



**watford**  
community  
housing

# Value for Money Strategy

## 2016-2020

# Our Vision and Values

Our vision is to deliver “**Better homes, friendlier communities .... together**”. This commitment remains as strong today as it was when we were formed in 2007.

Our twin aims are to provide ‘better homes’ – ensuring a high-quality service offer to our tenants and delivering more homes – and ‘friendlier communities’ with a strong focus on community cohesion.

Our values remain integral to how we work at the Group and we are proud that together we:

- Take **personal ownership** for our actions to provide an excellent service;
- Act **professionally** and with **integrity** to deliver our promises;
- Offer **progressive** and **innovative** ways of doing this.

## Key Performance Indicators

The following table summarises Group performance against this year’s targets and last year’s performance across the Key Performance Indicators drawn from our Business Plan objectives.

These Indicators form the basis of a Corporate Balanced Scorecard which is reviewed quarterly by our Executive Management Team, Operations Committee, Gateway Membership Team and Group Board. The selected Indicators enable our Group Board to monitor performance in the areas key to us as a community-focused housing provider with an ambitious development programme. The Indicators have been aligned with the new ‘technical metrics’ introduced by our regulator in April 2018 under a revised Value for Money regulatory standard. See the later section on Value for Money (VFM) for more information about how we are meeting this standard.

The Group delivered strong performance against its targets last year, matching or exceeding the designated target in thirteen areas and delivering steady performance in seven areas. Our performance in these areas is regularly reviewed by the Executive Management Team and formally reported to the Group Board, the Operations Committee and the Gateway Membership Team under our ongoing performance review framework.

Customer satisfaction with our repairs service, an area of fundamental importance to our tenants, continued to be strong last year at 87.8% against an increased target of 90%. Within this, we addressed 80.1% of repairs on our first visit and will be embedding a refined new stock management system in 2019/20 to be able to carry out more repairs on the first visit.

Overall satisfaction with our services improved a notable 8.6% points over the year due to a number of internal improvements made across our services. These have

included real time satisfaction surveys at key transactional points for the customer and enhanced digital service functionality with the ability for our customers to book their repairs and check their status online. Our Digital Tenancy Services offer saw 3 times as many customers registering for the service post-launch than targeted and we expect to see increased activity on the platform with enhanced functionality over the coming year.

We have introduced new, more convenient appointment times for customers’ repairs and maintenance visits as well as a more robust system of peer reviewed call handling to deliver a better customer experience into our contact centre. We are looking to further extend our digital offer to customers this coming year and give our frontline staff full service capability when supporting customers out in our local communities. We have recently re-procured our core estate maintenance contracts in collaboration with our tenant scrutiny panel, and are already seeing clear improvements in customer satisfaction as a result.

We re-introduced a Net Promoter Score satisfaction score at the start of the year measuring customers’ likelihood of recommending WCH to friends and family. This has performed consistently well over the year, above both our internal target (+20) and the sector average (-6).

Our complaints to compliments ratio performed positively, and exceeded target, over the year and our contact centre figures held steady with continued staff training in this area as well as the more robust peer review of call-handling mentioned

above. We also introduced customer call rating with a post-call survey to our contact centre, with all dissatisfied callers followed up for feedback and linked staff training; we are focusing on increasing the participation rate of callers in the survey to yield more data over the coming year.

Our community hubs have delivered another strong performance this year, generating over £139,000 of income for the Group, a 22% increase on last year, through a wide range of community activities.

The Group has also seen continued improvement in its overall financial performance (as covered elsewhere in these Statements), and strong performance on delivery of VFM savings and staff satisfaction averaging +71 for the year as a whole following a pay benchmarking exercise, an improved staff recognition package and the relaunch of our staff rewards offer.

We set an ambitious aspiration for building new homes under our 2016-20 Business Plan to commit to building 1,000 new homes by 2020 under a range of different developments and branching out into new communities. A number of planned joint venture programmes were completed during 2018/19 and work is underway for a number of schemes for commitment in 2019/20. We delivered 61 new homes last year and committed a further 57 during the year to support our development programme. There was only one unsold shared ownership dwelling for more than six months at March 2019, which sold in April 2019. The other two unsold dwellings at year end were both sold by the end of June 2019.

## Key performance indicators

	2019 Target	2019	2018	Flag vs. Target
<b>1. Super Brand</b>				
% of tenants satisfied with repairs & maintenance	90%	87.8%	90.6%	●
% of tenants satisfied with overall service	85%	84.5%	75.9%	●
Net Promoter Score	20	31	-	●
First call resolution	80%	87.3%	87.5%	●
Ratio of complaints to compliments	50:50	44:56	49:51	●
% of Tenants Registered on Digital Tenancy Services	5%	15%	-	●
Gas compliancy	100%	100%	100%	●
<b>2. Strong Financial Position</b>				
Operating margin (overall)	29%	32.5%	34.6%	●
Operating margin (social housing lettings only)	29%	34.4%	36%	●
EBITDA (Earnings Before Interest Tax and Amortisation - Major Repairs Included) Interest Cover %	125%	182.0%	246.1%	●
VFM Savings	£1.2m	£1.43m	£1.5m	●
Occupancy	99.5%	99.0%	98.9%	●
Headline social housing cost per unit	£4.21	£3.82	£3.78	●
<b>3. Partnership Working</b>				
Net staff satisfaction	62	71	65	●
Joint venture homes committed	64	0	33	●
<b>4. Active Developer</b>				
Homes committed for building	212	57	83	●
Homes completed	124	61	73	●
Unsold units at quarter end (shared ownership & sales)	0	3	0	●
Units unsold for more than 6 months	0	1	0	●
<b>5. Building Community Capacity</b>				
Hubs income (£000)	£103	£139	£114	●
Community investment per £1 from operations	£0.02	£0.02	£0.01	●

Flag key: ● Positive improvement ● Steady ● In need of attention

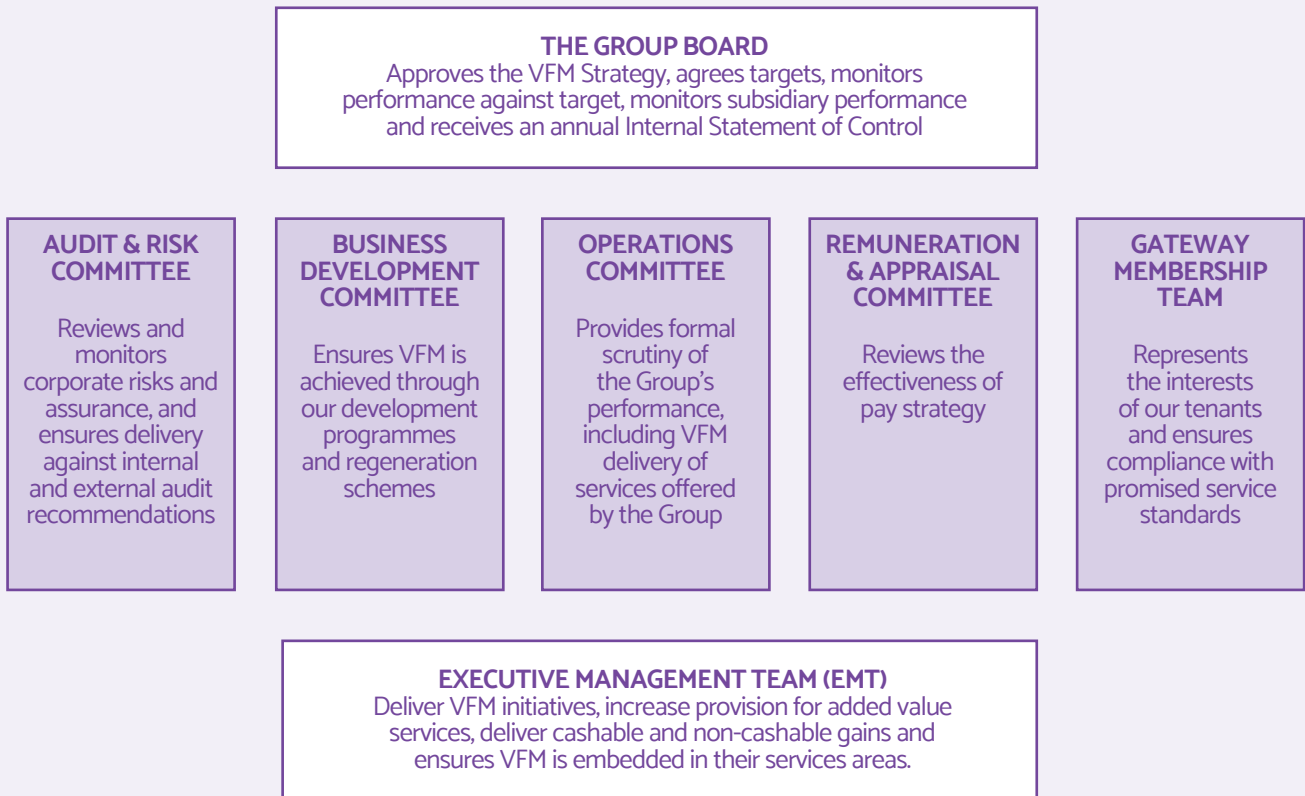
# Value for Money (VFM)

## Our Strategy:

The Group is committed to delivering Value for Money through our business activities. Our Business Plan 2016-20 sets clear objectives and key priority areas to ensure we deliver improvements to the quality of services, maintain a strong financial position and gain competitive advantage through partnership working. This plan is supported by our VFM strategy. Our strategy for delivery of VFM is reinforced by:

- Ensuring our approach to VFM stems from the corporate plan and flows through the practices adopted within the Group for service standards;
- Being aligned to the Regulator’s standards and Code of Practice;
- Ensuring staff are made aware of the expectations of delivering cashable and non-cashable gains and;
- Demonstrating to our stakeholders and tenants that we are an efficient Group making maximum use of our resources and achieving our environmental and social objectives.

To be effective, VFM is made integral to our business planning, with close links to our Performance Management Framework. It is a continual review of information, process, tenant scrutiny, customer feedback, benchmarking and performance management. VFM is embedded in our governance structure as illustrated below.



We welcomed the Regulator’s revised Value for Money standard and sector-wide technical metrics introduced in April 2018, embedding VFM at the corporate and strategic level. We have also reviewed our strategies on Value for Money, Development, Procurement and Asset Management and our Group Board has appointed a VFM champion to ensure VFM remains a corporate focus throughout the financial year.

The Executive Team manage VFM across the Group across three main areas:

- VFM through Maximising the Return on Assets
- VFM through Operational Efficiency
- VFM through Effective Procurement

# Value for Money (continued)

## Achieving VFM by Maximising the Return on Our Assets:

The Group operates a large property estate and associated assets which are estimated to have an open market value approaching £1bn. In 2018/19 we spent £4.9m on maintenance of our properties and £4.3m on programmed repairs. For 2019/20 the budgeted numbers are £4.5m and £4.7m respectively. The Group is committed to actively managing the portfolio to ensure that it continues to meet the needs of residents and is maintained to an agreed standard whilst maximising the return achieved.

The Group is continuing to explore additional income channels including expanding its managed services and maximising the use of void properties. We manage homes for Watford Borough Council (WBC), Hertfordshire County Council and Three Rivers District Council. Additionally the Group is working with local charities, including St Albans and Hertsmere Women's Refuge to let accommodation.

To assist the evaluation of options for future use of properties we calculate the Return on Capital Employed through our Asset Investment Model to inform future planning decisions on the Group's assets.

## Achieving VFM through Operational Efficiency:

As part of our continuous evaluation of operational costs, the Group Board agreed an efficiency target of £1.2m for the 2018/19 financial year. At the end of 2018/19, we were pleased to report VFM savings of £1.4m, meaning we have exceeded our target. We have continued to work hard to ensure we deliver further gains. Tabulated below is the register of our efficiency gains over the last four years, with an achievement of £0.7m greater than original projection. The gains have been identified in specific categories as set out in our "Road Map to Excellent Services – Our Journey Together". All gains identified contribute to the surpluses realised in the financial year which is used to further our social objectives through investment in services and new homes.

## Efficiency Gains over four years

Efficiency Gains over 4 years	2015-16 Target	2015-16 achieved	2016-17 Target	2016-17 achieved	2017-18 Target	2017-18 achieved	2018-19 Target	2018-19 achieved	Total Target	Total achieved	Variance
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Procurement and contract savings & use of consultants	95	111	555	675	594	761	600	841	1844	2361	517
Self Servicing	50	16	0	0	0	0	0	0	50	16	-34
Energy innovation	130	0	103	9	50	50	0	0	283	59	-224
Streamlined Customer Engagement	20	141	364	364	70	176	0	0	454	681	227
IT infrastructural cost, system upgrades / Other	142	20	13	13	0	0	210	210	365	243	-122
Review of responsive repairs cost	150	349	400	439	0	0	0	0	550	788	238
Lean business processes	387	360	193	236	300	300	41	47	921	943	22
Income Generation	0	33	156	165	215	223	349	357	720	778	58
<b>Total</b>	<b>974</b>	<b>1030</b>	<b>1784</b>	<b>1901</b>	<b>1229</b>	<b>1510</b>	<b>1200</b>	<b>1428</b>	<b>5187</b>	<b>5869</b>	<b>682</b>

## Achieving VFM through Efficient Procurement:

To support delivery of VFM across the business the Group has put in place a new Procurement Strategy, which included the recruitment of a Finance and Risk Manager to support delivery of this strategy. The strategy is aligned with the Business Plan 2016-20 and is designed to ensure the Group:

- i. Has in place an effective framework which ensures that it meets OJEU and other legal requirements
- ii. Shows clarity in the procurement process for both staff and suppliers.
- iii. Carries out effective due diligence on suppliers to ensure they meet its criteria in areas including financial viability, insurance cover and health & safety.
- iv. Builds strong relationships and partnerships with its suppliers.
- v. Sets clear budgets for VFM through procurement and monitoring progress.
- vi. Keeps accurate records of contracts and the arrangements entered in to which are reviewed regularly to ensure the expected benefits are achieved.

- vii. Seeks to acquire added value from its supplier base in the way they support the business.
- viii. Has an effective payment arrangement in place to manage administrative costs, whilst ensuring supplies are paid on time.
- ix. Procures responsibly with attention to the impact on the environment of purchasing decisions and looking to work with responsible suppliers. We will look to achieve added value through training opportunities such as apprenticeships and other areas of support to tenants and the business.

## VFM Monitoring through Benchmarking:

In order to maintain compliance with the VFM standard, the Group continues to monitor the performance of the Group against appropriate benchmarks and also looks to understand and explain any variances. In December 2018, the RSH published the latest analysis of cost variations across the social housing sector to support Associations in understanding their costs and achieving VFM in their activities. Below are comparison tables with commentary to support the Group's position on VFM delivery.

## Cost per Unit (2017/18 and 2018/19)

Due to the publication of Global Accounts for the Housing Sector and the included VFM analysis, we are able to benchmark the Group's Cost per Unit (CPU) performance against the sector. The Group has consistently lowered its CPU against the sector median. This improvement is linked to the work maximising VFM through operational efficiency, return on assets, and efficient procurement.

CPU has risen in 2018/19 due to new sprinkler and smoke detector improvement works, worth c.£150 per unit. This investment was as a direct consequence of the Grenfell disaster and subsequent focus and investment on fire safety. Without these costs the Group's CPU would be £3.67k, which represents a small improvement on 2017/18.

Cost per Unit (£k)	2014/15	2015/16	2016/17	2017/18	2018/19
Watford Community Housing	4.68	4.12	3.93	3.78	3.82
Median Sector Performance	3.94*	3.55	3.30	3.40	

\*average Cost per Unit.

(2014-2018 figures taken from Global accounts. 2019 WCH draft figure provided)

# Value for Money (continued)

## Year-on-Year Comparison of Technical Metrics:

The table on the right shows the movement in technical metrics between 2019 and 2018 with a commentary to support key movements. The Operating Margin for both years has been in excess of 30% both for the overall Group and for social housing lettings. This is in excess of the Group Board targets set for this period. Earnings Before Interest Tax Depreciation & Amortisation; Major Repairs Included (EBITDA MRI) Interest Cover % refers to the level of surplus that a registered provider generates compared to interest payable. This has reduced in the last year, but this in line with expectations due to increased financing costs and still holds significant headroom against our loan covenants. Return on Capital Employed (RoCE) and Reinvestment have both improved aligned to business performance. New social housing supply has reduced slightly versus the previous year, but we continue to see progress in our development programme and as noted above, we continue to build a strong pipeline of committed schemes.

Watford Community Housing	2018	2019	Flag
Operating Margin % (social housing lettings only)	36.0%	34.4%	●
Operating Margin % (overall)	34.6%	32.5%	●
EBITDA MRI Interest Cover %	246.1%	182.0%	●
Headline SH Cost per Unit ('000)	£3.78	£3.82*	●
Gearing	40.9%	43.5%	●
Return on Capital Employed (RoCE)	3.6%	3.8%	●
% Reinvestment	11.5%	14.3%	●
% New supply delivered (social housing units)	1.6%	13%	●
% New supply delivered (non-social housing units)	0.0%	0.0%	●

\*£3.67 on an underlying basis excluding additional fire safety investment

## Comparison of Technical Metrics to Peer Group and Sector

The table on the right shows the Group's performance on the technical metrics against the sector average and also a selected peer group. The peer group includes other Gateway housing associations and those of a similar size and geographic location to Watford Community Housing, with a commentary to support key movements. The comparison to peer group and industry median for Operating Margin is favourable as Watford Community Housing continues to focus on strong financial performance. The headline social housing cost per unit is better than the peer group but as noted for the reasons above, slightly higher than the industry median. Reinvestment and New Supply Delivered has exceeded both the peer group and sector median due to our investment in both new stock and existing properties.

	Group 2019	Peer group median 2018	Industry median 2018	Flag v Peer Group
Operating Margin % (social housing lettings)	34.4%	32.4%	32.5%	●
Operating Margin % (overall)	32.5%	28.8%	29.7%	●
EBITDA MRI Interest Cover %	182.0%	222.5%	203.0%	●
Headline SH Cost per Unit ('000)	£3.82*	£4.28	£3.36	●
Gearing	43.5%	42%	43.7%	●
RoCE	3.8%	4.6%	4.1%	●
Reinvestment %	14.3%	8.1%	5.8%	●
% New supply delivered (social housing units)	13%	12%	10%	●
New supply delivered (non-SH units)	0.0%	0.0%	0%	●

### VFM into 2019/20 and beyond:

The efforts to deliver value for money to our tenants and the organisation continue into 2019/20 and will be monitored through Group Board. The VFM activities planned for 2019/20 have been reviewed and discussed with Group Board and management focus will include delivering the following VFM initiatives:

- Maximising income streams
- Optimisation of assets through void performance improvements
- Improving performance of garage stock
- Delivering newly procured Grounds Maintenance and Cleaning contracts
- ICT and Telephony procurement savings
- Managed usage of training / consultant spend