Castles & Coasts Housing Association Limited

Value for Money Statement 2017/18

Everything we do as an organisation is measured against whether it helps us to achieve our corporate goals and our purpose. We do not see VFM as an ‘add-on’; rather it underpins everything that we do, from performance management to procurement, from consultation right through to business planning and informs our Corporate Strategy. Our approach to VFM was reviewed in May 2018 following the revised standard issued by the RSH.

Our strategic VFM direction is led by the Board, and cascaded through our executive and staff via our performance management framework. The Board has a VFM champion, providing visible leadership and emphasising the importance of VFM. We have a corporate BSC which encapsulates our corporate objectives and which is normally monitored and reported on to Board quarterly. Certain ‘priority’ KPIs are also subject to additional scrutiny from our quarterly A&RC; for example, in 2017/18 we focused on improving re-let times. Our KPIs at both a corporate and a team/individual level are linked to our VFM objectives and actions.

Our focus on VFM in all that we do, means that VFM is an intrinsic part of our other key strategies: development, asset management, financial management, procurement, ICT and people. VFM is a key consideration in all new projects and forms part of the business case for everything we do.

High level metrics including areas under review

To ensure an outward focus and to learn from others, we undertake benchmarking of our costs. **In line with the RSH VFM standard we are reporting against the published metrics below**. In reporting on these metrics we have looked to monitor the current and prior year together with 2018/19. We have also benchmarked the performance for 2016/17.

Metric	Benchmark 2016/17	2016/17	2017/18	2018/19	Trend	Commentary
Reinvestment %	N/A	3.2%	2.7%	6.1%	↑	Following the merger on 31st July 2017 The Board has increased the development programme. This results in an improved ratio for 2018/19.
New supply delivered (social housing units) %	*1.1%	1.0%	0.3%	1.0%	–	The Association's development programme fell in 2017/18 as this was the final year of the current development cycle. The programme picks up again in 2018/19 following the Board agreeing the next five years development. CCHA's performance is comparable to that of the sector.
New supply delivered (non social housing units) %	N/A	0.0%	0.0%	0.0%	N/A	The Association's future development programme includes outright sale, but units are not expected to be delivered until 2019/20.
Gearing %	41.6%	40.4%	28.3%	33.1%	↑	The Association's gearing compares favourably with the sector median in 2016/17. Upon merger the Association has taken advantage of the rolling cash facility and has reduced its debt. As the future development programme is rolled out then the level of debt will increase accordingly.
EBITDA MRI %**	227.6%	284.8%	269.8%	170.3%	↓	The Association's interest cover compares favourably with the sector median for 2016/17. The metric is expected to fall in 2018/19 due to increased investment in the major repairs programme of £1.1m.
Headline social housing cost per unit	3,306	3,028	2,948	3,474	↓	The Association's headline social cost per unit compares favourably with the sector median for 2016/17. The metric is expected to increase in 2018/19 due to increased investment in the major repairs programme.

Metric	Benchmark 2016/17	2016/17	2017/18	2018/19	Trend	Commentary
Operating margin (social housing lettings only) %	31.6%	30.7%	29.1%	23.6%	↓	The Association's social lettings operating margin is marginally below that of the sector median for 2016/17. In 2018/19 the Association has allowed for additional expenditure whilst it translates its corporate objectives into actions.
Operating margin (overall) %	30.3%	30.3%	30.0%	26.7%	↓	The Association's overall operating margin is in line with the sector median for 2016/17. As noted above, the Association has allowed for additional expenditure in 2018/19 as it translates its corporate objectives into actions.
Return on capital employed	4.0%	4.1%	4.4%	3.8%	–	The Association's overall return on capital employed is in line with the sector median for 2016/17.The metric for the Association is stable.

** includes social and non social units*
*** excludes in 2017/18 the write off of historic loan issue costs*

The benchmark group is based on the national medians and was provided by Housemark.

The Board carries out an annual review of the unit cost information published by the RSH. The last available information to benchmark against was for 2016/17. Although CCHA was not formed at the time it was possible to do some analysis. Overall, CCHA's costs for 2016/17 were below that of the sector median. Whilst this was pleasing, it was noted that this should not be surprising seeing that CCHA is a traditional Association in the North of England.

As noted under analysis of financial and non-financial performance, the Association uses an extensive suite of KPIs against which to monitor its performance. An area of concern is the number of days it takes to let properties which have become vacant. The general needs performance is four days over the 28 day target and this has shown an improvement over the year. The bigger issue is the performance of sheltered housing stock. Letting times are scrutinised by A&RC quarterly and action plans and initiatives are in place to improve performance. It is recognised that, given the increasing impact of welfare reform, the Association needs to carefully balance the need to let the property against ensuring any new customer has the financial viability to maintain the tenancy.

VFM achieved in the merger

In the run up to the merger, the Shadow Board identified that the merger must lead to more than the sum of its parts. As such, VFM was embedded throughout the merger process and in particular, objectives were set for improving the delivery of services to customers and to increase the size of the future development programme. Delivering these objectives requires the best use of resources and in particular, making the best use of technology. Progress to date is shown below.

	Corporate Merger Goals							
Anticipated benefits	**1**	**2**	**3**	**4**	**5**	**Progress to date**	**Status**	**VFM (reduced cost, efficient use of time, higher standards)**
Customers receive a locally delivered service.	✓				✓	Creation of a customer service team at the local office in Workington, Allerdale.	Complete	88% of calls are dealt with at first point of contact.
Enhanced customer involvement & engagement.	✓					Creation of a Customer Experience Manager to work alongside customers.	Complete	Recruited from internal resources with no increase in staffing budget.
Improved communication channels.	✓					Improvements made to Residents' Portal. Commissioned a review of business transformation.	Ongoing	The move to digital is ongoing. Future work will identify planned savings and how these are to be reinvested.
Cost efficiencies.			✓			2018/19 planned savings reflected in budget.	Complete	Budget 2018/19 realised savings of £170k with the potential for more.
Cost improvement plans.			✓			Insurance strategy and action plan to drive down the cost of insurance.	Ongoing	On track to meet the three year target of driving insurance premium down by £500k.
Retain or reduce pre merger headline costs per unit.			✓			Benchmarked RSH Global accounts showed pre merger costs to be below median.	Complete	Retrospective view of 2016/17 showed a combined headline cost per unit of 3.05 compared to the sector median of 3.32. Financial statements 31st March 2018 headline cost per unit £2.9 (£2.8 excluding one-off items).
Streamlined treasury.			✓			Loan negotiations at merger time allowed for efficiencies to be delivered through the use of a rolling cash	Complete	CCHA has repaid £17.1m on the RCF saving over £112k in interest costs.

Anticipated benefits	Corporate Merger Goals 1	2	3	4	5	Progress to date	Status	VFM (reduced cost, efficient use of time, higher standards)
						facility.		
No excessive redundancy payments.			✓	✓		Staffing levels subject to an independent assessment.	Complete	No redundancies were incurred as a result of the merger.
Effective Board leadership.		✓				Skills based Board recruited for merged organisation. Succession plan being enacted with Chair appointed and Board Member recruitment ongoing.	Complete	Board payment externally overseen to ensure benchmarking against sector and no excessive payments made.
Procurement efficiencies.			✓		✓	Work commenced on the long term project to review delivery of maintenance services.	Ongoing	To date, future savings in excess of £124k have been identified. The investment in major repairs continues to be that envisaged at merger time.
Review of the direct labour force.	✓		✓		✓	Strategy to expand the services and customers in receipt of the services provided by the direct labour force.	Ongoing	Plans show an initial investment of £75k will provide a cumulative saving by year five of £93k.
Increase development.					✓	Board agreed to future five year development programme.	Complete	Future development programme delivers 600 units over that planned at merger time. This is double the development programme of both RPs pre merger.
Skills investment in the local community.				✓	✓	Mainly delivered though maintenance spend.	Complete	Procurement spend of £3.5m delivers 3-4 apprenticeship places.
Reviews of staffing.	✓			✓		Reviews of customer services, direct labour and staffing at a 69 unit scheme.	Complete	Reviews have resulted in no additional staff costs which cannot be recovered. The increase in turnover has not been matched by the same increase in payroll. As D&S was heavily reliant upon its parent, the savings estimated have been based on TCHA payroll alone, resulting a payroll saving of £667k.

Anticipated benefits	Corporate Merger Goals 1	2	3	4	5	Progress to date	Status	VFM (reduced cost, efficient use of time, higher standards)
Invest in digital channel shift.				✓		A longer term plan which commenced with the commissioning of a report on business transformation.	Ongoing	Future VFM has yet to be identified.

Since 31st July 2017, the Association has made rapid progress in determining the future direction. These initiatives are wide-ranging, with some having already been completed. Other plans, such as business transformation and the expansion of the direct labour force, are longer term but already rapid progress has been made.

Statement of compliance with VFM Standard

CCHA Board recognises that it is ultimately responsible for ensuring compliance with the regulatory standard on VFM. The Board believes that through the range of internal and external information, completed metrics, validation and assurance it regularly receives, it has obtained sufficient evidence to demonstrate compliance with the VFM standard.