



The Cambridge Housing Society Limited

VALUE FOR MONEY STATEMENT

for the year ended 31 March 2019

Co-operative and Community Benefit number 10457R

Regulator of Social Housing number L0992

Introduction

The Group operates in a climate of financial, economic and political uncertainty. There are significant constraints on resources with an increasing expectation to do more with less. We are committed to utilising the available resources in the most efficient and effective way. Ensuring residents remain at the heart of what we do, we want to understand and invest in their priorities.

In April 2018, the Regulator of Social Housing issued a revised VfM Standard, a Code of Practice, and a technical note setting out metrics with which to measure economy, efficiency and effectiveness on a comparable basis across the sector. We report against these metrics for the second time this year and combine this with continuing to report under the Sector Scorecard format. For the first time we are reporting our metrics performance on a benchmark basis against a selected peer group.

In accordance with the regulatory requirements, during the year the Group Board undertook a review of our strategic corporate objectives and approved clearly defined and measurable VfM targets to support each of the corporate objectives.

Our approach to achieving VfM in meeting the strategic objectives

The Group Board reviews the strategic corporate objectives and sets the VfM targets annually. The Executive Management Team meet regularly to oversee the implementation of and review progress against the corporate objectives. The progress is reported quarterly to the Group Board.

VfM is integrated into the organisation's operations in a number of ways:

Governance – Board members' duties include reviewing performance and efficiency and ensuring compliance with the regulator's requirements. Managers and staff are encouraged to question how we work and find ways of providing a better and more efficient service.

Financial – VfM is an integral part of our annual budget, business planning and corporate planning processes that set targets that will produce improvements to the service and better use of the resources.

Business stream review – An update and detailed financial review of each key business area continues to be conducted annually. The aim of the review is to improve the profitability of the Group by setting medium term plans for each business stream and unit. More specifically, the review aims to address the following:

- To ensure we are better informed about the income or funding streams and the cost structure of each business unit;
- To help better understand the profitability and return on housing assets for the individual business units;
- Set overall Group standard and business unit targets in terms of profitability, contribution and asset return;
- Agree improvement targets and plans in order to address the low performing areas;
- Identify the social return from the business units.

Planning process – our corporate plan and business plan set out our key aims not only to improve services and increase residents' satisfaction but also to allow us to invest in services and responsible growth. digital technologies to deliver better value for money in term of cost as well quality. For 2019/20 we are concentrating on the continued development and implementation of our Digital Strategy to deliver better value for money in terms of cost, quality and customer satisfaction. We have appointed a Business Change Manager to support a number of planned investments and efficiencies.

Resident focus – improvement in residents' satisfaction with an emphasis on VfM is one of our key corporate objectives. Residents' satisfaction with VfM is measured through several routes including the STAR survey. The survey results for the year showed that overall 78% of the residents were satisfied that their rent provided value for money (2018: 80%), and 76% of housing customers would recommend CHS (2018: 77%). We have responded to disappointing results for satisfaction with service charges, by undertaking the early retendering of key contracts, with new contractors in place from March 2019.

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Our Scrutiny Panel also considers VfM as part of the reviews that they undertake on our services and provided a very helpful report during the year on marketing of our residential care services. In helping to deal with some of the impacts of the public sector spending cuts and welfare reforms our Community Investment Service provides money and debt advice, benefit advice, career preparation and employment advice. We continue to involve our customers in procurement and the evaluation of the quality aspects of tender submissions including with the landscaping contractor; and we continue to work with Eastern Procurement Limited to undertake large procurement exercises.

VfM performance against peers using metrics set out by the Regulator of Social Housing

Group performance measured against the metrics defined in the Value for Money Standard and metrics technical note issued by the Regulator of Social Housing is set out below:

Peer group selection

The Group undertakes a range of activities that are so diverse, for an organisation of our size that we are not able to identify directly comparable peers at local or national level. To obtain the nearest peer groups possible, we have identified two different groups.

One peer group consists of 11 other traditional housing associations all based in the east of England. They range from 1,400 to 16,000 units.

The other peer group consists of 11 traditional housing associations with between 2,500 to 5,000 units based anywhere in England (national). They are associations with a relatively large income from other social housing activities and 1st tranche sales, attributes that we feel more closely relate to ours. Four of these national associations are also based in the east of England and are also included in the east of England peer group.

Data for both peer groups has been extracted from the Regulator of Social Housing's global accounts for 2018. The ranking in the peer group tables below is our ranking compared to the other 11 associations in the respective peer group.

Peer group: east of England (local)

No.	Metric		2020	2019		2018		
			Target	Actual	Target	Rank	Actual	Peers
1	Reinvestment	%	6.4	9.8	6.3	3	8.1	7.1
2A	New supply delivered - social	%	5.5	3.5	3.1	7	1.0	2.1
2B	New supply delivered - non-social	%	0.4	0.1	0.2	2	0.2	0.1
3	Gearing	%	56.1	55.1	53.8	7	53.9	60.2
4	EBITDA major repairs included interest cover	%	120.6	120.9	120.0	11	136.5	169.4
5	Headline social housing cost per unit	£	6,448	6,403	6,205	10	6,301	4,182
6A	Operating margin - social housing	%	33.5	36.9	35.7	4	43.6	39.2
6B	Operating margin - overall	%	19.2	21.2	22.6	10	24.4	34.1
7	Return on capital employed	%	3.4	3.2	3.3	6	3.9	4.1

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Peer group: national

No.	Metric		2020	2019		2018		
			Target	Actual	Target	Rank	Actual	Peers
1	Reinvestment	%	6.4	9.8	6.3	5	8.1	7.9
2A	New supply delivered - social	%	5.5	3.5	3.1	9	1.0	3.4
2B	New supply delivered - non-social	%	0.4	0.1	0.2	1	0.2	0.0
3	Gearing	%	56.1	55.1	53.8	10	53.9	42.1
4	EBITDA major repairs included interest cover	%	120.6	120.9	120.0	11	136.5	193.0
5	Headline social housing cost per unit	£	6,448	6,403	6,205	11	6,301	4,599
6A	Operating margin - social housing	%	33.5	36.9	35.7	1	43.6	28.8
6B	Operating margin - overall	%	19.2	21.2	22.6	6	24.4	28.8
7	Return on capital employed	%	3.4	3.2	3.3	4	3.9	3.4

Analysis of performance

Outcomes delivered (Re-investment and new supply delivered)

The Group's development programme has increased significantly over the last 18 months. We believe we are reinvesting funds at the optimal level in consideration of viability and risk. The ranking of 5th against our peers demonstrates our commitment to meet housing need. The reinvestment metric is an indicator of the number of new homes in development.

The new supply delivered for social housing exceeded our target for the year due to the timing of scheme completions. Our ranking will increase further in the next year as the number of completions will reflect the level of reinvestment over the last 18 months.

Development capacity (gearing)

The gearing measure shows the proportion of borrowing in relation to the size of the asset base. The Group's gearing is higher than the majority of peers, and increasing slightly, reflecting a relatively large development programme phased over a number of years. However, the gearing is still comfortably below the maximum prescribed in the Group's loan covenants allowing for further increased development in the future.

Business health (EBITDA, margins)

The Group performed strongly with regard to social housing lettings, ranking 1st amongst local peers.

However, 47% of the Group's income is not generated from social housing lettings. The operating environment of residential care homes has proved particularly challenging resulting in a deficit of £110k, and there was an impairment charge on land owned by CandCD of £234k that is for outright sale. These were significant factors for the overall margin being below target. The Group, however, does not expect its operating margin to rank highly amongst peers due to its diverse range of activities.

EBITDA has declined due to higher levels of interest payable resulting from increased borrowings. This was expected and remains in line with target. Again, the Group expects EBITDA to rank poorly compared to peers.

Operating efficiencies (Headline social housing cost per unit)

The formula used to calculate the metric includes residential care homes which increases the metric significantly. The Group operates 3 residential care homes, while most of our peers do not have any. Excluding residential care homes, the headline cost per unit would be £4,798 (2018: £4,896) and improve the Group's ranking to 7 nationally and to 9 locally.

Effective asset management (return on capital employed)

ROCE

Despite an increase in the capital employed, the return has fallen because of the lower operating margin.

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VfM performance against internal targets

In addition to the regulator's metrics, the Group has developed a suite of internal metrics and targets to measure performance. The key metrics are below:

		Target 2020	Actual 2019	Target 2019
Deliver sustainable growth in social and affordable housing:				
Development: handovers – affordable general needs	units	100	74	81
Development: handovers – affordable shared ownership	units	65	28	27
Provide excellent services:				
Tenants satisfied with CHS services	%	81.0	75.5	80.0
Reduce % of all voluntary leavers who leave within 6 months	%	31.0	35.3	32.0
Responsive repairs – stay fixed %	%	90.0	n/a	n/a
Responsive repairs – right first time %	%	75.0	n/a	n/a
Ensure financial viability and excellent governance:				
Average responsive repair cost per property (exc voids)	£	486	493	486
Average void repair cost per relet	£	1,600	1,373	2,199
Average relet days – general needs	days	17.0	29.0	18.0
Average relet days – sheltered	days	28.0	47.7	47.0
Average relet days – extra care	days	28.0	29.4	24.0
Bad debts written off	%	0.7	0.4	0.7
Average sales time for shared ownership units	days	<88	114	<90
Average sales time open market units	days	<88	181	<90
Open market sales – handovers	units	32	4	7
Average first let time for new affordable development handovers	days	14.0	19.1	14.0

Strategy to address areas of under performance

Our 5 year Corporate Plan was reviewed and updated during the year. This included integrating value for money targets within our corporate objectives. New targets were set to drive continuous improvement in all areas and to reflect the balance required between the Group's commitment to delivering social value, whilst ensuring both social and commercial activities are viable and sustainable.

The key aspects of our strategy to improve value for money are:

- in accordance with our Growth Policy to obtain improved economies of scale through the development of new affordable rent general needs and low cost home ownership properties that will increase our homes in management by 20% (587 units) by March 2024 and be reflected in the average management cost per property increasing at a rate below inflation;
- setting minimum gross operating margin targets to be achieved for each of our diversified activities whilst continuing to deliver social value;
- undertaking a robust rolling programme of procurement tenders to ensure optimal price, quality and customer satisfaction are delivered;
- actual performance will be managed and monitored to deliver effective and efficient services.

In the short-term, we expect our ranking to remain lower than peers for the EBITDA, gearing, headline social housing cost per unit and operating margin – overall VfM metrics, but to improve over the next five years. This is due to the combination of:

- our comparatively lower number of general needs homes owned compared to our peers, which reduces the economies of scale achievable;
- as demonstrated earlier in this report, the Group's very diversified range of activities, that we undertake to deliver social value, where operating margins are lower than social housing;

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- our relatively large development programme that will increase the number of general need homes in management in future years that will provide improved economies of scale.

Social Value

As a social purpose organisation, we want to be as responsive as possible to the local communities in which we work while considering the risks that may be involved in delivering a range of services. To help us better understand the social value or impact of our services we:

- use HACT’s Social Value Wellbeing Valuation Approach for some of our services. This approach monetises outcomes that are related to increases in people’s wellbeing as a result of using our services. The advantage of using this methodology is that it is nationally recognised as a credible way of measuring social impact;
- try to learn what features of our service people most appreciate and what difference it makes to them by collecting case stories;
- try to get feedback from stakeholders, partners and sponsors so we can better understand how we might better contribute to delivering Social Value outcomes.

In the year, applying the HACT approach we delivered the following Social Value in these service areas:

Service Area	Overall Social Impact	Overall budget	Budget: Social Impact
Money and employment advice, community development	£991,469	£255,191	£1:£3.88
Housing Related Support Services*	£1,995,159	£1,663,274	£1:1.20
Cambridgeshire Local Assistance Scheme	£890,114	£295,480	£1:£3.01

*The overall Social Impact understates the Social Value we deliver supporting Looked After Children. We are exploring ways of better understanding how to capture this as our sense is that the HACT model does not fully appreciate the difference the services make.

In addition, we delivered:

- £576k extra in tenants’ pockets through provision of money advice e.g. welfare benefits, tax credits or grants;
- 26 vulnerably housed customers achieved an employment related outcome;
- 38 new people moved on-line, enabling them to use the internet;
- Customers earned almost 1000 hours of Time Credits. These credits may be redeemed at various local leisure services and there is demonstrable evidence that Time Credits are linked to improvements in quality of life (University of Cambridge 2017).

In our Older People’s Services:

- Around 70% of our residents in our Residential Care homes are private payers and the remaining 30% local authority funded. The cost of delivering good quality services is reflected in the fees for the private payers being higher than those paid by the local authority. In 2018-19 CHS imposed a minimum fee for Social Services residents of £650 per week. This is to improve the financial viability of the business and reduce the cross subsidy from private funders, estimated to be over £600k p.a. However, there is no differential in the quality of service or outcomes for residents;
- Our Residential Care Homes offer respite stays which allow family carers to take breaks, and extends the time families can continue supporting those living with dementia at home;

- The Intergenerational Housing Project, which saw three post graduate students move into one of our Sheltered Housing schemes alongside the elderly residents, has been well received. The project was set up with 2 key aims: retaining viable affordable housing for local priority groups i.e. the elderly and post-graduates and improving the quality of life / tackling wider loneliness issues for the elderly. Both groups have reported positive outcomes;
- CHS provides an aids and adaptations service for tenants, research has shown that appropriate adaptation/equipment can delay admission to residential care by around 4 years;
- Our Extra Care scheme 5* kitchens provide meals to local volunteer-run lunch clubs, and to residents in our sheltered schemes, these events reduce social isolation amongst the elderly;
- Our schemes act as a community hub for NHS services such as 'flu' jab and memory clinics, chiropody and wellness therapies;
- Our residential care homes, extra care and sheltered schemes are Wi-Fi enabled to facilitate digital inclusion and includes the use of assistive technology where appropriate;
- We are upgrading domestic boilers and storage heaters to more energy efficient models; this will help to reduce customers' energy bills and lessen the impact on the environment;
- CHS has surveyed the needs of all its General Needs tenants over 75 and has provided information both face to face and in our Corporate Newsletter to help them access aids/adaptations, community alarms, and financial help both from CHS and their local services.

Over the year ahead we intend to develop our understanding of our Social Impact further by applying appropriate Social Value methodologies to:

- a) Our partnerships with third parties where we provide housing and they provide care and support;
- b) Procurement – social value guidance notes/requirements for contractors;
- c) Asset management – seeking ways to enhance sustainability and quality of life for residents;
- d) Aids & adaptations – added value as a particular aspect of asset management;
- e) Supporting independent living – sheltered housing, extra care;
- f) Homelessness work – including number of homeless people housed in general needs;
- g) Partnership/enabling work with other agencies;
- h) Dealing with ASB -improving neighbourhoods and quality of life.