



Value for Money (VFM)

Self-Assessment 2016-2017

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1. INTRODUCTION

- 1.1** Unity Homes and Enterprise (Unity) was formed in 1987 and is a Black and Ethnic Minority (BME) organisation committed to building strong sustainable neighbourhoods in Leeds through the provision of high quality housing and social and employment opportunities.
- 1.2** Today Unity manages over 1,200 homes in addition to providing support to its communities through the provision of affordable local office and work space and employment support services.
- 1.3** The main housing company has two subsidiaries: Unity Enterprise which manages the office/work space and employment support services, and a development company, Unity Housing Development Services Ltd.
- 1.4** Unity Enterprise has a separate board of trustees which reports up to the main Unity Homes and Enterprise board.
- 1.5** Our stock breakdown as at 31 March 2017 is as follows:

	Total 31 Mar 2016	Added in 2016-17	Disposed of in 2016-17	Total 31 Mar 2017
General Needs	1,046	-	(2)	1,044
Affordable	45	49	-	94
Supported	10	-	-	10
Shared Ownership	88	-	(4)	84
Managed	28	-	-	28
Total	1,217	49	(6)	1,260

2. OUR OBJECTIVES AND HOW WE PLAN TO ACHIEVE THEM

2.1 OUR MISSION AND VALUES

Unity’s mission, “**to provide housing choice, improve life opportunities and address inequalities**”, is underpinned by our core values:

Integrity – Being honest, transparent and sincere with strong principles;

Respect – In the way we treat people, service users and each other;

Flexibility – In how we work for the benefit of our tenants, other people, the organisation and each other;

Commitment – To provide services to meet the needs of our tenants, local people and local neighbourhoods;

Business focused – Continually review and adopt best practice and ensure we operate efficiently and effectively in order to make best use of resources; and

Equality and fairness – In the way we work and deliver services.

2.2 KEY OBJECTIVES

Each year we review our key corporate objectives to ensure that they remain aligned with our mission and values and take reflect the environment in which we operate.

Our key objectives in 2016-17 are:

Provide and continue to develop good quality mixed tenure housing which reflects needs and aspirations.

We will ensure the highest standards of repair and maintenance of our existing stock. Our priority will be to develop new high quality stock in geographic areas of Leeds where members of the BME community would want to live. We will also consider opportunities to support BME communities across the wider Leeds City Region. Our new development programme will consist of the type and tenure of unit for which we know there is a current and emerging need.

Provide high quality affordable housing services

We aim to achieve the highest level of tenant satisfaction through the delivery of a range of flexible high quality services which respond to the needs of our current tenants. We will take account of emerging needs of new tenants and redesign our services accordingly. We will be sensitive to the needs of existing and new tenants in regard to the current economic climate and the Government's legislative programme.

Involve and work with our tenants and the communities we serve to inform and improve services

We will engage with our tenants and BME communities to develop a good evidence base to help us design our services and influence the policy and delivery of services by others. On this basis, we will seek to represent BME communities, and others, in the multi-cultural neighbourhoods within which we work.

Work with partners to encourage and support the regeneration of our target neighbourhoods

We will work in partnership to deliver physical, social and economic regeneration programmes to help create and sustain neighbourhoods where BME communities want to live. We will focus our efforts in those neighbourhoods where our tenants live and where there are high percentages of BME communities. We will aim to deliver and facilitate the delivery of services based on our understanding of current and future needs. We will continue to ensure our tenants have the best advice and access to training and employment opportunities and we will aim to promote and sustain financial inclusion.

Provide and facilitate business support services and encourage local enterprise

Through our Unity Enterprise company, we will offer affordable managed workspace to support the needs of a wide range of small businesses and other organisations. We will provide and facilitate direct support to encourage local enterprise and we will offer and facilitate business advice to our existing tenants. Through these services, we will aim to support the economic regeneration of our target neighbourhoods.

Be a progressive and expanding business with a sound resource base

We will be a strong and forward-looking organisation. We will have a robust financial plan to support the delivery of high quality services and new development. Our governance and performance management arrangements will be of the highest standard and we will be a place where people want to work.

2.3 HOW WE WILL ACHIEVE OUR OBJECTIVES

2.3.1 Unity has a robust process of governance set by the board which aims to deliver against our objectives detailed above.

2.3.2 The board is supported by a number of sub Committees in addition to the separate board for Unity Enterprise:

The **Operations Committee** monitors all aspects of operational performance and quality. The Committee meets quarterly and monitors performance against target including financial results, KPIs, key regulatory compliance and tenant satisfaction/complaints.

The **Audit Committee** focuses on risk and mitigation, internal audit and external audit.

There is also a Remuneration Committee and a Regeneration Task Group which aims to strengthen links and understanding in order to promote regeneration opportunities in the wider City region.

2.3.3 The board sets a new business plan every three years, which is then refreshed in each of the following two years. The plan sets out the key objectives and has a detailed financial plan for the next 5 years in addition to an outline 30-year plan.

2.3.4 From this plan, a budget and series of performance targets are then monitored throughout the year by the Board and its sub-committees to ensure that Unity is on track to meet its objectives.

2.3.5 In addition, Unity benchmarks its financial and performance data against other organisations in the sector and against the HCA published unit cost and global accounts data.

2.3.6 There is also a robust process of performance management within the organisation including regular performance reviews by the senior management team. This process has recently been reviewed will move to a more formal quarterly review which focuses on finance, performance, risk and value for money. There are also regular managers meetings to share and discuss issues across the different areas of the organisation.

2.4 OUR STRATEGIC APPROACH TO VFM

- 2.4.1 Unity's VFM strategy was first established by the Board in 2011 and has been recently refreshed in 2017. This is our fourth VFM self-assessment statement and VFM remains a key part of our strategy in an economic climate in which money is more constrained.
- 2.4.2 This report sets out the achievements we have made during the year with a focus on more than just the pounds (£) spend element. Quality is an important aspect of Unity's operation and we would not always seek the lowest price if it resulted in a reduction in quality. In addition, we will normally plan to spend our entire maintenance budget each year. Any efficiency savings made allow us to complete additional works with the intention of optimising the condition of our stock. We see this as a preferred outcome rather than a lower level of £ spend.
- 2.4.3 The board takes into consideration the environment in which Unity operates and what changes are expected. Key updates to our operating environment analysis can be found in our business plan on our website – www.unityha.co.uk
- 2.4.4 In 2016-17, the organisation reviewed and refreshed its performance monitoring processes. Quarterly performance reviews by the senior management team will now incorporate value for money as well as finances, KPIs and risk. This should help to maintain a strong VFM focus across the whole organisation, not just at board and senior management level.
- 2.4.5 The VFM strategy has the following key objectives:
- To embed VFM and continuous improvement into the organisation's culture;
 - To minimise the risk of financial and material waste;
 - To benchmark and review VFM in relevant services;
 - To involve stakeholders and tenants where relevant;
 - To ensure we comply with our environmental policies and strategies when considering VFM;
 - To consider using a range of procurement practices to achieve VFM where appropriate
 - To pursue VFM by setting & monitoring VFM targets and efficiency savings

3. GROWTH AND ORGANISATIONAL STRUCTURE

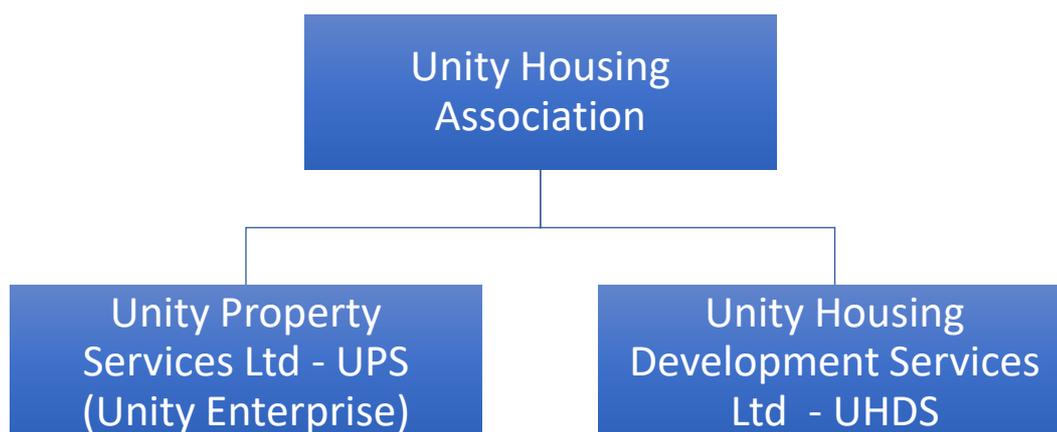
3.1 OUR GROWTH AMBITIONS

- 3.1.1 Unity's plans centre around the delivery of a further 196 homes (mostly new build) over the next 5 years and estimate that approximately 90% of these will be new build and 10% acquisitions. This will see our gearing increase from 35% to around c.70% at its peak as we use our capacity to deliver as many homes as possible. In times where grant funding has reduced significantly, it is through alternative sources of funding and operational efficiency that Unity will be able to maximise its delivery of additional homes.

- 3.1.2 The board has set risk tolerances (which have also been reviewed by our external treasury experts) around some of our key banking covenants and performed stress testing to ensure that Unity's plan is resilient enough to remain viable in the event of a financial shock or downturn in the national finances and economy. For example, our planned peak gearing of 70% sits within the covenant level of 80%.
- 3.1.3 The stress tests are driven from our Brixx modelling system where we are able to run different business plan scenarios by changing key assumptions, such as rent levels, inflation or interest rates.
- 3.1.4 Of the 196 new homes, it is planned that 50 will be available for shared ownership. We recognise that not all sites would be suitable for shared owner developments. Any shared ownership scheme needs to have a location where valuations can be supported by local incomes. The 50 shared ownership homes is our best estimate having regard for the sites we have in the pipeline and the ones we are typically seeing become available.
- 3.1.5 Capacity to deliver further homes after completion of this plan will depend on a number of factors including the rent setting regime, Unity's efficiency and financial performance over the next 5 years and the cost and availability of finance.
- 3.1.6 In the near term, Unity Enterprise will look to build on a successful year to 31 March 2017. Performance has greatly improved with a surplus ahead of budget driven by lower voids, better rents and much needed improvements to buildings. Maintaining this strong performance and ensuring that we keep our offering attractive will be key in addition to exploring ways in which we can support new businesses to develop

3.2 ORGANISATIONAL STRUCTURE

- 3.2.1 As a small BME focused organisation of around 1200 units, Unity's structure is simple



- 3.2.2 The activities of Unity Enterprise (provision of affordable work/office space) take place within the UPS subsidiary which helps to ensure focus on the risk and performance of the non-housing activities and allows for clean reporting of the performance and risk monitoring of each division. There is a separate board which

reports in to the main board, with the chair of Unity Enterprise also sitting on the main board.

- 3.2.3 The UHDS development subsidiary became operational in 2017, provides a more tax efficient way of delivery new homes, and will support Unity's growth activities. Performance and risk will be monitored by the main Unity board. Three members of the main Unity Housing board also sit as directors of UHDS.
- 3.2.4 The board regularly discusses strategy regarding potential merger opportunities and there have been offers made in recent years to potential merger candidates who ultimately decided to pursue other courses of action. It is also recognised that many smaller BME organisations which have merged have then seen their BME focus disappear all too quickly, despite promises and best intentions made at the outset.
- 3.2.5 The Unity board sees retaining our BME focus as important remembering the reasons why the organisation was set up with such a focus in the first place. However it is recognised that the main focus for any potential merger must be a strong alignment of the mission and values.
- 3.2.6 Unity has financial capacity to continue developing for at least the next five years, but equally considers its work in building communities as particularly important at a time when the immigration debate and Brexit vote have led to increases in race hate incidents. Unity also remains efficient despite its small size, having favourable operating costs per unit.
- 3.2.7 As a small provider, it sees some benefits in knowing its stock and tenants well and gains efficiencies from this which offset some of the cost discounts a larger provider may be able to negotiate.
- 3.2.8 The board will continue to review any opportunities which may arise and discuss its strategy, but will be mindful of the points raised above.

4. EVIDENCING VFM

The evidence to support our VFM achievements over the last year falls in to a number of categories as follows:

- Our financial performance
- KPIs compared against target
- Decent Homes Survey findings
- Maintenance – the number of jobs achieved vs the number budgeted for
- Return on assets – NPV analysis
- Benchmarking against other organisations in the local area
- Benchmarking against the HCA Global accounts and unit cost data
- Social return

Each of these areas is now considered in turn.

4.1 FINANCIAL PERFORMANCE

4.1.1 The table below sets out a summary of Unity Housing financial performance compared with the previous five years.

	2013	2014	2015	2016	2017
Turnover	6,196	5,407	6,357	8,061	7,401
Surplus	857	1,007	1,117	1,590	1,512
Properties	18,138	18,885	54,805	55,332	59,312
Other Assets	1,029	1,285	3,234	3,023	2,963
Net Curr Assets	2,115	7,767	4,190	5,396	1,675
	21,282	27,937	62,229	63,751	63,950
Loans	13,564	19,212	19,144	18,321	17,374
Grants Etc			31,189	31,847	31,481
Reserves	7,718	8,725	11,896	13,583	15,095
	21,282	27,937	62,229	63,751	63,950
Op Surplus %age turnover	16.50%	21.10%	29.65%	27.61%	27.95%
Surplus as %age of rent	20.30%	21.50%	29.97%	28.43%	28.29%
Voids	1.20%	0.86%	0.97%	1.02%	0.69%
Bad debts	1.22%	1.12%	1.94%	0.41%	0.31%
Liquidity	2.40	4.90	4.00	2.12	2.41
Arrears £000	278	339	612	618	569

4.1.2 The surplus for the year of £1.5m is higher than anticipated mainly as a result of cost savings against budget, lower interest charges and lower depreciation costs now clarified following the implementation of FRS 102.

UNITY HOMES AND ENTERPRISE – VALUE FOR MONEY SELF-ASSESSMENT 2016-17

- 4.1.3 The surpluses made form a key part of our plan to maximise the number of new homes delivered over the next 5 years alongside significantly increases its levels of debt finance. This has been reflected in the Business Plan.
- 4.1.4 Voids, bad debts and arrears have also all reduced during the year with voids and bad debts continuing their steady improvement over the last 6 years.
- 4.1.5 Unity keeps a VFM log to track savings and efficiencies over the year. The table below summarises some of the key items during the year 2016-17.

Scope for contract renewal and cost savings is reducing as time goes on with the majority of cost bases being reviewed in recent years.

NO	DATE	Title	Project	Annual Savings Impact £	Contract Savings £	Notes
0080	27-Apr-16	Electricity	LMC Half Hour Meter	1,324	1,324	12 mth contract
0081	26-May-16	Insurance	Estimated renewal savings	27,760	83,280	Three year contract saving
0082	26-May-16	Insurance	Risk review requested by Audit Committee	3,500	3,500	Obtained two days at £1,750 free
0083	21-Oct-16	Electricity	Annual rates review	1,054	1,054	Annual saving
0084	21-Oct-16	Gas	Annual rates review	3,085	3,085	Annual saving
0085	14-Nov-16	Telephone	Direct debit charges	72	288	Annual saving over all accounts
0086	18-May-17	Electricity	Annual rates review 2016	813	813	Annual saving of 2.30%
0087	18-May-17	Gas	Annual rates review 2016	3,495	3,495	Annual saving of 19.20%
0088	07-Jun-17	Monitors	Replacement of 12 Monitors	220	220	One off

4.2 KPIs

The following table sets out some of our key KPI measures around rent collection, lettings and voids.

	Actual 2014-15	Actual 2015-16	Actual 2016-17	Target 2016-17	Met target
RENTS					
Rent arrears £k	£336k	£310k	£285k	£268k	
Rent arrears %	6.36%	5.56%	4.91%	4.75%	
Rent collection %	103.09%	102.12%	100.49%	100.00%	
LETTINGS & VOIDS					
Voids as a % of turnover of stock	5.72%	4.25%	4.2%	<10%	
Re-let times	21.6 days	20 days	14.1 days	20 days	
Rent loss from voids	0.95%	1.02%	0.68%	1.00%	
General Needs					
Lets to nominations %	75.4%	85.7%	94%	50%	
BME tenant lettings -	78.3%	67.1%	78.1%	No less than 50%	
General Needs					
Long term voids	0.28%	0%	0%	0%	

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Rent arrears missed target for the year but did still record another improved year (reducing from 5.56% to 4.91%) which we have targeted to continue next year by setting a challenging target (reducing to 4.25%).

Rent loss from voids beat target at 0.68% (vs a target of 1%) and last year's performance of 1.02%.

Overall re-let times were lower at 14.1 days, helped by a slightly higher than usual number of new homes released. Unity's re-let times for 'existing stock only' were 34 days and whilst this could possibly be reduced, there is a focus on ensuring that the right tenants are chosen, to ensure that they have sustainable and successful tenancies, that communities are stable, and that we continue to have a low turnover rate which is in the region of 5% (vs a 11% sector average). In the longer term, sustainability of tenancies and communities provides better overall value for money.

	Actual 2014-15	Actual 2015-16	Actual 2016-17	Target 2016-17	Met target
COMPLAINTS					
Number received	22	21	20	n/a	n/a
% response on time	100%	100%	100%	100%	
REPAIRS					
% Emergency repairs in target	99.9%	99.2%	99.3%	99.0%	
% Urgent repairs in target	99.4%	99.1%	98.1%	99.0%	
% Routine repairs in target	95.8%	99.0%	99.1%	99.0%	
% First time fixes	95.8%	95.7%	94.6%	95.0%	
% Appointments kept	99.1%	99.4%	98.8%	99.0%	
Gas service	100%	100%	100%	100%	
Average SAP rating	73.0	73.7	74.0	73.0	
Repairs satisfaction	98.4%	99.5%	99%	99%	

All repairs KPIs were met or exceeded except for three where there were marginal misses. There will be increased risk in 2017-18 in this area as we complete the renewal/procurement of a number of our maintenance contracts.

4.3 DECENT HOMES SURVEY – FINDINGS

- 4.3.1 A Decent Homes Survey was completed for Unity in 2016 by Michael Dyson Associates, a firm of specialist housing consultants. This is a stock condition survey which is carried out periodically (normally every five years) in order to provide information and assurance in a number of key areas. It involved physical inspections of 350 (29%) of our properties with assumptions then applied over our entire stock.

Area of focus	Outcome for Unity
Financial planning data	It provides a high-level forecast of future maintenance costs (next 30 years)
Failures vs Decent Homes legislation	No material failings reported
Health & Safety compliance	No material failings reported
Thermal efficiency	No failures reported
Level of Catch up repairs	The forecast for the proportion of total maintenance spend allocated to catch up repairs is 47% lower than it was in 2008.
Planned maintenance	The survey forecasts higher spend than we have budgeted. See 4.3.2 below

We are pleased to report a generally positive outcome. There were no material legislative or compliance failures and our stock was deemed to be of a good standard and has improved since the last survey in 2008.

This improvement in stock condition has been achieved despite spending levels being significantly below the 2008 stock condition survey report.

- 4.3.2 The main risk identified in the survey was the level of spend forecast for the next 30 years at £29m vs Unity’s forecast of £23m. We would certainly expect to outperform such forecasts (and have done so to date) with generic assumptions, however the we will further investigate the report assumptions to identify any potential risk to our plan.

We have demonstrated our performance in this respect over the last 9 years.

- 4.3.3 We have also completed a stress test scenario to ascertain how much additional maintenance spend the 30-year forecast could bear before losing viability. The plan could cope with the additional (£6m) cost although this would impact on future development capacity.

4.4 MAINTENANCE PERFORMANCE

- 4.4.1 Maintenance is one of the largest item of expenditure with an overall budget of £1.3 million. Unity aims to spend the full amount of budget allocated to maintenance spend each year to ensure that it can optimise the condition of its stock.
- 4.4.2 As a small organisation, Unity can remain relatively flexible in the jobs it undertakes. For example, completing planned works during void periods.
- 4.4.3 The table below demonstrates how, by working efficiently, the maintenance team have managed to complete extra works during the year without any increase in budget.

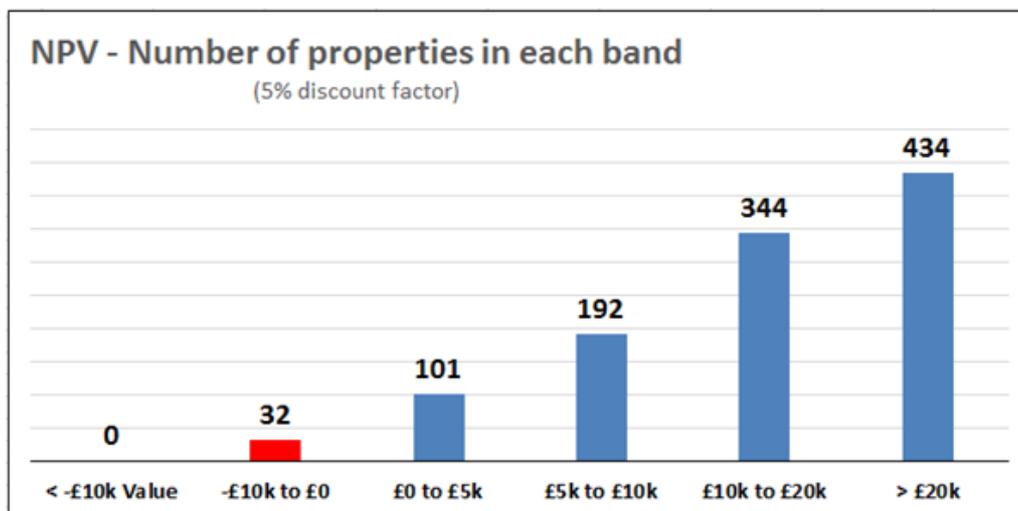
Job Type	Budget 2016-17	Actual 2016-17	Additional works	Value of additional works
Kitchens	42	45	7%	£11.4k
Bathrooms	50	64	28%	£17.9k
Windows	6	8	33%	£5.5k
Doors	45	48	7%	£2.5k
Boilers	45	72	60%	£86.4k
External painting	178	178	0%	-
Communal painting	4	4	0%	-
Communal upgrades	5	5	0%	-
Gas servicing	1098	1098	0%	
Electrical testing	250	279	12%	£14.5k
Total value of efficiency in the year				£138.2k

- 4.4.4 During 2016-17 Unity started the process for re-procuring a number of our main maintenance contracts, including:
- responsive and planned maintenance
 - cyclical painting contract
- 4.4.5 These contracts have delivered significant efficiencies for Unity over the last five years and there are increased pressures this time around which may result in higher, rather than lower costs going forwards.
- 4.4.6 Unity has benefitted from minimal price uplifts over this last contract term, however there are now much higher inflationary pressures arising from two main areas:
- a) **Material cost inflation** – partly driven by the weaker British pound following the Brexit vote; and
 - b) **Higher labour costs** - there is a general labour shortage within the construction trade which is making it difficult for our partners to find staff with the right skills, and those that have the skills are generally able to command a higher level of remuneration.
- 4.4.7 Nevertheless, we will conduct a thorough procurement process to obtain the best deal in terms of quality and price for our stock and ultimately our tenants.

4.5 RETURN ON ASSETS

- 4.5.1 In last years' VFM assessment we reported that NPV analysis for each of our properties had been completed and the results compared favourably with others overall, partly because Unity generally has lower levels of stock which require significant investment.

The profile of the calculations is set out in the chart below.



4.5.2 It was however agreed that we would conduct some further work to analyse those properties with a negative NPV to understand the reasons for the negative value and to agree a strategy for addressing them. This could have included selling certain properties for which no practical actions could be completed in order to make them more sustainable. The proceeds would then be reinvested in new sustainable properties.

4.5.3 The combined negative NPV for all 32 properties was only £54k, so not materially significant. Each property was reviewed and a suggested course of action identified and then submitted to the board for approval. Actions included a resetting of rents at the next re-let point. It was agreed that no properties should be disposed of at this time.

4.5.4 All of the properties reviewed were found to comply with the requirements of our affordable warmth strategy in respect of RD SAP ratings

4.5.5 Further work will be carried out in 2017-18 on those properties with a very low positive NPV to see if their position could be improved.

4.6 BENCHMARKING AGAINST OTHER LOCAL ORGANISATIONS

Unity benchmarks certain of its data against other organisations as follows:

- Sadeh Lok
- Johnnie Johnson HT
- Incommunities HA
- Arches HA
- Kirklees Neighbouring Housing
- Leeds and Yorkshire Housing
- Yorkshire Housing
- Wakefield & District Housing
- York HA

The benchmark list selected provide a blend of organisations which operate in similar areas, are of similar size and include BME focus.

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A summary of Unity's performance against these organisations is set out in the table below:

	Unity Performance	Housemark quartile	Rank (out of 10)	Rank 2016
Income Management				
• Rent Collected	101.3%	Upper	3	1
• Current rent arrears	4.91%	Lower	6	6
Voids and Allocations				
• Average re-let times	14.1 days	Upper	2	1
• Voids – rent loss %	0.68%	Upper	1	2
Gas safety record	100%	Upper	1	1

As reported last year, Unity's performance compares well with this peer group, achieving top two positions for its voids/allocations outcomes. Rent collection also remains in the Upper quartile.

Re-let times result from a blend of existing properties and new build. New build are often let with a zero-day outcome and that has helped to drive the number below our 20-day target for 2016-17. See also section 4.2 above.

The level of rent arrears is the only measure which falls in the lower Housemark quartile and in the bottom half of our benchmark list above. There has been a significant drive to reduce arrears over recent years and the position is improving. Arrears reduced again in 2016-17 from 5.56% down to 4.91% and we have set next year's target to reduce this further to 4.25%.

4.7 BENCHMARKING AGAINST HCA GLOBAL UNIT DATA

The table below sets out the per unit data.

	HCA Global 2016	Unity 2016	Variance %
Management costs	£1,080	£1,602	+48%
Service charge costs	£530	£198	-63%
Maintenance costs	£1,010	£676	-33%
Major repairs costs	£890	£400	-55%
Other social housing costs	£470	£44	-90%
Headline social housing costs	£3,970	£2,920	-26%

Unity's cost per unit data compares very well against the global data collected and reported by the HCA for 2016.

Overall cost per unit stands at £2,920 which puts Unity in the top 30 out of 240 organisations.

Management costs appear to be high though, almost 50% more than the average measure. The reason for this is that Unity does not reallocate any overhead or direct management cost from its Management costs. So, for example, all of the housing management and maintenance team costs are included within management costs. In addition, there are no central overhead allocations across each operational area.

The outcome of this is that our management costs look much higher than our peers and our other costs look very much lower.

Whilst we understand this and can clearly see that overall our costs performance is very good, we will look to estimate what the data would look like if we were to reallocate those costs during 2017/18.

4.8 SOCIAL RETURN

Unity also generates social impact from a number of sources. The employment support team helps people to find employment opportunities and furnishes them with additional skills through training and volunteering opportunities. The team maintain a strong link with other areas of the organisation and Unity sees this as an integral part of its community support programme.

The numbers of people supported vs target are shown in the table below. Unity is committed to maintaining its community support and has set increased targets for 2017-18 as set out above.

Numbers of people supported	Target 2016-17	Actual 2016-17	Target 2017-18
In to employment	80	95	105
In to volunteering	25	26	30
With education and training	120	149	160

Success in supporting our tenants and other community members in becoming more financially resilient in turn helps them to better manage their financial outgoings in a time when benefits are being squeezed through austerity.

Unity's development programmes do not just deliver homes to live in. There is a strong focus on the regeneration of areas which often requires partnering or collaboration with other parties, such as Leeds City Council. Often these collaborations deliver key improvements alongside Unity's development schemes to help regenerate the area as a whole rather than the sole provision of additional homes.

Unity Enterprise also delivers additional support services in addition to offering work/office space to small local businesses. Currently, work space is provided for around 80 small businesses, third sector organisations and social enterprises in

Unity’s three main centres. Unity strives to provide support wherever possible to its business tenants in delivering value creation.

5. OVERALL SELF ASSESSMENT FOR 2016-17 AND PROGRESS AGAINST TARGETS

- 5.1** With the evidence set out in section 4 and the narrative detailed within the report, the Board of Unity Housing has established that it has complied with the requirements of the VFM standard.
- 5.2** This board has a balanced view between optimising the efficiency of the organisation, whilst having a focus on quality of service and social impact. Outcomes against each of these goals are covered in the evidence section of this report.
- 5.3** A summary of the evidence set out in section 4 is set out below.

Area of evidence	Overview
Financial (Section 4.1)	Unity has had another strong financial result for the year, primarily as a result of: <ul style="list-style-type: none"> - Lower interest costs due to the continued lower than expected interest rate environment - Lower overhead costs, with savings against salary, overhead and contingency budgets in the year - Depreciation and grant treatment under FRS102 resulting in lower net charges than we had forecast. An extract from the VFM register is included in 4.1.5
Performance KPIs (Section 4.2)	<ul style="list-style-type: none"> • Our overall performance has in the main met or exceed target. Rent arrears was slightly behind target but still maintained the trend of year on year improvement despite the challenging economic environment. • Our measures of quality have remained at good levels as demonstrated by our tenant, repairs and satisfaction KPIs.
Decent Homes Survey (Section 4.3)	<ul style="list-style-type: none"> • Our survey results show improved stock condition with catch up repairs forecast to be significantly lower. • There were also no significant compliance issues. • We will further analyse the spend assumptions in the survey which is higher than our own forecast.
Maintenance (Section 4.4)	<ul style="list-style-type: none"> • Maintenance quality remains high whilst costs remain well controlled and compare favourably with the sector. • We have managed to do more for the same cost by smart procurement. This is demonstrated in the table in 4.4.3. • We will be re-procuring some of our key maintenance contracts in 2017 and there is a real risk that costs will rise as labour market and inflation pressures.

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Return on assets (section 4.5)	<ul style="list-style-type: none"> • Last year we said we would conduct further review work on our assets following the completion of Net Present Value (NPV) analysis last year and this has been done. • We have identified 32 properties with a combined negative NPV of £54k and formulated a plan for each property. • This work will be extended to low NPV properties in 2017.
Benchmarking – local network (Section 4.6)	<ul style="list-style-type: none"> • Unity is within the upper quartile for 4 of the 5 areas benchmarked with other local organisations.
Benchmarking – HCA - Global Unit data (Section 4.7)	<ul style="list-style-type: none"> • Overall cost per unit of £2,920 is in the top 30 out of the 240 organisations for which data is collected and reported by the HCA.
Social Return (Section 4.8)	<ul style="list-style-type: none"> • Unity generates social return in the local communities through its employment support services and has exceeded its targets for the year. • Unity works with partners to deliver improvements to communities alongside its new developments.

6. FUTURE ACTIONS AND TARGETS

6.1 As an organisation we will maintain a strong focus on value for money. We have strengthened our quarterly performance management reviews to incorporate VFM and will continue to monitor performance at management and board level.

6.2 Targets for 2017-18 include the following:

Target Area	Detail	Estimated VFM £k
Finances	<ul style="list-style-type: none"> • Target cost savings against budget 	£100k
Performance	<ul style="list-style-type: none"> • Reduce arrears to 4.25% 	£60k
	<ul style="list-style-type: none"> • Maintain void level at <0.75% 	£0k
	<ul style="list-style-type: none"> • Maintain overall re-let times at 20 days 	£0k
	<ul style="list-style-type: none"> • Maintain bad debt levels at <1.0% 	£0k
Maintenance	<ul style="list-style-type: none"> • Achieve 5% more work than budgeted ⁽¹⁾ 	£65k

Target Area	Detail	Estimated VFM £k
Return on assets	<ul style="list-style-type: none"> • Conduct further review on all properties with a net present value of less than £2.5k (around 50 properties) • Determine actions to improve value where possible 	£0k
Social return	<ul style="list-style-type: none"> • Increase the number of people supported in to paid employment by 10% • Increase the number of people entering voluntary roles by 15% • Increase the number people trained by 7% 	n/a

(1) The maintenance target is considered very challenging against the increased pricing we are already experiencing (labour and materials).

6.3 In addition, there are a number of VFM specific activities upon which we will focus in 2017-18 as follows:

Complete the re-procurement of our maintenance contracts

There is an expectation that some of maintenance contract renewals will be concluded at higher prices which will decrease our VFM going forwards. There are significant price pressures from material costs, from an overall labour shortage in the construction industry and with a higher inflationary environment. Unity has benefitted from a beneficial contract with minimal inflationary uplifts over the last five years and we do not expect this to repeat in the current climate.

Investigate the difference between the Decent Home Survey long term maintenance forecast and the Unity 30-year plan.

Whilst Unity is confident that its plans are robust it will aim to determine why the stock condition survey forecasts have a significantly higher long term forecast for maintenance spend.