**Value for Money ("VFM")**

On 1st October 2019, the Housing Plus Group (HPG) merged with Stafford and Rural Homes (SARH). The Housing Plus Group now own and manage over 18,000 properties across Shropshire and Staffordshire. A great deal of activity has taken place over the past 6 months to integrate the businesses. Changes include:

- A new board governance structure with Group board retaining responsibility for VFM.
- A new corporate plan and objectives have been approved. Considering this, the VFM dashboard has been reviewed to ensure the Group's VFM metrics are aligned with the new corporate objectives.
- Approving a new peer group to reflect our increased size, so that we are comparing our performance against the most suitable peers.
- An integration plan covering the period 1st October 2019 – 31st March 2022, to ensure that the merger delivers the outcomes stated in the merger business case.

The report below demonstrates a year of much change and improvement for the Group. Most targets have been exceeded; the Group's performance against our peers has improved from the previous year.

Where the Group has missed targets has been due to increased expenditure to ensure adherence to the Group's "Compliance First" policy. The development of new funding arrangements with a new Group treasury vehicle have cost increased expenditure which had not been included in last year's forecast however, the Group's long term strategy was to improve liquidity and provide further opportunity to deliver more homes, which this will enable.

The merger with SARH has also strengthened the Group's position and the combined resources of the two organisations will furthermore provide the Group with the opportunity to make even more of a difference and to deliver even better homes and services for customers across Staffordshire and Shropshire.

## VFM Dashboard

| Key | |
|---|---|
| | Positive/Negative trend |
| | Static trend |
| | Regulator of Social Housing VFM Metric |
| | Housing Plus Group VFM indicator |

| Metric | Target 2019/20 | 2019/20 | 2018/19 | 2017/18 | Trend | Analysis |
|---|---|---|---|---|---|---|
| **Operating efficiencies** | | | | | | |
| Headline social housing cost per unit | £3,336 | £2,833*/<br>£3,370** | £3,588 | £3,204 | | Performance has exceeded target, merger has had an influence on these figures. Two figures have been included for transparency. Following the regulators advice and in line with the Financial Viability Assessment (FVA) the lower number is based on acquisition accounting methodology. This only includes SARH accounts from 1st October. The higher figure of £3,370, is a combined figure for SARH & HPG for 12 months.<br><br>*regulators method of calculating mergers for FVA (annual electronic accounts)<br><br>**based on combined figures for SARH & HPG |

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| % current tenant arrears | 3.13% | 1.2% | 1.37% | 1.27% | | The Group continues to perform in the top quartile for collecting arrears. HPG acknowledged that Universal Credit (UC) is a major risk to the business so have a specific UC procedure to triage a customer who is identified as being in receipt of UC. Early intervention, well trained specialist officers and robust systems and processes have led to this excellent result without an increase in headcount. |
| **Outcomes delivered** | | | | | | |
| Reinvestment % | 7% | 6%* / 10%** | 7.7% | 6.7% | | Increased expenditure on repairs & maintenance with a heavy focus on compliance to ensure delivery of the Groups “Compliance First” policy.<br>* regulators method of calculating mergers for FVA (annual electronic accounts) ** based on combined figures for SARH & HPG |
| Customer satisfaction | 80% | 82.9% | 80% | 80% | | Customer satisfaction with landlord services is now conducted on a quarterly basis, rather than previously being measured every two years. Over the past 12 months 2,027 customers have taken part in this STAR tracker survey. |
| Number of customers supported into education, training & employment | 60 | 81 | 59 | n/a | | Our staff have supported 45 customers into new jobs, and 36 have started training or education. Exceeding the target by 26%. |
| **Development (capacity & supply)** | | | | | | |
| New supply delivered % (social housing) | 1.2% | 1.55% | 1.3% | 1.73% | | 291 new homes have been delivered during the year. This is due to the merger delivering more units than the Group had planned for pre-merger. |

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| New supply delivered % (non-social housing) | 0% | 0% | 0% | 0% | | No non-social housing delivered in 2019/20 |
| Gearing % | 80% | 62% | 77% | 74% | | Gearing has performed better than target due to SARH joining the Group and refinancing during the year. |
| **Business Health** | | | | | | |
| Operating margin % (social housing lettings) | 31% | 24% | 29% | 35% | | Overall margin lower than forecast due to merger and increased compliance, pension and funding costs.  Although not forecast at the start of the year, these changes have been approved by Board during the year as they developed. The investments are being made to deliver our corporate plan objectives to enable a growing, resilient business which has the funding capacity to grow. |
| Operating margin % (overall) | 34% | 25% | 27% | 35% | | Overall margin lower than forecast due to merger and increased compliance, pension and funding costs.  Although not forecast at the start of the year, these changes have been approved by Board during the year as they were developed. The investments are being made to deliver our corporate plan objectives to enable a growing, resilient business which has the funding capacity to grow. |

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| EBITDA MRI interest cover % | 137% | 135% | 117% | 159% | | EBITDA MRI is slightly below target, operating surplus has been reduced due to adjustments in respect of defined benefit pension schemes reflecting contributions per actuary report, higher interest costs due to interest on defined benefit liability and reduction in loan amortisation adjustment for SARH due to merger accounting The Group have a target for EBITDA-MRI to average 229% over the first 10 years of the business plan. |
| **Effective asset management** | | | | | | |
| Return on capital employed % | 5.0% | 4.1% | 4.6% | 6.5% | | Below target due to costs of arranging new loans to improve liquidity position, providing more opportunities to deliver more homes. Merger and harmonisation costs, and increased expenditure on compliance have had an impact on performance. Global accounts average ROCE has fallen to 3.6% due to investment in compliance activities. |
| Voids loss (including rent loss, void repair costs and utilities) | £1.69m | £1.71m | £1.59m | £1.6m | | Void loss is slightly below target due to some expensive voids which have taken additional time and cost to bring up to lettable standard. New controls have been introduced by the neighbourhoods directorate working closely with the asset investment team to minimise loss/costs where possible. Action has been taken during the year to mitigate these rising costs, for example by in-sourcing a dedicated clearance team. |
| % sickness absence | 4% | 3.9% | 3.7% | 2.6% | | Just below target for the year. |

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|---|---|---|---|---|---|---|
| % voluntary staff turnover | 20.3% | 20.2% | 20.5% | 21.5% | ↑ | Trending slightly below target. Restructure of central service teams and merger with SARH has had an impact.  If data for our Care business is excluded the turnover falls to 10.4% |

**VFM performance against our objectives**

In last year's VFM statements both HPG and SARH gave commitments for 2019/20 on how VFM would be improved:

**Housing Plus Group**

- **Merger** – HPG merged with SARH on 1st October 2019, expanding the number of homes owned from 12,000 to over 18,000. The Group is set to deliver the new corporate plan objectives which have been approved by Board to complete integration by April 2022. The integration plan forecasts savings of £3.5m by September 2022.

- **IT service delivery** – new service started July 2019, moving towards a flexible and dynamic cloud-based service model. This will allow the internal IT team to focus on developing the systems and services provided rather than infrastructure and help desk operations. Agile applications for customers and staff will deliver efficiencies by streamlining processes and increasing customer satisfaction.

- **Funding** - replaced existing rolling credit facility of £15m and increased facilities by £30m to take total facilities from £296m to £326m meeting the demand for additional property developments.

**Stafford & Rural Homes**

- **Repairs – patch-based approach** – SARH teams will be integrating into the Group approach post-merger, changing some service delivery to ensure consistency across the Group.

- **Security valuation** – the valuation was completed giving SARH more headroom for future developments.

- **Cashflow management** – new software has been introduced increasing forecast accuracy, which will reduce the carry cost of the revolving credit facility.

- **Customer portal** – this project has been put on hold due to merger priorities, including compliance, and housing management system consolidation.

- **Housing Worx gift aid** – Housing Worx continue to reinvest back into SARH via gift aid of any profit generated.

The Group has a VFM strategy which was reviewed and approved by the Board in November 2019. The strategy has a golden thread ensuring that VFM will be achieved when the Group delivers the corporate plan objectives.

In addition to the above commitments the Group has also achieved the following corporate objectives:

**A resilient & growing business**

- **New governance structure –** merger has led to a review and restructure of the Groups boards, making savings and delivering a strong governance structure for the new larger Group.
- **Good governance –** CQC rating of Good for our care operation and the highest G1 V1 rating with the regulator of social housing reconfirmed following the merger.
- **Protecting rental income –** Continued top quartile performance for collecting current tenant arrears.
- **Compliance – Fire:** Increased investment in compliance and associated repairs and maintenance activity. Expenditure has increased above forecast in the year to bring SARH into the Group's "Compliance First" policy, and to roll out increased fire safety investment. This includes investing in fire risk assessments of fire doors on a six-monthly basis. Staff are being upskilled to risk assess, and our property teams to undertake remedial works which reduces reliance on high demand external resources, saving cost in the long term.
- **Compliance – Gas:** Property Plus gas installation teams are regularly audited by independent external consultants. Out of 414 central heating system installs, the team score an average of 98.7% compliant ranking within the top 10 of over 250 companies audited.
- **In house delivery –** HPG continue to bring services in-house where it makes commercial sense to do so. Following a successful delivery of Grounds Maintenance services in Staffordshire in 2019, the Shropshire Grounds Maintenance contract has started to be delivered from February 2020. Savings in 2019/20 are £15,000, which is forecast to rise to £62,000 in 2020/21.

**Focused on Customers, Communities & Homes**

- **Developing more homes –** 446 homes have been added to the Group's stock this year. Completed homes of all tenures have been in high demand. We continue to develop our relationships, working closely with our partners in our strategically focussed region of Shropshire and Staffordshire to meet local needs.
- **Triage repairs service** – 39% of responsive repairs are now completed by the Property Plus triage team in the same day. Average completion time for all responsive repairs is 4 days. Customer satisfaction has improved correspondingly from 91% satisfied or very satisfied in 2018/19 to 95% in 2019/20.
- **Customer satisfaction –** the dedicated Customer Voice team are undertaking more customer satisfaction surveys to get more timely and relevant customer satisfaction information. Triangulating this with complaints data, operational performance as well as social value measures such as place shaping helps give the Board a holistic view of performance and service impact.

- **Working with our partners and investing in our communities –** our building better opportunities team, and learning programme and digital inclusion teams have helped 36 customers into education or training, and 45 customers have been supported into employment. This has exceeded our target by 26%, helping to create sustainable tenancies.
- **Care Plus customer satisfaction -** Customers in our retirement living and care and support schemes have been consulted on the level of service and support they require from the Care Plus team, so that the services are tailored to their needs rather than every scheme getting the same level of service. This has ensured that customers have a choice, which has improved customer satisfaction being 92% against a target of 90%. For customers in receipt of domiciliary care services customer satisfaction is 100%.

**Developing and supporting our people**

- **Self service portal –** 2,225 customers have registered to enable them to pay their rent online leading to efficiencies in our call centre, enabling the team to add value and serve our customers better.
- **Agile working –** the new IT service delivery and cloud-based infrastructure is leading the way to enable staff to work more efficiently.
- **New IT service –** the new service is enabling the internal IT team to deliver strategic IT projects faster whilst the service to end users is improved by having an external help desk service providing cover for longer hours to suit flexible working. The risk to the Group is significantly mitigated by having the infrastructure managed externally and moving all systems to be cloud based.
- **Care Plus staff retention** – carers pay rates have been enhanced, particularly for bank holiday and weekend work. Although this has increased cost, it has improved staff satisfaction and retention rates.

**Benchmarking**

Please see table below which demonstrates the Group's performance against all LSVT and Traditional registered providers with between 10,000 – 15,000 units. London based providers and providers with a high proportion of supported housing have been excluded to ensure a relevant comparison.

Due to the merger the Board have approved a new peer group which will be monitored and reported on for 2020/21. The new peer group is: all LSVT and Traditional registered providers with between 15,000 – 25,000 units, and excluding London and high proportion of supported housing as above.

| Metric | Peer Group Average (10,000-15,000 units) | Housing Plus Group 2018/19 | Housing Plus Group 2017/18 | Quartile indicator | Comments |
|---|---|---|---|---|---|
| **Headline social housing cost** | £3,553 | £3,588 | £3,200 | | Just below average performance for our peer group |
| **Reinvestment %** | 7.1% | 7.7% | 6.7% | | Above the median, whilst continuing to invest in our assets & develop new homes |
| **New supply delivered %** | | | | | |
| **Social housing** | 1.34% | 1.3% | 1.7% | | Developing just below the average for the peer group |
| **Non-social housing** | 0% | 0% | 0% | | We have focussed on providing more affordable homes this year, and have been successful in winning grant funding to enable this |
| **Operating margin %** | | | | | |
| **Social housing lettings** | 26% | 28.6% | 35.1% | | Above average performance against our peers for the social housing business |
| **Overall** | 23.8% | 26.5% | 34.5% | | Above average performance against our peers |
| **Gearing %** | 46% | 77% | 74% | | The Board note the level of gearing, they understand this is due to the Group being made up mainly of LSVT's and thus they carry a higher historic cost following the purchase and improvement works completed. The average EUV-SH values are 30% higher than historic costs, which gives sufficient capacity for the Group to deliver its growth ambitions. This level of gearing is not impacting on the Group's ability to raise additional funds. |
| **EBITDA MRI interest cover %** | 184% | 117% | 159% | | Although the level is below the average of the benchmark group, the Board recognise that to deliver its growth ambitions it needs to use the capacity within the Group and have a lower EBITDAMRI. It should be noted that the minimum required by covenant is 105%. The Group have a target for EBITDA-MRI to average 229% over the first 10 years of the business plan. |
| **Return on capital employed (ROCE)** | 4.4% | 4.6% | 6.5% | | Above average performance against our peers |

| | | | | | |
|---|---|---|---|---|---|
| **Current tenant arrears %*** | 2.95% | 1.48% | 1.37% | | Top quartile performance despite Universal Credit being rolled out. * Housemark peer group (sample size: 21) |

| **Key** | **Quartile** |
|---|---|
| | Upper quartile |
| | Middle upper quartile |
| | Middle lower quartile |
| | Lower quartile |

**Source: 2019 Global accounts of registered providers** – Regulator of Social Housing, December 2019 (except *, Housemark data)

**Future Plans**

- Our focus is delivering on the new corporate plan objectives which have been recently approved by Board:

  - **HOMES** - A leading provider of quality, affordable homes
    - Begin building 2,000 more homes to meet a range of needs
    - Continue to invest in our existing estates and homes, ensuring they are well maintained and benefit from ongoing improvement programmes
    - Maintain sector leader status in property compliance and health and safety activities
  - **LIVES** - A dependable supplier of services that customers can trust
    - Implement a Care and Wellbeing Strategy for the integration and growth of services
    - Develop harmonised services to customers
    - Work with customers across all landlords to create a “customer voice” model that ensures views are heard
  - **COMMUNITIES -** An investor in communities across Shropshire and Staffordshire
    - Create100 apprenticeships in our business and with our partners by December 2023
    - Invest in our communities and provide advice to support financial wellbeing and improve employability

- Offer befriending and support services for our most vulnerable customers

The merger integration plan also identifies efficiencies to be delivered during 2020/21, including savings in duplication and improved costs by re-procuring services. These include, internal and external audit, insurance services, corporate legal services, communication and marketing costs, and stores and material procurement.

**VFM Dashboard 2020-21**

The Board have reviewed and approved a new VFM Dashboard for 2020-21 in line with the recent merger with SARH and new corporate objectives:

| Metric | Target 2019-20 | Actual 2019-20 | Target 2020-21 | Links to corporate objectives |
|---|---|---|---|---|
| **Regulator of Social Housing metrics** | | | | |
| Headline Social Housing cost per unit | £3,336 | £2,833/ £3,370 | £3,420 | These metrics are mandatory; however we need to perform to our targets. HPG will not be top quartile for all, because our corporate objectives balance these demands. Performing to our targets for these metrics does mean that we will achieve our headline corporate objectives: |
| Reinvestment % | 7% | 6%/10% | 7% | |
| New supply delivered % (social housing) | 1.20% | 1.55% | 1.55% | |
| New supply delivered % (non-social housing) | 0 | 0 | 0 | |
| Gearing % | 80% | 62% | 62% | |
| Operating margin % (social housing lettings) | 31% | 24% | 27% | |
| Operating margin % (overall) | 34% | 25% | 29% | Homes: A leading provider of quality, affordable homes |
| EBITDA MRI interest cover % | 137% | 135% | 155% | Lives: A dependable supplier of services that customers can trust |
| Return on capital employed % | 5% | 4.10% | 4.24% | Communities: An investor in communities across Shropshire & Staffordshire |
| **HPG metrics 2020-21** | | | | **Specific Corporate Objective** |
| % current tenant arrears | 3.13% | 1.20% | 3% | Continue to invest in our existing assets, ensuring homes are well maintained and benefit from ongoing improvement programmes |
| Voids loss (including rent loss, void repair costs and utilities) | £1.69m | £1.71m | £1.75m | |
| *Compliance with statutory checks* | n/a new 20-21 | n/a new 20-21 | 100% | Maintain sector leader status in property compliance and health and safety activities |
| Customer satisfaction | 80% | 82.90% | 87% | A dependable supplier of services that customers can trust |
| *% of our Care and Support customers rate our services as 'good' or 'very good'* | n/a new 20-21 | n/a new 20-21 | 95% | |
| Number of customers supported into work or a better/more permanent job | n/a new 20-21 | n/a new 20-21 | 20 | Invest in our communities and provide advice to support financial wellbeing and improve employability |
| *Create 20 apprenticeships in our business and with our partners* | n/a new 20-21 | n/a new 20-21 | 20 | Create 20 apprenticeships in our business and with our partners |

| | | | | |
|---|---|---|---|---|
| *Value of money savings secured for customers by money advice service* | n/a new 20-21 | n/a new 20-21 | £2.73m | Invest in our communities and provide advice to support financial wellbeing and improve employability |

Two metrics from the 2019-20 VFM Dashboard have been removed, % sickness absence and % voluntary staff turnover. These metrics are still measured and reported to board separately. These metrics have been replaced in the VFM Dashboard by four new metrics which directly link to our Corporate Objectives. The new objectives are shown above in italics.

**Self-assessment**

After taking into account the information outlined above, we the Housing Plus Group board believe the Group complies with the VFM standard set by the Regulator of Social Housing.

In compiling this summary we feel that we have demonstrated our current and future plans and approaches to VFM which have produced some excellent results, and are well placed to continue to deliver our new corporate plan.