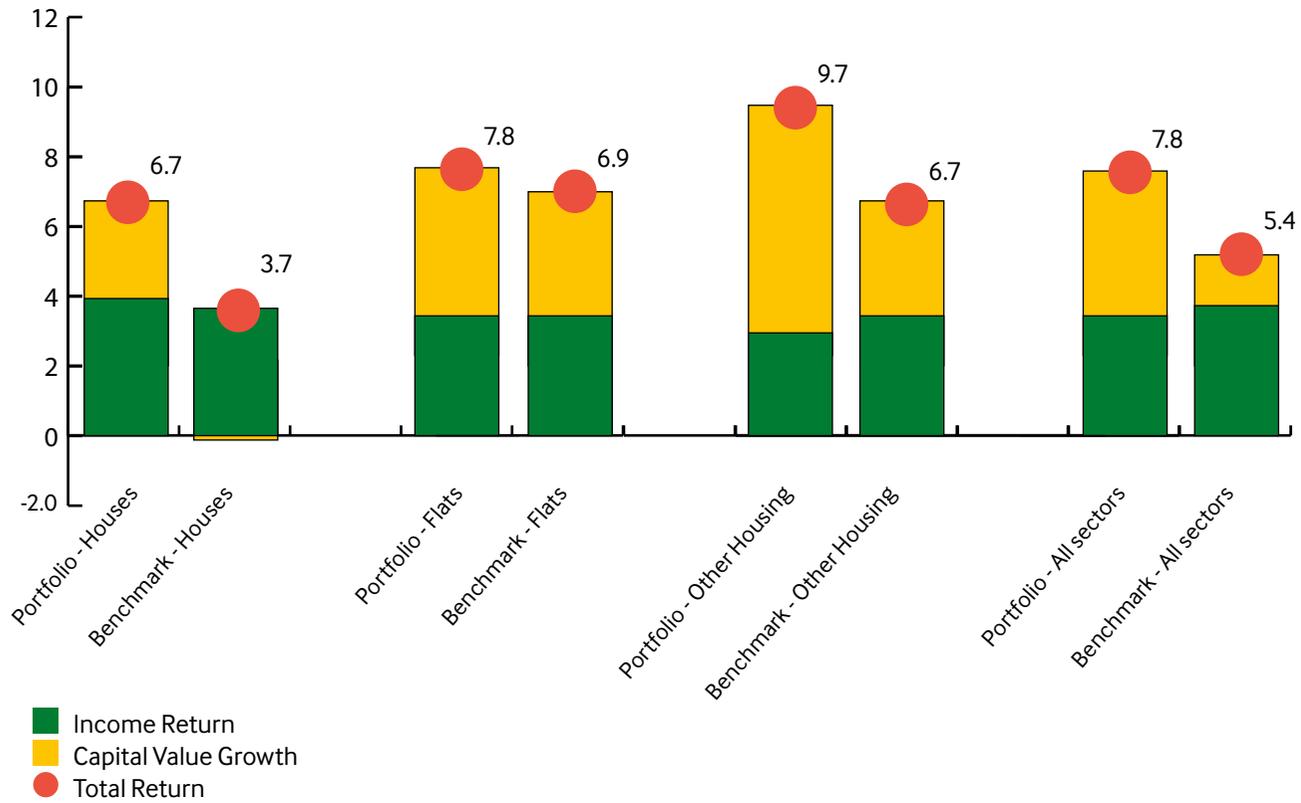
	2015	2014	Benchmark
Total return	7.8%	5.6%	5.4%
Capital growth	4.0%	3.2%	1.67%
Income return	3.6%	2.3%	3.7%
Turnover	9.8%	6.0%	6.4%
Operating costs as % of g.i.	23.6%	25.9%	44.0%
Operating costs per property	£1,337	£1,437	£2,141
Voids as % of MR	1.9%	2.6%	1.5%
Rent passing growth%	3.2%	4.5%	5.0%

The benchmarking group is still relatively small, with five landlords – as such, Genesis' portfolio is a significant proportion of the group. As other landlords participate in the index, benchmarking will support decision making regarding portfolio management.

The annual growth in 2014/15 was 7.8% (4.0% capital, 3.6% revenue), higher than the benchmark group. Genesis' capital growth is in the top quartile against the benchmark group. This is an increase from 2014 from 6.8% total return from the portfolio

# Operating and financial review

## Components of return



## Operating costs

The Operating cost base has reduced by 2.3 % to 23.6 % of gross income. This compares very favourably to the benchmarking group, which is significantly higher at 44%.

	Genesis				BMK	
	Houses	Flats	Other Housing	Total 2015	Total 2014	Total 2015
As % of gross income	17.2	21.2	48.2	23.6	25.9	44.0
£ per m <sup>2</sup>	13.5	22.1	36.2	20.7	22.5	33.5
£ per property	1,100	1,261	1,865	1,337	1,437	2,141

# Operating and financial review

## Policy impact and income return

The graphs below show the social dividend created by our investment in social housing rather than market properties.

The policy impact on all sectors is greater than the benchmarking group, with houses generating the greatest income return.

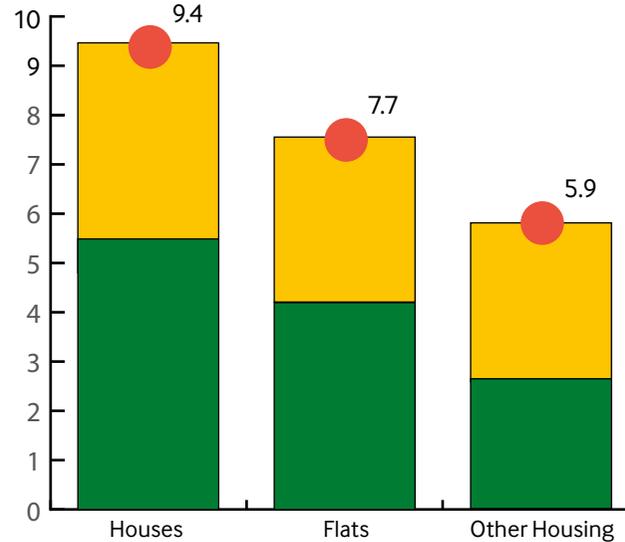
For houses, the income return - had our money been invested in the same areas in market rent tenures – would have been 9.4%. Therefore the social dividend (or income foregone) generated from our stock equates to 5.5%.

For houses, out of a potential (theoretical) commercial income of £154.3 p/m<sup>2</sup>, the income sacrificed, had our money been invested in the same areas in market rent tenures, would have been £89 p/m<sup>2</sup>.

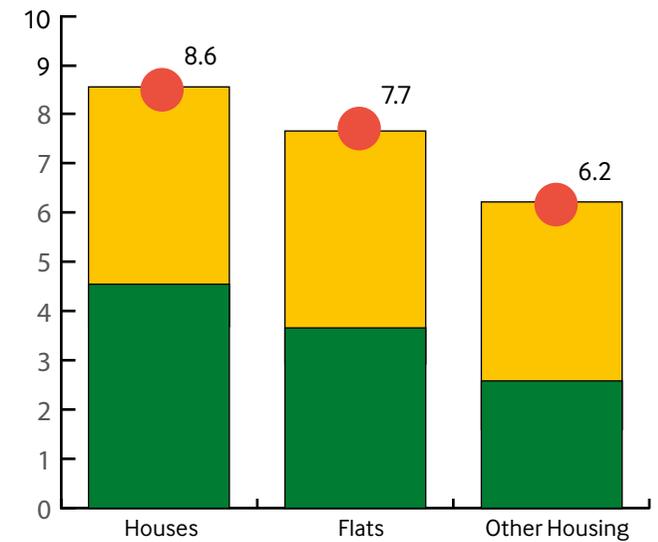
That is, 42.3% of our income has been sacrificed as a result of Genesis' social purpose.

### Income return and social dividend

#### Genesis



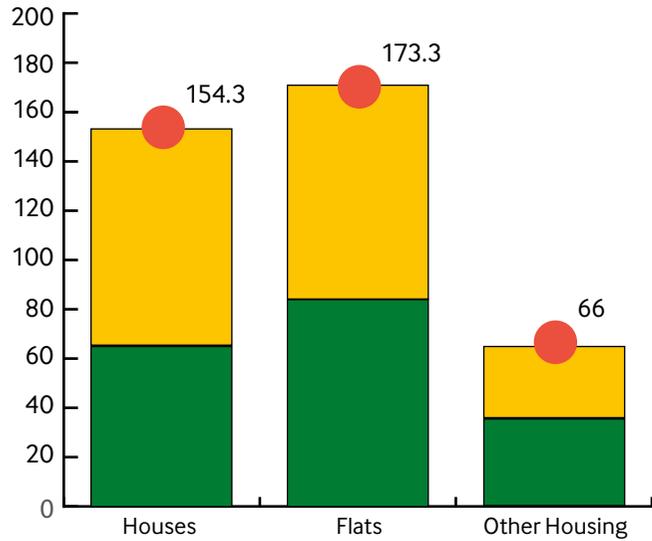
#### Benchmark



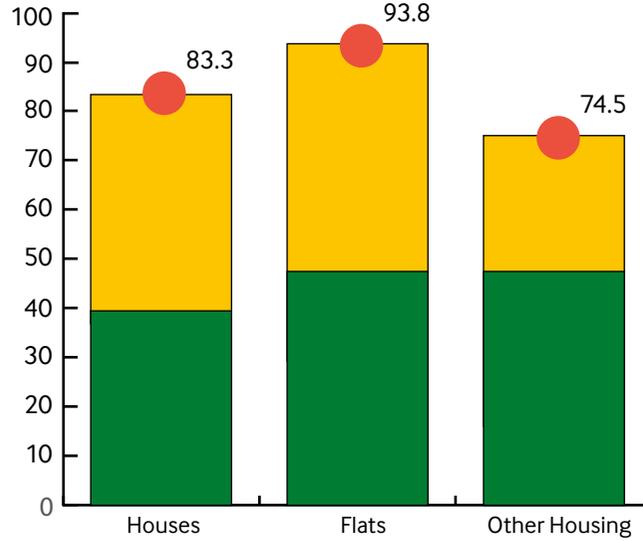
Income Return    Policy Impact    Hypothetical (commercial) IR

Policy impact (£ per sqm)

Genesis



Benchmark



■ Policy Impact (Social dividend) 
 ■ Net Income 
 ● Max Achievable Net Income

# Operating and financial review

## Procurement

Genesis Procurement Team have been developing new and creative ways to deliver value for money, increased services and better defined services from existing contracts. It is critical in a time when the market and sector is changing to ensure our strategic partnerships are robust and able to work in developing new ways of delivering services and products.

We have been working with our partners to ensure they continue to see us as strategic customers and therefore come to us with new ideas and improved services. It is also vitally important that we share our corporate goals with these partners to ensure they understand our direction of travel and can actively contribute to the delivery of our strategy. We have so far received proposals from Capita, Retinue (RG), Kier and Winckworth Sherwood and are working with partners from across the business to leverage our volumes and spend.

We have also developed a suite of frameworks and will be commercially selling these along with our services to other housing associations, in an attempt to be a cost neutral/profit centre in the next 24 months. We have had conversations with other like-minded associations to develop and produce ventures that capitalise on the volume and relationships we have across the supply chain.

We started the 2015/16 with a savings target of £1.5m from across the business.

	No.	Estimated	Delivered	Difference
Cost avoidance	31	£3,000,000	£4,386,444	£1,386,444
Cost saving	19	£1,500,000	£1,749,823	£249,823
	50	£4,500,000	£6,136,267	£1,636,267

The final outturn is reflected in the table above.

The savings identified are made up of two categories:

1. Cost avoidance – e.g. negotiating to avoid a price rise (no direct budget impact)
2. Costsaving – budget decrease as a result of a change in services or re-tendered (budget reduction).

### Procurement 2016/17 savings target

Over the past four months, Procurement has been working with Genesis' business areas to agree service plans and requirements for tenders and renegotiations during the year. This work indicated that a savings target of £2m was feasible. This would be achieved by going back out to market and running a fairly standard strategic approach to procurement and market engagement.

During the last round of budget planning it was apparent that we needed to be more aggressive with the savings the business needed. The Senior Leadership Team identified an additional £3.8m saving opportunities,

largely through a reorganisation of Neighbourhoods, Customer Insight and Business Assurance and Research teams.

The Procurement team also reviewed the potential savings it could make across the business with being more aggressive with the market and changing the approach to some originally difficult discussions. We have looked at the potential opportunity to increase the savings target and will review the outsourcing options for transactional areas across the business.

The 2016/17 savings target is £3.5m; this is cashable savings identified and removed from budgets. We will also be targeting a further £3m of in-contract savings which are declared annualised savings from long term contracts.

All savings will be monitored by Procurement: in the case of cashable savings, we will be identifying the savings prior to the tender and then confirming savings post tender.

## Added Social Value activities

Our added value through our social and economic activities is embedded as a key cross cutting theme within our organisational culture. We recognise its importance and necessity, as it enables us to achieve our strategic aims and objectives of the Corporate Strategy, specifically, 'Improved wellbeing of the communities we serve' and the Corporate Social Responsibility Strategy (CSR).

The social value activities commissioned or directly delivered engaged with residents and supported them to improve their social and economic wellbeing. The desired longer term outcome is that residents are supported to become self-reliant through securing employment or starting their own business. Wellbeing activities were also delivered in partnership with third sector organisations, mainstream services and colleges to garner local expertise and knowledge to maximise our impact and achieve value for money. Specific activities are;

- Employment support
- Apprenticeships
- Volunteering
- Training and upskilling
- Enterprise and business start-up support
- Work placements
- Money management workshops and 1-2-1 support
- Reducing residents debt
- Residents accessing health related services.

The approach taken to partnership working is delivering added value through the design of social and economic interventions across Genesis. This includes the creation of blueprints and toolkits, the development and communication of best practice in social and economic

regeneration, commissioning programmes, funding identification and opportunities for collaboration.

Social and economic initiatives in 2015/16 made a significant contribution to improving the well-being of our communities, and realised a HACT social value of £3.7m against a target of £3.4m. Genesis also leveraged £292,000 external funding from a variety of sources in 2015/16 to support residents across key neighbourhoods and communities, including:

- £100,000 Community Development Finance Institute (ERDF) (Genesis wide)
- £72,000 London Borough of Barnet (Grahame Park)
- £120,000 European Social Fund (Woodberry Down).

Social and economic activities achieved the following outputs;

- 183 residents into employment
- 41 Apprenticeship starts
- 719 residents into training
- 476 residents into volunteering
- 12 new business start-ups launched
- 47 residents into work experience opportunities
- 29 residents on business start-up capacity building programme
- 317 residents accessing money management services
- 45 residents reporting reduction in debt
- 282 residents accessing health related services.

### Genesis Wellbeing Fund

The establishment of a Genesis Wellbeing Fund was developed through the CSR Wellbeing Group. Sponsored by Elizabeth Froude, it is a means of responding to identified gaps in provision and support to improve the

wellbeing of Genesis residents. Grants from £5,000 to £50,000 were made available for organisations to apply for to support local projects.

Nine third sector and community groups successfully applied to the inaugural Genesis Wellbeing Fund and grants of £139,268 were awarded in March 2016. The successful projects will deliver 32 residents into employment; 10 new business start-ups; 169 training places; 91 volunteers; 43 work experience opportunities and £1.9m HACT social value with a social return on investment of £13 for every £1 invested by Genesis.

### Tenancy Fraud

- We recovered 16 properties where there was suspected tenancy fraud. Using Cabinet Office figures of a recovery being worth £75,000 has a value of £1.2m
- Eight investigations were carried out by local authorities at no cost to Genesis with an approximate value of £5,000.

### Financial Inclusion

- Access to banking services is increasingly essential, helping residents to deal with Universal Credit, gain employment, access services and information and lower household expenditure. Since the launch of our partnership last year with London Plus Credit Union, over 140 staff and residents have signed up. As a result of this banking offer we have residents with nearly £31,000 in savings and £38,000 in community benefit
- The East London CAB commissioned to deliver debt and welfare benefits advice to residents on Woodberry Down and supported 198 residents, with

# Operating and financial review

a total reduction in debt of £123,206, and a total of £104,970 benefits gained for residents

- Our Financial Inclusion Officers have worked with 115 new cases last year and our Welfare Benefit Advisors have assisted 301 customers and gained £291,000 in income for claimants
- 80% of the cases closed by the Tenancy Support Team had arrears at referral and 70% of these had a decreased account balance at case closure. The total reduction of these account balances was £99,869 with £191,168 in additional income gained for customers.

## Procurement ITT Framework

As part of the procurement ITT framework a 'social value' pre-requisite was incorporated for any organisations seeking to bid for Genesis contracts. Tendering organisations are required to include this approach and offer against a set of CSR focussed criteria as part of their bid. This includes the number of apprentices, local labour, training and skilling for residents, workspace and work placements. A recent example is the £20m estate services ITT contract for which Genesis have stipulated that bidders should incorporate initiatives/activities or funding to the value of at least 1.5% (£300,000) of the contract value into their tenders. Genesis is the first organisation to use the 'Social Value Exchange' model (similar to e-bay in that bidders try to outbid each other), and Firesouls will be responsible for monitoring and reporting outputs/outcomes to Genesis as part of their management remit.

## Remuneration

The remuneration of the Board members serving during the year was as follows:

Board member	Salary	Employers pension	Other benefits	Total
	£	£	£	£
<b>Non-Executive</b>				
Charles Gurassa – Chairman	20,000	-	-	<b>20,000</b>
Imani Douglas-Walker	5,958	-	-	<b>5,958</b>
Stephen East	10,000	-	-	<b>10,000</b>
Bruce Mew	10,000	-	-	<b>10,000</b>
Colette O'Shea	6,500	-	-	<b>6,500</b>
David Turner	10,000	-	-	<b>10,000</b>
Eugenie Turton	10,000	-	-	<b>10,000</b>
<b>Independent Committee Members</b>				
Brian Ansell (Resigned 31/07/2015)	2,167	-	-	<b>2,167</b>
Myra Barnes	3,250	-	-	<b>3,250</b>
Glen Beatham	3,250	-	-	<b>3,250</b>
Peter Coleman	3,250	-	-	<b>3,250</b>
Nicholas Feaviour	3,250	-	-	<b>3,250</b>
Peter Roberts	3,250	-	-	<b>3,250</b>
David Shields (Resigned 31/07/2015)	1,883	-	-	<b>1,883</b>
<b>Executive Directors</b>				
Neil Hadden – Chief Executive	212,500	13,181	10,029	<b>235,710</b>
Elizabeth Froude – Executive Director of Resources	150,000	11,869	1,535	<b>163,404</b>

The salary and fees of the Chief Executive and Chairman on a £ per unit basis were £7.3 and £0.62 respectively.

The remuneration of the other Executive Directors who held office during the year and are not Board members was as follows:

Executive Directors	Salary	Employers pension	Other benefits	Total
	£	£	£	£
John Carleton	146,151	8,641	2,129	<b>156,921</b>
Laurice Ponting	140,589	11,124	1,457	<b>153,170</b>