

# Curo Group (Albion) Ltd.

Value for Money Statement  
2014-15

Registered Company number 4302179  
Homes & Communities Agency registration number LH4336



## Curo's Value for Money Statement 2014-15

### Executive Summary

Value for Money (VFM) is one of the economic standards in the regulatory framework of the Homes & Communities Agency (HCA), the regulator of our business. It states that "providers should have a strategy for optimising value for money and systems to ensure that this strategy is delivered".

Curo is currently three years into a five year corporate strategy entitled the "Big Plan" covering the years 2012/13 to 2016/17, which includes 6 strategic priorities. VFM is central to the delivery of the strategic priorities in the most cost-effective way and to running Curo in accordance with our vision of being a modern, customer focused and ethical business, despite ongoing macroeconomic headwinds. Curo's strategic focus is on:

- Renowned customer service; to improve customer experience;
- Great properties and places; delivering more affordable homes and improving the quality of Curo's existing asset base;
- Ethical care and support; providing support to enable independent and successful lives of Curo's customers including older people, young people and homeless.
- Happy safe popular neighbourhoods;
- Helping people who need work;
- Lobbying for positive social change.

This VFM self-assessment covers:

1. Curo's VFM Strategy
2. Curo's VFM performance 2014/15 as evidenced by:
  1. Return on assets both financial and social
  2. Comparative service delivery costs and performance measures
  3. VFM gains to date and targeted gains

The key VFM achievements during 2014/15 were:

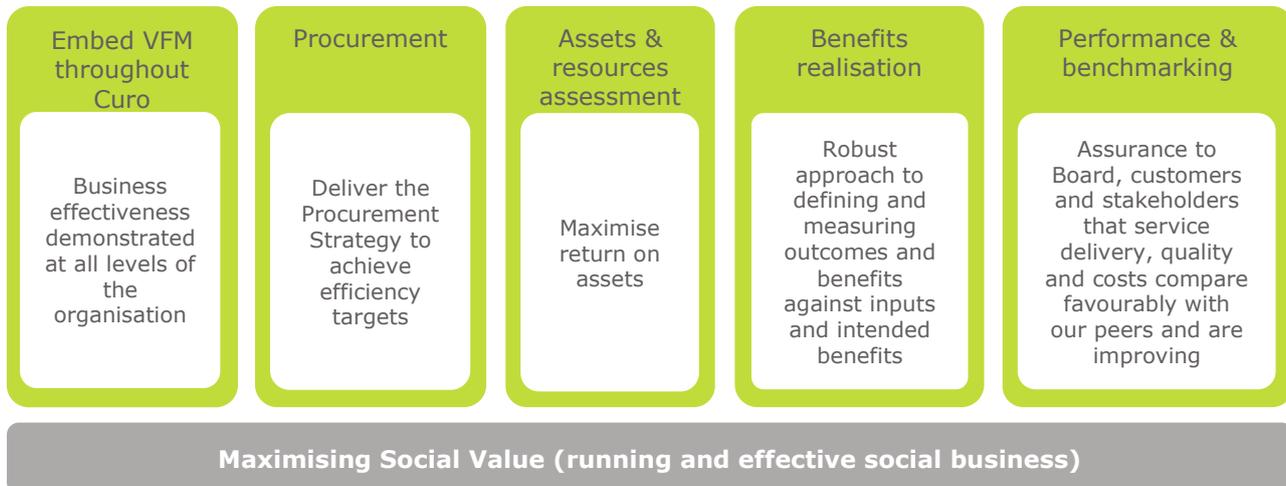
- An improved financial return on assets from 3.4% to 4.4%
- Improvement in average re-let times from 32 days to 24 days
- Improvement in operating margin from 18.7% to 24.4%
- Invested £0.7m in projects, delivering anticipated savings of £1.4m by 2016/17
- 157 people helped into work, education and / or training

Whilst progress has been made on customer satisfaction and advocacy levels, Curo is currently falling below the levels it aspires to, but believes that the investment over the past 3 years in colleagues and operational processes will deliver improved performance from 2015/16 onwards.

## 1. Curo's VFM Strategy

Curo's approach to VFM is as follows:

### Value for Money Strategy



#### 1.1 Embed VFM throughout Curo

By ensuring that accountability and responsibility for cost and quality outcomes and measures are reflected in the budget, team plans and in individual objectives and as reported and reviewed in monthly performance meetings, 'VFM' has become part of Curo's culture and 'the way we do things' and not seen as something separate.

#### 1.2 Procurement

A key element of VFM is the delivery of the Procurement Strategy which was approved by the Board in July 2012. It has a number of detailed aims which address the six strategic priorities, including delivery of our stated efficiency target of 3% of procurement expenditure. Benefits realised from procurement activities are reported in our VFM Performance Report (see section 2.3.1) and are measured in both cash and non-cash savings. Cash savings are measured by cost reductions achieved when comparing with previous costs, and, for new activities, by measuring actual prices against estimated prices. Non-cash savings measure improved services, either in delivery quality or specification, as well as social value.

#### 1.3 Assets and resources assessment

An integral part of the VFM strategy involves maintaining a detailed and ongoing assessment of our return on assets and ensuring that our Development and Asset Management Strategy effectively optimises this return. Curo also measures its return on assets in terms of investment in colleagues and social impact – see "maximising social value" at section 2.1.3.

#### 1.4 Benefits realisation

In the context of delivering our strategic objectives, we:

- Demonstrate a robust approach to use of resource decisions, with particular emphasis on ensuring a clear understanding of the business case including inputs and intended benefits;
- Review and report on all completed business plan programmes, comparing the actual benefits realised against those planned. The summary of the outcomes of these programmes is included in Business Plan Programme Benefits (see section 2.3.2).

## **1.5 Performance and Benchmarking**

As well as benefits realisation delivered via the business plan and procurement, we also use a series of KPIs covering service delivery, customer satisfaction and activity costs, inter alia. A Performance Dashboard, containing the key strategic indicators, is reported to the Customer Experience Committee and Board quarterly. On a monthly basis, operational indicators are used in all areas across the business to monitor and improve service delivery, quality and costs. Monthly accounts are used to monitor actual financial performance against budget, and to enable business improvement activities to be identified and monitored.

Benchmarking is also a key part of delivering VFM within Curo. Curo is a member of the Housemark Benchmarking Club which includes many other RPs, ALMOs and Local Authorities. This club works on the principle that members share operational and financial information to allow comparisons to be made. Financial and operational performance data is submitted on a regular (usually annual) basis in a standard format. We include quartile indicators from Housemark on our KPI reports so, as well as assessing our own internal performance, we measure our progress against our peers. The Board has agreed an improvement trajectory for 5 years that Curo is following and has moved us from 4<sup>th</sup> to 3<sup>rd</sup> quartile over the last 2 years.

## **1.6 Maximising social value**

Delivering VFM is central to running an effective social business which adds value. We measure value by setting out the desired outcome in advance. These outcomes include both social and financial outcomes and are measured in the context of the 6 strategic priorities set out in Curo's Big Plan.

## **2. Curo's performance 2014/15**

Curo's key focus for 2014/15 was on achieving its target operating surplus and improving its customer advocacy levels. Curo successfully achieved its financial performance target with effective budgetary control and monitoring throughout the year. We have also seen real service delivery improvements in a number of areas:

- 1,827 components replaced (kitchens, bathrooms, heating systems etc) against a target of 1,661;
- Overall void loss reduced to 1% (£618k) against a target aligned with budget of 1.28% (£754k);
- Arrears management improved with gross current tenant arrears (General Needs & Housing for Older Persons) at 3.10% at end March 2015 compared with 5.10% at the same point the previous year, reducing our actual arrears by £1.23m

However customer satisfaction and advocacy levels fell short of the 2014/15 target albeit they have remained consistent with 2013/14.

Business improvement programmes focusing on improving the customer experience and achieving efficiencies are underway or due to commence during 2015/16, which we anticipate will deliver the step change we require to achieve our strategic aim of performing on cost and quality at above median in comparison with our peers by 2017/18.

## 2.1 Return on assets

At Curo we measure our return on assets through our physical assets, our colleagues and the social return on investment we achieve.

### 2.1.1 Physical Assets

The table below provides an overview of our asset base and its current performance.

	<b>Total</b>	<b>Rented</b>	<b>House builder</b>	<b>Shared ownership</b>	<b>Investment properties</b>
Operating Surplus	16,619	16,214	(1,784)	1,509	680
Capital Employed	381,757	320,738	35,024	19,726	6,269
<b>Actual Return 2013/14</b>	3.4%	3.7%	-5.1%	9.7%	6.2%
<b>Actual Return 2014/15</b>	4.4%	5.1%	-5.1%	7.6%	10.8%
<b>Forecast return 2019/2020</b>	4.5%	3.8%	6.6%	8.9%	12.5%

'Rented' includes all our general needs and housing for older people, made up of stock transferred from B&NES, traditional housing and new social rented homes Curo has developed.

Curo Enterprise is the building division set up in order to invest in new build homes for sale to support the development of 250 social rented homes per year in the absence of government funding and sales of existing homes. The returns in the early years are budgeted to be negative whilst investment is being made in acquiring a land bank; however returns will increase as the land is developed and houses are sold.

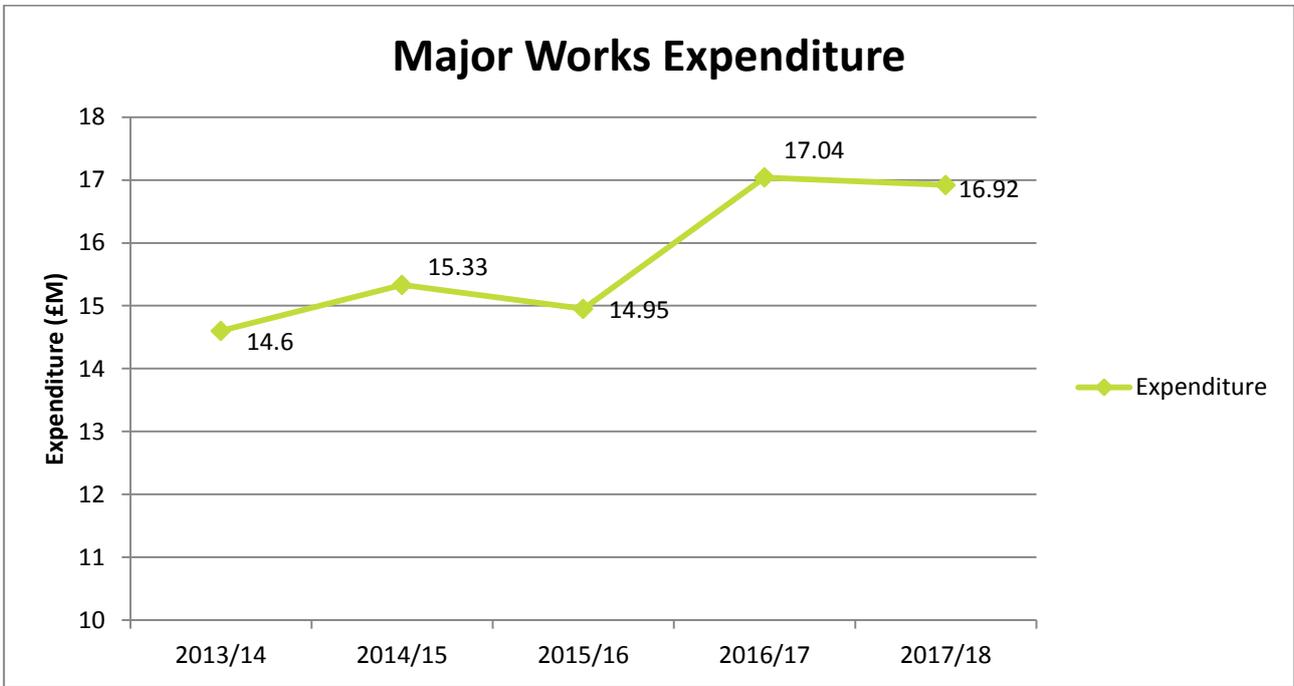
In 2014/15 the programme to convert Georgian properties to market rent has continued giving a total portfolio of 127 homes converted. Each conversion provides rental over the next 30 years to enable the replacement of grant funding for 2 new affordable homes to be built.

In addition to this programme we have delivered 244 new affordable homes during 2014/15.

New stock condition data that covers 64% of the stock (as at end March 2015) has been used to develop a whole stock model, which identifies how properties are performing on both a financial and qualitative basis.

The new stock condition data provides us with more accurate intelligence about safety issues, thermal efficiency and component priorities. An options appraisal of blocks with significant damp and mould issues was completed in 2014/15 and a pilot scheme is due to complete in 2015/16, the outcomes of which will help to inform potential future programmes. As well as updating the 30 year financial plan in terms of investment in component replacement, the priority for the coming year will be on consulting with residents on a new approach that focuses on addressing fuel poverty, ensuring that we're doing the right works at the right time in our customers' homes. We will be developing our 2016/17 programme around this new approach alongside our continued investment in component replacement. A major procurement exercise is underway to provide solar (PV) panels to all our homes, in a contract worth £12m. The outcome of this work will be to significantly reduce energy costs to our residents. We will also start to focus on a more holistic approach to addressing building fabric failures in particular types of housing, with the aim of reducing reactive repairs expenditure and customer complaints.

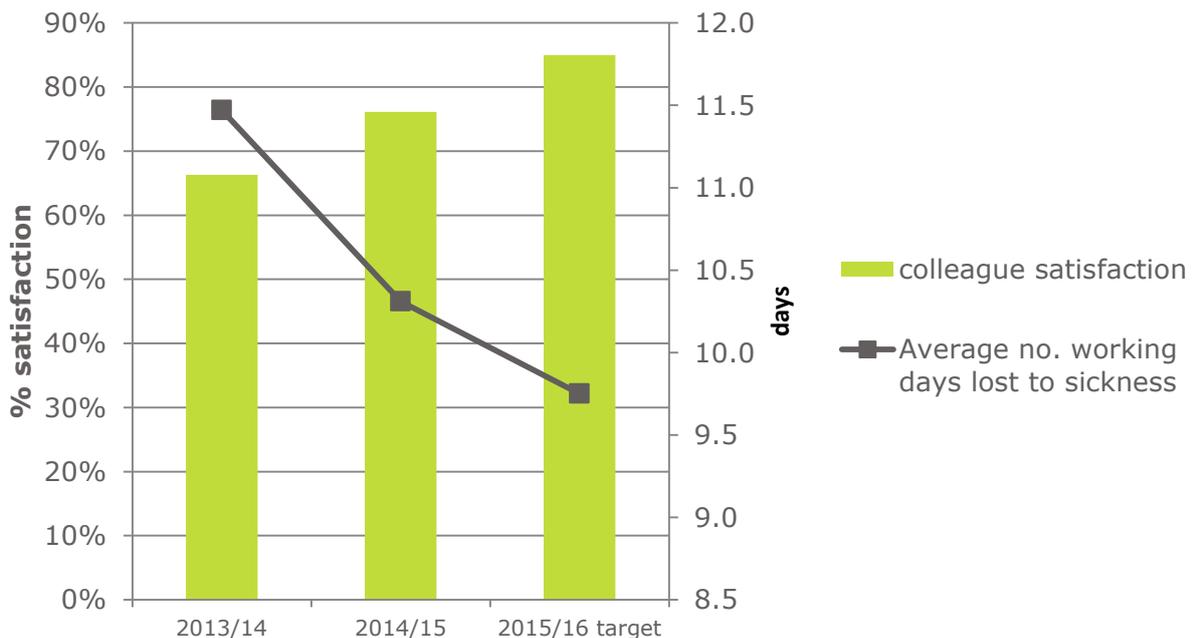
The graph below shows our investment to date, budgeted spend for 2015/16 and planned expenditure for the following 2 years as set out in our financial plan. Whilst the additional investment in our homes will not deliver above median performance on cost, it will support the step change in customer satisfaction with quality of the home to above median performance.



The stock condition survey has also enabled Curo to identify its 100 worst performing properties taking into account quality and wider neighbourhood factors as well as financial performance. In the absence of a viable alternative use they will be disposed of at a rate of 10 per annum over the next 10 years as and when they become void. In 2014/15, Curo disposed of one property and an additional 4 void properties have so far been identified in the disposal plan for 2015/16. The net receipts of these disposals will be used to fund new affordable housing.

#### 2.1.2 Colleagues

During 2014/15 we realised the benefit of our leadership development programme of the previous year with improvements in budgetary and business performance alongside a significant increase in colleague satisfaction from 4<sup>th</sup> quartile in 2013/14 to 3<sup>rd</sup> quartile in 2014/15 and a reduction in sickness absence levels. Our continued focus on colleague communication, learning and development alongside clear processes for people management led to our achievement of the Investor in People gold standard in August 2014.



We have continued to invest in our colleagues during 2014/15, with around 300 completing the 'I lead myself' module of the leadership development programme. Both this programme and the Energize customer service programme are now embedded in our induction programme for new starters. In addition, 5 colleagues completed an external mentoring programme.

In 2015/16 our mentoring provision has been expanded to provide both an internal and external programme, giving opportunities for 17 mentees and in addition, 10 colleagues to train as mentors. This is in the context of a wider talent management framework, with the aim of developing our internal talent pool to improve business performance and accessing an external talent pool to improve the quality of future candidates.

### **2.1.3 Maximising social value**

Curo continued to make significant social value gains during 2014/15, particularly across our care and support services (Building Independence service plus Older Persons / Retirement Living) where social return on investment (SROI) is taken from our outcomes data using standard sector values to assess how much social return each outcome holds. The £11m of social value includes preventing hospital admission on 1,124 occasions, preventing 393 people from going into residential care and preventing homelessness for 448 people. SROI is reduced from last year's figure of £16m, partly due to lower customer throughput in our temporary accommodation schemes. This indicates higher stability and a lower eviction rate.

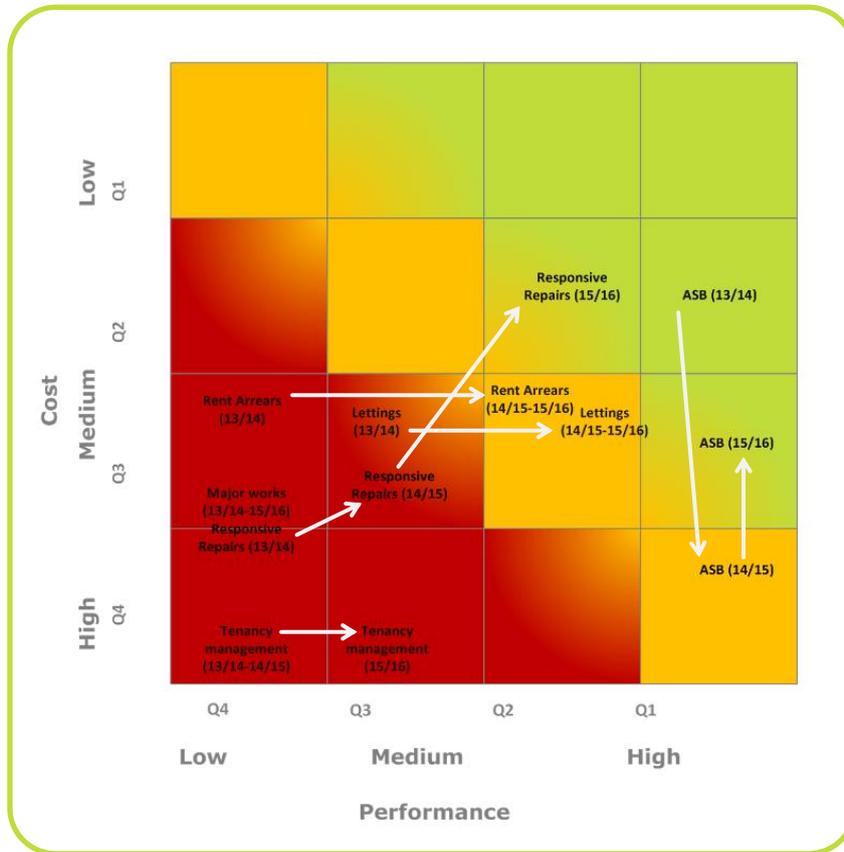
During 2014/15 we have also:

- Delivered 2 apprenticeships in house;
- Offered 2 university work placements to local students to fulfil course requirements;
- Helped 157 of our customers into work, education or training;
- Achieved 3 apprenticeship places as a result of our procurement activity.

For 2015/16, as well as continuing our focus on delivering apprenticeship opportunities in-house, we have developed a graduate scheme to provide one graduate with a training placement followed by a guaranteed role in Curo Enterprise. We have also created a scholarship for Curo residents, which will provide top-up funding for one resident to undertake a university degree (£3k per annum for up to 3 years). In addition we will be offering two 12 week paid internships during the summer in partnership with Bath Spa University, to provide work experience to current undergraduates.

## 2.2 Comparative service delivery costs and performance

Curo uses Housemark core benchmarking to assess its costs and performance in comparison with our peers. The table below shows Curo's performance in 2013/14 and 2014/15 on cost and quality in our main business areas in terms of our quartile position, and the movement expected based on our budgets and performance targets for 2015/16. The comparator group we have used is all England housing associations with 7,500-15,000 homes, outturn data for 2013/14 as the latest available data.



Key strategic KPIs include:

KPI	2013/14 actual	2014/15 actual	Benchmark (quartile)	2015/16 target	2015/16 benchmark
Customer Net Promoter Score (which measures customer advocacy)	+34	+35	1 <sup>st</sup>	+38	1 <sup>st</sup>
Overall service quality	82%	79%	4 <sup>th</sup>	83.5%	3 <sup>rd</sup>
Customer satisfaction that Curo offers value for money	84%	84%	2 <sup>nd</sup>	85%	2 <sup>nd</sup>
Customer satisfaction with last repair	88%	84%	4 <sup>th</sup>	90%	3 <sup>rd</sup>
Average cost of a responsive repair	£135	£120	2 <sup>nd</sup>	£122	2 <sup>nd</sup>

KPI	2013/14 actual	2014/15 actual	Benchmark (quartile)	2015/16 target	2015/16 benchmark
Average time to re-let properties	32 days	24 days	2 <sup>nd</sup>	21 days	2 <sup>nd</sup>
Operating margin	18.7%	24.4%	3 <sup>rd</sup>	23.1%	3 <sup>rd</sup>
Interest cover	161%	195%	1 <sup>st</sup>	203%	1 <sup>st</sup>

## 2.3 VFM gains to date and targeted gains

As well as assessing VFM improvements through comparative analysis of operational performance and costs, Curo also measures VFM outcomes against procurement gains and benefits realised through business plan projects.

### 2.3.1 Procurement gains

Procurement has delivered £4m savings over the past 3 years. In 2014/15 20 out of 22 contracts delivered a saving of £258k (7.46%). However two key contracts did not deliver savings. Stores delivered a contract value £74k above budget due to the lack of comparable pricing and underestimation of the pricing of individual components. The planned heating programme delivered component costs in line with budget but the forecast saving did not include an allowance for variation items, which added £107k to the contracted cost. Consequently in 2014/15 procurement delivered overall 0.54% savings against a target of 3%, equating to £0.07m.

In addition to the monetary savings above in 2014/15 procurement also delivered:

- A framework to govern the supply of Legal Services, freezing rates for a further 12 months;
- A 34% reduction in open suppliers;
- A new sundry payment procedure leading to a 48% reduction in number of transactions from 2013/2014;
- The re-procurement of our Customer Insight programme which achieved more benefit for the same cost. For the same cost as 2014/2015 and saving 47% against our existing supplier, the coming year will deliver:
  - Additional survey numbers
  - Additional reporting provided by the supplier
  - New workshop facilitation to support teams to use the results better
  - A new on-line reporting portal, delivering further savings in subsequent years.

### 2.3.2 Business Plan Programme benefits

2014/15 was year 3 of our Transformation Programme, with business process re-engineering projects underway that will deliver cost and quality improvements that will ultimately lead to improved value for money for our customers. We have taken the opportunity to review our approach to project delivery to achieve the strategic priorities as set out in the Big Plan. The aim by 2017/18 is to deliver above median performance on cost and quality metrics in comparison with our peers (see chart at 2.2). To this end we have restructured our projects into 9 major change programmes:

#### Commenced 2014/15

- Curo response modernization
- Housing income optimization
- Management Information Systems improvements
- Establishment of Curo Homes
- Renowned customer service

#### Due to commence 2015/16

- Great properties and places

#### Due to commence 2016/17

- Enabling independent lives
- Finance business improvement
- HR business improvement

Each programme has a focus on the customer experience, supported by customer journey mapping to help us understand our customers' moments of truth in their contact with us. We have established a clear governance structure with Programme Boards in place to track delivery against plan and measure outputs and outcomes, with programme benefits determined and reported up to Portfolio Executive and the Board.

During 2014/15 we spent £677k on business improvement projects. The following benefits have been realised from these and earlier projects:

Programme	Benefits 2014/15	Future benefits anticipated 2015/16-2016/17
<b>Curo response modernisation</b>		
Mobile working implementation; New outsourced Stores provision; Business process re-engineering	£480k savings achieved. Improvements in the last quarter of the year on customer advocacy (NPS) from +32.2 at the start of the project to +47.4 to the end of the year	£480k savings through improved productivity and efficiency gains through new Stores provision. Further customer advocacy improvements
<b>Housing income optimisation</b>		
Business process improvements; Training; Data cleansing	Improved data integrity	Efficiency saving of 520 working days per year to enable more arrears chasing, leading to improvement in arrears position of £276k over a 12 month period
<b>MIS improvements</b>		
Document management system implementation; New HR information system	None anticipated	Anticipated £70k cashable savings

<b>Renowned customer service</b>		
Process re-engineering of re-letting empty homes	Re-let times reduced from 32 days in 2013/14 to 24 days in 2014/15; Lettings NPS increased from +54 to +58.7; customer effort score increased from 26% to 53%	Performance maintained; customer satisfaction increased
Increased opening hours for customers; Re-location of Contact Centre; Rationalization of satellite offices	Increased service offer for same cost; increased colleague NPS in Contact Centre; £39k reduction from closing 2 local offices	£39k savings year on year
Business process re-engineering of complaints process	Reduction in average time to resolve complaints from 83 days (2013/14) to 23 days (2014/15); improvements in customers feeding back that issue resolved in line with expectations from 16% 2013/14 to 26% 2014/15	Further reduction to 16 days in 2015/16

In summary, based on projects delivered in 2014/15 with a total cost of £677k, the anticipated savings to 2016/17 equate to £1.4m.