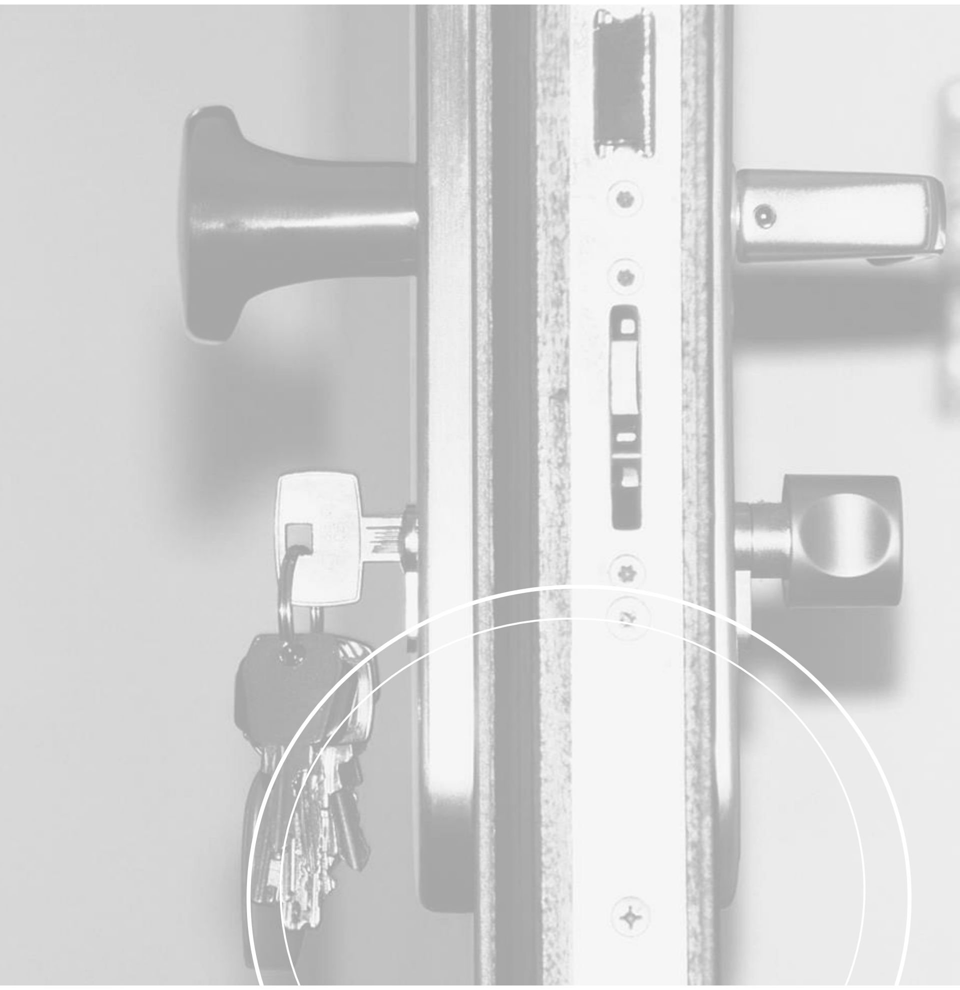
Value for Money 2019-20

Hundred Houses' mission to deliver **"Great Value, Better Services, More Homes"** states our commitment to provide great services which are cost effective. The Board recognises the importance of Value for Money, to enable us to further invest in improving the quality of services and building more homes in and around Cambridge.

Our commitment to Value for Money is aligned to our social purpose and Corporate Strategy Objectives.



The Board refreshed our Corporate Strategy in 2019, including an update to our Value for Money Strategy to ensure continued compliance with the Regulator of Social Housing's Value for Money Standard.

To measure our value for money impact, we supplement the regulator's metrics with the HouseMark Sector Scorecard and our own performance information. The following sections set-out and explain these metrics. Targets to be achieved by 2021 have been set and aligned with our budget.

Value for Money Metrics

Below is the trend information and target for each metric that has been specified by the Regulator of Social Housing (RSH). For our benchmarking information we use the other housing associations based in the eastern region owning less than 5,000 properties. We have the least properties in this group and recognise that our risk capacity and operating model may differ from the larger associations.

Value for Money Metrics	2017-18	2018-19		2019-20	2021
	HHS	HHS	Peers	HHS	Target
Regulator of Social Housing (RSH) Metrics					
1. Reinvestment	7%	2%	7%	2.9%	4%
2. New Supply Delivered - Social Housing	5%	1%	1%	1.8%	0%
3. Gearing (net of cash)	45%	45%	48%	42.2%	39%
4. EBITDA MRI interest cover	225%	174%	177%	197.3%	164%
5. Headline Social Housing cost per property (£)	2,466	3,145	3,417	3,488	3,306
6. Operating Margin (Social Housing)	37%	29%	36%	23.6%	28%
Operating Margin (Overall)	41%	34%	33%	31.4%	27%
7. Return on Capital employed	4%	3%	3%	3.9%	2%

Metric 1 – Reinvestment %

This metric measures investment in new and existing properties as a percentage of the cost of total properties. The lower level in 2019/20 reflects the timing of our development expenditure during the year and was impacted by delays in obtaining planning permission on one new scheme.

Metric 2 – New supply delivered %

This measure is the number of new social housing properties acquired as a proportion of total social housing properties managed. The figures for 2017/18 and 2018/19 reflect the timing of the delivery of our regeneration project at Eastfield. The 2019/20 figure includes our Coldhams Lane development and although higher than peers is just below our previous target of 2.0%. We are not expecting any completion of properties in the next year.

Metric 3 – Gearing %

This measures our adjusted assets compared to our debt. We remain slightly better than our peer group and target for the year of 47%. This will reduce following the transfer of engagements from Housing Partnership (London) Limited before increasing as we borrow to develop more properties.

Metric 4 – Earnings Before Interest, Tax, Depreciation, Amortisation, Major Repairs Included (EBITDA MRI) Interest Cover %

This measures the level of adjusted surplus against interest payments. The reduction in 2018/19 was due the level of sales of shared ownership homes in the year and some one-off costs. The results for 2019/20 have improved with more property sales and aligned with our target for the year of 197%.

Metric 5 – Headline social housing cost per property

This metric assesses the average cost per social housing property during the year. Our Headline Social Housing Cost per property in 2019/20 increase was due to increased maintenance expenditure and additional costs linked to the transfer of engagements, although it remains close to our peers. It was above our target of £3,333 due to one-off costs relating to the Transfer of Engagements.

Metric 6 – Operating Margin %

Operating Margin measures the surplus generated as a proportion of turnover. Any surplus is reinvested back into delivering our Corporate Strategy. As well as the overall results this is also measured for social housing alone, which excludes shared ownership sales.

A) Operating Margin (social housing lettings only)

Our Operating Margin for social housing in 2017/18 aligned with our peer group median. It reduced in both 2018/19 and 2019/20 due increased maintenance costs and one-off costs relating to different projects. Our result for 2019/20 was below the target of 37% due to costs of the transfer of engagements which we will continue into next year.

B) Operating Margin (overall)

Our result for 2019/20 was below our peers and target of 36% due to increased maintenance expenditure and one-off costs related to the Transfer of Engagements with Housing Partnership. Initial integration costs will also impact on next year before we see a return to the level of our peers.

Metric 7 – Return on capital employed (ROCE)

This metric compares operating surplus to total assets less current liabilities to assess the efficient investment of capital resources. Our performance for 2019/20 has improved and is now above our peer group and close to our target of 4%. A fall in forecast shared ownership sales contributes to the reduction in the target to 2% for next year.

HouseMark Sector Scorecard.

We participate in the HouseMark Sector Scorecard. The additional value for money measures are:

HouseMark Sector Scorecard	2017-18	2018-19		2019-20	2020-21
	HHS	HHS	Peers	HHS	Target
Properties Developed – absolute	61	8	60	23	
Properties Developed – (% of owned)	5%	1%	1%	1.8%	
Management cost per property (£)	940	1,077	1,021	994	977
Service charge cost per property (£)	520	528	439	558	508
Maintenance cost per property (£)	708	1,227	1,024	1,200	1,178
Major repairs cost per property (£)	203	222	839	629	820
Other social housing costs per property (£)	100	91	135	107	91
Ratio of responsive to planned maintenance	3.3	1.2	0.7	0.75	0.6
Occupancy (%)	99.4%	99.5%	99.7%	99.0%	99.5%
Rent collected (% of rent due)	98.6%	100.3%	99.5%	99.8%	100.3%

Properties Developed for 2019/20 were below our peers reflecting the timing of our development schemes. Our increased maintenance and major repairs costs arise from implementing our new asset management strategy. This has also improved the ratio of responsive to planned maintenance, to align more closely with our peers. Management costs in 2019/20 have reduced due to less fixed costs arising from the increase in maintenance activity and are below the target of £1,000. Service charge costs further increased in 2019/20 due to continuing investment in safety works. Our occupancy level and rent collected were both impacted at the end of 2019/20 by Covid-19.

Additional Metrics

To ensure that we monitor our delivery of Value for Money through all our areas of our Corporate Strategy, we also track the following relevant additional metrics.

Additional Metrics	2017-18	2018-19		2019-20
	HHS	HHS	Peers	HHS
Employee Turnover	19%	11%	21.3%	12.8%
Sickness Absence	1.3%	0.7%	4.2%	2.9%

Our Employee turnover and sickness absence remain better than our peers' 2018/19 median levels. The increase in sickness absence in 2019/20 was due to additional longer-term absence.

In addition to using the metrics, £76,000 of specific value for money savings were targeted within 2019/20, these actually realised £79,000 of savings in the year and an additional £66,000 of savings were identified and delivered within the year too. Combining these we achieved value for money savings of £145,000 in the year.

Future Plans

As we continue to deliver our Corporate Strategy our focus is on developing more homes and better services while continuing to deliver great value. We have benchmarked our 2020/21 budget; which includes a further £92,000 of specific Value for Money savings. We will also ensure that as we implement our asset management strategy that our maintenance costs and performance remains competitive. Future property investment plans are based on our stock condition survey information that is updated on a regular basis. Future property options are appraised using both financial and social measures. We expect to see performance improvement and financial savings as a result of appointing a new maintenance contractor from March 2020. Targets set for 2020/21 will be reviewed in September to re-assess the impact of Covid-19 on performance.

Additionally, as we continue to improve our use of new IT systems during 2020/21, we will make changes to our IT infrastructure to improve performance and resilience, whilst also delivering savings to fund future investment.

We recognise the impact that property sales have on our financial performance and the need to improve the resilience of our operating surplus. The plans for these are integrated into our Corporate Strategy and are closely monitored by our Board to ensure their delivery.