

Report Of The Board Of Management
Year To 31 March 2020

Value for Money Statement

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Value for Money Statement

VFM is the very essence of running a viable social business through aiming to do the right things for the least cost. It is also about continuous improvement and is the driving force behind everything we do. It is also, crucially, about preserving value for the longer term and avoiding short-termism. Staff members have clear objectives, rooted in our purpose, and this enables us to identify the actions that will achieve those objectives.

We ensure our key processes are lean and customer focused, incorporating the use of technology wherever possible. Efficiency is about achieving the same for less, such as re-tendering of services.

We use benchmarking to identify inefficient activities and target remedial action, e.g. where costs are high, or performance is poor. We compare our performance on an annual basis against other housing associations through Acuity. This gives us an indication of the costs of our services compared to other members, and with members of SHAPE, (Small Associations Pursuing Excellence), our benchmarking peer group. Where costs are significantly higher than the norm, a service review is triggered. We also compare the quality of our services through customer satisfaction surveys and have just carried out a STAR survey with our tenants. The survey results continue to show high levels of satisfaction from our residents, particularly that their views are listened to and acted upon, and that their rent is value for money. There has been a small drop in satisfaction since our last survey, but it should be noted that the survey took place during the Covid pandemic. We will use the results to continue to improve the services that we offer.

We keep costs down through strong fiscal stewardship. This includes an active and considered approach to a range of activities:

Treasury management: We aim to achieve the best possible return on investments though this is challenging at a time of record low Bank rate, and we spread investments amongst Banks with the highest credit ratings.

Procurement: We recognise that to improve as an organisation, our major suppliers should be partners as well as contractors. We have a procurement strategy to achieve maximum benefit for all organisations involved in terms of delivery and cost.

Development, property care and maintenance: Our partnering procurement method combines control of the design with increased control of costs. Performance standards are validated by measuring and testing.

We use a combination of ways to achieve best value from contractors including formal tendering and schedule of rates. The use of our own direct labour team ensures a high quality of service to residents with our costs being tested by periodic market comparisons to ensure value for money.

Commodities

We compare value through NHF procurement including IT. We use Phoenix for software discounts and explore other procurement routes with SHAPE members and Procurement for Housing (PFH).

Investing in our assets

Existing stock: We are currently working towards a 30-year plan to meet the government's energy targets. As a minimum we currently achieve at least 'Decent Homes' standard on all our stock, but we aim to provide good quality homes including generous space standards and we continue to improve energy efficiency and upgrade kitchens and bathrooms when needed. We ensure value for money through competitive tendering and contract reviews, and use our direct labour team to carry out the fitting of new kitchens and bathrooms as well as for routine repairs.

New housing: We have established high quality standards for our new environmentally sustainable housing, and we aim to achieve best value in producing these high-performance homes within a normal cost range.

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Monitoring and measuring performance

Our financial and statistical performance is measured and reviewed quarterly at Committee level and by the Board. Greenoak understands the importance of comparing our performance and costs with peers to understand our Value for Money position. To achieve this, we compare our performance and costs using the Acuity benchmarking service. Greenoak also works collaboratively with a group of similar sized providers, known as SHAPE, to share best practice and learning.

The table below sets out our performance against the Regulator of Social Housing’s 9 Value for Money metrics. Greenoak also uses a wider set of measures to provide a more detailed understanding of our relative performance. The additional metrics can be found in the second table. We have compared our performance to both large and small providers and show quartile positions compared to each.

During 19-20 Greenoak made the decision to withdraw from the Social Housing Pension Scheme (SHPS). The cost of withdrawal from the scheme was £690,603. This was an exceptional cost for the year and had a significant impact on the operating surplus figure. Three VfM metrics are affected by the SHPS withdrawal costs. These are Earning Before Interest, Tax, Depreciation and Amortisation (EBITDA) Return on Capital Employed (ROCE), and the Overall Operating Surplus. To provide a more meaningful comparison these three ratios have been set out in a separate table showing the ratios and quartiles including and excluding the SHPS costs.

The VfM metrics highlights that Greenoak has significantly higher levels of re-investment during 19-20 than peers. This reflects our investment in our new development of properties at Wisborough Green, which also highlights our higher levels of new supply delivered when compared to peers. This reflects the ambitions of our 2018-20 corporate plan, the first objective of which was to provide truly affordable and sustainable housing. Greenoak monitors its gearing levels against loan covenants and has capacity to enable further borrowing to build more new homes. Our costs of service are competitive to peers. More detailed analysis of our overall headline social housing costs is included in our additional performance measures table. Our recent resident satisfaction survey shows continued high levels of satisfaction among our tenants.

VfM Metric	Greenoak 19-20	Greenoak 18-19	Smaller RPs median 19-20	Smaller RPs quartile	Larger RPs median 19-20	Larger RPs quartile
Reinvestment (%)	9.17%	2.64%	3.62%	1	5.6%	1
New supply delivered (social housing units %)	7.16%	0%	0%	1	1.36%	1
New supply delivered (non-social housing units %)	0%	0%	0%	N/A	0%	N/A
Gearing (%)	20.29%	7.93%	17.48%	N/A	43.06%	N/A
Headline social housing cost per unit	£3,626	£3,854	£4,577	2	£3,814	2
Operating margin (SHL)	18.56%	26.25%	18.22%	2	28.51%	4

VfM measures affected by exceptional SHPS withdrawal costs

VfM Metric	Ratio with SHPS costs removed	Ratio including SHPS cost	Greenoak 18-19	Quartile with SHPS costs removed	Quartile including SHPS costs
EBITDA MRI	239.9%	15.05%	126%	3	4
Operating margin (overall)	19.25%	-6.19%	26.03%	2	4
ROCE	3.22%	0.33%	2.91%	2	4

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Alongside the above Regulator of Social Housing measures, Greenoak has also selected several additional measures to provide a fuller understanding of our VfM position. The data shows that Greenoak has enjoyed extremely high levels of satisfaction compared to peers. Although our occupancy levels were lower than some peers, this data was taken as a snapshot at the year end and was affected by several properties being held for decant to assist the delivery of a Local Authority led regeneration scheme.

We also monitor the time to let properties and void losses to assess the performance of our lettings. The more detailed data we collect also helps us to further understand the breakdown of our overall cost per unit which shows the cost of delivering the management and maintenance functions as well as costs that are service chargeable. Due to one off factors, our maintenance costs increased between 2018-19 and 2019-20, although they remained competitive with peers.

Our service charge costs are higher than peers, although further analysis indicates that this is due to Greenoak managing a higher proportion of housing for older people's flats. These incur additional service charge costs for items such as the upkeep of communal areas, systems, grounds as well as the call centre support systems.

Metric	Greenoak 19-20	Greenoak 18-19	Smaller RPs median	Smaller RPs quartile	Larger RPs median	Larger RPs quartile
Occupancy GN	98.0%	99.2%	99.8%	4	99.78%	4
Management cost per unit	£657	£649	£1,128	1	£994	1
Maintenance cost per unit	£1,185	£771	£947	3	£1131	3
Service charges per unit – HB allowable	£783	£807	£513	3	£339	4
Ratio of responsive repairs to planned	0.80	0.64	0.59	3	0.70	3
Rent arrears gross	2.64%	2.33%	2.64%	2	2.90%	2
Rent collected for Year	100.44%	100.94%	100.0%	1	100.02%	2
Operating costs as % turnover	83.87%	76.81%	N/A	N/A	N/A	N/A
Gearing bank covenant loan	40.63%	44.81%	N/A	N/A	N/A	N/A
Customers satisfied with their landlords' overall service (%)	89.5%	98.65%	89.5%	2	87%	1
Customer satisfied that their rent provides value for money (%)	94.7%	96.23%	89%	1	85%	1
Customer satisfied with their last repair	100%	98.0%	96%	1	92.2%	1