PINE COURT HOUSING ASSOCIATION

VALUE FOR MONEY SELF-ASSESSMENT 2021/22

HERITAGE | COMPASSION | CONVICTION | WISDOM | STRENGTH

Introduction

As a modern and innovative housing association Value for Money (VFM) sits very much at the heart of our activities, to ensure we continue to deliver quality and efficient services to the communities we serve. We are a leading BME registered provider and create value for our customers, primarily to the Chinese and South-East Asian communities across Merseyside. The aims of PCHA provide clear strategic direction for the organisation to achieve its goals. We have a commitment to:

- Deliver specialist housing services.
- Deliver strong performance and financial viability.
- Continued development and growth.
- Seek new and improved partnership opportunities.

We feel that with our strategic approach to VFM planning and reporting of VFM achievements that PCHA is compliant, and will continue to be compliant with the Regulator of Social Housing's (RSH) VFM Standard.

Since joining the Sovini Group we have developed and deployed a robust and challenging approach to the pursuit of value for money, with £6.7m in total of efficiency savings realised at 31st March 2022 (£0.2m during 2021/22). This is in addition to the broader society outcomes achieved through our financial inclusion, employment, and community development activities.

We believe that this self-assessment demonstrates not only our compliance with the RSH VFM Standard, but moreover that it evidences our embedded culture and attitude to VFM which, we consider vital to remain a successful and high performing organisation for the future.

Steve Gow – Chair of the Board

David Brown – Director of Operations

What is Value for Money (VFM) at Pine Court Housing Association?

We are clear that for Pine Court value for money is about:

- A positive customer experience tailored to our customer base.
- Clear outcomes directly linked to the way we spend our money.
- Using the innovative Sovini Group business model to drive efficiency through our commercial group partners.

What is our Vision?

At PCHA we have a vision for 'inclusive diverse communities'. The way we use our resources is a crucial foundation in our Strategic Plan 2022-27 as that allows us to progress our vision for 'inclusive and diverse communities'. We will deliver this by:

- Providing quality homes and housing services
- Promoting social, economic, and cultural cohesion.
- Nurturing talented people, to achieve success.
- Working with partners to deliver more.

We deliver services efficiency and effectively and this is monitored through our Performance Management Framework which details how we review performance, costs, and outcomes for our customers. We use our Risk Management Policy to assess and where possible mitigate our risks and our board regularly stress test our business plan.

Our VFM approach is embedded and applied consistently at group level, linking directly the Sovini group Mission 'Success through collaborative enterprise'. The VFM Strategy sets out how the activities of the wider Sovini group partners drive efficiency, VAT, and other productivity savings through the provision of 'shared' and 'self-delivered' services and in doing so part fulfil our social, economic, and environmental responsibilities. The VFM Strategy also outlines how our group partners strive to seek and secure new, profitable external contracts to generate additional financial capacity.

The VFM Strategy was reviewed in 2021/22 and the VFM objectives as set out in the Strategy as follows:

1. Maximising our social value
2. Best use of our assets and resources
3. Regulatory compliance and customer involvement
4. Cooperation and collaboration through self-delivery
5. Maximising opportunities through procurement
6. Excellent performance and customer service

Our Board

The board have a strong focus on, and joint understanding of VFM. Through the business planning process, they establish a budget and through regular review and scrutiny throughout the year, they assess the quality of service and the performance against budget. The board consider and make business decisions with VFM in mind, with a full understanding of how this contributes to the achievement of the strategic aims of the association. This is supported by a robust business planning process which, considers key risks, scarce resource allocation, priorities as well as economic and underlying performance assumptions to ensure sufficient headroom to manage and mitigate risk.

The board receive regular and proportionate assurance during the year to ensure that we continue to meet our VFM objectives, and this includes bi-annual update reports to the group business assurance committee, summarising progress and key outcomes including quantified efficiency savings. It also includes scrutiny of the activity and outcomes included within this VFM self-assessment. The board also receive bi-annual service delivery plan updates, which include progress against VFM actions and Quarterly KPI reports.

Our Savings

The association considers and approves an annual budget within the context of a 30 year business plan. Actual performance is tracked and monitored against the budget and business plan during the year to quantify and report the additional financial capacity generated and any adverse financial impacts.

At the end of the year, an efficiency statement is produced which quantifies the financial capacity generated based on outperformance of key targets and assumptions.

Table One summarises the service areas in which the improved performance has arisen, the additional financial capacity (cash generated), and how this was achieved.

In 2021/22, the Association generated £199k of additional financial capacity by collecting more income, reducing its recurring management costs and employer related pension contribution savings following closure of the SHPS Defined Benefit Pension Scheme.

There were no grant receipts in the current year.

This additional financial capacity has been reinvested by the Association to improve services and build new homes.

Service Area	**How Achieved**	**Cash releasing £'000**	**Non-cash £'000**	**Total AES £'000**
Rent and Service Charge Income	Improved rent collection and void loss performance compared to the Business Plan	**88**	-	**88**
Management Cost	Recurring overhead, office accommodation and other savings	**55**	-	**55**
Property Management and Investment	Lower void volumes and asbestos cost mangement savings	**29**	-	**29**
Other Activities	Savings generated on pension restructure	**27**	-	**27**
Total 2021/22 AES Gains	**All Activities**	**199**	-	**199**

Source: PCHA 2021/22 VFM Compliance Statement (Provisional Outturn)

These additional resources will assist the association to improve the return on assets and will also be reinvented as part of our planned sustainable development programme.

Return on Our Assets

PCHA have developed a sustainability index to inform future asset management priorities and decisions. This allows us to routinely assess the long term viability of our assets and full consideration of exceptional repairs expenditure or emerging neighbourhood management issues call the sustainability of the asset into question. An appraisal is carried out that combines both financial and non-financial information on a range of options; typically retention, demolition, and disposal.

The appraisal includes:

- A 30 year Net Present Value (NPV) and discounted payback period assessment
- Performance information (e.g. void turnover, rent arrears)
- Feedback from asset management and housing staff and other front line officers'

This is the fundamental basis of the way we manage our assets.

The sustainability index (2018-2021) currently contains 520 properties with a calculated NPV of £33.6m (average of £65k per property). The majority or properties (97%) have an NPV of above £10K, 1% have an NPV of between +£10K and -£10K the remaining 2% have an NPV of less than -£10K. Only 5 properties had an NPV of less than -£50k and these have been appraised in 2021/22 to review their longer term viability. Following this review process, we are happy that their financial performance will improve, and they will be monitored in the upcoming version of the sustainability index for 2019-2022.

The process of information based appraisal and review is key to understanding out stock base and making sure it is sustainable over the next 30 years. The sustainability index will be reviewed and updated in 2021/22, with oversight from the Asset Management Steering Group.

Our Impact on Society

We have a board approved Community Development Strategy which we use to support community projects. Since the start of the community development fund, we have measured our impact on society and the social value they have generated via the HACT Social Value Calculator. This information is reported to board in detail and certified on an annual basis. Our certification process shows that we have generated nearly £1.6m of social value for the 2021/22 year, which gives a £38.98 return on every £1 invested.

Table Two: 2021/22 Social Value (Certified Version)

Description of activity	Budget for this activity	Number of beneficiaries	Social value generated	Social value return
Employee Training	£100	11	£14,165	1 : 141.65
Clear Rent Accounts	£13,500	47	£281,270	1 : 20.83
Customer Empowerment Panel	£10,000	7	£45,114	1 : 4:51
Decoration Allowance	£957	14	£67,927	1 : 70.98
PCHA: Liverpool Chinese Business Association	£3,000	150	£224,728	1 : 74.91
PCHA: Liverpool Hung Gar Kung Fu	£1,900	250	£483,808	1 : 254.64
PCHA: Pagoda Arts	£9,820	125	£187,274	1 : 19.07
PCHA: Wirral Chinese Association	£1,100	123	£184,277	1 : 167.52
PCHA: Contribution to the Florrie Food Bank	£400	40	£59,928	1 : 149.82
International Womens Day - Sponsorship of this Event	£380	30	£55,872	1 : 147.03
Total	**£41,157**	**797**	**£1,604,363**	**1 : 38.98**

Source: PCHA Social Value Bank (2021/22)

The details of these certified activities and figures will be reported via PCHA's Annual Report, which will be published to all stakeholders. Full details will also be included on the Pine Court website.

How We Perform and Compare

At year end, seven out of the reported eight KPI's below have met or exceeded their target. We have benchmarked five of the KPI's, and the association is performing within the top quartile for four of these indicators. When compared with our peers, PCHA is a top performing organisation across all of the benchmarked KPI's. Those without formal benchmarking, we are confident the strong performance means we perform strongly in these areas. Due to regional population in the area of our previous years development scheme we experienced difficulties in achieving the KPI of letting to ethnic minority tenants, but this is something we remain committed to where possible.

Table Three: 2021/22 Key Performance Indicator Performance

Performance Indicator	**Year-end 2021/22**					
	Value	**Target**	**Status**	**Housemark Quartile**	**2020/21 Value**	**Trend**
Rent collected as a proportion of rent available (exc. arrears b/f)	100.74%	101.27%		2	100.87%	
Average number of days to re-let a void property (exc.	1.5	5		1	2.8	
Rent arrears of current tenants as a proportion of the rent roll	0.62%	1.50%		1	1.42%	
% of rent lost due to void properties	0.06%	0.08%		1	0.06%	
Customer satisfaction with services (cumulative)	99.34%	95.00%		*No data*	99.10%	
% of dwellings meeting the Decent Homes Standard	100.00%	100.00%		*No data*	100.00%	
Property Compliance	100.00%	100.00%		1	100.00%	
% of lettings to ethnic minority tenants	60.00%	50.00%		*No data*	39.00%	

**VUN's - Unavailable void units which are any properties which are identified as requiring major repair works to be completed before they can be re-let.*

Key:
Target achieved
Target not achieved

Source: PCHA Yearend Board Performance Report (2021/22)

The board have approved the development of our VFM Metrics Scorecard. The submission of the scorecard outcomes and narrative to the RSH as part of the statutory accounts will ensure that the association continues to meet the requirements of the RSH VFM Standard published in April 2018.

Our 2021/22 VFM performance is summarised below in Table Four. This compares current year performance against our initial forecast and also against our performance in 2020/21 (against the National Median) and our forecast performance during 2022/23.

Table Four: 2021/22 VFM performance

	Indicator	Prior year Actual 2020-21	National Median 2020-21	Current year forecast 2021-22	Current year actual 2021-22	Next year Forecast 2022-23
	Regulator for Social Housing Value for Money Metrics					
1	Reinvestment %	2.24%	5.80%	3.10%	1.13%	9.60%
2	Operating margin	25.48%	23.90%	19.78%	34.17%	32.47%
3	EBITDA MRI (as a percentage of interest)	227.00%	183.00%	263.00%	387.00%	291.00%
4	Units developed (as a percentage of units owed)	5.80%	1.30%	0.40%	0.00%	4.20%
5	Gearing	18.50%	43.90%	20.10%	15.50%	22.30%
6	Return on capital employed (ROCE)	2.67%	3.30%	2.23%	3.70%	3.02%
7	Headline social housing cost per unit	3,219	3,730	3,481	3,135	3,192
8	Management cost per unit	790	n/a	822	694	696
9	Service charge cost per unit	573	n/a	626	635	702
10	Maintenance cost per unit	665	n/a	885	831	964
11	Major repairs cost per unit	1,150	n/a	1,094	1,000	777
12	Other cost per unit	40	n/a	54	(25)	53
	Additional Value for Money Metrics					
13	Operating Margin (Social Housing Lettings)	25.48%	26.30%	21.44%	34.17%	32.47%
14	Units developed (Social Housing units)	30	n/a	2	0	23
15	Customers satisfied that their rent provides value for money	95.00%	n/a	95.00%	95.00%	95.00%
16	Ratio of responsive repairs to planned maintenance spend	0.14	n/a	0.20	0.21	0.25
17	Rent collected	100.87%	n/a	101.27%	100.74%	101.00%

The following is an analysis of the 2021/22 outputs in relation to each of the metrics, with reference to previous year's performance and forecasts for 2022/23. This information has been reported to the Risk and Audit committee for scrutiny as part of the VFM update report on the 9 May 2022.

1 Reinvestment reflects the improvements made to existing homes as part of the investment programme, as well as new homes built as part of the approved development programme. The lower reinvestment against budget is largely due to the forecast development programme of the conversion of two units at Nelson Street not taking place within the year, this is subject to review of terms of a future rental agreement, in the interim, the change of use application has been suspended. Furthermore the investment programme capital spend is £59k lower to date, this relates to forecast refurbishment works at Nelson Street and is being reviewed for completion in 2022/23 pending outcome of change of use application.

2 & 13 Operating surplus achieved is £391k higher than forecast. This is mainly due to lower property management costs of £65k due to reduced volume of works throughout the year (94 against a budget of 198). Also attributable are management costs reflecting an underspend of £65k from unused contingency budgets, £24k, and website development costs, £20k, which will be completed in 2022/23.

3 EBITDA MRI is higher than forecast due to the higher operating margin as explained within point 2 coupled with lower interest costs within the year due to lower borrowings as no development scheme borrowings within the year.

4 & 14 No units developed within the year due to the forecast conversion of the two units at Nelson Street not taking place within the financial year.

5 Lower gearing ratio than forecast due to a lower value of loans at year end. Forecast figures included a loan for £500k to fund a land acquisition which has not taken place within the year and is carried over to 2022/23.

6 3.70% reflects £1,036k operating surplus over a capital employed of £28.5m (increase of £1.4m from 2020/21), this increase against forecast is due to higher operating surplus.

7 Headline CPU is showing £346 lower than forecast, this is mainly due to lower levels of management costs by £65k for the year and major repairs programme showing £59k lower.

8 Management CPU is lower than forecast by £118, this is due to underspends in contingency of £24k and website development of £20k to be carried forward into 22/23.

9 Service Charge CPU is showing slightly higher than budget for the year. This reflects the ability of the association completing compliance related works.

10 Maintenance CPU is showing lower than forecast by £53 for the year, this is due to £29k lower than budget from lower responsive repairs and periodic inspection costs.

11 Major Repairs CPU is reporting £109 lower than forecast, due to fewer volume of investment works than budgetted (94 complete against budget of 198).

12 Other CPU relates to lower bad debts than forecast of £42k due to improved rent collection and void rates.

15 Data from Pine Court STAR Survey 20/21 which shows continued improvement. Next STAR survey to take place 22/23.

16 Responsive repairs as a ratio of planned preventative maintenance spend reporting £6k lower for the year, whilst improvement programme works are lower by £59k partly to do with the delay of the Nelson Street refurbishment.

17 Rent collection performance for Year end is 100.74%, this is lower than the stretching target of 101.27% but still reflects top quartile performance.

We have worked with our stakeholders - board members and group business assurance committee and customers to progress our VFM priorities.

The board will continue to review its plans for 2022/23 and beyond in order to ensure that it prioritises those services that matter the most to our customers, whilst retaining sufficient headroom to protect our ongoing viability and organisation success.

The content of PCHA's VFM self-assessment statement is aligned and assessed against the RSH VFM Standard, as such the board certified compliance with the VFM Standard at the July 2022 board meeting.