

Value for Money

STRATEGIC APPROACH

The overall approach to value for money has been developed from the Corporate Plan 2017 - 2024 and is based on what is required to deliver our mission. Our Value for Money Strategy 2019 - 2024 sets out the detail of our strategic approach to achieving value for money, which is to ensure our money is spent well and we optimise the use of our resources. The Strategy sets out our two main strategic aims, which are:

- to deliver value for customers; and
- to deliver value for money to stakeholders.

We have adopted the five E's as the guiding principles for our strategic approach, which are:

- **economy** – for us this means spending less and/or minimising our costs while continuing to deliver quality homes and services to our customers;
- **efficiency** – we will seek to do more for less thereby getting more from our resources;
- **effectiveness** - we will spend wisely and use our resources to achieve our Corporate Plan aims and social purpose;
- **equity** – we will ensure we use our resources to reduce inequality in our communities;
- **ethics** – we will use our resources with integrity, being open and accountable about our spending decisions.

Our strategic approach is underpinned by careful financial management and good governance. It builds on a strong culture of performance management and continuous improvement. It is supported by creative thinking that promotes innovation, including investment in technology that adds value and improves the customer experience. We are committed to delivering efficiencies and making sure we get the most out of our resources. We will be assisted by customers looking after their homes and adhering to their responsibilities.

Creating value for money allows us to provide as many new homes as possible and sustain investment in our existing homes, backed by high quality services.

Effective governance

Our strategic approach to delivering value for money is embedded throughout our governance structures across the Group and key business strategies. Our Board sets the strategic approach to value for money and checks it is being delivered. It is a skills-based Board with Members with a range of experience and knowledge who ensure our growth and non-housing commercial activity is well managed. We have a Board Champion to drive value for money.

Our Board looks to achieve value for money wherever possible and all Board reports include a value for money section to inform decision making. Each significant

investment decision requires a robust business case that considers value for money as part of a detailed cost benefit analysis of alternative commercial, organisational and delivery structures and a rigorous appraisal of options for improving performance.

Our customers are encouraged to provide feedback and work with us to continually improve our services. This ensures we are providing value for money for the rent and charges that customers pay. Our customers are also involved in the procurement of major contracts that directly impact the service they receive.

Building and acquiring more homes

We are continuing with our Corporate Plan to achieve growth by development and are now starting to form geographical clusters across the West Midlands in support of operational efficiency while bringing in more rental and sales income. In 2019/20 we completed 446 new homes. These included Section 106 acquisitions for social/affordable rent and Shared Ownership, most of which have been acquired at open market discounts of between 20%-30%. These new homes offer a mixture of tenures to cater for the housing needs of our customers.

Achieving an optimal benefit

We make the optimum use of our resources and assets and use the returns they generate to help us sustain investment in our existing homes and build new ones – ensuring we provide high quality homes for our customers.

We demonstrate our efficiency by generating a strong operating margin and having a keen appetite to invest in growing and expanding our services, our reach and our range. We deliver significant social value to the communities we operate within. We demonstrate our effectiveness by building many more new homes that people need. We demonstrate our economy by tight budgetary control; ensuring costs are in line or below our peers and driving down our outliers. These are measured through our performance against the value for money metrics set by the RSH and delivery against our own value for money targets.

VALUE FOR MONEY PERFORMANCE

Value for money metrics

We report and compare our performance against the value for money metrics using the latest Global Accounts published by the RSH, which reports sector performance outturns for 2018/19. This is the most comprehensive data set for comparison purposes, and we have broken it down so we can compare against Registered Providers similar to us. The table below shows our performance and our quartile position in relation to the median results of a benchmark peer group comprising all RPs with over 20,000 homes.

	Value for money metrics	whg 2017/18	whg 2018/19	whg 2019/20	Benchmark Median 2018/19	whg Quartile Position
1	Reinvestment	12.5%	11.4%	13.8%	6.4%	Upper
2a	New supply social	2.4%	2.7%	2.1%	1.8%	Upper Median
2b	New supply non-social	0%	0%	0.0%	0.16%	Lower
3	Gearing	67.4%	65.1%	63.3%	46.6%	Lower
4	EBITDA MRI interest cover	194%	151%	138.6%	163.5%	Lower Median
5	Headline Social Housing CPU	£3,025	£3,340	£3,473	£3,511	Upper Median
6a	Operating margin – social	40.5%	35.7%	32.5%	33.7%	Lower Median
6b	Operating margin - overall	35.4%	29.1%	25.5%	26.9%	Lower Median
7	Return on capital employed	8.1%	6.7%	6.1%	3.7%	Upper

'Reinvestment %' looks at the investment in all of our properties as a percentage of their value. We are upper quartile for this metric due to our approach to maintaining the quality of our homes, but also due, in part, to the low historic asset values of our stock.

'New supply social %' expresses the number of new social homes delivered in 2019/20 as a proportion of all homes owned at 31 March 2020. The picture in 2019/20 is very positive and reflects that we are delivering against our Corporate Plan objective.

New supply non-social is 0% as expected. There were no plans to deliver either market rent or outright sale homes during the year although these are included in mixed development schemes in the future.

The 'Gearing %' shows the proportion of net borrowing in relation to our asset base and the degree of dependence on debt finance. Our lower quartile performance is a reflection of our low asset values due to our stock transfer origin. Our net debt per unit is only £14.9k and is probably a better measure of the proportion of debt to underlying asset value.

'Earnings before Interest, Tax, Depreciation, Amortisation, Major Repairs Included (EBITDA MRI) Interest Cover %' measures our level of cash surplus generated as a percentage of interest paid. It shows our headroom for meeting interest payments on existing debt. The interest cover percentage is at 138.6% (151% 2018/19). This is partly explained by the carrying cost of the bond, where we have raised cash on the capital markets in advance of it being required. However, this does give us a very resilient liquidity position.

'Headline social housing cost per unit' combines several cost elements to provide our overall social housing cost per unit. At £3,473 we are just better than the benchmark median. This metric reflects the high maintenance costs of homes. There is a three-year plan in place to address this and manage the maintenance cost per unit in line with median quartile.

'Operating Margin %' shows our profitability and is an indicator of our operating efficiency. The social housing lettings operating margin is 32.5% and demonstrates good performance from our core activities. An operating margin (overall) of 25.5% is healthy, but both metrics are slightly below the peer medians. The low overall margin reflects the additional costs disclosed in Note 3 which show how uncapitalised development costs and unusual pension costs have had a big impact on costs and reduced the surplus.

'Return on Capital Employed' shows how well we are using our capital and debt to generate a financial return. This indicator remains upper quartile at 6.1% and was 6.7% last year. With low asset values to start with, any increase in asset value due to development has a big impact on this ratio. With a small decline in surplus against the prior year whilst our asset base is increasing, a reduction in return is inevitable.

Strategic Performance Indicators are included in the Strategic Report on page 7.

Value for money targets 2019/20

We set ambitious targets for value for money gains. Progress is reported to the Executive Team in monthly management accounts and to the Board on a quarterly basis.

In 2019/20 we achieved £3.2m of value for money savings and efficiencies, with the bulk of the saving reinvested in to works to improve homes and neighbourhoods. The table below provides a summary.

Goal	Planned £m	Outturn £m
Lever in £0.2m of ECO funding to support our £1.4m programme of energy efficiency improvements to our homes	0.2	0.1
Repairs saving on disposal of ten high cost voids	0.1	0.1
Recover VAT through our development and maintenance programmes	1.2	1.2
Secure procurement savings	0.2	0.2
Asset management saving. £36k relate to corporate social responsibility rebate, stores tipping solution (segregation savings on wastage) and SMS Frameworks. Also, the neighbourhoods projects and the aids and adaptations programmes have produced the highest combined savings of £311k.	1.2	0.5
Securing Innovate UK grant funding for Advanced Method of Construction works	-	0.2
Overage income from the Harrowby Road development	-	0.7
Margin interest uplift with less interest paid over to the bank	0.2	0.2
Total	3.1	3.2

PROGRESS AGAINST VALUE FOR MONEY PROJECTS

Aim 1 – Delivering Value for Customers

Delivered:	Principles
Over 6,000 customers now registered on My whg portal and using the service to review their rent statements, make payments and report a repair	Efficiency Effectiveness
Unified Communications technology, launched in October, has enabled us to successfully keep many of our vital front-line services running throughout the lockdown period, including enabling teams to receive and make customer calls from home and aiding business recovery by providing functionality for conference calling and video calling amongst colleagues	Efficiency Equity Ethics Effectiveness
A chatbot solution to answer generic customer enquires is now live	Efficiency
Wizard, our predictive arrears functionality has now gone live	Economy Efficiency
Voicescape which was originally purchased to help us contact customers in arrears more efficiently has come into its own during the COVID-19 lockdown. We have been able to use it more pro-actively to contact large numbers of customers about a whole range of items	Economy Efficiency Equity
Better procurement rates have been negotiated meaning more outputs against the same budget, specifically from the new Stores Contract with Travis Perkins	Economy
whg has secured Warm Homes funding providing a 50% contribution to full central heating systems installed at customers' homes. We have over 100 properties that will qualify providing a saving of over £200k	Economy Equity Effectiveness
Creation of Project Uplift providing flexible part time employment for single parents with children in school	Equity Ethics
Development of BIM/ Digital Twin modelling of our high-rise blocks to provide building information in one place. It is not only interactive with colleagues but can be used by the WMFS in the event of any incidents involving our high rise blocks	Equity Ethics Effectiveness Efficiency
During the lockdown period we have delivered over 150 IT tablets to digitally excluded customers and we are working with O2 on a broadband offer for our customers	Equity Ethics
Our planned Wellbeing development at Caparo has been subject to a customer questionnaire and workshop which has driven the latest design, ensuring the offer is closer to customer expectations	Equity Ethics Efficiency
Replacement of our current customer CRM database expert agent with HomeMatch, linked with Sequel, helping to minimise duplication and creating better reports along with improving the customer experience	Economy Effectiveness
Improved our performance on resolving informal customer complaints at the first point of contact. This has moved from 60% through to almost 90% in 2019/20. This means we are resolving issues effectively at the earliest possible time, which is more efficient and better customer experience	Efficiency Effectiveness Economy
We have recently launched an in-house Social Prescribing Services partly funded by external investment	Equity Ethics

In Progress:	Principles
<p>A Home Maintenance Services (HMS) service review action plan has been considered by GEXEC resulting in:</p> <ul style="list-style-type: none"> • Project Magna, which relates to task management and aims to improve first point of contact for customers, improve quality of service and reduce communication traffic between whg teams; • An asset review project, aiming to modernise the current remote working systems within HMS; • The restructure of the Planning/Admin function has commenced, however is currently on hold due to the current COVID-19 situation; • The out of hours operating model has been redesigned; the plan was to go live from April 2020 however this has been put on hold for 12 months due to COVID-19. 	<p>Efficiency Effectiveness Economy</p>
<p>We are in the process of designing a new Health and Well Being Strategy in consultation with customers, ensuring the outcomes we achieve are in line with our customer's priorities</p>	<p>Equity Ethics</p>
<p>The Health and Well Being Team is part of the NHS network of Social Prescribing, enabling colleagues to access free training and resources, upskilling them to work more effectively and efficiently with customers</p>	<p>Equity Ethics</p>
<p>In the process of setting up HomeTrack intelligence database, which will provide sales reports to New Business, removing the need to outsource the demand report. There will also be a new sales website which will have the customer journey at the heart of its design</p>	<p>Economy Efficiency</p>
<p>Pre COVID-19 we were part way through a Neighbourhood Services review. We know that things like fly tipping are creating enquiries into the business. We were aiming to target some of our 'hotspots' as a way to improve our approach, improving our efficiency</p>	<p>Ethics Economy Effectiveness</p>

Aim 2 – Delivering Value to Stakeholders

Delivered:	Principles
<p>COVID-19; immediately launched our Stay In Stay Well project, using resources from across the whole business to phone customers who fell into the most vulnerable categories (initially the over 70s and then all over 60s / single people / other known vulnerable customers). Ensured vulnerable customers were properly supported, whilst also ensuring our referrals to our Local Authority partner's COVID-19 Community Hubs were appropriate. Made approximately over 6,000 individual calls. Customers report high levels of satisfaction in response to the calls</p>	<p>Equity Ethics Effectiveness</p>
<p>COVID-19; effective use of resources throughout lockdown. Services that were not able to be delivered during lockdown, resources were immediately diverted to support the local community effort. This included some of our repairs operatives helping support food distribution from the local Community Hubs. They have helped deliver over 5,000 food parcels to vulnerable families. We also helped to refurbish a local Hospital that was urgently needed by the hospital to help free up capacity in preparation for COVID-19</p>	<p>Equity Ethics Effectiveness</p>
<p>Two posts in the Health & Well Being Team (Service Manager and</p>	<p>Economy</p>

Community Health Manager) have been removed from the structure in March 2020 as a result of a team restructure	
Phase one of the restructure/reorganisation of the Planning and Admin function within HMS is complete	Economy
Strategic Programme Board and Digital Programme Board established to monitor progress of projects within the Strategic and digital portfolio	Efficiency Effectiveness
A number of digital projects have now been delivered enabling a better service provision for customers and efficiencies and improvements for the business	Ethics Equity Effectiveness

In Progress:	Principles
There has been a focus from the Customer First project on streamlining processes and upskilling the Customer Services Team to resolve more complex enquires at first point of contact	Ethics Equity Efficiency
HMS Out of Hours consultation, meetings have taken place and consultation was due to close consultation on 31 March 2020, however due to COVID-19 we have extended this date to 31 July 2020	Efficiency Effectiveness Economy
Due to the large scale of the Professionalising Housing project, the restructure and review of Housing Advisor roles has been delayed until 2021 due to COVID-19. However, during Quarters 2 and 3 of 2020/21 the planned improvements of the service part of the project will go ahead, subsidised by the Apprentice Levy to upskill Housing colleagues	Economy
Our customer satisfaction measure has been at 86% for two years now. Our Business Change projects will deliver 'step change' such as through Customer First	Equity Ethics
Digital delivery is continuing and functionality including e-tenancy, e-signatures, end to end repairs booking and an improved Choose and Move platform are amongst the main projects expected to be delivered within the coming 12 months	Equity Ethics

Building more homes

In 2019/20 we invested a gross £67.4m in developing and acquiring 446 new homes.

Our Development Strategy 2020-24 sets out plans to build or acquire 2,200 new homes across the West Midlands region, with an expected gross cost of over £380m (excluding outright sale homes) which is aligned to, and funded by, our Business Plan. This includes 1,000 grant funded homes through our Strategic Partnership with Homes England. The programme balances investment in areas where rental or sales yields are high, generating additional income to support our social purpose, and is further supported by the reinvestment of proceeds from the disposal of poorly performing assets.

These new homes are being delivered by securing land and tendering the construction, by securing land and building packages with developers, and through s106 agreements. A detailed and comprehensive assessment of each scheme is undertaken to ensure it is viable and all associated risks can be mitigated. All schemes are expected to achieve a benchmark return on assets and strategic procurement and value engineering is used to achieve competitive build costs. The

comprehensive records of new homes then become a part of our asset register.

Anthem Homes is our for-profit company to build homes for outright sale. We will largely work with private development partners through joint venture partnerships to deliver what we call 'profit for purpose' – investing profits in providing affordable homes that meet local housing need.

Maintaining and improving existing homes

Our Corporate Plan makes a firm commitment to deliver 'high quality homes and services to our customers'.

Our Asset Management Strategy directs how we actively improve the value from our assets by:

- maintaining our existing homes through responsive, preventative and planned maintenance;
- improving homes with low thermal ratings through a retrofit programme;
- improving neighbourhoods with an implementation of priority projects identified with customers; and
- increasing the numbers of homes in ownership through a new build programme and acquisition.

Each year we carry out a revaluation for internal purposes on a proportion of our homes at 'existing use value' to ensure we have sufficient value for security against loans. Increased property values each year reflect the significant investment we have made in our homes and rising markets.

We survey 20% of our stock each year to ensure we know our investment requirements and these feed into our Business Plan capital investment plans. We will be investing over £1.2bn in repairing, maintaining and improving our homes over the next 30 years. We invest in our existing housing stock in order to maintain homes to our 'Great Homes and Neighbourhoods Standard' and all of our properties meet the Government's Decent Homes Standard.

Our five-year investment plan represents a total investment of over £126m in maintaining our homes (excluding colleague costs). This prioritises work to properties with the greatest maintenance needs. The plan includes elemental replacements, health and safety works, neighbourhood improvements and energy efficiency works so all of our properties will have an energy rating of D or above by 2024. The legislation in respect of a minimum energy efficiency standard came into effect from April 2020. Properties will be required to be at a minimum decent home standard energy rating of E or above.

We spent a combined total of £43.3m on our existing homes in 2019/20 on component replacements, routine repairs, major repairs and planned repairs.

Our future aim is to achieve at least median performance on maintenance and major works costs per unit. We will achieve this by securing further efficiencies in the way we manage and deliver our maintenance programmes, retendering contracts and by using value engineering to reduce costs and waste – although not at the expense of

safety.

In order to continue to deliver high quality homes for our customers we will actively appraise the performance of our homes, not just those that become empty or difficult to let. The appraisal will inform our decision on the best course of action for the homes we own so we maximise their value to customers and their financial return for our business.

Plan for improvement

A result of the investment to bring homes to a reasonable standard the maintenance cost per unit is high. A service review was carried out in March 2020 and there is a three-year plan to reduce expenditure and for us to achieve median quartile.

Social impact

We are proud of the positive impact we make through our investment in improving the health and prosperity of our customers and regenerating the neighbourhoods in which they live. The substantial social impact we make through our homes and services, the amount of social value we generate and the public money we save on annual basis as described in our Social Impact Report. During 2019/20 we generated social value of £39.4m.

Our social impact includes helping local residents to access employment, tackle poor health, and provide independence for customers who struggle with their mobility, deliver services to improve the wellbeing of our customers, improve our neighbourhoods, install measures to reduce fuel poverty and improve the energy efficiency of our homes and help sustain tenancies through money advice. We use the HACT Wellbeing Valuation Model as the principal methodology for measuring social value - it is a large bank of methodologically consistent and robust social values that provide a basic assessment of social impact, provide evidence of value for money, and allow us to compare the impact of different community investment programmes.

VALUE FOR MONEY PLANS FOR 2020/21 AND BEYOND

We plan to make further value for money gains and have a minimum target of £2.8m in 2020/21.

Value for money targets	Target 2020/21 £m
Lever in £0.1m of ECO funding in respect of rebate for using procurement framework on removal of gas at Hamilton & Woodall.	0.1
Recover VAT through our development and maintenance programmes.	1.6
Secure procurement savings.	0.1
Retender of the stores contract and no KPI fee resulting in a saving on the new stores contract.	0.3
Local Enterprise Funding for neighbourhood improvements	0.5
Advanced Methods of Construction grant funding awarded for research and development.	0.1
Margin uplift which is a forecast saving on the interest margin paid over to the banks.	0.1
Total	2.8

Value for money projects

We will deliver the following initiatives and projects to secure additional value for money in 2020/21:

- Collect and review evidence of value for money progress, gains, and social value achievements through a 'virtual evidence pack', progress report and Social Impact Report to tell the wider story of the broader positive value and impact on customers from the homes and services provided by whg;
- Work towards reducing cost per unit outliers;
- Continue to challenge ourselves to identify digital solutions to business operations: a new digital action plan is being developed to support the organisation's digital ambitions;
- Deliver a wide range of strategic change projects that will ensure we work as effectively as possible across the business.
- Re-procure the Tier 2 maintenance contracts to generate cost and efficiency savings and renew contracts for fire alarms and communal aerials to deliver VFM gains and ensure customers are safe;
- Deliver our Commercial Strategy and generate 'profit for purpose'.