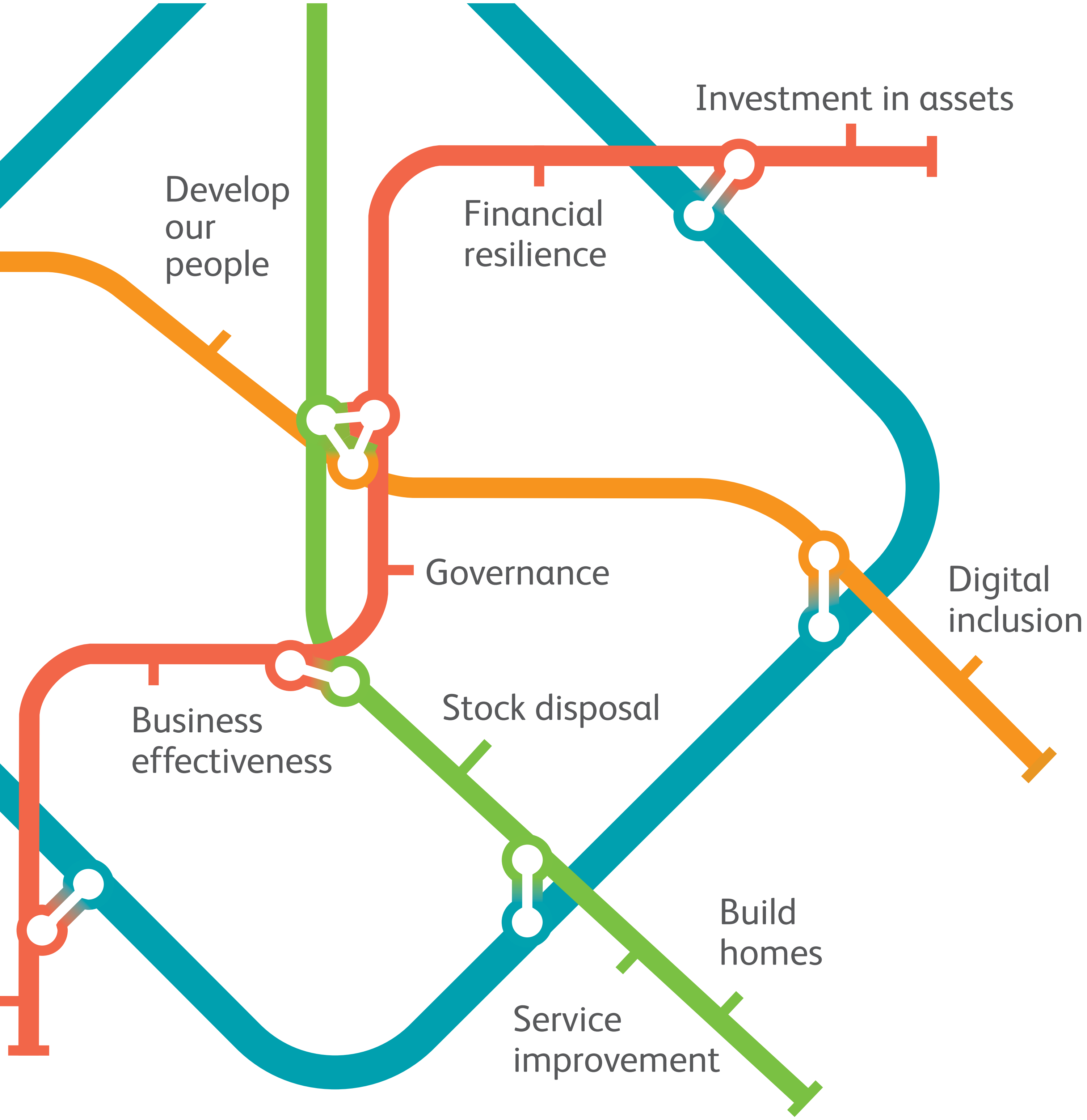
Riverside

Business Effectiveness

Value for money **self assessment 2015**



Our commitment to business effectiveness demonstrates we are in a strong position to deliver our vision of transforming lives and revitalising neighbourhoods.

In 2014/15 we achieved the following:

448	New homes committed	6%	Increase in net promoter score
412	Customers helped into paid employment	6.2%	Return on assets
£4.1m	Cashable gains for tenants as a result of money and affordable warmth advice	£6.1m	Profit from commercial enterprises

Contents

Group Chair's introduction

Each year Riverside produces a self-assessment against the social housing regulator's Value for Money Standard. This demonstrates how we are managing our resources and assets to further our objectives, and how we are re-investing the efficiency gains we make. We call this document 'Business Effectiveness' to reflect the embedded approach we take to value for money at Riverside.

Our 'Think Forward' modernisation programme should drive an improved customer experience and make significant savings to service costs.

Any judgement of value for money at Riverside needs to be seen in the context of the objectives set out in **One Riverside**, our corporate plan 2014 – 17. In fact we regard value for money as the delivery of these objectives in the most cost-effective way possible, which is why we have used performance against our **strategic measures** as the means of demonstrating progress.

We have made a solid start in delivering our three year plan and of the strategic measures we have prioritised, over 60% are on or ahead of the target we set for year one, with half of these already at the year three target; these have been reset to maintain target pressure. I am particularly pleased to report that we are making excellent progress in the delivery of new homes, with nearly a third of our programme committed. Together with significant investment in our existing assets, this is driving a measurable improvement in the value of our stock and return on assets. Another area of strong performance is the delivery of extra services to support the resilience of our customers, with over £4 million cashable gains secured for tenants through money advice, and 400 tenants helped into work.

Some areas are proving more challenging, and we will need to continue to focus our service improvement activities to achieve our three year targets. Our benchmarking tells us that we are still not at the level we need to be. Think Forward, our ambitious housing services modernisation and business transformation programme, is at the centre of this improvement work. Having laid solid foundations, this is the year where we will begin to put in place new systems and structures which should help drive an improved customer experience and make significant savings to service costs.

Perhaps the most encouraging part of our value for money story lies in our financial performance. Through effective procurement, cost control and the contributions of our commercial arms, we have been improving our operating margin and delivering strong surpluses. These gains mean we have been able to re-invest in new homes, our own stock and extra services for customers, as well as strengthening our balance sheet to build a sustainably viable and resilient Riverside.

This underlying resilience is all the more important given the implications of the Chancellor's Summer Budget, and Riverside, like the rest of the housing sector, will be reviewing priorities as we seek to meet the significant financial constraints it has introduced.

However despite the challenges ahead, I am convinced that our approach to value for money will ensure that Riverside rises to them, remaining well positioned to deliver value for customers, funders and the taxpayer now, and for years to come.

Max Steinberg CBE
Group Chair

Financial resilience

Strong business

New homes

One Riverside

Business effectiveness: value for money at Riverside

This is Riverside's third value for money self-assessment, covering the financial year 2014/15. As in previous years we have called the report 'business effectiveness'. This is because we see value for money as something that is embedded in everything we do, rather than a distinct approach that sits separately.

Providing a commentary on our strategic results, illustrates the outcomes of our activities and the impact for a range of stakeholders: customers, taxpayers and funders.

In our first self-assessment we said:
'Business effectiveness' is how we wish to describe value for money, embedded in the organisation rather than seen as something separate: the notion of creating financial capacity through being efficient in order to invest in a range of improved services and products agreed by our boards against our corporate objectives, and influenced by our tenants.

The document sets out the Group's strategic results for the past year, and demonstrates how we have re-invested the efficiency gains we have made to achieve our objectives and benefit our customers and other stakeholders.

In last year's assessment we signalled that we would take a slightly different approach to reporting progress. Following extensive consultation, we had recently published a new corporate plan, **One Riverside**, setting out precisely what we wanted to achieve over the three year period 2014 – 17 and how we would secure the resources to do so. The plan was deliberately constructed to bring together our strategies for services, assets, growth, people and commercial investment, in order to present a compelling narrative about how we would achieve our vision of 'transforming lives, revitalising neighbourhoods'. We chose a set of strategic measures that would demonstrate our progress in meeting our objectives and the impact of our planned activities.

Rather than continuing with a bespoke set of 'vfm metrics', it seems natural to measure value for money against these key strategic measures set out in the plan. This avoids double reporting, and ensures that value for money is fully integrated with Riverside's strategy – an act of value for money in its own right! This is what we have done in this document.

The rest of this report is structured as follows:

- **What the numbers say**
  This provides a commentary on our strategic results for 2014/15, illustrating the outcomes of our activities and the impact for a range of stakeholders: customers, taxpayers and funders. It also provides further information on how our costs and performance compare to our peers. Our full strategic measures are reproduced at appendix 1.
- **The Story behind the numbers**
  This looks at four 'big ticket' initiatives which are driving value for money at Riverside, bringing our performance measures to life.
- **Realising the gains**
  This explains what we are planning to do with the value we generate, rounding off the assessment by looking to the future. How are we planning to re-invest our efficiency gains to achieve our objectives and deliver our vision?

We have deliberately avoided creating another vfm action plan, as actions to improve services, drive down costs and increase outcomes are embedded in our **One Riverside** action plan which is updated annually, with a summary of progress reported with our strategic measures. A separate one serves little value.

We have left the final and most important word to Patrick Rice, the Chair of the Riverside Tenants and Residents Federation. Speaking as a customer, Patrick sets out his unique perspective on value for money at Riverside through a short interview.

Strategic measures

Business effectiveness

Re-investment

One Riverside

What the numbers say

One Riverside

The **One Riverside** plan has three strategic objectives and two routes.

The strategic objectives:

Connected customers – improving our customers' experiences by modernising our services and delivering consistency;

Resilient lives – providing a comprehensive range of services to support those customers who need extra help to thrive in their homes;

Better places – improving neighbourhoods by investing in our existing homes, building and acquiring new ones, and selling stock to focus our geographical footprint.

The two routes:

Great team – ensuring our colleagues and board members are well led, fully engaged, supported and rewarded to deliver our strategy. Involving our customers in scrutinising and influencing what we do;

Effective business – securing the resources to deliver our objectives, managing them effectively in order to generate the capacity to make choices and do more.

Strategic measures and annual targets have been defined for each objective, organised to demonstrate which stakeholder benefits the most. The results against the first year's targets are set out in the sections below.

Connected customers

	Base	Target	Result
Customers			
Net promoter score	8	10	14
% of customers satisfied with repairs and maintenance	73.0%	75.0%	73.0%
% of key transactions accessed online (n/a until 2015/16)	n/a	n/a	n/a
% repairs completed without customers having to chase	70.0%	75.0%	96.0%
Taxpayers			
% of working age tenants in full time employment	25.0%	26.0%	29.0%
% of new lettings to working age tenants in full time employment	26.0%	35.0%	34.0%

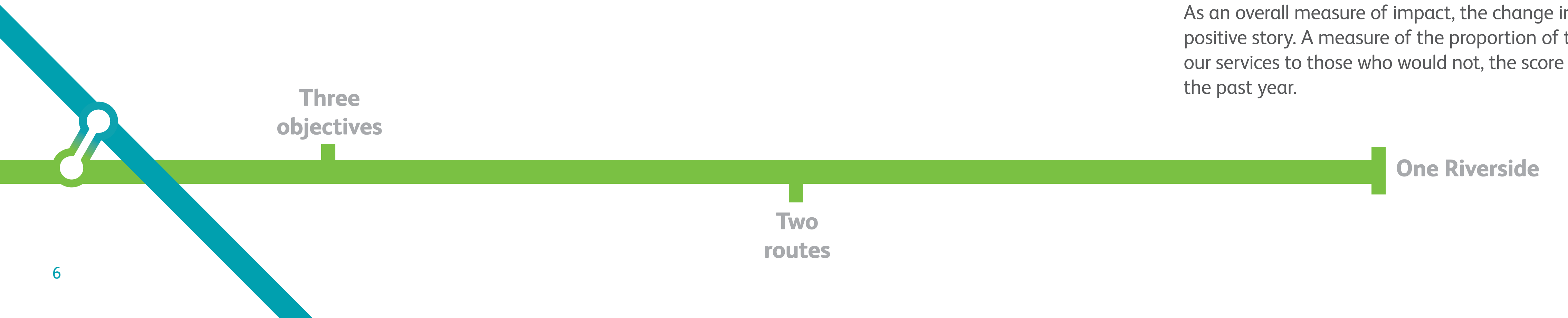
Connected customers

We have made significant progress in meeting our strategic targets, primarily through our 'Think Forward' housing services modernisation programme, although we have not quite achieved all of the first year's targets. There are benefits for both customers, in terms of improved services, and the taxpayer, because of a less benefit dependent customer base.

Customers tell us that our most important services are repairs and maintenance, and after a year, we have already exceeded the third year target for repairs being completed without customers having to 'chase' us. Although customer satisfaction with the repairs service has not moved year-on-year, we are radically changing our approach to repairs and maintenance as part of the housing services modernisation programme (see following section: 'The story behind the numbers') and we expect that the customer experience will improve dramatically over the next few years.

More than one third of new lettings were made to working age tenants in full time employment and this has helped drive a significant increase in the total number of tenants we have in employment. This means that we are almost halfway to achieving our longer five year target of shifting our tenant profile by 10% towards working households. This, alongside our other resilient lives initiatives, is helping to improve the wealth of our tenants, protect our income streams, and reduce the reliance on the taxpayer for support.

As an overall measure of impact, the change in our net promoter score tells a positive story. A measure of the proportion of tenants who would recommend our services to those who would not, the score has increased by six points over the past year.



Resilient Lives

	Base	Target	Result
Customers			
Number of customers assisted into paid employment	543	395	412
Annualised cashable gain (£m's) from money or affordable warmth advice	2.8	2.6	4.1
Taxpayers			
% tenants receiving support who have clear rent accounts or reducing arrears	n/a	25.0%	73.0%
% active leads for health and care contracts via tender or renegotiation	n/a	10.0%	23.0%
% RECHG turnover commissioned to deliver healthcare outcomes	n/a	10.0%	7.0%
% RECHG services funded by self payers	8.0%	10.0%	9.0%

Resilient lives

There are two main threads to this element of the plan: growing and diversifying our care and support business with a greater emphasis on health and social care outcomes, and providing extra services to our customers whilst protecting our income streams.

In terms of the social care story, the aim is to grow the volume and value of contracts with health care providers and to encourage more self-payers to use our services. This is clearly a difficult challenge and although we have made good progress we have not quite hit our first year targets. However we are encouraged by the fact that we have exceeded the target for active procurement leads for health and social care contracts; the key is in translating these into increased turnover in the future.

There has been strong progress in delivering outcomes related to our extra services, in particular assisting customers into paid employment and providing money and affordable warmth advice. This has led to the equivalent of an additional £4.1 million income for our customers each year, with over 400 entering paid employment. As a result of this we have significantly exceeded our target on helping those we support manage their rent accounts, thereby securing our income streams and reducing the risk of tenancy failure and eviction.

Social care

Extra services

One Riverside

Better places

	Base	Target	Result
Customers			
% tenants satisfied with quality of home	78.0%	79.0%	81.0%
% homes with SAP rating <60	15.0%	14.0%	14.5%
Taxpayers			
Number of new homes committed	1,375	400	448
Number of Local Authorities where we own <50 homes	77	53	76
Funders			
Average NPV per property (£m)	32.2	33.0	33.4

Better places

Given the extent of the housing crisis, the taxpayer often judges our success in terms of the new affordable homes we build, and our new development programme has started well, with the number of committed properties higher than target, well on the way to achieving our three year goal of 1,500 new affordable homes. This measure refers to approved and not completed schemes, and compares with a baseline position of 1,375 homes completed in the three years to March 2014.

In terms of existing stock, the combination of additional investment in external wall insulation (EWI) and the disposal of some older, less well insulated, properties has assisted in reducing the proportion of our homes with a SAP rating of less than 60, an improvement on the previous year but slightly behind target. Funding is in place, and further grant opportunities are being pursued, to continue the EWI programme which will improve the SAP rating going forward.

The development and planned maintenance programmes have all contributed to improved customer satisfaction with quality of home, where we are ahead of target. This has been helped by additional in-year investment of over £5 million in public realm initiatives, bringing high cost but sustainable voids into letting, and expanding and accelerating our property MOT programmes.

Geographical distribution of stock is a key measure of efficiency, and we have not managed to reduce our footprint as quickly as we had hoped in year one of the plan, because of a major disposal which fell through during the year. However, we have densified our footprint in Halton, following a strategic purchase from another housing association.

Looking at the impact of our asset management activities in the round, our investment, disposal, acquisition and development activities have driven an increase in the average net present value per property ahead of target.

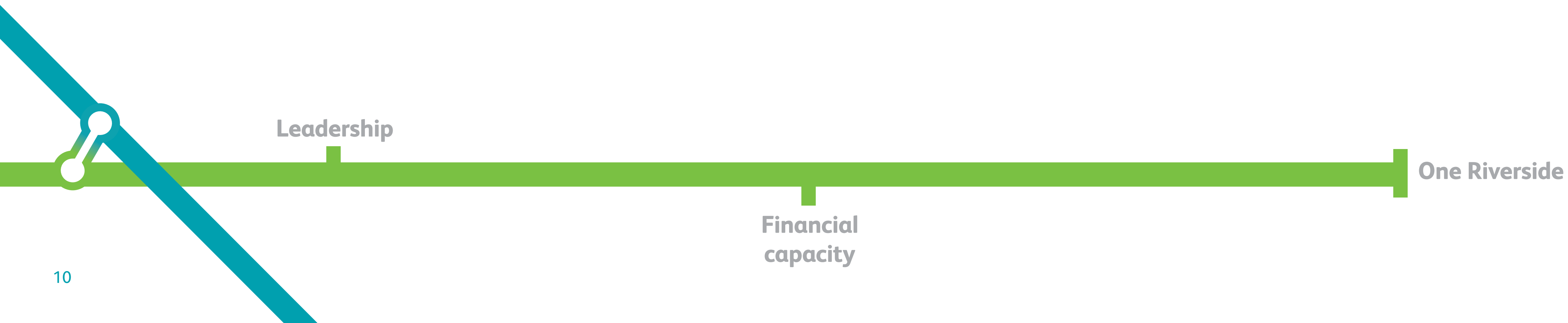
Great team

	Base	Target	Result
Customers, taxpayers and funders			
% employees: confident in leadership skills of senior management	57.0%	65.0%	**71.0%**
% employees: agreeing my manager helps me fulfil my potential	62.0%	68.0%	**72.0%**
% managers and directors completing relevant training	n/a	95.0%	**62.0%**
% of business units with up-to-date people plan	n/a	100.0%	**87.0%**

Great team

In order to deliver our challenging plan we need to ensure that we have an appropriate support network for our employees. To help drive this and improve employee experience, we have focussed on the leadership of the organisation, equipping directors and managers through specialist leadership training programmes and developing people plans for each team.

Whilst there have been some delays in the delivery of training courses and in finalising people plans, we expect activity targets to have been met in full before the end of 2015. However we are already seeing the impact of the increased focus on leadership through the improvement in employee ratings of the leaders of the organisation.



Effective business

	Base	Target	Result
Customers			
Investment in new and improved homes and extra services (£m's)	94.7	126.6	**123.5**
Taxpayers			
Return on assets	6.0%	6.0%	**6.2%**
Net savings arising from the Think Forward programme (£m's)	n/a	0.9	**0.6**
Procurement savings (non repair) (£m's)	1.2	0.7	**1.9**
Annual profit from commercials (£m's)	2.2	2.7	**6.1**
Funders			
Operating margin	22.7%	23.1%	**24.8%**

Effective business

The final group of strategic measures look at our financial performance – how we generate the financial capacity to do more for our customers and wider stakeholders.

Whilst the net savings from our modernisation programme have not yet reached the initial high level assumptions that were used to set the budget, significant progress has been made in developing the foundations to ensure future delivery.

During the year we made significantly higher procurement savings and increased profits from our commercial subsidiaries were well above target. One of the fundamental objectives of investing in our commercial ventures is to generate higher profits that can be re-invested in the rest of the group, and our faith has been rewarded.

Careful financial management has enabled us to re-invest £123 million – mainly in development of new homes and programmed repairs, but also in extra services such as helping tenants into work. Although slightly below target because of the re-phasing of our development programme and reduced build costs, this represents an increase of nearly £30 million on the previous year. Excluding development spend, investment is above target, with additional expenditure allocated during the year to support a variety of strategic asset management programmes.

All of the above have contributed to a higher than target operating margin for the group and an improved return on assets of 6.2%.

Financial benchmarking 2013/14

		Value	Rank
Debt per unit	£'k	£13.6	4
Property Gearing (borrowing/Housing Assets)	%	36%	7
Debt to Revenue	Times	2.33	2
Interest cover (op surplus + int rec = depr/int payable)	%	260%	7
EBITDA MRI Interest Cover	%	204%	3
Gross Capex as % of turnover	%	36%	3
Gross Operating Margin (excl. impairment and FA sales)	%	23%	15
Net Operating Margin (excl. impairment and FA sales)	%	12%	7
Direct Operating cost per unit	£'k	£4.41	11
Low risk social housing revenue as % of turnover	%	86%	7
Overall rank			**4**

Benchmarking

We compare our performance with that of our peers in two ways: firstly by comparing high level financial performance with a group of peers who have credit ratings provided by Moody's, and secondly through using the Housemark benchmarking service to compare service costs and performance.[1]

Riverside benchmarks its financial performance against that of a group of 16 peers, selected for their comparability to the Group, by size, geography and credit rating. Riverside ranked 4th in this group for the year ended 2013/14 (the most recent period for which full peer data is available), with strong performance across all measures other than direct operating cost per unit (11th) and, consequently, operating margin (15th).

[1]Note: Because of the timing of the publication of results for other organisations, the latest benchmarking exercises are based on data for 2013/14, a year behind the Riverside data which forms the basis of the analysis in the rest of this report.

Housemark

Total cost per property	2013/4	2012/13	Improvement area 2015/16+
Housing management (£'000s)	534.6	497.1	Target Operating Model: housing services
Responsive repairs (£'000s)	573.5	598.6	Asset Strategy: property MOTs, Evolve
Major works (£'000s)	785.5	1,300.7	Asset Strategy: stock condition database, additionl investment
Cyclical maintenance (£'000s)	295.9	276.8	Asset Strategy
Total overheads as a % adjusted turnover	11.8%	11.1%	Target Operating Model: finance & business support, governance
Total arrears as a % of rent due	9.5%	9.2%	Target Operating Model: income collection
Rent collected as a % of rent due	99.0%	98.5%	Target Operating Model: income collection
Re-let time (days)	29.8	29.0	Target Operating Model & Asset Strategy
Tenancy turnover	9.8%	10.6%	Target Operating Model: tenancy management
Tenant satisfaction with the overall service	81.0%	81.8%	Target Operating Model & Asset Strategy
Tenanct satisfaction with neighbourhood	82.0%	83.1%	Target Operating Model & Asset Strategy
Tenants believing rent – vfm	77.6%	74.3%	Target Operating Model & Asset Strategy

Key
Upper Quartile
Upper Median
Median
Lower Median
Lower Quartile

Housemark

Comparison of service cost and performance using Housemark is more mixed and clearly illustrates areas which need to be the focus for improvement.

The table shows our quartile positions for the two years to 2013/14, benchmarked against a specific subset of providers based on size and type of organisation. It also identifies the initiatives that will drive improvement.

Benchmarked against comparable peers, the results show that whilst our service costs are generally at or above median levels[2], other areas of performance are below the median, particularly those relating to income collection and tenant satisfaction.

As an organisation we operate in some of the most deprived neighbourhoods in the country, and this impacts some performance drivers, affecting indicators such as turnover and tenant satisfaction with neighbourhood. However, our operating environment is only part of the story, and we have recognised that our services need reviewing, modernising and made more efficient. As a result, we have embarked on an extensive housing services modernisation programme and we are currently reviewing all of our operational processes with the intention of developing a totally revised and reshaped service over the next two years.

The first element of this programme has already focused on strategic asset management, and new structures, systems and processes are now being implemented which should drive improved customer satisfaction – the improvement to the Net Promoter Score in 2014/15 has already been noted above. Given relatively weak rent arrears performance, the next priority is income management, and recently a business case has been approved with a focus on overhauling our systems, improving data and changing the performance culture, with a more proactive approach to case management.

[2]Note: for Housemark benchmarking, the polarity of quartile descriptors is adjusted so that lowest cost/highest performance is always described as upper quartile, notwithstanding the value of the actual measure.

The story behind the numbers

In this section we bring our business effectiveness story to life, setting out the four key strategic initiatives which have had the greatest impact on driving value over the past year.

Driving value through financing

The availability of long-term finance at competitive rates is key to Riverside being able to run an effective business which delivers our objectives, in particular the provision of new homes. It is also a very good barometer of overall value for money at Riverside, given the rigorous assessments applied by credit rating agencies and potential investors.

Last year (2014/15) proved a significant breakthrough for Riverside as we secured a significant amount of long term funding at very competitive rates, issuing a 30 year bond and accessing government guaranteed loans through Affordable Housing Finance PLC.

Underpinning our ability to secure competitive funding is the need to obtain a convincing third party credit rating. In October 2014 Moody's increased the Group's rating to Aa3, one of the strongest in the sector, gained by only three associations. Such a strong endorsement makes the Group attractive to investors and helps reduce the cost of borrowing.

Using this evidence of performance, Riverside has been able to obtain long-term finance from two sources:

- In November 2014 we raised £20 million at 3.8% from Affordable Housing Finance plc specifically to fund the development of new build properties, with the option to borrow a further £15 million this year.
- In December 2014 Riverside issued £150 million of a £250 million 30 year bond at 3.875%. £100 million has been retained to be borrowed over the next five years.

The impact of this success in the capital markets has been twofold. Firstly it has reduced the cost of finance to the Group, producing an annual cash saving when compared to having to borrow short-term, enabling us to re-invest in more new homes and better services. Secondly it provides clarity over the long-term cost of funding which aids planning and ensures investment decisions are made with greater certainty.

We will save £1.7 million each year for 30 years on the £170 million already drawn down in 2014/15. Over the life of the loans these savings are worth £26 million to the Group, the equivalent of the cost of building over 400 new homes. The access secured to a further £115 million over the next five years will drive further savings.

Adopting a repairs cycle through property MOTs will drive down costs, increase customer satisfaction and support the expansion of our own in-house contractor.

Driving value through our assets

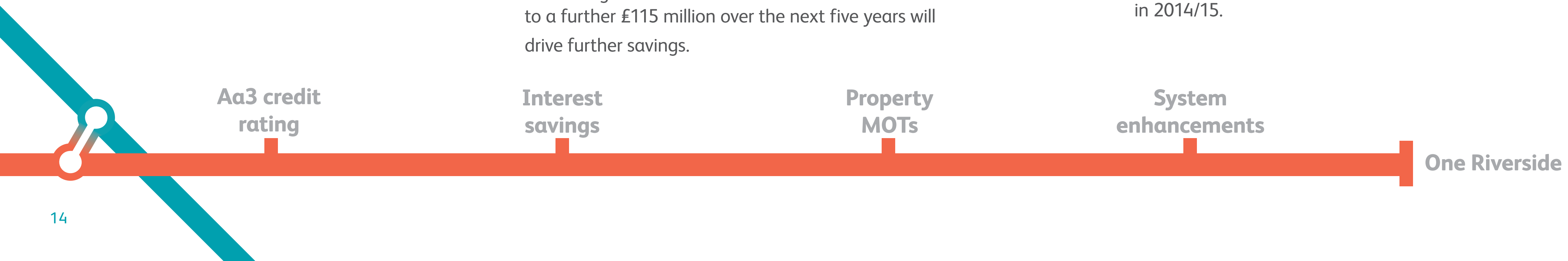
In last year's self-assessment we described how an evidence based approach to measuring the performance of our assets is driving better decision making. We have set ourselves a target to improve the average NPV of our homes by just over 6% in three years, and we have already described how we are over half way to this target after the first year of the plan.

We are driving service improvement through our wider 'Think Forward' housing services modernisation programme. Our primary focus is on adopting a repairs cycle through property MOTs which will drive down costs, increase customer satisfaction, and support the expansion of our own in-house contractor, Evolve, to provide repairs services for around 80% of our homes by March 2017. This expansion will not only ensure a consistent '**One Riverside**' service is provided to our customers, but also help drive cost and VAT savings to the Group. Evolve is already delivering significant VAT savings, with a contribution of almost £3 million in 2014/15.

Following a highly successful pilot, which helped reduce total repairs costs by over 15%, we have adopted a four year MOT cycle for all of our stock, so that repairs are identified and fixed before problems escalate. This approach is being supported by the introduction of dynamic appointment scheduling software which saves time, suits the customer and ensures repairs are fixed at the first visit, rather than just diagnosed. As a bi-product, our asset data is being improved, closing the loop by enabling better planning of our annual £41 million stock investment programme.

By investing £750,000 in system enhancements, we are aiming to save £8 million over three years (from 2015/16), and then £5 million per annum from 2018/19. We are also looking to improve customer satisfaction with repairs by 9% by April 2017 and increase satisfaction with the quality of our homes by 6% (from a 2013/14 baseline).

These targets are embedded in **One Riverside**, and we are already able to report improved satisfaction with quality of home (previous section: 'What the numbers say').



Driving value through modernising our housing services

‘Think Forward‘ is the change programme we have put in place to drive the modernisation of our housing services so that they provide improved, more consistent outcomes for customers at a reduced cost – the very essence of value for money. The financial business plan, developed to support our corporate plan, includes some high level assumptions on costs and benefits, allocating an investment of £7.5 million to support major modernisation related change programmes with a payback period of three years.
A significant element of this is now being put in place through the revised approach to asset management but there are a number of other initiatives being developed around the rest of housing services.

The objectives of the modernisation programme are to:

- provide a high level of customer service which is fair and consistent across the country
- create the financial capacity so we can choose the services we want to provide
- ensure we have the right people, in the right place, with the right tools and the right resources to do the job.

We are now mid-way through the second year of this three+ year programme and we are already well on our way to putting many of the foundations for change in place, including:

- creating a new delivery model for housing services, including a redesigned income collection service
- establishing the ‘My Riverside‘ customer self-service portal accessed via a new website, with the first self-service options now rolled out
- updating our IT systems and processes for the collection and analysis of data for properties and tenants. This includes a new and tested ‘Tenancy Intelligence Model’ which analyses transactional data to flag-up customers who need more proactive and intensive interventions
- establishing mobile and agile working practices, equipping frontline colleagues with the IT needed to work ‘on the go’ – we have rolled out over 400 tablets and established a model ‘agile’ office in Dartford.

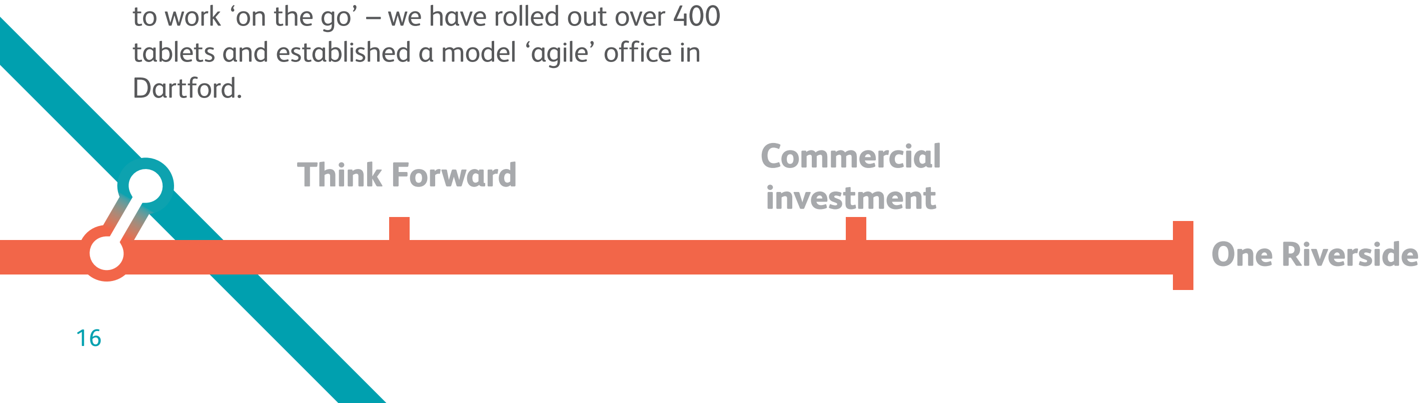
The transformation of our asset management services also sits within the overall ‘Think Forward’ framework.

Looking forward, the programme will help drive value for money gains by:

- reducing overheads through developing a new, more efficient target operating model
- ensuring we collect a higher level of arrears, in a much more automated, targeted and efficient way
- reducing transactional costs through customer self-service for those who want it
- increasing productivity through reducing travel time, improving systems and processes for data collection, supported by the right IT systems and tools
- using data intelligently to provide a pro-active, preventative, and targeted approach to service delivery.

Key outcome, impact and cost measures relating to ‘Think Forward’ are built into our **One Riverside** Corporate Plan under the ‘Connected Customer’ and ‘Effective Business’ themes.

Recently, the overall scope of ‘Think Forward’ has been expanded to consider an appropriate Target Operating Model for the whole Group. This is part of a drive to identify the most efficient and effective way of running the business, in the context of the Summer Budget, and in particular the four year rent reduction regime to be introduced from April 2016.



Driving value through commercial activities

Investment in our commercial companies has become an increasingly important part of Riverside’s value for money story, and our broad strategy is set out in the ‘Effective Business’ section of **One Riverside**.

The Group has three commercial companies, each with a distinct role.

Prospect GB – a wholly owned property development subsidiary providing around 200–250 homes for sale each year to first time buyers and higher income households, primarily in the North West of England. Prospect GB also has a small commercial property portfolio.

Compendium Living – a joint venture with Lovell, working with public sector sponsors to offer large scale, place-making solutions. Current activities include regeneration projects in Liverpool, Hull, Stoke and Derby which together will provide 2,200 new homes.

Evolve – a wholly owned subsidiary, offering repairs and maintenance services for customers living in Riverside’s affordable homes. Rapidly growing from its North West base, Evolve will maintain around 80% of Riverside’s stock by the end of our corporate plan period, delivering improved services, gift aided profits and VAT savings.

Whilst the recession saw us scale back our commercial activities, we ‘held our nerve’, recognising their potential to generate new income streams in the face of reducing public sector subsidy. With improved market conditions we are now increasing our investment, with £5 million planned over the corporate plan period. We are already reaping the rewards of this strategy, with Prospect delivering a 9.9% return on assets and Evolve contributing 55.3%. We are using the profits generated to re-invest in the businesses and support our affordable homes development programme.

From a loss making position three years ago, each company is now returning a healthy profit, and is forecast to continue to do so. Together, they made a profit of nearly £6.1 million in 2014/15 (taking account of Riverside’s share of Compendium Living’s profits) of which £2 million was gift aided back to the charitable housing association. Profits are projected to rise to nearly £7 million at the end of the current Corporate Plan period (2016/17), including £3.25 million of gift aid.

Whilst commercial activities play an important role in Riverside’s ongoing financial strategy, our investment and exposure are proportionate, with these businesses representing only 8% of the Group’s external turnover in 2014/15. Each company has its own governance structures, bringing in non-executive board expertise with proven commercial acumen. However extra assurance is provided through a working group of Board members which considers our commercial activities in aggregate.

Our commercial businesses are also contributing expertise to the core business; the managing director of Evolve is leading our drive to Business Effectiveness, bringing a sharper focus to some of our more qualitative judgements.

It all adds up – recognising the smaller things

Whilst the 'big' strategic initiatives drive the 'big' numbers, value for money is also about the myriad of smaller day-to-day improvements that save money and improve performance.

In preparing this document we asked colleagues to share local examples and we were inundated. Here are a few of them:

Prototype for efficient working

The development of our first prototype agile office in Dartford has introduced an efficient, contemporary working environment, reducing space requirements with forecast net savings of £600,000 over five years

Increasing same day lets

A same day let pilot has seen 130 empty properties in Liverpool re-let seamlessly without a re-let period. With outgoing tenants incentivised to give notice, repairs have been undertaken with the tenant in situ and the opportunity was created for some furnishings to be exchanged with the incoming tenant. On a number of occasions, more intensive engagement with the outgoing tenant led to a change of heart, with turnover rates reducing by 10%.

Scrutiny panel challenge

In our annual report to tenants last year, the cost of resident involvement for one of our Divisions was challenged by the resident scrutiny panel as being high, compared to the rest of the group. The panel undertook a full investigation with recommendations, presenting it to senior staff. As a result the formula used to calculate the distribution of resources is being revisited and there will be more robust analysis of the figures prior to them being published in the future, improving the transparency of cost information for customers.

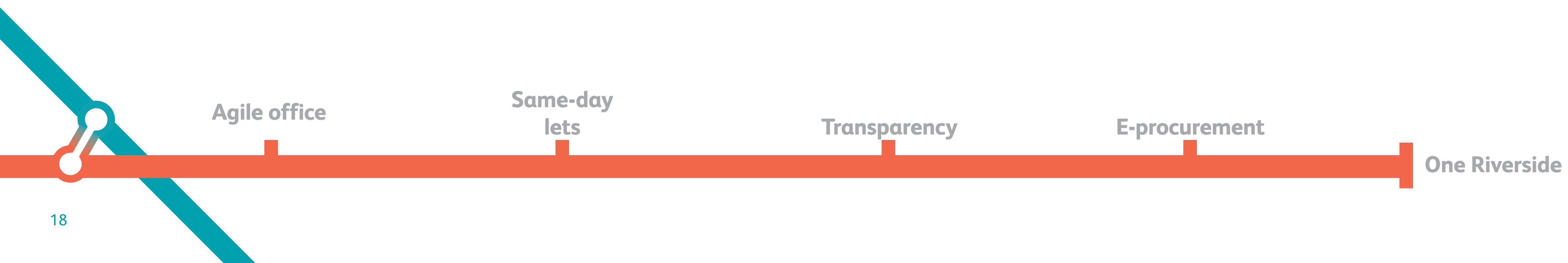
Savings through procurement

A new e-procurement platform 'Due North', is improving the efficient management, consistency and transparency of procurement processes, as well as improving access to tendering opportunities to SMEs and social enterprises. Using this new platform we have undertaken a number of group-wide procurement exercises, reducing suppliers and driving down costs across areas as diverse as pest control, leasing of laundry equipment and energy supply. These have contributed to overall annualised savings of circa £1.9 million arising from activities undertaken in 2014/15. The current focus of activity is on the procurement of asset management services including cyclical decoration, builders' merchant contracts and carbon monoxide detectors with significant savings expected from 2015/16.

Care and support

A wide range of examples where Care and Support services have been re-designed to ensure they remain viable and help commissioners reduce costs. These include adapting floating support services in Liverpool to provide shorter interventions through drop-in support; replacing a project assistant post in Westminster with a caretaker covering three schemes which has reduced relet times by two thirds; offering additional housing management services to another housing association in exchange for the free use of office facilities in Medway.

One Riverside: our Corporate plan 2014-17.



Realising the gains

In this final section we look forward, outlining how we propose to utilise the value for money gains we have secured in delivering our objectives.

These proposals follow extensive consultation with our customers in determining our priorities under our corporate planning process, and more recent discussions about service priorities and standards undertaken through our housing service modernisation programme.

Our recently approved business plan shows that by the end of our corporate planning period (2016/17) we plan to generate an operating margin of 23.8%[3] and surpluses (after tax) of £47.7m. Many of the factors which are driving our improved margin are in place, including:

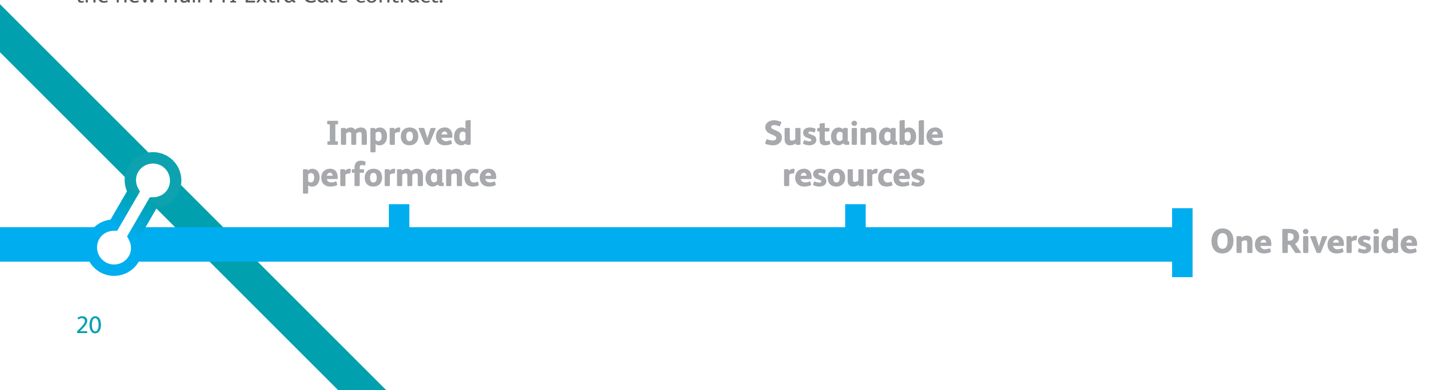
- improved operational performance, driven by cost reduction
- increased returns on asset management activities, in particular strategic sales
- improving commercial profits.

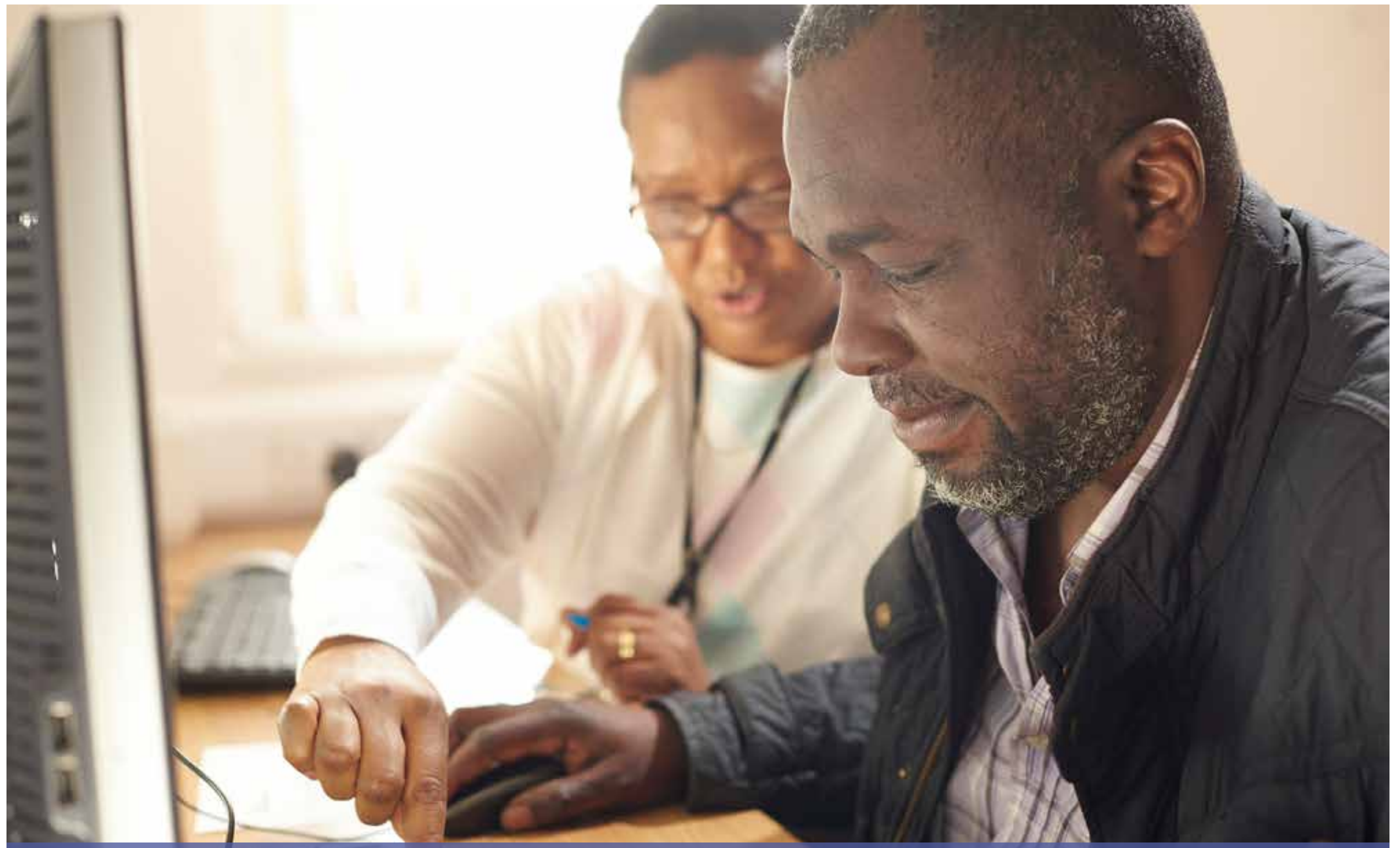
[3]Note: This is slightly lower than the operating margin reported for 2013/14 as a consequence of the reporting implications of the new Hull PfI Extra Care contract.

Re-investing surpluses

One Riverside clearly sets out how we plan to utilise the additional resources we will generate. On the basis of current plans, over the life of the plan, we will:

- Build 1,500 new affordable homes, plus more than 600 for sale, whilst acquiring 1,000 more from other landlords seeking to rationalise their stock.
- Invest £132m in our assets, including an extra £20m in additional major repairs not anticipated at the start of the plan. Part of this extra investment includes a modernisation programme for our retirement housing.
- Support our customers with extra services to support their livelihoods, including helping tenants gain an extra £8m of cashable gains (£1.5m more than originally set out in **One Riverside**) and helping over 1,600 into work.
- Continue to invest in specialist services for vulnerable customers through Riverside ECHG. Whilst this area of the business delivers a lower operating margin, it is an essential part of Riverside's mission at a time when other local services are being scaled back, helping deliver our 'resilient lives' objective.





At a time when other local services are being scaled back, we will continue to invest in specialist services for vulnerable customers.

By 2014/15, 74% of our accumulated surplus had been reinvested in new homes and existing stock. This is planned to rise to 79% by 2017/18.

However the implications of the Summer Budget will have a profound impact on our rental income, and thus our capacity to generate surpluses for re-investment. Over the coming months Riverside, like the rest of the housing sector, will be reviewing priorities as we seek to meet the new financial challenges the budget has introduced.

Planning for risk

Riverside is a long-term business, and part of our approach to value for money is ensuring that the strategy for our resources is sustainable. We have identified three key external financial threats to the business:

Threats to our income stream, through rent reductions and further welfare reform including (but not limited to) the roll-out of Universal Credit, the reduction of the overall welfare cap, and the potential removal of benefits to meet the housing costs of 18 – 21 year olds.

The further reduction in capital subsidy for the provision of new affordable homes, given the current fiscal position and the 60+% reduction seen under the last Coalition government.

Threats to our assets, arising through the planned introduction of Right to Buy level discounts to housing association tenants announced in the Queen's Speech.

We have already reflected some of these risks by building prudent assumptions into our business plan, and stress testing the plan through looking at the impact of a combination of adverse scenarios.

However given the announcements made in the Summer Budget, we will be revisiting the plan, and reprioritising to ensure Riverside remains a viable association with the capacity to deliver excellent services.

Strengthening our balance sheet

The other key element of our financial strategy is to use the surpluses generated by the business to build the strength of our balance sheet and contain our borrowing. Despite our growth, we continue to retain a relatively low level of debt per unit, ensuring there is significant headroom in our gearing compared to covenant limits.

This approach will ensure that Riverside is well positioned to deliver value for customers, funders and the taxpayer now, and for years to come.

Interview with Patrick Rice

Chair of the Tenants’ and Residents’ Federation, Patrick Rice, shares his perspective as a Riverside customer on good service and great value.

Riverside
Tenants & Residents
Federation

Patrick Rice, Chair of the Tenants’ and Residents’ Federation.

As a tenant, what does value for money mean to you?

Value For Money means a good service, at a price that is cost effective and sustainable for my landlord. It is that ideal balance between a service, repair, or refurbishment that leaves the resident feeling appreciative, whilst it is at a price for the landlord that is not excessive or too unrealistic.

It does not mean the solution that comes at the lowest cost, and I think most tenants understand this distinction nowadays. It is however, the solution that comes at a reasonable, keen, and sustainable cost, whilst at the same time, delivering a product that also leaves a positive impression on the tenant.

What is the hallmark of an organisation that delivers great value?

One which is exemplified by happy tenants, appreciative of the service or product they have received, whilst operating with well controlled costs that allow the business to grow and develop.

Organisations can only make the claim to offer great value, if they do it as part of a basic, every day and natural approach, not as a separate process.

And do you think you get good value for the rent you pay?

Overall I feel the rent that I pay is generally good value. The customer service I receive from Riverside is usually very good indeed. The quality of repairs or refurbishments to my property is certainly not the lowest of all other providers on the market, and it all comes at a cost that I feel is appropriate and reflects this service.

From a customer perspective, and thinking about Riverside’s performance over the past 12 months, where has Riverside added the most value?

I feel Riverside has added value the most by supporting its tenants. This is through various schemes such as providing affordable warmth advice, money advice and welfare benefits advice. It has also promoted and financially supported the Tenants’ and Residents’ Federation that has a real opportunity to effect change and support co-regulation.

At a time when other organisations are having to remove additional non-core services due to cost pressures, Riverside is to be complimented on adding to this provision, at the very time tenants need it the most.

And where do you think the focus needs to be in terms of improvements?

Riverside must continue its efforts to improve the overall repairs and refurbishment service, as it could still be better. I know for sure that Riverside is making huge efforts to do exactly this.

If there was one thing Riverside could do to deliver better value for customers, what would it be?

Again, I would have to say, to continue the ongoing drive to improve repairs satisfaction and performance, because it is the service area that leaves the most lasting impression. If a tenant has a rare bad customer service experience on the telephone, this will be mostly forgotten about a week or two afterwards. If a tenant is left with a sub-standard repair or refurbishment, this leaves a lasting and permanent poor opinion, as in a real sense, it can be seen each day.

Steps to move to a single in-house service provider, a specific Director level appointment to head this service, and increased customer satisfaction surveys all show a commitment on the part of Riverside, to making this area one that exemplifies ‘great value’.

Great services

Cost-effective price

One Riverside

Connected Customers

March 2015

In three years' time we will have...

— a modern, customer-focused housing service which is high quality, consistent and offers a range of self-service options for customers to access on-line.

By doing this we will have improved customer satisfaction and provided better value for money.

Measurements	Baseline	Result	March 2015 target	March 2016 target	March 2017 target
Net promoter score (I)*	8	14	10	16%	14
% of customers satisfied with the way Riverside deals with repairs & maintenance (I)*	73%	73%	75%	76%	82%
Future targets reflect anticipated benefits of Asset Management Review					
% of working age tenants in full time employment (I)*	25%	29%	26%	30%	30%
% of key service transactions accessed by customers on-line through a self-service approach (O)*	n/a	0%	0%	16.5%	33%
This isn't being measured until year 2 of the corporate plan.					
% repairs completed without customers having to chase (O)*	70%	96%	75%	97.5%	85%
Original baseline was an estimate. Strong performance has led to revised year 2 target					
% new lettings to working age tenants in full time employment (O)*	26%	34%	35%	36%	38%
Targets revised in line with new definition of this measure.					

I* = Impact measure O*= Output measure

Activity summary

The Think Forward initiative has been fully scoped within the five 'Think' workstreams and delivery is now structured around the key projects. Good progress has been made in developing a target operating model which will support excellent customer services and sustainable tenancies. A new Tenancy Intelligence Model has been designed to help identify and target tenants needing more pro-active and intensive services.

The development of the new website is on schedule for November with self-service rent statements due ahead of this in May. A business case for the next phase of the income collection project has been approved including investment in performance improvement systems and tools. The restructured asset management service is operational with a firm emphasis on pro-active service and the skilling up of delivery personnel.

Although overall progress is strong, delivery of critical path activity on some projects has been subject to delay; this includes business analysis for income collection and further work on Property MOTs which is contingent on the development of middleware in the communal areas project. The key metrics for this objective will not be available until STAR results are produced In May 2015.

One Riverside 2014-17

Total % complete: 84%

Resilient Lives

March 2015

In three years' time we will have...

— developed new community services which focus on preventing hospital admissions and managing long-term conditions in the home;
— a comprehensive range of services in place to support customers who need extra help to thrive in their homes.

By doing this we will have grown and re-balanced our care and support business, and helped over 5,000 customers sustain their tenancies.

Measurements	Baseline	Result	March 2015 target	March 2016 target	March 2017 target
% of tenants receiving support (money advice, affordable warmth, employment) who are maintaining a clear rent account or reducing arrears (I)*	n/a	73%	25%	60%	35%
Original target an estimate which has been well outperformed. Year 2 target adjusted.					
Proportion of RECHG turnover (by value) commissioned to deliver health/care outcomes (I)*	n/a	7%	10%	25%	35%
Largely caused by delay in novation of Park View contract.					
Number of customers assisted in to paid employment (O)*	543	412	395	600	640
Total annualised cashable gain (increased income/reduced cost) arising from money advice or affordable warmth advice (£000s) (O)*	£2,785	£4,135	£2,624	£3,668	£2,269
Target exceeded due to expanded capacity in team. Diminishing returns are expected due to UC roll out & reducing DHP funds.					
% of active leads for health & care contracts via tender or negotiation (O)*	n/a	23%	10%	25%	35%
Reputation of our care services has allowed us the opportunity to compete for a higher number of opportunities than planned.					
% of RECHG services funded by self-payers (O)*	8%	9%	10%	10%	16%

I* = Impact measure O*= Output measure

Activity summary

RECHG is actively scanning the market for health and social care opportunities particularly those related to hospital step down services and care navigation. Good progress has been made culminating in the acquisition of Park View a Liverpool drug and alcohol rehabilitation unit. New specialisms in supported housing and care are being developed including autism, men subject to domestic violence and alcohol and other addiction services. New training materials reflective of the external environment are being developed. The delivery of tangible health related outcomes is labour intensive due to long lead-ins and inevitable abortive elements but a firm grounding is being achieved.

Proposals for the delivery of the Live Time offer are being reviewed in the context of Think Forward.

Community engagement has achieved target outcomes whilst gearing up recruitment to full complement and redefining services as group wide. Money advice and affordable warmth outcomes are significantly above target. The employment service has also performed well bolstered by outcomes in Irvine and RECHG. A new Apprenticeships co-ordinator is in post. The Riverside Foundation has invested £269k in community initiatives.

One Riverside 2014-17

Total % complete: 84%

Better Places

March 2015

In three years' time we will have...

— invested over £100m in our homes through planned maintenance to ensure that they are attractive for 21st century living;
— delivered a programme of strategic disposals, reducing our geographical 'footprint' and selling homes which no longer meet the aspirations of customers;
— re-invested, by building and acquiring affordable homes in areas where we can make a significant difference.

By doing this we will create better places, improving the overall performance of our assets and their value to customers, and replacing over 1% of our homes each year.

Measurements	Baseline	Result	March 2015 target	March 2016 target	March 2017 target
% of tenants satisfied with the quality of their home (I)*	78%	81%	79%	83%	84%
Average NPV per property (£000s) (I)*	£32.2k	£33.4k	£33.0k	£34.0k	£34.2k
% of homes with a SAP rating less than 60 (O)*	15%	14.5%	14%	13%	11%
273 properties have been improved to a min. SAP rating of 60.					
Number of new homes committed (O)*	1,375	448	400	1,000	1,500
Cumulative target over 3 years.					
Number of Local Authorities where we own less than 50 homes (O)*	77	76	53	67	52
Failed Tuntum transfer has impacted numbers, though we expect to make up for the slippage in yrs 2 and 3.					

I* = Impact measure O*= Output measure

Activity summary

Most activities are on or ahead of target, with a major reshaping of Riverside's overall approach to asset management making strong progress through Think Homes.

Asset data strategy/framework devised, with additional surveys completed and built into forward plans. £44m planned maintenance programme delivered, including £4m in public realm works.

Appraisals for all sheltered schemes undertaken and investment/decommissioning plans in place.

Funding for 750 new homes secured through HCA Affordable Homes Programme, and delivery frameworks now in place. Sites acquired to increase commercial housing output as per plan.

Tenanted housing acquisitions strategy in place, and two transfers completed (Kent and Runcorn) meaning we are well on course to achieving overall plan target of acquiring 1,000 homes.

Whilst £6.5 sales income generated through strategic disposals, collapse of TunTum sale means that plans to reduce geographical footprint are behind target. Also the withdrawal of Barony from merger discussions will require a review of our Scottish Growth Strategy.

One Riverside 2014-17

Total % complete: 73%

Great team

March 2015

In three years' time we will have...

— embedded a consistent style of leadership and management which underpins great service and ensures the delivery of this plan;
— established a culture of coaching which fosters a sense of well-being amongst our employees and supports excellent, customer-focused performance;
— offered a package of benefits which attracts the right people and is recognised as giving a fair deal in return for delivering great services.

By doing this we will champion excellence, set high standards of behaviour and encourage members of our team to feel valued, motivated and rewarded.

Measurements	Baseline	Result	March 2015 target	March 2016 target	March 2017 target
% of employees agreeing "I have confidence in the leadership skills of the senior management team" (I)*	57%	71%	65%	75%	80%
% of employees agreeing "my manager helps me to fulfil my potential" (I)*	62%	72%	68%	75%	80%
% of managers that have completed relevant Cornerstone module and percentage of directors that have completed Leadership Programme (O)*	n/a	62%	95%	95%	95%
97% completion rate for Horizon, just under two thirds for Cornerstone 6 with more booking on forthcoming courses.					
% of business units with an up to date people plan (O)*	n/a	87%	100%	100%	100%
Just under target due to recent changes in leadership meaning 4 plans haven't been completed.					

I* = Impact measure O*= Output measure

Activity summary

There has been strong progress on some elements of this 'route' although some delays in the aftermath of the salary review and due to a gap between HR Directors. The emphasis has been on leadership and employee engagement with the Horizon programme for directors successfully completed (97%) and two thirds of managers completing the well-received Cornerstone 6. (The latter figure is due to low take up in some teams).

People planning is behind target but it is anticipated that this will be recovered in quarter 1. The metrics from the employee temperature check survey evidence improved engagement. The new People Services team has been reconfigured creating a single point of contact.

Anticipated projects on health and wellbeing and employee branding have been postponed to Year 2.

The individual and whole board appraisal process and skills matrix have been reviewed in the light of governance requirements. Training needs for involved tenants have been re-assessed and systems for recording volunteering established.

Total % complete: 53%

Effective Business

March 2015

Over the course of the plan we will...

- — continue to adopt an active approach to managing our assets and resources, protecting and diversifying our income streams and driving efficiencies in our core operations;
- — generate additional income by accelerating our investment in our three commercial companies.

By doing this we will create the capacity to improve services to customers, invest in new homes and services for the benefit of our wider communities, and provide protection against threats to our financial strength.

Measurements	Baseline	Result	March 2015 target	March 2016 target	March 2017 target
Operating Margin (Group) (I)*	22.7%	24.8%	23.1%	24.0%	24.8%
Investment in discretionary activities: development / acquisition, programme repairs, added value activities (£000s). (I)*	£94,721	£123,545	£126,649	£113,329	£122,327
Whilst there was an underspend on development, we were able to invest more in programme repairs.					
Return on assets (I)*	6%	6.2%	6%	5.9%	6.7%
Net Savings arising from Think Forward programme (revenue) (£000s) (O)*	n/a	£597	£861	-£59	-£2,169
Lower spend than budget but programmes in place to drive savings from 2015/16, in particular linked to the new asset strategy.					
Procurement Savings (non-repair) (£000s) (O)*	£1,195	£1,903	£672	£1,000	£643
Strong performance with + £1m new cashable savings and £700k carried forward from previous contracts.					
Annual profit on commercials (£000s) (O)*	£2,166	£6,133	£2,684	£5,642	£4,190
Increase in turnover/margin (Evolve) and revaluation of commercial/residential property (Prospect).					

I* = Impact measure O*= Output measure

Activity summary

Strong progress across all activities set out in the 'OneRiverside' year 1 delivery plan.

Key 'value for money' achievements articulated in 'Business Effectiveness' (Riverside's Value for Money Self-assessment), with a major emphasis on asset planning and management. This was published in September 2015 to the satisfaction of the regulator.

We are already reaping the rewards of investing in the growth of our three commercial companies, each of which is performing strongly, returning profits well above of target. Prospect has acquired four sites (to meet business plan expectations) and work on flagship Compendium schemes is continuing to plan. Evolve's business has grown significantly and is now delivering services across the whole of the North Division.

Successful influencing campaign delivered in run up to general election, where housing gained increased prominence. Latterly, our approach was re-orientated to provide full support to the NHF organised Homes for Britain campaign.

Review of local governance arrangements deferred to 2015/16 to suit Think Forward timetable.

One Riverside 2014-17

Total % complete: 86%

Get in touch or find out more

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Follow us on Twitter @RiversideUK

Customer Service Centre
24 hours, **365** days a year. So you can call at the weekend or even on Christmas Day
0345 111 0000

Speak to a member of our team

We are happy to accept **Next Generation Text** (NGT) calls. Press '3' once connected

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