Havebury
Housing Partnership

# Value for Money report

## What value for money means to Havebury
## 2022/23

# Value for Money report

## What value for money means to Havebury

Providers are required to follow the Regulator of Social Housing's (RSH) Value for Money Standard. The standard requires us to provide evidence in the statutory accounts to enable stakeholders to understand performance against value for money targets and any metrics set out by the RSH (and how that performance compares to peers), and measurable plans to address any areas of underperformance including clearly stating where improvements would not be appropriate and the rationale for this. This section therefore sets out our performance against the RSH's seven metrics: reinvestment, new supply delivered, gearing, EBITDA MRI, headline social housing cost per unit, operating margin and return on capital employed. In addition, a suite of our own measures of value set by the Board are reported. Benchmarking of each indicator has been carried out to compare performance to peers, using either the sector global accounts or HouseMark. Areas of underperformance, where performance falls below the median, have also been explained.

For us, value for money is about maximising resources available to deliver our vision and objectives to the benefit of the communities we serve. Value for money is delivered through our strong value for money culture, sound financial and business planning, effective procurement, performance management, resident scrutiny and governance functions. Value is considered in the context of our charitable objectives. The provision of a variety of social housing products assists to relieve poverty and provide homes for persons in necessitous circumstances. Our community focus on existing estates and in considering new developments, helps foster homes and neighbourhoods for residents to thrive. The work of our Income, Tenancy and Estates and Tayfen teams assist in maximising income, training, and employment opportunities. As a developing housing association, we are actively involved in regeneration, building preservation and improvement of housing stock and the environment. Our core value for money objective is to maintain median cost whilst





delivering our new build commitments as outlined in the corporate plan, and achieving or working towards top quartile performance. The organic growth will positively impact on economy, enhance our business health, benefit financial performance, and increase capacity to build more homes in future. During 2022/23, 196 new homes were completed, 37 for social rent, 72 affordable rent and 87 shared ownership.

Headline social housing cost per unit (CPU) increased by 19% in 2022/23, falling just above the 2021/22 sector median. Driven by economic factors such as wages, shortage of labour and supply of goods, and a continued focus on improving repairs and maintenance, other providers will also have experienced increased costs in 2022/23. We therefore expect to maintain our median position going forward, in line with our value for money objective.

The Board has overall responsibility for value for money and continued to review our value for money performance throughout 2022/23. Against each objective in our corporate plan, we have also set a number of key performance indicators to be tracked throughout the life of the plan. A link to which is provided here or can be found at www.flipsnack.com/75CB9FB9E8C/our-new-corporate-plan-23-26.html

### Performance against the Regulator of Social Housing's Value for Money Metrics

The RSH's value for money metrics are split into measures of economy, efficiency and effectiveness. The assessment of our performance below is benchmarked against the latest release of global accounts, relating to the financial year 2021/22. Red (quartile 4), Amber (quartile 3), Yellow (quartile 2), Green (quartile 1) indicates the position of our 2022/23 outturn against the 2021/22 quartiles.

### Value for money metrics - economy

The CPU metric enables providers to assess their expenditure in a format that can easily be compared to peers. Regression analysis conducted by the RSH indicated organisational and local environmental characteristics drive much of the variance seen between providers, however CPU is also reflective of efficiency and levels of investment, say in major repairs.

| | Havebury 2022/23 | Havebury 2022/23 (budget) | Havebury 2021/22 | Sector 2021/22 median | PlaceShapers 2021/22 median | Peer group 2021/22 median |
|---|---|---|---|---|---|---|
| Headline social housing CPU | £4,382 | £4,080 | £3,689 | £4,150 | £4,011 | £3,758 |

Headline social housing CPU has increased by 19%, with expenditure used in the calculation rising from £26.1m in 2021/22 to £32.0m in 2022/23. This is attributable to greater maintenance and major repairs expenditure (£14.8m in 2021/22 to £18.7m in 2022/23) and costs allocated to the service charges category increasing from £3.4m to £4.7m. CPU falls just above the 2021/22 sector median. Driven by economic factors such as wages, shortage of labour and supply of goods, and a continued focus on improving repairs and maintenance, other providers will also have experienced higher costs in 2022/23. We therefore expect to maintain our median position going forward, in line with our value for money objective.

| | Havebury 2022/23 | Havebury 2022/23 (budget) | Havebury 2022/23 | Sector 2021/22 median | PlaceShapers 2021/22 median | Peer group 2021/22 median |
|---|---|---|---|---|---|---|
| Management | £1,028 | £1,060 | £945 | £1,133 | £1,080 | £944 |
| Service charges | £644 | £640 | £426 | £471 | £426 | £435 |
| Maintenance | £1,563 | £1,290 | £1,283 | £1,232 | £1,252 | £1,212 |
| Major repairs | £1,013 | £950 | £874 | £921 | £972 | £874 |
| Other costs | £134 | £140 | £162 | £203 | £195 | £171 |

The increase in service charges in 2022/23 is a result of a significant increase in utility costs. Historically, our major repairs programme has been the key driver in our position compared to peers, excluding which CPU is typically quartile one. Spend on doors, windows, insulation and fencing previously carried out on a reactive basis will from 2023/24 be carried out under planned replacement programmes, delivering enhanced value. Major repairs CPU outturn was above the 2022/23 budget of £950 and as we continue to return to a full programme post pandemic, we expect it to increase to £1,242 in 2023/24. Spend on routine and planned maintenance increased due to overspends on gas repairs, painting, materials, and additional expenditure on scaffolding as we used a contractor to complete some unplanned roofing works. In addition, there was extra demand arising from rectifying damp and mould issues and we used two designated contractors to recover our voids backlog. This arrangement is now at an end, and our in-house technicians have resumed carrying out void repairs. Void levels have improved significantly, and income lost to voids reduced.

## Value for money metrics - efficiency

As a measure of our value for money (efficiency) performance, reference is drawn to our position compared to peers in the context of our corporate objectives. Reinvestment looks at investment in properties (existing as well as new supply) as a percentage of the value of properties held. It provides important context, demonstrating surpluses are not being generated at the expense of investment in new and existing properties. Reinvestment has increased due to larger development and major works programmes in 2022/23 than in 2021/22, as they continued to build back up to more typical levels post pandemic. Being above the median, our reinvestment is greater than that of most other providers demonstrating our ongoing commitment to make a significant contribution to new supply, whilst also maintaining the condition of existing units.





| | Havebury 2022/23 | Havebury 2022/23 (budget) | Havebury 2021/22 | Sector 2021/22 median | PlaceShapers 2021/22 median | Peer group 2021/22 median |
|---|---|---|---|---|---|---|
| Reinvestment | 6.8% | 9.6% | 5.9% | 6.5% | 6.8% | 6.3% |
| Gearing | 52.5% | 51.9% | 53.3% | 44.1% | 45.2% | 53.3% |
| EBITDA MRI interest cover | 126% | 139% | 146% | 146% | 143% | 159% |
| Operating margin | 19.2% | 21.2% | 24.2% | 20.5% | 20.4% | 24.5% |
| Operating margin (SHL) | 18.6% | 22.1% | 26.6% | 23.3% | 22.0% | 27.0% |
| Return on capital employed | 2.9% | 2.5% | 3.1% | 3.2% | 3.2% | 3.4% |

Gearing is a measure of a provider's net debt compared to the value of its assets. Our net debt relative to assets is healthy, falling in quartile two compared to the sector and reflecting the development programme and appetite for growth. Gearing has changed little between years with net debt increasing, from £200m to £213m, proportionately to the value of assets, from £387m to £407m. EBITDA MRI approximates cash generated and presenting it as a multiple of interest shows the level of headroom on meeting interest payments on outstanding debt. Albeit interest payable, financing costs and interest capitalised reduced slightly between years, the decrease reflects a reduction in operating surplus less gain on disposals of fixed assets from £11.2m in 2021/22 to £9.6m in 2022/23.

Although a key indicator, we are aware profitability is not the only measure of success. Whilst a high surplus is encouraging for lenders, it is important that this does not come at the cost of delivering quality services. Operating margin in 2022/23 was both lower than in 2021/22, and the original 2022/23 budget (21.2%). Despite turnover increasing by £4.1m to £50.3m this reflects both the planned and unplanned increases in costs across operational areas. Return on capital employed (ROCE) illustrates the return generated by a provider compared to its asset base. In 2022/23 ROCE was impacted too by the increase in costs and lower operating margin.

## Value for money metrics - effectiveness

| | Havebury 2022/23 | Havebury 2022/23 (budget) | Havebury 2021/22 | Sector 2021/22 median | PlaceShapers 2021/22 median | Peer group 2021/22 median |
|---|---|---|---|---|---|---|
| New supply delivered (social) | 2.7% | 3.0% | 2.5% | 1.4% | 1.6% | 2.0% |

Development of new homes is the most effective method for increasing a provider's social value. Both as a percentage of stock and in absolute terms, our development programme is significant, satisfying one of the core strategic objectives of delivering new affordable homes. Maintaining a strong rate of development is essential to our Corporate Plan and value for money aspirations.

## Performance against Havebury's own value for money targets

In addition to the RSH's value for money metrics, performance against our own value for money indicators and a comparison to peers is set out below. The suite of measures is made up of sector scorecard indicators not already covered by the RSH's value for money metrics and others from Havebury's performance management framework. Red (quartile 4), Amber (quartile 3), Yellow (quartile 2), Green (quartile 1) indicates the position of our 2022/23 outturn against the 2021/22 quartiles.

| | 2022/23 Result | 2022/23 Target | Sector 2021/22 quartile 1 | Sector 2021/22 median | Sector 2021/22 quartile 3 |
|---|---|---|---|---|---|
| **Being a great landlord** | | | | | |
| Customer satisfaction with overall service provided | 82.1% | 85.0% | 85.2% | 79.4% | 73.8% |
| New complaints received | 188 | | | | |
| Customer satisfaction with last repair | 87.8% | 91.0% | 92.0% | 88.0% | 82.0% |
| **Developing new affordable homes** | | | | | |
| Social housing units developed (absolute) | 196 | 176 | 279 | 107 | 32 |
| Customer satisfaction with new build home | 98.2% | 92.0% | 100.0% | 96.9% | 86.5% |
| **Investing in existing homes and communities** | | | | | |
| % of properties with a valid gas safety certificate | 100.0% | 100.0% | 100.0% | 100.0% | 99.87% |
| % of homes with a valid fire risk assessment | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |
| Customer satisfaction with ASB case handling | 74.2% | 89.0% | 86.2% | 68.7% | 58.6% |
| Customer satisfaction with area as a place to live | 80.4% | 83.0% | 86.0% | 81.4% | 79.5% |
| **Playing our part in addressing climate change** | | | | | |
| Average SAP rating | 74.1 | | 73.5 | 72.0 | 71.0 |
| % of homes EPC (C) or above | 69.3% | 73.9% | | | |
| **Building a great team** | | | | | |
| Average days/shifts lost to sickness | 7.8 | 5.4 | 7.4 | 9.6 | 11.8 |
| Staff turnover | 15.7% | 15.0% | 14.4% | 18.7% | 24.1% |
| % of staff who say Havebury is a 'Great Place to Work' | 84 | | | | |
| **Remaining a thriving business** | | | | | |
| Rent collected | 98.86% | 99.38% | 100.87% | 99.98% | 99.38% |
| Current resident arrears (net of HB) as a % of debt | 2.29% | 2.38% | 1.19% | 2.38% | 3.09% |
| Property occupancy rate | 99.45% | 99.10% | 99.82% | 99.60% | 99.20% |
| Rent loss from void properties as a % of debt | 1.28% | 1.22% | 0.84% | 1.23% | 1.65% |
| Ratio of responsive repairs to planned maintenance | 0.89 | 0.67 | 0.51 | 0.67 | 0.86 |
| Overheads as a % of turnover* | 11.99% | | 11.96% | 13.99% | 15.94% |

* reported one year behind other metrics





In 2022/23 overall customer satisfaction was collected under HouseMark's STAR methodology, via a combination of telephone and email surveys. Our relative position will improve as most housing associations migrate to a blended approach. We expect to regain our place in the top quartile of providers against the regulator's new TSMs in 2023/24. This is through work we're doing to address dissatisfaction and continue to improve our repairs and maintenance services. Relative to our size, we are a top quartile developer of new homes. These homes were of a high standard, with almost perfect customer satisfaction with their quality.

At the end of 2022/23 all gas safety certificates, and fire risk assessments were up to date. Whilst below a very challenging target, performance against customer satisfaction with antisocial behaviour (ASB) case handling was above the median. During the year an external review of the ASB service was conducted, with implementation of the recommendations made supporting us to our target of top quartile performance in future years. We were successful in our bid for funding from Wave 2 of the Social Housing Decarbonisation Fund, and a programme of works including replacement doors, windows, and external wall insulation will commence in 2023/24, increasing the proportion of homes with an EPC rating of C or above, as we work towards the 2030 target. Both staff sickness and turnover rates are positive to the sector median. Staff turnover has settled after an increase in 2021/22. We remain certified as a 'great place to work' with 84% of employees agreeing with the statement in the latest survey. Current resident arrears tracked our forecast profile based on residents continuing to transition to Universal Credit and increased less than expected between year-end 2021/22 and 2022/23, with performance ranking comfortably better than the median. Overheads as a percentage of turnover is below the median. This indicates that back-office functions are lean compared to most other providers, in theory allowing for greater investment in front line or added value services.

From a procurement perspective value for money encompasses a number of elements. Price and the Total Cost of Ownership, alongside quality, assurance of supply, innovation, sustainability and service. These VFM elements are not and should not just be considered during a tender process but throughout the contract lifecycle.

The strategy during the 2 years of implementation has supported and addressed these VFM elements alongside reducing and mitigating risk and subsequent impacts on VFM from areas such as compliance with PCR 2015, improvements in contract management and implementation of Havebury model form contracts.

Whilst we have not been sheltered from the external economic challenges, we have been able to manage and where possible mitigate some of these via improved collaborative working, increasing spend under contract to provide increased visibility of contractual price increase implications but also working alongside our contractors to mutually agree inflationary impacts and ensure that any outcome enables both parties to remain as viable businesses.

There will always be challenges for us to overcome, the strategy has and is enabling us to both identify and manage these challenges in a more robust and proactive way.

## Areas of underperformance

Headline social housing cost per unit, EBITDA MRI, operating margin and return on capital employed were all affected in 2022/23 by both planned additional investment and unplanned expenditure across operational activities. The rising costs of utilities, materials and services also impacted operating surpluses, resulting in performance against the metrics being adverse to budget. We expect however other providers to have experienced similar challenges and our position to be more favourable against the corresponding 2022/23 quartiles once available. Additionally, surpluses are budgeted to increase in 2023/24.

As we recovered from the post pandemic repairs backlog, addressed challenges with our materials supplier, and experienced increased demand, some residents were understandably unhappy with the time taken for routine repairs to be completed. Over the course of 2022/23 however, we filled several vacancies in our asset management team, supported managers to focus on key areas for improvement and worked closely with our materials provider to enhance performance. Further to this we opened a new distribution hub, increased flexibility in how we source materials and gained efficiencies in our scheduling. The effect has realised better performance and repair turnaround times and this, alongside the launch of a new repairs policy in early 2023/24, will increase customer satisfaction with the service to achieve top quartile. Void performance has improved significantly with our position against peers impacted significantly by the number of properties empty in the early months of 2022/23. 2023/24 targets have been set to reflect this and achieve top quartile.

In our latest general survey, customer satisfaction with area as a place to live decreased in line with overall satisfaction. As benchmarking data catches up, the repairs service continues to improve and we address other issues of dissatisfaction, we expect to regain our top quartile status for customer satisfaction against the regulator's new Tenant Satisfaction Measures in 2023/24. Although current arrears performance at year-end was favourable to target, rent collected placed in quartile four of the 2021/22 benchmarking data. This was attributable to increased former resident arrears and a reduced credit balance. It is possible that this reflects the first significant impact on rental income of the current cost of living crisis. We continue to monitor this closely and are aware other providers have experienced a similar trend, which we will expect to see reflected in the 2022/23 benchmarking data once available. In the meantime, we continue to provide assistance through our hardship fund and are reviewing the structure of our approach to ensure it maximises income and best supports residents.

### *Future developments*

A key influence on the timing of borrowings is the rate at which development activity takes place. The Board has approved plans to spend £33m during the next financial year to develop affordable housing as we continue to invest in the area. This will be funded from the loan facilities and grants from Homes England. In addition to our undrawn available loan facilities of £60m, we have a further £70m which will be drawn down over the next two years, as it becomes contractually available and in line with our business plan.

The Association continues to assess the impact of welfare reform policies on its business plan and intended future developments. Other initiatives will be developed over the next year to assist our residents in dealing with the cost-of-living crisis, especially in relation to rent charges. A support fund of £250k was available during the 2022/23 financial year and will be available for 2023/24.

### *Statement of compliance*

In preparing this Strategic Report and Board Report, the Board has followed the principles set out in the Statement of Recommended Practice: Accounting by registered social housing providers 2018 (SORP).

### *Remuneration of board directors*

Board Members receive a payment for their work following benchmarking advice from a sector consultant working to national guidelines. Both individual and collective Member performance is appraised annually with the objective of enabling the Board to ensure that it is fit for purpose.

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| Board Chair<br>WH Cresswell | Marie McCleary<br>Company Secretary<br>Marie McCleary |

Date: 8 August 2023





Havebury
Housing Partnership

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