Value for Money (VFM)

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 VFM Standard and associated Code of Practice 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 Strategy Delivery Plan which encapsulates our corporate objectives, and which is monitored and reported on to Board quarterly. Certain 'priority' KPIs are also subject to additional scrutiny from our quarterly A&RC; for example, in 2018/19 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 of the RSH

To ensure an outward focus and to learn from others, we undertake benchmarking of certain performance and 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 2019/20. We have also benchmarked the performance for 2017/18 against registered providers of similar size. Our benchmarking group is based on the most recently available RSH information (2017/18) and is for registered providers between 5,000 and 9,999 units. For transparency purposes we have included both the Parent and the Group. However, as Two Castles Limited, the subsidiary company, has very little activity, the figures under Parent and Group show little or no difference.

Castles & Coasts Housing Association

Parent Metric	Benchmark 2017/18	Parent 2017/18	Group 2017/18	Parent 2018/19	Group 2018/19	Parent & Group 2019/20	Trend	Commentary
Reinvestment %	6.3%	2.9%	2.9%	3.5%	3.5%	3.3%	⇧	The development programme shows an upwards trend as CCHA's future development programme commences roll out. When fully implemented the future development programme is expected to generate an average 120 units per annum including rent, LCHO and outright sale. This would result in new supply delivered of 1.5% (social housing units).
New supply delivered (social housing units) %	1.2%	0.3%	0.3%	0.8%	0.8%	0.8%	⇧	
New supply delivered (non social housing units) %	0.0%	0.16%	0.16%	0.14%	0.14%	0.19%	⇧	
Gearing %	44.0%	30.4%	30.3%	29.4%	29.3%	24.6%	⇧	The Association's gearing compares favourably with the benchmarking group in 2017/18. CCHA is maximising the use of its rolling credit facility thereby minimising both the amount borrowed and paid by way of interest.
EBITDA MRI %	224.0%	231.4%	231.5%	235.5%	235.6%	213.9%	⇔	The Association's interest cover is marginally more favourable than the benchmarking group for 2017/18, again reflecting the use of the RCF.
Headline social housing cost (£000s) per unit	3.31	3.22	3.22	3.36	3.36	3.32	⇔	The Association's headline social cost per unit is comparable to the benchmarking group for 2017/18. The metric has shown a slight increase in 2018/19 due to an additional £1m investment in major repairs as offset by one off costs arising in 2017/18 (merger). For 2018/19 the figure of 3.36 is equivalent to £3,360 per unit.
Operating margin (social housing lettings only) %	33.1%	29.1%	29.1%	26.7%	26.7%	23.9%	⇩	The Association's social lettings operating margin is below that of the benchmarking group for 2017/18. In 2018/19 the Association has allowed for additional expenditure whilst it translates its corporate objectives into actions.
Operating margin (overall) %	30.8%	30.0%	30.0%	27.7%	27.7%	26.1%	⇩	
Return on capital employed	4.8%	4.4%	4.4%	4.0%	3.9%	3.6%	⇔	CCHA's overall return on capital employed is in line with the benchmarking group for 2017/18. The metric for the Association is stable.

The benchmark group is based on the RSH VFM metrics for Registered Providers between 5,000 and 9,999 units

VFM within the corporate strategy delivery plan

The Association is firmly committed to providing excellent service to its customers. both current and future. The Board believes that tenant satisfaction is a key measure in reflecting if we are offering true value for money to our existing customers. This revolves around offering good repairs and stock investment, ready access to information and support, and a sound approach as to tenant engagement. During 2018/19 the Board reviewed its current approach to gathering tenant satisfaction information and concluded that a new fresh direction was required. For the start of 2019/20 we have introduced continuous feedback. Not only do we expect to get increased volume of feedback, but more importantly we can fix issues quickly, identify trends and put forward solutions – all in a timely manner. The Association has also looked to enhance tenant involvement during the year, and has offered practical help to those tenants in financial difficulties through the creation of a tenant sustainability fund.

In going forward the Board is looking to increase its investment in digital transformation. The Association has improved accessibility to its website during the year and promotes digital services to its tenants. However, the Association is only at the start of its journey, with the potential for this remaining a key priority in 2019/20 and beyond.

A priority for 2019/20 is to focus on increasing the volume of calls which are answered within our target timeframe. We are looking to improve our performance in this area by reviewing our processes enabling customer service to be more responsive to tenant's calls. In addition we are looking to enhance the ease with which tenants can access our services digitally.

The Board supports investment in both its current and future stock. In 2018/19 CCHA invested an additional £1m in major repairs and commenced the roll out of the 600 unit development programme, which it committed to in March 2018.

In delivering both its own and tenants' aspirations, the Association looks to maximise its use of both financial and staff resources, whilst continuing to have good governance. In September 2018, following an In-Depth Assessment by the RSH, the Association was awarded a governance rating of G1 and a financial viability rating of V1, both the highest gradings available. The Board regards this as a strong indicator that we are performing as we should be, whilst acknowledging there is always the scope to do more. We set out below our corporate KPIs which reflect our purpose and ensure we are constantly seeking to maximise that purpose:

KPIs reflecting VFM	2019/20 Target	2018/19 Target	2017/18 Performance	2018/19 Actual	Trend
Continual service satisfaction (from 2019/20 includes 7 measures)	83% - 87%	Currently under review			
Percentage of households signed up to residents' portal	30%	30%	13.9%	22.6%	⇧
Responsive repairs achieved within timescale	95%	>95%	95.2%	95.0%	⇔
Current rent arrears	<3.6%	<3.6%	3.6%	3.1%	⇧

KPIs reflecting VFM	2019/20 Target	2018/19 Target	2017/18 Performance	2018/19 Actual	Trend
Former rent arrears	<1.5%	<1.5%	1.8%	1.6%	⇧
Percentage of income lost from empty property	<2%	<2.1%	1.9%	1.8%	⇧
Re-let time, excluding long term voids	24 days	24 days	Not measured in 2017/18	19 days	⇧
Re-let time, including long term voids	27 days	28 days	44 days	35 days	⇧
Full occupancy at Greta Gardens	100%	All units sold	22 units unsold	12 units unsold	⇧
Major repairs achieved against plan	90%	90%	92.5%	85%	⇩
Gas safety certificates within timescale*	100%	100%	99.9%*	99.8%*	⇔
Properties failing decent homes standard	0%	0%	0%	0%	⇔
Achieve completions on new homes	56	54 units in 2018/19	9 units	64 units	⇧
Leasehold arrears outstanding as a % of debit	4%	4%	3.4%	3%	⇧
Homes vacant and available to let	1%	1%	1.4%	1.1%	⇧
Homes vacant and unavailable to let	1%	1%	0.2%	0.6%	⇔
Satisfaction with re-sales process	80%	80%	100%	100%	⇔
Properties with a valid fire assessment (where applicable)	100%	100%	100%	100%	⇔

Note: As the merger took place in July 2017 there is only two years of data
**The KPI was marginally under the 100% required due to access being denied by tenants and the need to obtain legal injunctions*

Although the target for the percentage of residents signed up to the residents' portal was not met, the percentage continues to increase year on year (2017/18 – 13.9%). During 2019/20 there will be a continued focus on both promoting the existing residents' portal and reviewing the functionality of the portal in line with the Association's digital transformation project, with the aim of increasing and improving the provision of digital services available to our residents. The current portal is limited in its capability and by increasing the provision of services which can be accessed digitally we should see a marked improvement in the number of residents accessing our services through this channel.

The Board is pleased to note that the improved performance in arrears, re-let times and rent lost from empty property, together with a £0.75m reduction in the insurance premium and effective treasury management, all of which means that there is additional finance coming into the Association. The Board intents to reinvest any efficiencies in either new homes, existing homes and/or services to tenants. The Board is also pleased that the target for responsive repairs has been met.

The Association takes very seriously the increasing scale of health and safety compliance required from social landlords following the events at Grenfell. In order to accommodate the increase in fire risk assessment works, money from the planned major repairs programme was diverted during the year. As a result, the major repairs achieved was 85% against a target of 90% in 2018/19.

The year end re-let performance for our short term voids across all of our stock was 19 days, which is five days above the target of 24 days. However, the overall re-let performance of all properties, including long term voids was 35 days, which is seven days below the target of 28 days. Although the performance is below target, a significant improvement has been made in comparison to the 2017/18 performance which was 44 days, therefore an improvement of nine days during 2018/19. The general needs re-let period for 2018/19 was 28 days, which was within target. The year end performance has been affected by a number of long term voids within our sheltered housing stock. During 2018/19 the Association commissioned a review of the performance and sustainability of our sheltered stock. Findings of this review have been presented to the Board and during 2019/20 we will focus on improving the viability and performance of this stock. We expect this to have a positive impact on the 2019/20 re-let times.

At Greta Gardens there has been an improvement in the number of unoccupied units available for outright sale and low cost home ownership. Actions in 2018/19 such as the relaxing of Section 106 requirements, an active marketing campaign and close talks with Homes England have all produced positive results. Despite concerns around unsold apartments, the Board believes Greta Gardens is a viable scheme. As a mixed tenure scheme, there is always the option of converting unsold units back to rent. 2018/19 also saw an opportunity to review Greta Gardens operationally and, as a result of some changes, the Association was able to reduce the average service charge for each resident by £664, increasing value for money for residents as well as making the properties more attractive to potential residents.

The Board's aspirations for improving its offer to both existing and new tenants needs to be adequately resourced. The Association is financially sound with good performance in interest cover, gearing and liquidity. An office restructuring programme is already underway, and in 2018/19 the Newcastle office was relocated, with the new premises taking advantage of modern technology. The new office is expected to be cost neutral and will be funded from the sale of the old office during 2019/20. Since the merger in July 2017, the staffing structure is under continuous review to ensure the Association is adequately resourced in meeting future needs. For 2018/19, the staff turnover was at 9.3%, inside the KPI of 13%; days lost through sickness of 2.2% was also within the KPI of 3.5%.

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.