

Value for Money Statement

31 March 2016



The Hyde Group
Making a lasting difference



■ Introduction from the Chair and Chief Executive

There have been several major changes in Hyde's operating environment over the last year. Since winning the general election, the Conservative government has made house building and home ownership clear priorities. It has adopted a more challenging approach to housing associations, by stressing the need for them to be more efficient and to build more homes.

Arguably, the biggest challenge to the sector came in government's first budget in the summer of 2015, when the Chancellor announced that social housing rents should be reduced by 1% each year for four years, from April 2016. This has resulted in a real reduction in housing associations' income. It prompted organisations like Hyde to reconsider their plans and to make sure that they are fit and able to deliver more for less.

Then, as we were finalising this report, the result of the referendum on the UK's membership of the European Union was announced. At the time of writing, the intention for the UK to leave the EU has been made clear, but the plan for how this will actually happen has not. The consensus is that political and economic uncertainty is likely to continue for months - if not years.

On the surface then, the world might seem to be a more challenging place today than it did a year ago. However, at Hyde, we have worked tirelessly to prepare ourselves for the challenges ahead. We have refreshed our corporate strategy, our financial plan and our development strategy to take account of the rent reduction and other relevant factors. We remain committed to delivering quality services, building more homes, being efficient and valuing our people.

We have set out clear plans to be more efficient and reduce our costs to offset the rent reduction, making sure that we continue to deliver quality landlord services. We are already delivering these plans and we included initial savings in our budget for 2016/17.

We will continue to reinvest every penny of our surplus into the business and we will continue to generate healthy surpluses, maximising our capacity to deliver services and build new homes. Our development strategy reflects this ambition, by showing an increase in investment and output – we are determined to build more homes that are so badly needed in the areas within which we work. These will be a mix of market and sub-market homes, for rent and for sale.

We have stress-tested our plans extensively, using tests similar to those used by the UK banking sector. This gives us great confidence that Hyde is resilient enough to cope with extreme economic shocks. Towards the end of the financial year, we announced our intention to merge with our fellow social landlords London and Quadrant and East Thames. While these talks proved unsuccessful, we remain open to future mergers with like-minded organisations that share our values and ambition.

2015/16 was yet another strong year for Hyde financially. We delivered a record surplus of £95m, up from £81m a year ago. This surplus will be reinvested in delivering services and building more homes. We delivered 730 new homes in the year, around half of which were for sub-market rent. We acquired more than 2,600 plots of land that will eventually yield around 3,000 homes and started construction on projects that will deliver 1,947 more. We are on track to increase our output in line with our development strategy.

Hyde is a responsible landlord and our residents are important to us. We want to make sure they are happy with the services we provide, so this year, we launched a new programme called Look Again, that will define our landlord services more clearly and make them more efficient and easy to access by the end of 2016/17.

We have already seen some positive impacts from this programme: we have reorganised the way we deal with empty homes and how we re-let them and we have done the same for our anti-social behaviour service. In addition, we have revamped our complaints handling process to focus more on the customer experience and the ratio of complaints to transaction volumes is now extremely low. Customer satisfaction with repairs improved to 81% from 78% a year ago and rent loss due to empty homes was just 1.37% of income. Our operating cost per unit of accommodation is among the lowest in the G15.

People make an organisation, and we are lucky to have such passionate, talented and motivated people working for Hyde. They were central to our achievements this year and they will be central to our future success. We want to enhance opportunities for our people, giving them more scope to develop and progress their careers. We are excited about the prospect of increasing investment in training and apprenticeships. We want to create a strong culture that brings the values of the organisation to life.

We continue to be a very well-run and well-governed organisation. The regulator carried out an in-depth assessment and confirmed Hyde meets its highest standards for good governance and financial viability. We also maintained our strong reputation and good relationships with our stakeholders, including investors, suppliers and local authorities. These relationships with our external partners are critical to our success.

In summary, we are in great shape. We know what we want to achieve, we have laid rock-solid foundations, and we are very excited and inspired about what the future holds. We look forward to working with staff, residents and partners to make our business the very best it can be, without losing sight of our social purpose: to provide decent, affordable homes and to manage them responsibly.

Elaine Bailey, Group Chief Executive and
Mark Sebba, Hyde Group Board Chair

How do we achieve VFM?

The Group Board is responsible for ensuring Hyde establishes and maintains a comprehensive and strategic approach to achieving value for money in meeting its Corporate Objectives.

This approach is designed to ensure a robust assessment of the performance of our assets and resources (including for example financial, social and environmental returns) and takes into account the interests of, and commitment to, our stakeholders. The VFM strategy is designed to assist the Group in managing its resources economically, efficiently and effectively; to provide quality services and homes and in planning for, and delivering, on-going improvements in value for money.

The key elements in delivering our VFM approach include:

Group Board approval of the Strategic Plan

This includes VFM objectives and annual review of the VFM Strategy, supported by detailed budgets and VFM targets that are reviewed annually and cascaded down to budget holders.

Decision-making, supported by robust strategies and business planning

The aim is to optimise the use of resources to deliver our objectives, taking into account the priorities of our residents (through Hydewide Residents Voice and our obligation to maintain decent homes and invest in building new ones).

Our Asset Management Strategy

This ensures we understand the returns on our housing and commercial assets and provides the tools to assess how best to optimise future returns in both social and financial terms. This may include additional investment, redevelopment, change in tenure type or disposal.

Our performance monitoring framework

This is overseen by the Group Housing Services Board for housing service delivery, the Group Investment Committee for investment and development delivery, the Group Board for treasury management and the Group Audit Committee for risk and internal control. This is supported by resident scrutiny of local performance through Resident Assurance Committees and for service experience by Hydewide Residents Eye. We also carry out an annual self-assessment against the HCA National Standards to ensure that we are compliant and note plans for continuous improvement.

A strategic approach to service enhancement

This is supported by a business case approach to change delivery and investment proposals, with clear cost-benefit measures reflected in budgets and service KPIs. Our approach makes use of well-established tools such as: Best Value reviews, benchmarking with the G15 (the 15 largest social housing providers in London) peer group and comparison with service models outside of the sector.

Establishing centres of expertise to support Group activities

These include Hyde Plus (supporting residents to manage debt and sustain their tenancies); our in house legal team (facilitating early intervention and mediation on tenancy matters and supporting Housing Officers with tenancy enforcement) and our centralised procurement team (allowing us to take a strategic approach to procurement, helping to shape internal service delivery and benchmark to market). Our aim is to strengthen front line services, focusing on digital and telephone resolution, with residents accessing more services on line and through social media channels.

What we achieved in 2015/16

Hyde's financial position

Hyde's financial performance and position are strong. Our underlying surplus was £95m in 2015/16, an increase of £14m from 2014/15 (£81m restated), of which a significant proportion was generated by sales activities (helped by the buoyant housing market).

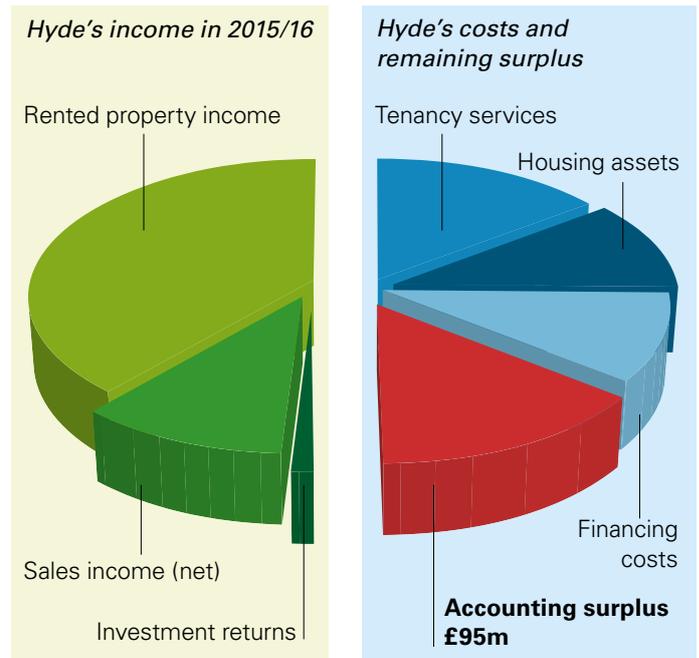
Our entire surplus is reinvested to provide affordable homes for future residents and to improve services for current ones. Over the past 5 years Hyde has invested on average more than 2.4 times its surplus on the acquisition and construction of housing. In 2015/16 Hyde invested the equivalent of 3.5 times its surplus.

Over recent years we have worked hard to deliver efficiencies in all areas of the business and we are now in a position where we can cover our day-to-day running costs and interest payments on our borrowing, without relying on sales of any kind.

Hyde uses a variety of measures to compare its VFM performance with peer organisations in the G15 (the 15 largest housing associations operating in London, of which Hyde is a member). These include participating in an annual HouseMark benchmarking round, along with in-house analysis, based on the accounts of our peers and on the HCA's global accounts.

Operating margin

Hyde's operating margin was 31% in 2015/16, in line with 31% for 2014/15 (the average for the G15 was 30%). This represents the continued drive to make efficiencies where possible, though Hyde will continue to make savings to improve this margin further.



The chart shows the size of Hyde's income from rent compared to sales, how much was spent on tenancy services, housing assets (repairs and maintenance), financing costs (interest payments) and how much surplus was left.

Operating margin on social housing lettings

Our margin on social housing lettings increased to 48% in 2015/16 from 42% the previous year. This is due to savings in expenditure driven by a reduction in lease costs from divestment of temporary accommodation and a bad debts provision reduction during the year, due to a change in the way the bad debt provision is calculated.

Return on assets

Hyde's return on assets (with the return measured as surplus before interest and tax) rose to 9.8% in 2015/16 from 9.1% in the previous year, due to a greater surplus being made. This return is greater than the peer group average of 5.0%.

Housing management costs

Housing management costs decreased to £818 per home in 2015/16, from £864, consistently below peer average. This has decreased due to savings made within housing management.

Maintenance costs

Hyde's maintenance costs per social housing unit decreased to £884 in 2015/16 from £953 in the previous year due to reduced spend from contractor efficiencies and remain significantly lower than G15 peer group.

Overall cost per social unit

Hyde's overall cost per social housing unit was £3176 in 2015/16, a decrease from the previous year, due to the savings made as mentioned above.

Future plans 2016/17

Hyde's 2016/17 budget addresses the rent reductions and work to mitigate this, by including more than £11.2m of savings. About £4.3m of these are budgeted to come from our demand-triggered approach to repairs and maintenance; £4.0m from back office savings and £3.0m from planned interest rate savings.

Our longer term financial plan includes further efficiency savings targets, that will challenge the business to reduce the cost of the back office and control staff costs. These savings will be realised through better use of digital technology, better management of service charges and improving our operating processes to cut out duplication and waste. These projects are already underway. Including budget initiatives, these plans should save Hyde around £25m by 2020.

	Hyde 2015/16	Hyde 2014/15	G15 Peer group 2014/15
Operating margin	31%	31%	30%
Operating margin on social housing lettings	48%	42%	32%
Return on assets – net operating surplus/net book value housing properties	6.8%	6.7%	6.8%
Return on assets – surplus before interest and tax/net book value housing properties	9.8%	9.1%	5.0%
Management costs per social housing lettings unit	£818	£864	£917
Total maintenance costs charged to income and expenditure statement per social housing lettings unit	£884	£953	£1,932
Total costs of social housing lettings unit	£3,176	£3,417	£4,634

A comparison of Hyde's 2015/16 performance across a selection of key financial performance ratios with its performance in the previous two years and against the G15 average results, based on their 2014/15 accounts.

■ Deliver quality services

Deliver services to agreed standards, and deliver services which make a lasting difference to the wellbeing of residents and the wider community.

Last year we set ourselves a number of VFM goals to deliver this objective. Here is how we performed.

Value for Money Goal	Achievement in 2015/16
We will explore the option to move our responsive repairs contracts from a Schedule of Rates to a Price Per Property basis (PPP)	Achieved. Evaluation carried out and pilot PPP approved
Complete preparatory work for Self-Serve, ready to launch our digital service offer	Business case approved. Preparatory work is in progress
Implement Smarter Working, an integrated mobile working solution allowing staff to access Hyde's systems from any location	In progress, the first phase will be implemented from April 2016
Implement the new service charge system	Delayed, to ensure all data, process and system requirements in place. Now to launch in April 2017
Phase 1 re-procurement of cleaning and gardening contracts	Achieved
Centralise the voids and lettings service and introduce more efficient processes to reduce void loss	Achieved
Invest in our in-house contractor Hyde Property Services.	Achieved
Provide one-to-one advice and support to 3,000 residents; help 240 residents into work, 250 into training and 70 into work placements; deliver £1.6m in financial gains to residents and £1.3m to the business	We provided one-to-one advice and support to 2,633 residents; helped 257 residents into work, 254 into training and 76 into work placements. We delivered £1.67m in financial gains to residents and £1.2m to the business

Look Again

During 2015/16, we started a programme of work called Look Again, aimed at clearly defining our service offer and improving efficiency. Starting and ending with the customer experience, it will introduce simpler ways of working, improve access to our services and make better use of existing technology.

The setting up of the central Empty Homes and Lettings Team in July 2015 was part of the Look Again project. Through the introduction of streamlined processes, and a revised lettable standard, operating costs reduced by £75k in 2015/16, with a target to save £340k from 2016/17. The team has successfully reduced the number of empty homes to 400, as at March 2016 (historically Hyde has held around 600 empty homes at any one time). In terms of meeting the void rent loss target, the new team has not yet delivered the results we expected, achieving 1.37% as at 31 March 2016 against a target of 1.06%.

Southern Electricity contract

Hyde is in the process of signing a contract with Southern Electricity which will supply electricity and gas to all our empty homes during the void period. Having one supplier will mean a more streamlined process, resulting in reduced void times. Other benefits include a free standing charge and £15 credit on each account as well as "best tariff" advice for new residents.

Council tax project

We have saved around £130k this year by using a dedicated resource to handle council tax issues on our empty properties which has meant better links with local authority partners.

Repair services

We are currently preparing to introduce a Price per Property pilot for six months from July 2016 for more than 7,000 properties in the London and East region. This means that instead of paying our contractors for each separate repair they carry out under a schedule of rates, we will pay them a set price for each property. This will bring greater efficiencies, reduce operating costs and give greater budget predictability and cost certainty. Contractors will benefit from a guaranteed cash-flow and simpler processes and residents will benefit from a more effective service.

During the year, there has been significant investment in improving the efficiency of Hyde Property Services (HPS), our direct labour organisation. A new fleet of 140 vans has been leased for all our trade staff and we have purchased new software and mobile devices to allow us to assign and track work more accurately.

Buildbase won the contract to provide all building materials and co-located with HPS to a new office and materials supply hub in Havant in March 2016. Response times will improve because vans will be re-stocked with materials when they are needed, rather than our workforce having to drive to builders' merchants. Any materials not normally kept in our vans will be delivered to site 'just-in-time', ready for the teams when they are required, speeding up work.

The team delivers repairs to a third of Hyde's stock and the aim is to achieve £1.4 m savings in operating costs each year and further increases in resident satisfaction (currently 87%).

The Hyde Quality Standard is improving the quality of our homes

Maxine Robson had a new kitchen installed into her home in Orpington this year, as part of the Hyde Quality Standard – our commitment to improving the standards of residents' homes. Maxine was offered a wide choice of finishes, colours and fixtures and fittings, many of which were free of charge and was also able to supply some of the materials herself. "We decided to supply our own tiles, which were installed by the workmen," she says. "Everything was explained clearly. We were told when workmen would turn up and what they were going to do – they were a really nice bunch too!" Maxine says her new kitchen is "amazing – I'm really happy with it".

Estate services

Hyde successfully established four large contractor frameworks to support delivery of new cleaning and gardening contracts in November 2015. Since then, we have run the first of three mini-competitions to award call-off contracts for Greenwich and Bexley, Brighton and Hove, Bromley, West Kent and Peterborough, which will go live on 1 May 2016.

For these first five contracts we will move from working with 40 suppliers to four, with estimated contract savings of over £200k and an associated reduction in administrative costs. For residents, there will be clearer information on the service provided, greater clarity over service charges and, for many, a reduction in charges. We expect to launch the second round of contracts in July 2016 and the final round in September 2016 to minimise risk and maximise the chance of success in delivering this major change to Hyde's supply chain.

Hyde on Demand

During the year we completed the preparatory work for our integrated online service Self-Serve and aim to have this up and running for the top five requested transactions by late 2016/17.

We launched our HydeApp in November 2015, providing residents with various mobile enabled options, including the ability to log a repair with our Customer Services team, pay rent online, access Hyde Plus services or report issues such as fly tipping or graffiti direct to a local authority.

Hyde's new website was launched in March 2016 and has doubled our online service requests. A protocol for social media has been introduced to ensure that requests for service from our Facebook and Twitter pages are dealt with promptly.

Our Lettings and Income Teams have benefitted from the introduction of online forms, savings hours of staff time a week and providing a more streamlined service for residents.

We continued to prepare for the implementation of 'Smarter Working', our integrated mobile working solution, that will allow staff to access Hyde's systems from any location using mobile devices. Starting with the Income Team, we have redesigned ways to make full use of remote access and we will go live in early 2016/17. This approach will offer benefits to residents who receive services in their home and to staff who will find duplication of work is eliminated. We anticipate £620k of savings over five years of this first phase.

Service charge system

We continued to implement a new service charge system this year. We experienced some delays, due to the need to ensure all data, processes and system requirements were in place. The benefit to residents will be greater transparency and accuracy in service charges. For Hyde it will mean more efficient data processing and greater accuracy in capturing service chargeable costs. We estimate that project costs will be recouped within five years. The new system is now targeted to launch in April 2017 and be further refined in the following 12 months to become fully automated.

Social and environmental gains

Hyde invested £2.6m in Hyde Plus, the Group's social and economic investment team, enabling residents to sustain their tenancies and improve life prospects.

The Jobs and Training team helped 257 residents into work, equating to £2.2m in social value. The team also helped 254 people into training and 76 into work placements and secured 13 apprenticeship opportunities through Hyde's supply chain. Debt and Money Advice also supported 1,437 residents to reduce their debt, improve their financial skills and pay their rent. We have delivered £1.67m in financial gains to residents and £1.2m to the business. The Digital Inclusion programme helped 422 residents to get online, resulting in £615k of social value.

Hyde Plus offers Employment Support

"Since being made redundant in 2014, I had been unemployed for nearly a year. I was getting interviews, even positive feedback, but no work. Although I tried to stay positive, things were starting to get really tough - both financially and mentally. Sometimes it felt like a battle against myself, but I refused to give up.

The Hyde Plus team provided practical and genuine assistance. Meeting with a Hyde Plus adviser has increased my confidence, improved my CV, widened my skill set and opened doors to new possibilities. They were able to help me secure funding to get my Forklift licence, which I could not afford. I am now in secure, paid work, and feel great about being able to support myself."

A Hyde resident

Hyde, in partnership with 16 housing associations, secured £10m funding from the European Social Fund to provide an employment programme across London. The project, Love London Working, will start in early April 2016. Hyde Plus has also brought in an additional £500,000 of external funding to support local projects benefitting Hyde's communities.

We have a target of improving the energy efficiency of all our properties to SAP 60 by 2025. We do this by insulating properties, upgrading their heating systems and installing solar panels. In 2015/2016, we spent £132K insulating 197 properties, and we installed solar PV panels on 63 properties.

Installing solar PV panels on homes

"I'm very happy with my new solar panels; the free electricity I get from them during the day will help to keep my electricity bills lower particularly in winter when I need my storage heaters to keep warm."

A Hyde Chichester resident

Resident Engagement

In line with "Residents Matter More", our resident engagement strategy, we streamlined formal engagement structures and developed online engagement through the OAK on line engagement forum. This reduced the number of formal meetings from 60 to 30 a year, saving approximately £1,000 per meeting in staff time, expenses and administration costs. However, more residents than ever before will be involved consulted and trained through the OAK.

The OAK won a TPAS award in the South Region finals in February 2016 and was shortlisted for An Outstanding Approach to Tenant Involvement in the UKHA Awards.

Throughout the year, residents on Hydewide Residents' Voice and local Residents' Assurance Committees scrutinised quarterly performance information and reviewed service improvement plans. Hydewide Residents' Eye carried out four service inspections to test the resident experience.

The Resident Procurement Panel ensured that new contracts were resident-focused and met resident needs. It also helped in the procurement of cleaning and grounds maintenance contracts, community heating and the Development main contractor framework. Engaged residents continued to work with Hyde to develop a digital resident news platform, saving £240k a year on printing and postage.

Future plans 2016/17

- Continue to streamline the letting of empty homes to meet the void rent loss target
- Complete the Look Again Service reviews and launch the new service model, generating savings and improved resident satisfaction
- Deliver the Price Per Property pilot and implement the new approach to achieve improved value for money
- Realise the savings from investment in Hyde Property Services
- Complete the procurement of cleaning and gardening services, building on the savings and efficiencies already secured through the first round of call-off contracts
- Launch our online digital service – Self Serve and mobile working for income officers
- Review Hyde Plus services to target those in greatest need and at risk of tenancy failure.

■ Increase capacity

To reduce waste and inefficiency in our service, while maximising income and asset value; re-invest additional financial capacity in services and building new homes.

Last year we set ourselves a number of VFM goals to deliver the above objective. Below is a table showing how we performed.

Value for Money Goal	Achievement in 2015/16
Deliver £10m additional income by disposing of empty properties beyond economical repair, plus a small number of high value properties	Achieved, more than £10m additional income realised
Produce Local Asset Management Plans for all areas to inform future investment and strategic disposals	We have produced 73 local asset management plans, one for each local authority area where we own properties
Deliver £31.9m of stock investment works	We delivered £28.5m of stock investment works. The reduction is due to the switch to demand-led replacement on planned programmes
Implement the 'Common Sense Investment' approach for stock investment work and Hyde Quality Standard	Achieved
Complete next stage of office rationalisation strategy	Achieved. Cost of space per desk reduced from £1,960 to £1,760
Deliver £2.4m of procurement gains	Achieved over £6.5m of procurement gains
Complete sale of student accommodation	Achieved
Review supported and sheltered housing – create 2-3 year strategy	Achieved
Complete transfer of 1,000 homes in Sutton, taking 800 homes in Croydon from Metropolitan Housing Trust	Achieved

Making the most of our assets

During 2015/16, we continued to develop our Asset Intelligence Model which has been updated with new information from our recent stock condition survey of more than 10,000 properties. This model has been used to assess the financial and social performance of individual and groups of properties. By disposing of properties beyond economical repair and those that are in low demand, we have delivered more than £10m additional income that will be used to fund services and the supply of new homes.

Local Asset Management Plans (LAMPs) are now in place for all local authority areas and these will be used to help inform our strategic asset decisions.

In 2015, Hyde introduced a new way of driving stock modernisation programmes through 'Common sense investment'. This approach means that, instead of replacing components (e.g. kitchens/bathrooms) when they reach a certain age on a lifecycle basis, they are now only replaced if they are beyond economical repair. This initiative has resulted in more than £2m in budget savings on Hyde's 2015/16 stock investment programme and is on track to save Hyde £15m over four years. The Hyde Quality Standard was also introduced, that provides a minimum standard for stock investment works and greater choice for residents.

Procurement highlights

During 2015, Hyde's procurement team secured more than £6.5m of savings for Hyde and its residents by re-procuring more than 40 contracts worth about £1bn. We also successfully piloted the 'Selling our procurement services' initiative, which attracted interest from 15 other public sector organisations, with seven buying access to Hyde's value for money, OJEU-compliant contracts, generating about £100k extra income to Hyde.

- We re-procured our **main Construction framework**. The new framework has not only benefitted Hyde but, by opening up the framework to other public bodies, has also helped seven organisations procure more than £250m of construction services, leading to around 750 homes being delivered more efficiently
- We re-tendered Hyde's **insurance services** contract, leading to £1.8m (22%) savings on premiums over the contract life
- **Pensions administration and adviser services** were also re-tendered, leading to savings of 19% (£292k) over the contract life. This will also ensure Hyde' staff benefit from an improved online advice service
- We successfully restructured the **supply chain of Hyde's internal Direct Labour Organisation Hyde Property Services**. Previously, operatives were sourcing materials from about 80 merchants but now Buildbase will supply all materials for maintenance and stock investment work, leading to more than £1.3m savings in material costs over the contract life and an improved service for residents. Buildbase also shares Hyde's social ethos, with 1% of its annual turnover from HPS going into a fund for us to draw on for local community projects
- Hyde's **Resident Procurement Panel** played a key role in re-procurement of all resident-facing services including grounds maintenance, development and cleaning contracts.

The Hyde group was recognised as a procurement sector leader by several professional and industry awards, including

- Procurement Excellence in the Public Sector (GO) Awards – Team of the Year Category - Winners Achievement, 2015/16
- Procurement Leaders Awards - Public Sector Category – Overall Winners, 2015/16
- Procurement Leaders Awards – Transformation Category – Finalists, 2015/16.

Hyde's offices

We continued to streamline our office portfolio. We closed one of our London offices - Long Lane - in July 2015 and relocated most of the staff to our head office in Park Street. We sold our large Southampton office in August 2015 for £1m, relocating to a much smaller serviced office in the area. We also exited from our space in Roundshaw, Sutton and accommodated the team in Stockwell. In March 2016 our Hove operation relocated to Brighton, freeing up the office for developing much-needed homes.

This has led to the following VFM gains:

- A 20% reduction in office space from 109,000 sq. ft. to 87,000 sq. ft. over the year
- Cost of space per desk reduced from £1,960 to £1,760
- Co-location of teams in Park Street led to better communication/resolution of issues.

Stock rationalisation

During the year, we transferred ownership and management of 1,000 homes on the Roundshaw estate in Sutton, South London to Metropolitan Housing Association. Previously we jointly owned the properties with Metropolitan in a partnership called Roundshaw Homes.

We received 800 properties in Croydon and 17 in Bromley in return, consolidating our stock in these areas. The new arrangement will provide residents with a more effective, better value service with a single point of contact for information, services and routine transactions.

We exited a total of nine local authority areas where our stock was very dispersed and management costs high and consolidated our stock holding in Bexley, Croydon and Haywards Heath.

In 2016/17, we will sell properties in Hampshire and acquire properties in Portsmouth, Southampton and Bromley. This will reduce the number of local authority areas in which we operate by 16 (15%) and increase our stock holding in eight boroughs, without reducing the number of properties we own.

Specialist stock

We developed our Sheltered and supported housing strategy and carried out a full review of all our stock in terms of future financial viability and risk exposure.

The decline in Supporting People funding has made many of these schemes at risk financially. As a result, we have transferred 28 supported housing schemes to other providers, with a further 41 targeted for transfer and 25 currently being appraised.

A programme for introducing an Intensive Housing Management service for our sheltered schemes for older people has begun, with eight sheltered schemes benefitting from the service during 2015/16. An Intensive Housing Management service includes providing additional management support to vulnerable residents and additional responsibility for the health and safety requirements of the scheme.

We also completed the sale of our student accommodation in Greenwich and Rochester to other student accommodation providers, as this type of property is outside of our core business. Our health worker accommodation is being refurbished to provide intermediate housing for a wider client group.

Future plans 2016/17

- Deliver £2.3m savings, through about 40 procurement improvement initiatives. This will include the completion of the re-tendering of the Estate Services contracts
- We will review our office portfolio, as we continue to re-shape our service delivery and move towards offering more services online
- Carry out stakeholder consultation to 14 priority sheltered schemes across London and Kent, with a view to introduce an Intensive Housing Management service
- Expand the legal team to six lawyers to save more on external legal fees – from £700k to just under £1m.

Build more homes

To help increase the supply of all tenures and ease housing pressures, develop more homes for sale and private rent to subsidise the development of affordable homes.

Last year we set ourselves a number of VFM goals to deliver the above objective. Here is how we performed.

Value for Money Goal	Achievement in 2015/16
Deliver 1,000 new homes and explore options to increase Hyde's development programme to 1,500	730 homes delivered and we will deliver 6,000 homes over next five years
Complete construction management pilot. Achieve 10% reduction in costs	Achieved
Further explore Modern Methods of Construction	Achieved
Implement Year One of Hyde's three year stock rationalisation strategy	Achieved

During 2015/16 we:

- Built 730 homes, of which 198 were in Kent, 165 in London and 367 in the South Region
- Sold 104 outright sale units and 265 shared ownership generating surpluses of £14.6m and £11.2m respectively. This money will be reinvested in services and more new homes
- Started construction of 41 units in Brighton, continuing our Private Rented Sector offer.

About 6,000 homes will be delivered over the next five years and we will meet our ambition to deliver 1,500 homes per year from 2017/18. We will do this by working in partnership with house builders to help deliver affordable housing, and by entering into innovative joint venture models with Local Authorities and Developers. This will allow us to deliver more homes across our operating areas and in strategic boroughs, where we aim to grow further and lead on large scale regeneration projects.

	2015/16 Practical Completion	2016/17 Practical Completion	2017/18 Practical Completion	2018/19 Practical Completion	2019/20 Practical Completion	Total
Outright Sale	100	80	414	704	396	1,694
Affordable Rent/Social	333	259	383	208	101	1,284
Low Cost Home Ownership	237	111	444	287	219	1,298
Private Rented Sector	54	0	0	41	0	95
Commercial	5	0	2	2	1	10
Identified Pipeline – yet to be committed	0	0	172	205	405	782
Unidentified Pipeline	0	0	85	53	378	516
Total	729	450	1,500	1,500	1,500	

Development VFM initiatives

We have continued to explore **Modern Methods of Construction (MMC)** which uses modular building components manufactured off site.

As part of the Construction Partners Framework, we have created a specific lot for companies that specialise in providing MMC solutions. So far, we have identified two sites suitable for MMC and we will be monitoring performance against traditional methods of construction, with a view to achieving time savings during the construction period, improved build quality, a reduction in defects and improved customer satisfaction.

The **Construction Management (CM)** pilot at Prinstead Court, Chichester is complete and on target to deliver a minimum 10% saving. CM uses Hyde's staff to oversee the development, instead of a main contractor, which is more expensive. We will be widening the CM pilot to deliver a further five sites in 2016/17.

Hyde's **Design and Quality Panel** assesses all new developments to minimise costs and maximise value. During 2015/16, we saved £11m on our development programme through improving design and buildability, enough to pay for at least 60 new homes. Examples include creating private gardens and, where possible, reducing common space, improving communal lighting and standardisation of kitchen units and window sizes and styles.

The **MORE (Managing Our Resources Effectively)** programme has continued to look at opportunities for ensuring we are making the most of our homes and land. In 2015/16 planning permission was granted for 118 properties and a further 41 are expected to achieve planning early in 2016/17. Work has also begun on regenerating an estate with the potential to create 160 new homes.

MORE (Managing Our Resources Effectively) programme success in Chichester

Four sites in Chichester – three occupied with garages, one of disused hardstanding, was referred to the MORE programme by the Housing Management team. We worked closely with local architects and Chichester District Council to develop schemes to build between two and six new homes on each site. Planning consent was granted in February 2016 and construction began in May.

We carried out an efficiency review of our Sales and Marketing team, comparing our cost base with similar providers in the public and private sectors. The review found that the current arrangements are more cost-effective than outsourcing (by at least £250k) and we are well-positioned to meet increased volumes and deliver a range of services to help people into home ownership at different price points.

We launched our Local Authority Offer document, offering a range of sales services to local authority partners. We have already received expressions of interest from local authorities who want to use our expertise to market their homes for sale and use our resale and staircasing service.

In response to the Leverhulme Report (a research project exploring shared owners' experiences in London and the South East), Hyde commissioned its own shared owner customer satisfaction survey.

Overall feedback was positive and the implementation of our Customer Relation Management (CRM) tool will enable us to track our customer journey and sales progression, bringing improved customer satisfaction and drive optimisation of sales and marketing efficiency.

We will launch Second Steps (Do It Yourself Shared Ownership) in April 2016 to help those shared owners who wish to move but are unable to do so on the open market. For 2016/17 we have also switched from In-house satisfaction surveys to NHBC, with the objective of achieving a creditable house builder rating. This will be used to benchmark Hyde's customer satisfaction against other house builders.

Future plans 2016/17

- Deliver 6,000 homes over the next five years and 1,500 a year from 2017/18
- Identify a further five sites to deliver Construction Management and subsequent savings
- Continue to assess the VFM savings from Modern Methods of Construction
- Undertake further joint venture schemes with local authorities.

Overall VFM performance against Hyde scorecard

Deliver quality services						
Service area	Target 2015/16	2015/16 Value	2014/15 Value	2013/14 Value	G15 Average	RAG Status against target
Overall satisfaction with Resident Services (weighted score of ASB and lettings)	80%	78.5%	77%	N/A	N/A	
Overall satisfaction with Hyde's repairs service	85%	81%	78%	78%	84%	
Overall satisfaction with complaint handling	40%	24% (45% since restructure of service in November)	23%	35%	40%	
Satisfaction with first point of contact	85%	89.5%	86%	90%	N/A	
Financial gains to residents through advice and support	£1.6m	£1.6m	£1.6m	£1.6m	N/A	
Residents into jobs	240	257	228	208	N/A	
Overall satisfaction with Hyde's services	83%	75%	73%	75%	77%	
Increase capacity						
Service area	Target 2015/16	2015/16 Value	2014/15 Value	2013/14 Value	G15 Average	RAG Status against target
Total surplus	£82m	£95.4m	£80.6m	£41.6m	N/A	
Void rent loss as percentage of rent due	1.06%	1.37%	1.10%	1.10%	0.69%	
General housing rent arrears as percentage of rent due	4.50%	3.90%	4.10%	4.20%	3.88%	
Operating margin	≤30	31%	31%	50.7% (gross)	27.90%	
Build more homes						
Service area	Target 2015/16	2015/16 Value	2014/15 Value	2013/14 Value	G15 Average	RAG Status against target
Number of new homes for rent	729 (practical completions target)	382	707	424	N/A	
Number of new homes for sale and shared ownership		348	296	362	N/A	
Sales surplus against budget Hyde Vale (Outright sale)	£14.7m	£13.9m	£21.0m	£11.9m	N/A	
Sale surplus against budget (New build shared ownership)	£11.1m	£11.4m	£8.9m	£8.9m	N/A	

■ Performance challenges

Deliver quality services

In 2015/16, we saw significant improvements in our resident satisfaction with repairs, increasing by 5% to achieve a stable level of 81% in the last few months of the year. This was short of our 85% target but performance has continued to improve and in the new financial year (2016/17) has been at or around 85% for the whole of Q1.

Improvement was achieved through a comprehensive recovery plan, which had close Board and Executive oversight, and included:

- Applying 'lean systems' thinking to end to end processes
- Additional staff training
- Direct access to contractor appointment systems
- The introduction of leading performance indicators which quickly showed the impact of remedial measures
- A strengthening of contract management expertise and collaborative working at all levels with contractors on resource planning and problem solving.

Although we did not meet our end of year target for satisfaction with complaint handling of 40% did improve from November 2015 to a level of 45% and above. This was the result of a re-shaping of the complaints management process which saw most of the corporate complaints team redeployed into the service teams, as well as additional staff training and the introduction of new processes.

We set ourselves a challenging target of achieving 83% overall satisfaction with Hyde's services. We currently achieve 75%, just below our peer group average (77%). As satisfaction with repairs and resident services improved at the end of the year we expect overall satisfaction with landlord services to begin to rise as more residents experience this improvement.

Increase capacity

Void rent loss was below target and below peer group average, but we reduced the number of empty homes which we intend to re-let by 50% compared with the previous year and expect to reach our target of 0.95% void loss by the end of 2016/17.

Build more homes

Sales surplus against budget for outright sale was slightly below target. This was due to a delay on one of our schemes leading to 12 sales that were unable to complete, but will now go ahead in Q2 of 2016/17.