



## **Value for Money Strategy 2018 - 2020**

***Proudly delivering excellent homes and services to  
our customers and communities***

## **Value for Money Strategy 2018 - 2020**

### **1.0 Introduction**

1.1 We are a local community housing provider with approximately 1500 homes across four boroughs, Bromley Croydon, Merton and Sutton. We strive to provide a high quality professional service to residents which demonstrates value for money (VfM). This is not all about cost and being the cheapest but about striking the right balance between cost and quality.

1.2 This is underpinned by our vision of “Proudly delivering excellent homes and services to our customers and communities” and our values:

- Focus on what really matters to our customers
- Professional in everything that we do
- Improve through listening
- Responsive to all opportunities
- Grow through Partnerships

1.3 VfM for our residents and other stakeholders has always been a priority for us and we have demonstrated VfM through our business plan Commitment2020 and our VfM strategy 2012 – 2017. In April 2018, The Regulator for Social Housing introduced a new VfM standard and Code of Practice which identified key outcomes and expectations from registered providers, these are detailed below:

#### **Key Outcomes**

- a. clearly articulate their strategic objectives*
- b. have an approach agreed by their board to achieving value for money in meeting these objectives and demonstrate their delivery of value for money to stakeholders*
- c. through their strategic objectives, articulate their strategy for delivering homes that meet a range of needs*
- d. ensure that optimal benefit is derived from resources and assets and optimise economy, efficiency and effectiveness in the delivery of their strategic objectives.*

#### **Specific expectations**

- a. a robust approach to achieving value for money – this must include a robust approach to decision making and a rigorous appraisal of potential options for improving performance*

- b. regular and appropriate consideration by the board of potential value for money gains – this must include full consideration of costs and benefits of alternative commercial, organisational and delivery structures*
- c. consideration of value for money across their whole business and where they invest in non-social housing activity, they should consider whether this generates returns commensurate to the risk involved and justification where this is not the case*
- d. that they have appropriate targets in place for measuring performance in achieving value for money in delivering their strategic objectives, and that they regularly monitor and report their performance against these targets.*

## **2.0 The Aims of the Strategy**

2.1 The aims of the strategy are to:

- Ensure that VfM is at the heart of what we do and support delivery of the key objectives of the business plan, Commitment2020.
- Demonstrate to customers and key stakeholders improvements in value for money year on year.
- Define our support for our local communities and effectively communicate the benefits and tangible outcomes.

## **3.0 How we meet the key outcomes of the new VfM Standard**

3.1 Our strategic objectives are clearly articulated through our business plan Commitment2020 which is a five year plan. We also have an annual plan which is approved by Board and publicised to residents and stakeholders on an annual basis.

3.2 The VfM strategy sets out our approach to meeting the objectives of our business plan in section 4.0 and the annual VfM statement which is included in our financial statement demonstrates to our stakeholders our commitment to VfM.

3.3 The Development Strategy was approved by the Board in February 2017 and this sets out our intentions to provide a range of affordable housing products and homes for private sale in the future. The latest Financial Forecast Return approved by the Board in May 2018 includes all new development.

3.4 The VfM statement for 2017/18 shows our current position and is included as appendix 1.

- 4.0** This section outlines the VfM objectives which will need to be achieved in order to meet the three overall aims of this strategy. It is envisaged that this will form the basis of the VfM statements going forward.
- 4.1** Ensure that VfM is at the heart of what we do and supports delivery of the key objectives of the Business plan, Commitment2020.

Business plan objective	Success measure	Actions
<i>We will maintain good relationships with our Regulator and consistently achieve high ratings</i>	<p>Compliance with the Regulator's VfM standard, outcomes and expectations.</p> <p>More transparency for the Board around delivery of VfM objectives.</p> <p>Greater clarity on what contribution all new projects make to VfM.</p>	<p>A VfM action plan developed and the results reported through the VFM statement annually with any exceptions being reported throughout the year through the CE update.</p> <p>A VfM section in all board papers which would outline the contribution to VfM.</p> <p>Delivery of a good VfM statement which demonstrates progress and improvements year on year.</p>
<i>We will provide access and support for residents to help them engage digitally</i>	<p>Digital access focus group in place to review resident targeted services.</p> <p>Programme to install communal Wi-Fi where residents want it.</p>	<p>Develop a digital access focus group which will review the services that we provide to residents.</p> <p>Complete 25% of the consultation to offer communal Wi-Fi to all residents where the site infrastructure will allow</p>

	<p>20% increase in residents accessing our services on line.</p> <p>Digital inclusion strategy and digital inclusion action plan</p>	<p>Ensure that all residents at sign up are logged in to the portal and can access services digitally from day 1.</p> <p>Further promotion/rebranding of our on line services to ensure that our residents know the benefits.</p> <p>Develop a digital inclusion strategy which is approved by Board and an action plan to be reported on annually.</p>
<p><i>We will be open to diversification from our core business in order to develop more homes within a tightly controlled risk framework</i></p>	<p>A new “for profit” development company in place which makes a profit to be re-invested into more affordable homes.</p> <p>A development partnership or framework which allows us access to development expertise and resources that demonstrates value for money.</p> <p>A management only programme which allows us to grow and increase efficiency without the capital investment.</p>	<p>To deliver successful private sales programme which makes a minimum overall profit of 10% with a target profit of 15% which can be reinvested into more affordable homes.</p> <p>Procure a new development mechanism which supports delivery of our current development programme.</p> <p>Engage with investment companies to explore whether we could provide management services to them which worked for both parties.</p>
<p><i>We will be open to all opportunities that arise, which could be beneficial to the long-</i></p>	<p>A true partnership which delivers cost efficiencies across both organisations.</p>	<p>Engage with similar minded organisations and explore any joint efficiency measures.</p>

<i>term future of our organisation and communities.</i>		
<i>We will ensure that our organisation is run as efficiently as possible and has the appropriate information and communication technology back up to support this</i>	<p>A new housing management system which is fully functioning and delivers efficiencies</p> <p>Increase in mobile working and working from home supported by improved systems and equipment.</p>	<p>Support and engage with staff to deliver on the milestones for the new housing management system to ensure delivery</p> <p>Engage with staff and understand how best to support their work through investment in new technology.</p>

4.2 Demonstrate to customers and key stakeholders improvements to value for money year on year

	<b>Success measure</b>	<b>Actions</b>
<i>VfM metric 1: Reinvestment %</i>	Budgeted target achieved (7.7% 2018/19)	<p>Ensure that we continue to secure sites which meet the requirements of our development strategy and approved programme.</p> <p>Ensure that we complete a 20% programme stock condition surveys year on year to maintain condition of existing stock.</p> <p>Maintain an asset management system which dictates the planned programme to ensure that the quality of the stock is maintained.</p>
<i>VfM metric 2: New Supply Delivery %</i>	Budgeted target achieved (3.0% 2018/19)	Ensure that we continue to secure sites which meet the requirements of our

		development strategy and approved programme (as above).
<i>VfM metric 3: Gearing %</i>	Budgeted target achieved (59% 2018/19)	<p>Secured loans to deliver the development programme.</p> <p>Negotiations with all funders to secure the loans at favourable rates to allow us to fund our current and future development programme</p>
<i>VfM metric 4: Earnings Before Interest, Tax, Depreciation, Amortisation, Major Repairs Included (EBITDA) Interest Cover%</i>	Budgeted target achieved (180% 2018/19)	<p>Continue to work with Orbit to ensure that we are achieving the maximum grant rates possible for all of our schemes.</p> <p>Ensure that our strategy for market rent and shared ownership schemes is right and we are choosing our schemes wisely to give us the expected returns.</p> <p>Focus on our supported housing and hard to let stock in order to minimise the loss through voids. Move to the lease model in schemes which have been particularly problematic to reduce the risks on income.</p> <p>Continue to invest in our income recovery team, ensuring that underlying the strict processes and procedures is also the support for our residents.</p>

<p><i>VfM metric 5: Headline social housing cost per unit</i></p>	<p>Budgeted target achieved (£5,796 2018/19)</p>	<p>Tight management control over budgeting with regular reporting to Leadership Team and the Board and exception reporting where necessary.</p> <p>Continue to form relationships with local Registered Providers to look at joint efficiencies.</p> <p>Maintain relationships with key property consultants to ensure that they know we are still open to stock transfer opportunities if they arise.</p>
<p><i>VfM metric 6: Operating Margin %</i></p>	<p>Budgeted target achieved (27%)</p>	<p>As above</p>
<p><i>VfM metric 7: Return on Capital Employed (ROCE) %</i></p>	<p>Budgeted Target achieved (2.5%)</p>	<p>Maintain a fully active asset management strategy which drives clear decisions about the business and ensures that all of our assets remain financially viable.</p> <p>Ensure that the stock data is kept up to date to inform the active asset management system.</p> <p>Provide annual reports to the board outlining our lowest and highest performers and any changes which we are proposing as a result of this.</p>

<b>HouseMark Benchmarking</b>		
Staff turnover in the year %	Special performance indicator target achieved (10.5% 2018/19)	We undertook a staff survey this year and an action plan was developed as a result of this and subsequent staff workshops. The action plan will be delivered over the next two years.
Sickness absence average days/shifts lost per employee	Special performance indicator target achieved (4.4 days 2018/19)	As above
Satisfaction with service provided %	Special performance indicator target achieved (88% 2018/19)	Review our customer engagement strategy for the future taking into consideration the recommendations of the recent Green Paper out for consultation.  Ensure that key contracts are in place and managed.
Satisfaction with repairs & maintenance %	Key Performance Indicator target achieved (76% 2018/19)	Manage the transition between the outgoing and new interim contractors.  Procure a new long term repairs and maintenance contract.
Total cost per property of Housing Management	Special performance indicator target achieved (£714 2018/19)	The biggest positive impact on this is likely to be growth so we need to ensure we maintain our development programme and look for additional opportunities through partnerships and stock transfer.
Total cost per property of Responsive Repairs & Void Works	Special performance indicator target achieved (£818 2018/19)	Tight management control over budgeting with regular reporting to Leadership Team

		and the Board and exceptional reporting where necessary
Total overhead costs as % adjusted turnover	Special performance indicator target achieved (10.9% 2018/19)	Maximise our income, Control spend and deliver our growth programme.
Current tenant arrears as % of rent due (excluding voids)	Key performance indicator target achieved (3.32% 2018/19)	Continue to invest in our income recovery team, ensuring that underlying the strict processes and procedures is also the support for our residents.

4.3 Define our support for our local communities and effectively communicate the benefits and tangible outcomes.

	Success measure	Actions
<b>Prevention of Homelessness</b>  Welfare and Debt advisor services Partnerships with homeless charities	Deliver one new homelessness initiative/project per year	Link with homelessness agencies/build on relationships to deliver projects. <ul style="list-style-type: none"> <li>• Year 1 – Sale of 52 Auckland Road to Emmaus &amp; partnership with hard to let Older Persons studios.</li> <li>• Year 2 – Identify new project/opportunity and deliver.</li> <li>• Year 3 - Identify new project/opportunity and deliver.</li> </ul> Ensure the occupancy of buildings is maximised conduct review of current client groups and occupancy levels and financial

	<p>200 residents provided with welfare and debt advice in the year. £30,000 worth of resident benefits recovered.</p>	<p>arrangement for voids within the building. Where buildings are “failing” look at alternative uses which will provide more homes to those who need them.</p> <p>Continue to invest in our income recovery team, ensuring that underlying the strict processes and procedures is also the support for our residents.</p>
<b>Back to work and youth initiatives</b>	<p>Employment support programmes Ensure all main contractors offer apprenticeships, advertise job vacancies and offer work experience 100% of all job vacancies to resident seeking work</p> <p>Offer internal work experience</p>	<p>Link with stakeholders such as Hays employment so that we could deliver more employment support programmes in the future.</p> <p>Maintain regular contact with those residents that are actively seeking work and offer support and coaching in order to achieve their goals.</p> <p>HR team to be more proactive in promoting the possibility of residents and their families doing work experience in our offices.</p>
<b>Community Initiatives</b>	<p>Presidents fund ensuring all 7 funding categories are utilised to fund a project: Employment, Training &amp; Skills, Youth Engagement, Digital Access, Social &amp; Community Activities, Estate</p>	<p>Further promote the Presidents Fund to residents and staff members.</p>

	Improvements, Financial Inclusion and Fuel Poverty	
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## 8.0 Monitoring and reporting

8.1 The Board has overall responsibility for ensuring that the organisation is as effective and efficient as possible and provides VfM in its services to our residents.

8.2 We have agreed that we will produce a VfM action plan following on from the approval of the strategy which will be monitored by the Board on a six monthly basis.

8.3 The inclusion of a VfM comment in each board paper will demonstrate to the Board how this project or initiative will contribute to the overall objectives of the VfM strategy.

8.4 We use a number of internal and external quality assessment methods to inform the Board about the quality of service and the delivery of VfM in particular these are:

- Business plan updates
- HouseMark Benchmarking
- Mazars Internal Audits
- VfM statement

8.5 Hargreaves Risk and Strategy conduct an annual review of our strategic risk register and the risk management arrangements which are currently in place and have rated them to be “very good”. We monitor the high risk VfM areas of the business through our ARC and anything which is likely to be a risk would be discussed and reported to the Board through the ARC update.

8.6 The three strategic risks associated with value for money activities which are a high priority are:

- #1 *“Failure to manage assets to comply with agreed standards and produce the planned financial and social returns”*
- #17 *“Failure to deliver planned improvements in efficiency”*
- #75 *“Failure to achieve/maintain a positive regulatory judgement from the RSH”*
- #59 *“Failure to effectively monitor, anticipate and respond to the changes in the external environment”.*

8.7 An annual VfM statement is published in the financial statements each year and posted on the website. The assessment is designed to meet the requirements of the Regulator’s VfM standard, which requires that it is set out in a way that is transparent and accessible to stakeholders.

8.8 The Board set the Special Performance Indicators (SPIs) and targets annually and monitor them on a quarterly basis. From this year these will include the VfM metrics that have been specified by the Regulator.

<b>Version History:</b>	4
<b>Date Effective:</b>	September 2018
<b>Date for Review:</b>	January 2020
<b>Lead Officer:</b>	Tracy Cullen Chief Executive Officer
<b>Equality Impact Assessment Completed:</b>	12 May 2015
<b>Resident Consultation Completed:</b>	N/A
<b>Colleague Consultation:</b>	August 2018
<b>Other Consultation:</b>	
<b>Policies and Procedures replaced:</b>	N/A
<b>Signed off by:</b>	

## Appendix 1: VfM statement 2017/18

Croydon Churches Housing Association Limited

Board Report for the year ended 31 March 2018

### VALUE FOR MONEY STATEMENT



We own and manage homes in Croydon, Bromley, Sutton and Merton. We have been rooted in the local community since we were founded in 1967 and we have continued working within the community through initiatives such as the Horizons Programme, which supports residents back into work. We are committed to delivering a high quality service to our residents and developing more homes within the community.

**Our vision** is to “Proudly deliver excellent homes and services to our customers and communities.” Key to achieving this vision is ensuring our business operates as efficiently and effectively as possible through getting the best use of our resources.

**Our values are:**

- ❖ Focus on what really matters to our customers
- ❖ Grow through Partnerships
- ❖ Responsive to all opportunities
- ❖ Improve through listening
- ❖ Professional in everything we do

To help us achieve our vision we have a five year business plan “Commitment2020” which identifies five commitments which we feel are important for our future.

- ❖ We will be valued as an influential and high quality landlord, a forward thinking employer and a trusted partner in our core communities
- ❖ We will prioritise enabling residents to keep their homes and promote mobility
- ❖ We will develop more homes and services for local communities
- ❖ We will maximise the quality and value of our homes
- ❖ We will deliver continuing efficiencies to achieve improved value for money

Our value for money strategy underpins all of these commitments and features strongly in all aspects of our business plan.

The strategic VFM aims are:

1. **Achieve high quality services for our customers at the best possible price and add value where possible.**
2. **Ensure that value for money is at the heart of what we do and supports delivery of the key objectives of the business plan, Commitment2020.**
3. **Embed a culture of value for money with residents, staff and board members.**



# Croydon Churches Housing Association Limited

## Board Report for the year ended 31 March 2018

### Value for Money Metrics

The table below shows the Value for Money metrics as set out in the Value for Money metrics technical note (April 2018). Previous years are provided for comparison.

	<u>2016</u>	<u>2017</u>	<u>2018</u>	(Budget) <u>2019</u>
1. Reinvestment %	3.85%	4.45%	5.99%	9.37%
2. New Supply Delivered - Social housing units	0.00%	0.57%	0.50%	5.61%
New Supply Delivered - non-Social housing units	n/a	n/a	n/a	n/a
3. Gearing %	19.78%	22.89%	24.82%	35.37%
4. Earnings Before Interest, Tax, and Depreciation (EBITDA (MRI))	239.37%	230.19%	200.89%	187.28%
5. Headline Social Housing Cost Per Unit	5,686	5,098	5,146	5,153
6. A. Operating Margin (social housing lettings)	21.30%	24.59%	25.24%	25.90%
B. Operating Margin (overall)	22.47%	25.51%	26.37%	24.04%
7. Return on Capital Employed (ROCE)	2.50%	2.90%	2.38%	2.78%

### New Supply Delivered and Reinvestment

Our delivery of new supply is low for the year, but it has been a period of investment in the delivery of new homes as a number of developments are under construction or under contract for delivery in the near future.

2018/19 includes a definite completion of 50 units of social housing in April 2018. A further 34 are expected to complete in the year, subject to final development timings. The 50 units alone account for an increase in units of 3.42% in 2018/19, which rises to over 5.61% with the additional units. The supply is planned to be maintained at between 3% and 5% for the next 3 years and at 3% thereafter.

The level of Reinvestment in 2017/18 includes significant spend on developments which are due to complete during 2018/19.

### Headline Social Housing Cost Per Unit

We continue to reduce our costs, as anticipated in the previous year. Our total cost per property for housing management has marginally increased after two years of reductions. We have budgeted a modest uplift in costs as we change our repairs contractor within the next financial year and predict a level of mobilisation costs, resulting in an almost unchanged cost per property.

### Operating Margin

We continue to improve our operating efficiency, with improvements in each of the three years including 2017/18 and the budgeted outturn for 2018/19. As with the Headline Social Housing Cost per Unit we include a mobilisation cost for new contractors, which affects the operating margin. We also budget conservatively for first tranche sales of Affordable Home Ownership, which affects the overall operating margin for 2018/19.

## Croydon Churches Housing Association Limited

### Board Report for the year ended 31 March 2018

#### **Benchmarking**

We strive to maintain a high quality service at a relatively low to medium cost to ensure that the expectations of our residents and stakeholders continue to be met. Through benchmarking our performance against other housing associations in the 'London housing associations with fewer than 5,000 homes' peer group of HouseMark, we assess value for money efficiency throughout each year.

The tables used below shows summarised HouseMark benchmarking reports-

#### **Housing Management and Staff**

	17/18	16/17	Trend	Median 16/17	16/17 Quartile
Staff turnover in the year %	19.44%	27.78%		27.27	Q2
Sickness absence average days/shifts lost per employee	7.47	7.75		9.33	Q2

We support our staff to maintain a work/life balance and a healthy lifestyle as we recognise that a happy staff team enables good performance.

Staff turnover as a basic statistic was high in 2016/17 but in a relatively small team of 42 a small number of leavers can result in a considerable percentage change. A retirement and two small team re-organisations to adapt our service delivery resulted in a higher than normal staff turnover level. A more stable team in 2017/18 has resulted in a lower staff turnover.

	17/18	16/17	Trend	Median 16/17	16/17 Quartile
Satisfaction with service provided %	76%	86%		77.6%	Q1
Satisfaction with repairs & maintenance %	74%	77%		71.0%	Q1
Satisfaction with neighbourhood %	79%	80%		82.1%	Q4

The areas in the above table are not benchmarked every year. The values for 2015/16 were replicated for 2016/17 as a presentation of our most recent satisfaction survey.

We continue to take steps to maintain or improve resident services and satisfaction but faced a significant challenge in the year as our cleaning and grounds maintenance contractor failed to perform at the expected level. We have replaced the contractor to ensure delivery of services to the standard expected by our residents and are closely monitoring the improvements which we expect to come through.

## Croydon Churches Housing Association Limited

### Board Report for the year ended 31 March 2018

	17/18	16/17	Trend	Median 16/17	16/17 Quartile
Total cost per property of Housing Management	£920.49	£802.68		£642.12	Q4
Total cost per property of Responsive Repairs & Void Works	£1,045.01	£1048.49		£994.10	Q3
Total cost per property of Major Works & Cyclical Maintenance	£717.33	£1287.38		£1525.32	Q2
Total overhead costs as % adjusted turnover	11.70%	12.31%		12.34%	Q2
Current tenant arrears as % of rent due (excluding voids)	2.86%	3.51%		4.45%	Q1

After three consecutive years of cost efficiencies we have an increase in the cost of housing management. This is due equally to conscious decisions to offer an in-house welfare and debt advisory services to assist our tenants and also a consequence of temporary staff costs while team reorganisations were underway.

Our cost per property of major works and cyclical maintenance has decreased by a large margin (55.7%). This is primarily due to the phasing of works in line with property maintenance and asset management. Our properties continue to be maintained to a high standard.

We continue to improve our cost base while also bringing new properties into management. Our investment in ICT includes a new housing management system which is due to go live in early 2019 and wider use of mobile working platforms. This will result in a return to a lowering of our costs per property and bring us closer in line with our peers.

Our continued work to address the challenges of Universal Credit and support for any residents experiencing difficulties with Universal Credit, has improved our intelligence in identifying customer payment patterns, enabling staff to focus on rent accounts that had fallen into genuine arrears of rent. The reduction in arrears is a testimony to the support our staff provide to our residents.

## Croydon Churches Housing Association Limited

### Board Report for the year ended 31 March 2018

The value we deliver extends beyond the provision of homes. Examples of how we play an active role in the community include:

#### **COMMUNITY INVESTMENT**

##### **Schools Out returns for 2018, better than ever!**

Based on the positive feedback we received last year, our 2018 Schools Out programme runs for an extra week, from 30/07/2018 through to 24/08/2018. The day will also run for an extra hour compared to our previous schools out event, now running from 10:00 until 17:00. This will grant the kids more opportunities as they can travel further and thus go to more places and will put less pressure on parents to hurry home from work.

There will be 15 spaces per week and the young people will be offered two weeks depending upon demand and availability. We will also be offering work experience as youth mentors to assist the programme leaders.



##### **The Hays Job Seeking Skills (JSS) Programme**

JSS is a workshop ran in partnership with Hays Recruitment designed to improve employability skills. Residents who attended felt the workshops had a positive impact on their attitude towards job seeking, with one resident quoting;

**“Thank you for creating JSS! Using the STAR method helped me to remain calm & focused during interview questioning, which I found surprisingly easy to follow!”**

##### **Welfare and debt advice service**

During 2017 we brought key resident advisory and assistance services in-house, improving resident access to dedicated services which help them sustain tenancies.

**In 2017-18 our Welfare and Debt Advice service helped 141 customers with financial advice; raise £71,605 of benefit direct to customers; and collect £41,336 of rent following benefit intervention.**

The rent collection alone has the effect of reducing our total gross arrears by 13%.

##### **Partnership working**

As part of our asset management we partner with Emmaus, working together to help address homelessness.

'Partnership working with Croydon Churches Housing Association has enabled many of our formerly homeless companions to achieve their goal of living independently in safe, secure, quality accommodation. All at CCHA have been an absolute pleasure to work with and have always been flexible and helpful in their commitment to put the needs of the client first. This has been a real breakthrough partnership for us and our clients, and one that we wish to develop and grow over the years to come.' **James Hayes, Chief Executive Officer, Emmaus Lambeth and Surrey**