Community Gateway Association

Value for Money Statement 2017-18

Our Approach

CGA's strategic objectives and priorities are set out in the 3 year (2016-19) Corporate Strategy originally approved by Board in March 2016 and subsequently reviewed on an annual basis thereafter. The Corporate Strategy is built upon three Strategic Themes, these being

- Our People;
- Quality Homes and Sustainable Tenancies; and
- Finance and Growth.

Each Strategic Theme has a number of Objectives, totalling ten across the Corporate Strategy. Each of the Objectives has clearly defined Key Performance Indicators (KPIs) and targets by which the Board can track progress and ultimately assess delivery. Each Objective contains a range of actions clearly targeted towards the achievement of these KPIs. Value for Money (VfM) runs through everything we do and is an integral theme across our corporate planning and objectives.

To reinforce this VfM and continuous improvement is a fundamental objective under the 'Finance and Growth' Strategic Theme. Our VfM objective defines the requirement for us to "continue to deliver value for money by improving the cost effectiveness of services, improving system efficiency and business processes and through the effective procurement of supplies and services".

Decision-making framework

Our effective decision making process supports the delivery of VfM. It is important for us to know the impacts of decisions, whether these are about improvements to services or cost reductions, as this allows priorities to be set and agreement reached. Our decision making framework includes:

- A robust corporate planning structure involving the Board, tenants, staff and wider stakeholders in the production of our corporate strategy. This is supported by policies and strategies, aligned to the corporate objectives;
- Annual plans are prepared by each Directorate and service area which focuses on service improvements in the delivery of our corporate objectives. These provide a forward view of resource requirements, and therefore VfM, alongside wider social and environmental gains;

- The collection of customer satisfaction feedback, coupled with committed tenant involvement, empowerment and scrutiny ensures that our customers' views are used to inform and influence how services are delivered;
- Financial performance is reviewed on a monthly basis by the Executive Leadership Team and on a quarterly basis by the Board; actual and forecast performance is compared to the annual budget, alongside the impact on the medium and long term financial plans. This enables corrective action to be taken in a timely manner, including consideration of short and medium term implications;
- Our KPI's provide the Board, management and tenants with an understanding of current performance against target and how they compare to recognised benchmarks;
- A project management framework exists and requires the Senior Management Team to approve new business initiatives. This ensures each has been fully evaluated, appraised against the corporate objectives and is managed in a consistent manner.

Reporting on Performance and VfM

The Board, Gateway Central and its Action Groups receive regular reports throughout the year on our financial position and how we are performing against our service targets.

We recognise the importance of measuring how the business is performing, and use this knowledge to help us challenge whether the quality of our services could be improved or delivered more cost effectively. We set ourselves challenging targets to sustain or improve year-on-year through the life of our Corporate Strategy.

The Board and Gateway Central track progress in delivering the Corporate Strategy through a quarterly performance report which includes 14 KPIs. Performance in 2017/18 against our KPI targets and compared to our peers is set out in Table 1 below.

When comparing our performance against our peers, we use HouseMark's North West benchmarking group for Large Scale Voluntary Transfer organisations with more than 2,500 units. This consists of 18 housing providers (including CGA) and these are listed at Annex 1. This peer group was selected to represent similar housing associations, operating in the same geographic region, to provide the most meaningful and useful comparisons.

Table 1 - Key Performance Indicators

Objective	KPI	Q4 2017/18	Target		Quartile	Upper Quartile
Governance	G1, V1 rating from the Regulator of Social Housing	G1,V1	G1,V1			
Empowerment	Percentage of tenants very or fairly satisfied with the opportunities to get involved with CGA	73.61	74.50		-	-
Colleagues and Culture	Average number of days lost to absence per employee	8.74	7.00		3	6.77
Development	Number of homes built/acquired	37	76		-	-
Asset Management	Percentage compliance with gas safety KPIs	100	100		1	100.00
	Responsive repairs 'right first time'	97.61	97.29		2	97.83
Key Landlord Services	Percentage of respondents very or fairly satisfied with the way their ASB complaint was dealt with	95.88	90.00		1	92.10
	Percentage of customers very or fairly satisfied with the service provided by CGA (includes the STAR results)	95.54	93.00		1	92.05 (STAR)
	Tenancy turnover	9.53	8.50		4	7.28
Specialist Services	Percentage of failed tenancies (terminations due to affordability or inability to manage the tenancy)	24.49	22.50		-	-
Financial Management	Percentage compliance with all loan covenants	100	100		-	-
Value for Money	Percentage of Value for Money scorecard metrics meeting target	71.43	100		-	-
Financial Resilience	Percentage of rent loss through voids	0.99	0.75		3	0.73
	Percentage of net rent collected	100.07	99.00		-	-

Quartile Key	Upper Quartile	Middle Upper	Middle Lower	Lower Quartile
	1	2	3	4

Commentary on KPIs

Table 1 shows that 7 (50%) out of the 14 targets were achieved. The KPI targets set for the year were stretching ones, to ensure that focus was given to areas of strategic priority in order to sustain or improve current performance.

Whilst the **'percentage of tenants very or fairly satisfied with opportunities to get involved with CGA'** is strong at 73.61%, it was just below the target of 74.50%. As a tenant-led organisation, tenant engagement is fundamental to the way we operate and as such we are currently carrying out a review of our approach to Tenant Engagement, in an initiative branded as "Let's Talk Engagement". This review will seek to enhance our approach to engagement and as a result improve performance in this area.

'Days lost to absence' was higher than target for a variety of reasons, with 42% short term and 58% long term absence. Our People Services Team continue to work with colleagues to effectively manage sickness absence, promoting health and wellbeing, monitoring routine Occupational Health contact, carrying out home visits and return to work support in relation to long term absence.

'No. of new homes built/acquired' - delivery of new homes was impacted by the timing of commencing some of our development schemes. We have recently secured additional loan funding, which means our new build targets for 2018/19 and future years have been significantly increased (with a target of 122 new homes for 2018/19 and 535 over the four year period to 2021/22). Extensive work is being undertaken to source and progress schemes to meet these targets.

Targets under the **'Asset Management'** objective were achieved with gas servicing and responsive repairs benchmarked performance sitting in the top 2 quartiles.

'Key Landlord Services' was also a strong area with some areas of excellent performance, including satisfaction with handling ASB cases (95.88%) being comfortably above target. Overall satisfaction with CGA's services also ended the year on a high and in the upper quartile at 95.54% against a target of 93.00%. **'Tenancy turnover'** has been higher than target during the majority of the year with the most common reasons being- the property is too small; the tenant has deceased; or the tenant needs other facilities or support. The cumulative figure showed an improvement towards the end of the year reducing to 9.53% due to a lower number of terminations in quarter 4. The positive movement in Quarter 4 has also continued into Quarter 1 of 2018/19. The **'Failed Tenancies'** KPI rose above target following a marked increase in the number of terminations during October 2017. However, performance has since improved with quarter 4 seeing the lowest number of failed tenancies for the financial year, sitting within target at 22.50% - this is a reduction from 31.29% in quarter 3. Tenancy sustainability remains a key area of focus, and has been supported by a recent restructure of the teams that manage the tenancy process. This additional focus should also help to reduce our void rent loss going forward.

We have also ended the year in a strong position financially, with all KPIs reported under the **'Financial Management'** objective being on or better than target. Year end rent recovery performance was outstanding with record low current tenant arrears of 0.66% alongside a collection rate of 100.07%. This excellent performance was assisted through the work of our Tenancy Support Team, which achieved over £3m additional benefits for our customers, helping them to improve their quality of life and producing social value.

VfM Regulatory Metrics

The Regulator of Social Housing issued a new VfM Standard and supporting code of practice with effect from 1st April 2018. The standard requires Registered Providers to annually publish evidence to enable stakeholders to understand the provider's performance against its own VfM targets and the metrics set out by the regulator, alongside how that performance compares to peers.

Table 2 below provides a summary of business performance in 2017/18 as measured by the VfM Metrics and provides a comparison of performance against the target for the year, that of the previous two years and how we compare against other housing providers within our peer group.

Table 2 - Value for Money Regulatory Indicators								
	2015/16 Actual	2016/17 Actual	2017/18 Target	2017/18 Actual	2017/18 Result	Direction of Travel (over 3 years)	Comparison to CGA's Peer Group (Based on 2017 data)	
							Quartile	Upper Quartile
Operating margin % (Overall Margin) Measurement of financial efficiency.	25.34%	35.94%	26.00%	29.04%				33.40
Operating margin % (Social Housing Lettings) Measurement of financial efficiency.	31.72%	39.49%	n/a	32.22%	n/a			36.05
EBITDA MRI % Measurement of liquidity	279%	301%	224%	282%				329.4%
New supply delivered Number of new units delivered as a proportion of total units.	0.87%	0.49%	0.68%	0.60%				1.40%
Reinvestment % Investment in properties (existing stock as well as New Supply) as a percentage of the value of total properties held	New Indicator for 2017/18	5.64%	6.59%	8.70%			n/a	New Indicator for 2017/18
Gearing % The proportion of assets that are made up of debt	42.80%	40.28%	40.37%	36.60%				38.99%
Return on Capital Employed % Measurement of efficiency of investment.	5.55%	7.25%	2.79%	6.09%				9.06%
Headline Social Housing Cost per Unit £ Cost per unit for social housing activities.	£2,866	£2,580	£3,084	£3,037				£2,919

Quartile Key	Upper Quartile	Middle Upper	Middle Lower	Lower Quartile

Commentary on the metrics

The VfM indicators show a strong and improving position for CGA, with 4 indicators being in the middle upper quartile and just 3 indicators in the middle lower quartile when compared to our peer group. As the reinvestment % metric is a new indicator we currently have no benchmarking information to compare it with. It is pleasing to note that we have no indicators in the lower quartile when compared to others. In addition, 6 out of the 8 indicators show an improving trend over the 3 year period from 2015/16 to 2017/18.

Our **Operating Margin** and **EBITDA-MRI** metrics show an improving picture over the 3 year period from 2015/16 to 2017/18. The 2016/17 Operating margin was in the upper quartile and the EBITDA-MRI in the upper middle quartile; however they dropped into a lower quartile in 2017/18 as a result of the impact of one-off events (principally the write off of an IT system and costs associated with an organisational restructure). This improving trend reflects our income maximisation, with excellent rent collection performance of 100.07% during the year and low level of arrears at 0.66% combined with strong cost control.

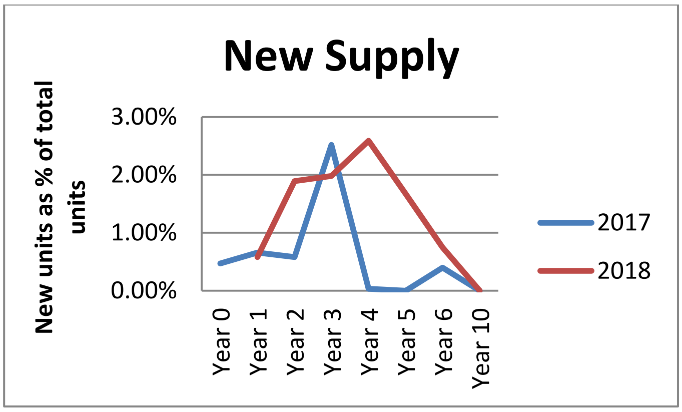
Our **Headline Social Housing Cost** indicator remains low at £3,037 per unit and in the middle upper quartile. This reflects our tight control of costs and outperforming our savings targets. Since 1st April 2017 we have delivered £3.5m of savings, outperforming our £2.5m target; this has been achieved through a combination of procurement efficiencies, doing a greater proportion of work in-house and increased efficiency as a result of a re-alignment of employee resources. Despite our tight cost control we continue to deliver effective outcomes, with the percentage of customers satisfied with the service provided remaining in the upper quartile at 91.2%. In addition, and comparable with other high performing organisations, we invest 4% of our cash surpluses into our communities to help generate a social return.

We recognise, however, that our **new housing supply** delivered metric of 0.6% could be increased, and as detailed below we have put measures in place to improve this.

Our **Gearing** ratio demonstrates that we have the capacity to increase our borrowing, with a ratio of 36.60% comparing favourably to the upper quartile figure of 38.99%. During the year, in line with our Corporate Strategy, we reviewed our loan funding and utilised some of this gearing capacity by putting plans in place to increase our loan facility from £70m to £90m. This refinancing exercise was approved by Board in May 2018 and completed on 7th June 2018 and is now reflected in our future business plan.

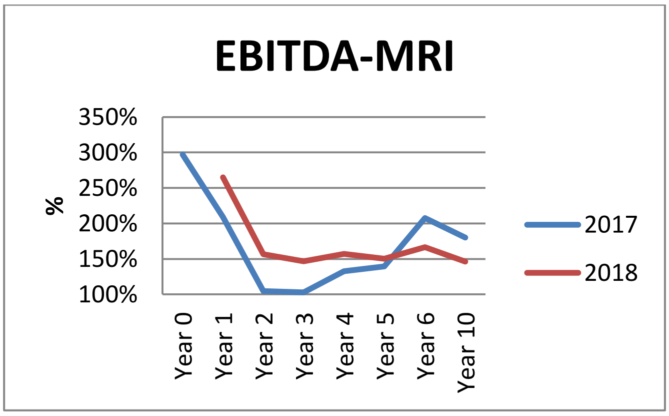
This new facility will allow us to deliver an additional 535 new units over the 4 year period until 31st March 2022 and will see us increase our number of units developed (as a percentage of units owned) metric to a peak of 2.59% in 2021/22 (Year 4) as shown in graph 1 below; a significant improvement on the 2017/18 reported figure of 0.6% which, based on 2016/17 benchmarking data, should see us move into the upper quartile in 2018/19. The new homes we develop will help us meet a range of housing needs, including a 60 unit Independent Living Scheme and 2 and 3 bedroom properties in a variety of locations.

Graph 1 – New Supply of Units



The latest business plan also presents an improved and more consistent EBITDA-MRI indicator as shown in graph 2 below. The approved business plan includes contingencies that if not utilised should see us improve this ratio at outturn.

Graph 2 – EBITDA-MRI Ratio



Going forward our strategy objectives and targets will help us to further improve our Business Health. For example, on a regular basis the Board consider reports reviewing our economy, efficiency and effectiveness in the delivery of our strategic objectives. Examples of this include approval of our Growth Strategy that seeks to grow Gateway PropertyCare (GPC - our in-house Repairs team), setting a target for GPC to carry out 98% of the

Investment Programme by 2019/20. We have estimated that this will generate recurring efficiency savings of up to £490k per annum. This potential efficiency saving has not been reflected in the business plan, and should it materialise it can be invested into other CGA priorities to further improve our performance in these areas. We also have a target to increase the number of units we own or manage to 7,000 by March 2022 (the latest approved business plan has approved funding to increase in size to 6,500 units by 2021/22). To achieve our target increase in stock numbers in the most efficient and cost effective way, the Board has considered and approved alternative ways of procuring the services required, and has recently agreed to create 2 new subsidiaries - Patterdale Development Limited and CGA Homes Limited. The objective here is to procure the new build programme in a more efficient way that not only saves on total build costs but allows us to more effectively cross-subsidise development activity. For example, the Board has agreed that any non-social housing development such as market sales, when undertaken as part of a mixed tenure scheme, any surplus made from the non-social housing element should subsidise the affordable rented homes.

The Board continues to actively manage our stock, and understands the cost drivers for each area. We have calculated the Net Present Value (NPV) of all our stock and review this on an annual basis to identify areas where performance does not compare well to the rest of the stock. We review these areas in more detail using our Retention, Divestment, and Investment Framework (RDIF), and present options appraisals to Board for consideration. As a result of this process the Board has approved:-

- investment in remodelling Rothwell Crescent, by addressing the oversupply of one bedroom flats CGA currently owns and converting them into 2 bedroomed houses; and
- the divestment through demolition of some maisonettes at Savick, to improve and present opportunities for future investment in the area.

During 2018/19 we will continue to actively manage our stock and plan to carry out a review of some of our Sheltered Schemes.

Moving forward, tenancy sustainability remains a key area of focus and we have restructured our Housing Management Teams, by putting additional resources into these areas to improve our performance. This has already seen an impact, with the Quarter 1 tenancy sustainability targets as set out in Table 3 below being exceeded.

Table 3 – Tenancy Sustainability Targets

	2018/19 Target	2018/19 Qu 1 Actual	2018/19 Qu 1 Result	Quartile Ranking
Tenancy Turnover	8.00%	7.83%		
Percentage of Failed Tenancies	20.00%	19.01%		n/a
Average number of days to let void properties that have undergone minor works	24.00	23.10		
Void Rent Loss	0.72%	0.70%		

Quartile Key	Upper Quartile	Middle Upper	Middle Lower	Lower Quartile

2018/19 is the final year of our 2016-19 Corporate Strategy. We will work with stakeholders to develop our next Corporate Strategy from 2019/20 onwards; this will include determining how utilising digital technology can improve the overall efficiency and effectiveness of CGA, reviewing our current stock and securing further funding to increase the number of units we own.

Annex 1 – Benchmarking Peer Group

Bolton At Home

Calico Homes

City West Housing Trust

Cobalt Housing

First Choice Homes Oldham

Liverpool Mutual Homes

Magenta Living

New Charter Homes

One Vision Housing

Peaks and Plains Housing Trust

Rochdale Boroughwide Housing

SLH Group

South Lakes Housing

Southway Housing Trust

Trafford Housing Trust

Villages Housing Association

Weaver Vale Housing Trust