



Delivering on our promises

**Value for Money Strategy 2022 – 2025**

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## 1.0 INTRODUCTION & WHAT IS VALUE FOR MONEY?

- 1.1 ccha provide good quality homes and are dedicated to providing a high quality of service to our residents. We have been rooted in the local community since we were founded in 1967. The focus of our 1,528 property portfolio of affordable homes we own and manage, are in Croydon, Sutton, and Bromley. We are proud to create sustainable communities by forging strong local partnerships, local initiatives like the Legacy Youth Zone in Central Croydon and working closely with residents. We are committed to developing more homes to meet the increasing demand in our community.
- 1.2 Value for money (VfM) is extremely important to ccha, as we want to ensure our limited resources are being used effectively to achieve our strategic objectives, be able to meet the demand for our services, have a positive impact on our customers and bring value to the communities we work with and provide a home for. We aim to manage our costs to maximise the resources available and identify and implement improvements in the way we work to bring about efficiency savings.
- 1.3 This strategy explains how we will ensure that we achieve the best value for money through our work. This means that we will find the optimum blend of cost and quality when carrying out our work. We recognise that this blend may be different in different services or areas of our business. When considering what is the best value for money, we will consider the full lifetime costs of a particular activity. We will also consider the social impact that may be gained from our activities and how achieving our ccha2025 strategic objectives increases our quality of service and positively impacts our residences and the local community.
- 1.4 This is defined in terms of the three components (3Es) as the process of optimum relationship between costs, inputs, outputs, and outcomes. Inputs are primarily measured in cash, outputs, and outcomes (social value) involve various combinations, such as social and economic benefits, service quality, environmental benefits, and financial benefits.
- 1.5 Breaking it down into following components helps you to better understand VfM:
  - 1.5.1 Economy – careful use of resources to save expense, time, or effort, i.e., the price is competitive for the quality of service provided.
  - 1.5.2 Efficiency – delivering the same level of service for less cost, time, or effort, i.e., through streamlined processes that involve partnership with

other organisations where necessary. Outputs may be expressed in terms of:

- Quantity – e.g., reducing the number of accounts in arrears.
- Quality – e.g., quality of housing service provided as measured by satisfaction results.

1.5.3 Effectiveness – delivering a better service or getting a better return for the same amount of expense, time, or effort, i.e., at the right time so that services meet the need.

## 2.0 BACKGROUND

2.1 2020/21 was the first year of our ccha2025 business plan which, following significant resident, staff, and Board consultation, identified five strategic priorities key to the future success of our Group:

- **Resident Standards**
- **Staff and Partner Engagement**
- **Safety and security undertaking**
- **More affordable homes pledge**
- **Value for Money offer**

2.2 Improving our Value for Money offer is one of our 5 strategic objectives. ccha will work on embedding value for money into the culture of our organisation and the way in which we plan, manage, and deliver our services.

2.3 Our approach to value for money is aligned with our corporate **values**:



2.4 Our vision and mission over the next 3 years is about how effective we are to our customers and residents as an organisation which will increase our overall quality of service.

**Our vision is “Delivering on our promises.”**

**Our mission is “We enable staff and partners to deliver excellent services for our residents and provide more quality homes for our community.”**

- 2.5 Following the Pandemic, all stake holders, including ourselves face inflationary pressures as costs rise. Staff are working remotely, and our residents’ expectations have increased alongside that of the regulator of social housing.
- 2.6 We understand the current wider economic environment we are currently operating in, especially in London, together with the external and internal challenges and pressures we currently face as detailed in our risk register.
- 2.7 However, we are still operating in an area where housing is in short supply compared to the demand. We therefore recognise that the supply of affordable housing for rent, and sale needs to be increased and that many people in our community, particularly those on lower income and on state benefits are seeing their income fall in real terms. We therefore need to continue to develop to meet the needs of the community and in turn will help us become more cost effective.
- 2.8 The Development Strategy was approved by the Development Committee in November 2021, and this sets out our intentions to provide a range of affordable housing products and homes for private sale in the future aligned to our business plan.

### **3.0 VfM Strategy Summary Aims:**

- 3.1 This strategy supports our Value for Money corporate business objective. “We will deliver a high quality service with no increase in our social housing cost per unit.”
- 3.2 This strategy forms a strong foundation for us to continue our value for money journey and embedding VfM into the culture of the organisation in our next business plan. Underpinning all our objectives is the commitment to ensure that everything we do is done for the good of our residents, staff, and the wider community
- 3.3 We will ensure we are reducing our Social Housing Cost per Unit year on year to reach the median quartile by 2025, whilst improving our quality of service as a Housing Provider.

3.4 Demonstrate to customers and key stakeholders improvements in value for money year on year.

3.5 Define our support for our local communities and effectively communicate the benefits and tangible outcomes in our annual VfM statement.

#### 4.0 WHERE ARE WE NOW?

4.1 Our approach to value for money is developing and we strive for continuous improvement. We have been producing value for money statements annually detailing our progress. However, we know we are expensive compared to our peer group of similar London Housing Associations. At the same time, our service is variable and has been affected by our repairs and maintenance contract and late investment in technology.

4.2 We are already at median quartile for most of our VfM Metrics set out by the Regulator of Social Housing. The two areas we need to focus on are development and our social housing cost per unit.

VFM METRICS	BUDGET 2021-22	FORECAST 2021-22	BUDGET 2022-23	RSH VFM 2020 GROUP METRICS	
				Median Quartile	Upper Quartile
1. Reinvestment %	7.90%	5.71%	6.24%	7.20%	10.00%
2a New Supply Delivered Social Housing	3.31%	1.03%	2.59%	1.50%	2.40%
2b New Supply Delivered Non-Social Housing	0.53%	0.52%	0.00%	0.00%	0.15%
3. Gearing %	38.72%	37.00%	37.69%	44.00%	54.70%
4. Earnings Before Interest, Tax, and Depreciation (EBITDA (MRI))	151.67%	180.00%	194.50%	170.00%	227.00%
5. Headline Social Housing Cost Per Unit	£ 6,482	£ 6,041	£ 6,133	5766*	£ 7,837
6a. Operating Margin % (Social Housing)	25.38%	25.32%	23.34%	25.70%	32.30%
6b. Operating Margin% (Overall)	28.48%	28.37%	22.49%	23.10%	28.60%
7. Return on Capital Employed (ROCE)	2.22%	2.25%	4.91%	3.40%	4.40%

\*Housing Social Cost per Unit are Housemark benchmark figures

4.3 In some areas we perform well compared to others, as we can see from our Housemark 20/21 benchmark results, but this is not always the case.

Cost per Property for closing social units of 1502	Actual 19/20	Actual 20/21	Housemark Median 20/21	Quartile Achieved 20/21
Total cost per property of Housing Management	£499.00	£447.00	£359.00	3
Total cost per property of Overheads	£1,302.00	£1,310.00	£1,248.00	3
Total cost per property of Responsive Repairs & Void Works	£1,150.26	£1,219.00	£1,165.00	3
Total cost per property of Major Works & Cyclical Maintenance	£1,545.79	£1,207.00	£1,792.00	1

Performance of Each Category Qualitative outcomes		Actual	Actual	Housemark Median	Quartile Achieved
Category	Outcomes	19/20	20/21	21/22	20/21
Housing Management	Rent Loss due to Voids		0.36%	1.01%	1
	Current tenant arrears as % of rent due (excluding voids)	2.42%	4.27%	4.84%	2
Asset Mangement	Number of responsive repairs per property		2.60	3.30	1
	Average number of calender days taken to complete repairs		7.40	9.80	1
	Building Safety	100.00%	100.00%	100.00%	1
Staff Wellbeing Performance	Average working Days lost due to sickness		3.90	6.30	1
	Percentage of staff turnover in the year		5.80%	14.30%	1

### Good Performance and Upper Quartile

- 4.4 We have ‘good operational performance’ but high cost, however we note that our overall maintenance performance was above that of our peers and our front-line costs are lower. This is based on our responsive repairs and void works cost per property of £1,219, our cyclical maintenance and major works cost per property of £1,207 and our average performance across four repairs and maintenance KPI’s in 2020/21.
- 4.5 We are already in the upper quartile for ‘Rent loss due to Voids’ and ‘current tenant arrears. This is evidence that our investment in the Housing Management Team has produced positive results.
- 4.6 We are 100% compliance with building safety, and satisfied we produce a high quality of service when it comes to health and safety.
- 4.7 We have already secured loans to fund our current development programmes with excellent headroom on our loan covenants.

### Areas of Improvement needed

- 4.8 Though Housemark benchmarks us favourably in the upper quartile for Staff Wellbeing and turnover against our peers, it is an area of focus in achieving our strategic objectives and value for money for our staff. Our staff survey indicated work life balance, the culture associated with this, and greater awareness of our strategic direction being areas of improvement needed in this business plan.

- 4.9 Historically, we have had high standards of customer service and achieved 88% overall resident satisfaction in 2014/15. Since then, satisfaction has dropped. We were at 71% at the end of 2020/2021 with a further decline to 67% anticipated in 2021/22. Though this is at the median compared to our peers benchmarked through Housemark, our objective is to be at the upper quartile for customer satisfaction by 2025.
- 4.10 Our Social Housing Cost budgeted for 21/22 is £6,133 per unit (includes capitalised maintenance). This is within the upper median quartile of our peers who own less than 5000 units in London.
- 4.11 This is currently £367 per unit more expensive than the Housemark median quartile of London HA's which have less than 5000 units. This currently equates to £553k in total.
- 4.12 Housemark breaks this down into Operational Productivity and Asset management. It is our **operational productivity** which is bringing our costs up and which we are more expensive than most of our peers. This cost and performance are broken down into two specific areas: Overheads and Housing Management.
- 4.13 Overheads Cost per property - Housemark's definition of overheads includes all spend on premises, ITC, finance, HR, and other central back-office costs. Central overheads make up 33% of our spend, finance, HR and IT contribute 52% and 15% is spent on premises.
- 4.14 We started our investment in Civica CX, our housing management system just before the start of the business plan. We have successfully completed phase 2 of the Civica CX which included rents and service charge modules and the interface with the Asprey E-state pro stock condition database. The internal auditors, RSM, undertook an audit on the Civica CX system application which achieved substantial assurance with no management actions.
- 4.15 The system is now integrated with our customer relationship module and all data is now monitored and updated in one place increasing effectiveness and streamlining our processes.
- 4.16 We introduced a new phone system in full consultation with staff which is better value for money and offers much more flexibility when working remotely
- 4.17 We have an EDM system in place now and all our paper folders should be uploaded onto it by the end of March 2022.



- 4.18 Housing Management cost per property –Housing management is a core landlord service largely made up of employee costs - including specialist staff such as rent collection officers, lettings teams, ASB managers and generic housing, neighbourhood officers and administrators. Housemark data reveals a 5-year trend towards employing specialist officers and patch sizes have been increasing as a result. Housemark have revealed that landlords employing generic officers with smaller patch sizes (and no specialist teams) tend to achieve better satisfaction than other landlords.
- 4.19 We have invested in our income team and have seen the positive affect on arrears and feedback from our residents by having a welfare and debt advice officer.
- 4.20 We have linked with a number of frameworks like the Southeast Consortium which negates the need to complete individual and lengthy tender exercises on some of our contracts which has saved us at least £30k in cost and additional resource time over the last two years.
- 4.21 We currently have a VfM section in all board papers which outlines the contribution to VfM.
- 4.22 We deliver a good VfM statement which demonstrates progress and improvements year on year and benchmarks ourselves against other providers.

## **5.0 HOW DO WE BECOME MORE EFFECTIVE?**

- 5.1 Achieving our business plan outcomes, will help us to become more effective as an organisation and move us to a high quality of service. We will be satisfying our residents, engaging well with our staff and partners, have assets which are safe and secure and be providing the local community with more homes.
- 5.2 Our Business Plan annual objectives will be created with Value for Money and this VfM strategy in mind and will therefore also be the VfM annual action plan.
- 5.3 Customer service and satisfaction is a priority for us in the ccha2025 plan. If we perform well in this area, it impacts quality of service directly and resident perception and increases our Net Promoter Score of us being recommended to others. We aim to have a 5% improvement in our net promoter score by 2025.
- 5.4 We have created a Customer Strategy 2021-25 to achieve this, which is built on feedback we have received and the work already underway. Our aim is to

build a consistent, quality service, with good communication and to increase resident satisfaction. We aim to achieve 86% customer satisfaction by 2025.

- 5.5 Listening to our residents will help to ensure we are investing in our services in the right way and improve the quality and efficiency of what we do. Having satisfied residents and good customer service will lead to improved wellbeing and environment for our residents reduce the likelihood of arrears and voids and help us maintain a positive reputation with all our stakeholders and relationship with our regulator
- 5.6 We should ensure that processes already in place to produce upper quartile rental arrears are maintained and voids continue to improve as we lease more of our supported leasehold properties.
- 5.7 We know that many residents do not feel satisfied that their service charges represent good value for money. We will work with residents of all tenures to ensure that our service charges are clear, transparent and where possible residents can influence these to increase their value for money. We will reduce the number of enquiries related to service charge increases by 5% year on year and we will seek to 'design out' expensive service charges from new developments where we have control over what is designed and built.
- 5.8 Staff and partner engagement – We will be an employer and partner of choice. A committed and satisfied team are likely to provide better service for our residents and perform effectively and efficiently thereby each member of staff bringing increased value for money. We will create a People Strategy in 22/23 which will outline how this will be achieved and will focus on the areas raised in section 4.8.
- 5.9 Safety and security responsibility – Employer and Landlord safety has always been a priority for us, and this is reflected in our performance. Though we are already performing well in this area, we must never be complacent, and part of this strategy is ensuring we maintain these areas we are already performing at the upper quartile, through our risk management process.
- 5.10 Our Asset Management Strategy will need to ensure that the income stream that we gain from our properties over the future is sufficient to cover the costs of the properties. This is measured through the completion of our Net Present Value (NPV) calculations on our properties. Through understanding the NPV of our properties we will be able to assess the financial performance of groups and models of properties in our stock.

- 5.11 This ensures we understand the long-term financial value and required investment to meet new building safety, fire safety, energy efficiency regulations, new consumer standards and changing expectations of our residents. Our Asset Management Strategy ensures that we continue to build on our record of high performing assets and asset management services without comprising on our commitment to providing genuinely affordable homes.
- 5.12 We will ensure that we complete a 20% programme stock condition survey year on year to maintain a good condition of existing stock and ensure cost effectiveness by having a robust planned works programme.
- 5.13 We will seek out additional grant funding schemes to fund key maintenance projects.
- 5.14 We will ensure our investment in our homes results in first and foremost safe and secure properties that our residents are proud to live in.
- 5.15 We will ensure that our asset data is accurate and reliable in order to support us with our decision making.

## **6.0 HOW DO WE BECOME MORE EFFICIENT?**

- 6.1 We will review our processes and procedures over the next two years and streamline by removing duplication and increasing accountability. This approach aims to reduce waste in processes and eliminate steps that do not add any value to the association or residents. The approach also helps to align processes with demand and productivity patterns.
- 6.2 Review, design and implement core processes in Civica CX in the way described above to improve efficiency in these areas phased over two years.
- 6.3 Embed use of CRM system and communication in CX using monitoring and performance measurements. We have created standard reports for improved performance management which will start to be used from April 2022.
- 6.4 We will continue to incorporate value for money in our budget setting process, ensuring our operating margin, return on capital employed, gearing and interest cover remain at the median quartile in the sector. These will all be stress tested and mitigations incorporated into the financial plan.

- 6.5 We will seek to improve our treasury position further by securing loans at favourable fixed rates over a longer term to increase our returns on our development investments and to support the next strategy where we will be investing in increased energy efficiency of our assets to get to net zero carbon.
- 6.6 The pandemic has caused growth to be slow over the last two years. Developing at least 40 affordable homes per year saves us approximately £220k per year. Therefore achievement of our development strategy will support this objective.
- 6.7 We will ensure that we continue to secure sites which meet the requirements of our development strategy and approved programme.
- 6.8 We are also open to stock transfers which represent ccha and will provide good economy and effectiveness rather than additional costs to ccha. However, this will not be measured or relied upon as part of this strategy.
- 6.9 Though we can achieve the median quartile by growth alone and the reductions in office costs we have already made, we do not wish to be reliant on developments and growth to reduce our social house cost per unit.
- 6.10 The reduction required without development cannot be done all in one year, so this will be phased over the next 3 years, with savings of £122k per annum sought after to manage risk and strive for value for money.
- 6.11 We will move out of our current leasehold building into new ccha owned premises in October 2022 which have been designed in conjunction with our staff. This will save us £150k on lease costs per annum.
- 6.12 In addition to this we will save a further £50k on printing and stationery based on us working remotely and working paperless.
- 6.13 We are aiming to be paperless by October 2022, and our ICT action plan has a focus to move all documents on to the share point, so we are less reliant on VPN services.
- 6.14 Business Rates, maintenance and utilities at the new office will reduce based on remote working and a smaller office space to take care of.
- 6.15 We will reduce legal and consultancy fees by £20k year on year through efficiency savings and improvements in our processes and procurement of our contracts.

- 6.16 Tight management control over budgeting with regular reporting to Leadership Team and the Board and exception reporting where necessary.
- 6.17 We have not identified further savings to be made in Year 4 and 5, but this will form part of the budget setting process and improvements in our procurement processes with the support of Southeast Consortium and other recognised frameworks.
- 6.18 We will continue to benchmark ourselves year on year to track progress.
- 6.19 We need to complete further work to understand where and how we might increase the social value of our contracts through our procurement process.
- 6.20 As we work through the course of this strategy, we will complete further analysis of spend to understand exactly how much spend is taking place outside of a formal contract and where we could aggregate spend items to achieve better economies of scale. Each year we will plan which contracts are due for renewal and will consider how best they can be procured.
- 6.21 Engage with staff and understand how best to support their work through investment in new technology through the ICT strategy and its annual action plans.

## **7.0 HOW DO WE MONITOR & MEASURE PROGRESS?**

- 7.1 The table attached as Appendix 1, provides members with a summary of our targets detailed in sections 4-6 to enable us to report, monitor and measure against these regularly.
- 7.2 The overall success of this strategy will be measured by achievement of our business plan and reporting via our annual VfM statement
- 7.3 We will report quarterly VfM metrics and Special Performance Indicators on a quarterly basis and performance of the Year 3 plan will be reported to the Board six monthly.
- 7.4 Any key milestones will also be provided in the Chief Executives Update which comes to every Board meeting.
- 7.5 SPI's will relate specifically to our business plan targets.
- 7.6 We will continue to measure our performance against the Housemark benchmarks. These cover a wide range of housing and maintenance services

and benchmark financial and operational performance in these areas. The financial benchmarking will help us to understand where our services are expensive and where they represent good value for money. This also shows us where the quality of our service is in comparison to other housing associations and make holistic assessments of the cost: quality balance

7.7 Progress against the following strategies will be reviewed via updates to board throughout the year.

- Customer Strategy
- Asset Management Strategy
- People Strategy
- ICT Strategy
- Treasury Strategy
- Risk Management Policy

## **8.0 RESPONSIBILITIES**

8.1 Our Board is responsible for setting the Value for Money strategy and delegates this to the Executive Team. Members will monitor ccha's performance against this. Our Board includes members who have a financial, asset management, housing, and resident backgrounds and who have the appropriate skills to hold the association accountable for value for money while not allowing its focus to slip from service delivery for our customers.

8.2 The Executive Team are responsible on a day to day level for ensuring that the strategy is delivered and achieved, reporting to the Board, as necessary. The completion of actions from the strategy may be delegated down to members of the Senior Management Team.

8.3 The Director of Finance and Resources will be the lead in this area

8.4 This strategy is reliant on multiple areas within ccha, and the outcomes of the strategies defined in section 7.6.

8.5 The board should approve this strategy on the basis ccha are achieving continuous improvement in their performance on running costs, service to our residents and the use of our assets.