Value for Money Assessment

At Teign Housing we understand the importance of making every penny of rental income count.

We have a clear Value for Money (VfM) strategy, approved by the Board in June 2018, which sets out how we will achieve value for our residents. The Value for Money Standard is one of three economic standards that the Regulator of Social Housing expects registered providers to comply with and our strategy reflects the regulator's expectations of us.

The standard sets out the targets landlords must set, measure themselves against and report to you on. Here is our performance against those targets:

			Group		Association		Budget FY22	Target FY21	Sector Metrics
			2020/21	2019/20	**2020/21**	2019/20	2021/22	2020/21	2019/20
Metric 1		Reinvestment %	**5.7%**	9.1%	**5.7%**	9.1%	**7.7%**	6.4%	7.0%
Metric 2	A	New supply delivered SH %	**1.2%**	1.9%	**1.2%**	1.9%	**1.5%**	1.4%	1.8%
	B	New supply delivered NSH %	**0.0%**	0.0%	**0.0%**	0.0%	**0.0%**	0.0%	0.0%
Metric 3		Gearing %	**25.2%**	26.5%	**25.4%**	26.6%	**31.4%**	28.0%	50.8%
Metric 4		EBITDA MRI Interest cover %	**186.6%**	207.8%	**186.6%**	207.8%	**133.5%**	131.7%	151.6%
Metric 5		Social housing cost per unit £	**3,709**	3,564	**3,700**	3,595	**4,142**	3,924	3,836
Metric 6	A	Operating margin SH %	**28.6%**	30.0%	**28.0%**	29.4%	**24.6%**	22.0%	33.4%
	B	Operating margin overall %	**28.7%**	31.4%	**28.7%**	31.2%	**21.5%**	18.8%	30.1%
Metric 7		ROCE %	**4.0%**	4.6%	**4.0%**	4.6%	**2.8%**	2.7%	3.4%

Teign Housing's results compare favourably against the sector average in some areas, but less favourably in others. The below sections capture the reasons for our performance, with Covid-19 having a significant impact as you may expect.

Metric one: Reinvestment

The group's re-investment of 5.7% (which is the amount we put back into maintaining homes and building new ones) has reduced when compared against last year and the sector. This is partly because work at development sites halted slightly when lockdown started. The sector comparison is for the year 2019-20, so isn't a direct comparison. Our targets were set prior to lockdown restrictions and so it was difficult to achieve these. Even with the initial delays from the first lockdown, the development programme has performed well with significant investment into new properties and capital improvements. In 2020-21 we bid on 13 section 106 schemes and were successful in securing four schemes with a total of 66 homes. We were also granted planning permission to build eight homes within Dartmoor National Park.

We have a strong development pipeline through both the purchase of section 106 schemes and smaller land led developments. These sites are within the Teignbridge District and further afield in neighbouring authority areas. We expect an increase in re-investment from the 5.7% achieved this year to 7.7% next year.

Metric two: New supply delivered

New supply delivered is a calculation based on units completed in 2020-21. In short, this means the number of homes we finished building before 31st March 2021. We achieved 1.2% new supply through delivering 45 units compared to our target of 1.4%. This difference is due to our Glebelands development being delayed as we had some issues with the original contractor. We expect these homes will complete in October 2021. We are below the sector average on this metric; however, the benchmark relates to 2019-20 data which is not a true like for like comparison as most of the year was not impacted by the pandemic.

New supply is forecasted to increase by a further 58 units in 2021-22 including 31 affordable rent, 11 social rent and 16 shared ownership properties. We will seek new opportunities to achieve our development aspirations and have capacity to deliver 400 homes over the next five years. This capacity has increased from 237 homes in the previous business plan. This has been possible through refinancing and an increase in our loan facilities which will be available in the first quarter of 2021-22.

Metric three: Gearing

Gearing is a mathematical ratio that looks at how our company is funded and how much of this is from debt or borrowing. Our gearing decreased marginally from 2019-20, this is due to long term loans remaining static, whilst we have increased investment into new homes and regeneration, reducing the ratio. At 25.2%, this is well below the sector average and gives us scope to increase this. Through re-financing, we forecast an increase in 2021-22 to gearing with the additional loan debt. This will allow us to further invest into new homes and regeneration, the financial capacity to meet the decarbonisation targets from 2022-30 and develop our extensive digitalisation agenda. This should improve the effectiveness of our service to residents, improve efficiencies and achieve savings for both residents and Teign Housing. This can be achieved whilst keeping our interest cover well within sustainable levels due to more favourable terms of the new loan.

Metric four: EBITDA

The EBITDA MRI interest cover (Earnings Before Interest, Tax, Depreciation and Amortisation, Major Repairs Included) has reduced as the operating surplus has decreased from 2019-20 by £685,000. This is due to increased spending across areas such as planned maintenance, regeneration, voids, independent living, and finance. The operating surplus did however overachieve considerably against the budget. This is due largely to underspends across repairs and maintenance, as well as some service costs. Part of the reason for this was lockdown, where we were only able to complete emergency repairs. As a result of this reduced spending in these areas, the interest cover ratio compares favourably against our target. Interest Cover is expected to fall further next year as we continue to invest in new and existing properties. Our new covenant terms mean that this reduction is sustainable and well above thresholds.

Metric five: Social Housing Cost per unit

The social housing cost per unit has increased from £3,564 last year to £3,709 this year. This is due to an increase in the planned maintenance compliance spending, an improved void standard and major regeneration works at Kingsway during 2020-21. Although an increase compared to the prior year, we had targeted a social housing cost per unit of £3,924.

This £215 favourable variance highlights various underspends when compared against that budgeted for the year. These largely relate to previously mentioned underspends across planned maintenance compliance, regeneration and internal fabric, in addition to various service costs, all of which have in part been impacted by the lockdown at the beginning of the year. Overall, whilst we have seen a cost per property increase compared to the prior year, this brings us more aligned to sector average spending per unit.

Metric six: Operating margin

Although we achieved our target and our budgeted metrics, our operating margin has reduced from last year. This was anticipated with the drive to improve our service delivered to residents.

We’ve spent more money to deliver a significantly upgraded void standard and to deliver regeneration works. The loss of service charge income from COVID-19 disruptions has been relatively minor but has further reduced this metric.

Metric seven: Return on Capital Employed

The return on capital employed has reduced, again, due to a reduced operating surplus compared to last year. This metric still exceeds target and is in line with the sector. It is forecasted to decrease as it will take time for the investments into new homes and services to be realised and generate greater turnover and cost savings.

We are committed to providing good levels of resident service in, what continues to be, a changing environment. Significant investment has already been made in 2020/21 to create a better, more effective digital service and to reduce costs over the long term.

Focus on Value for money

Value for Money underpins all business activities at Teign Housing, and it is driven by the Board. VfM is about reviewing what we do and how we do it to make informed choices about how resources are effectively channelled towards the delivery of services and corporate priorities. The aim is to make the best use of our residents’ money whilst balancing the cost and time with quality as well as stakeholder benefit, reasonable resident expectations, organisational benefits and business survival.

The Board’s focus on VfM allows the company to continue to deliver great services and grow through developing new homes. The current business plan including the financial position after refinancing, includes the delivery of 400 homes over the next five years.

The Board scrutinise financial and service delivery performance at each meeting, through the management accounts and balanced scorecard, and any areas of poor performance are supported by a detailed narrative identifying the issues and the steps being taken to deliver improvements.

These include:

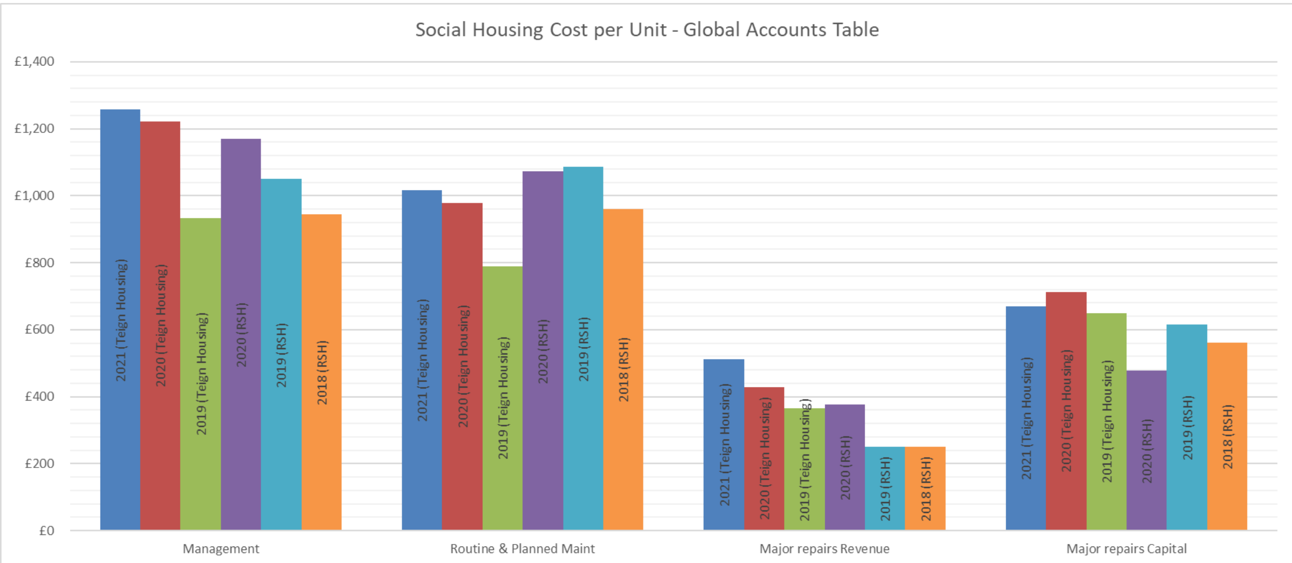
- Value for Money Metrics – full details of value for money achievements

- The balanced scorecard including Housemark Benchmarking Results – comparative figures with our peers in the sector
- Quarterly treasury report – details of cash flow performance, loans, investments and forecasts
- Quarterly financial framework report - details of financial performance
- Annual report – report sent annually to our residents
- Quarterly development report – progress of development schemes, comparison to business plan, development cash flows.

An evaluation of our costs in comparison to the global accounts is presented below and the figures for Teign Housing have been re-stated in line with the current global accounts format. The latest figures available as a sector comparative are the year ending March 2020.

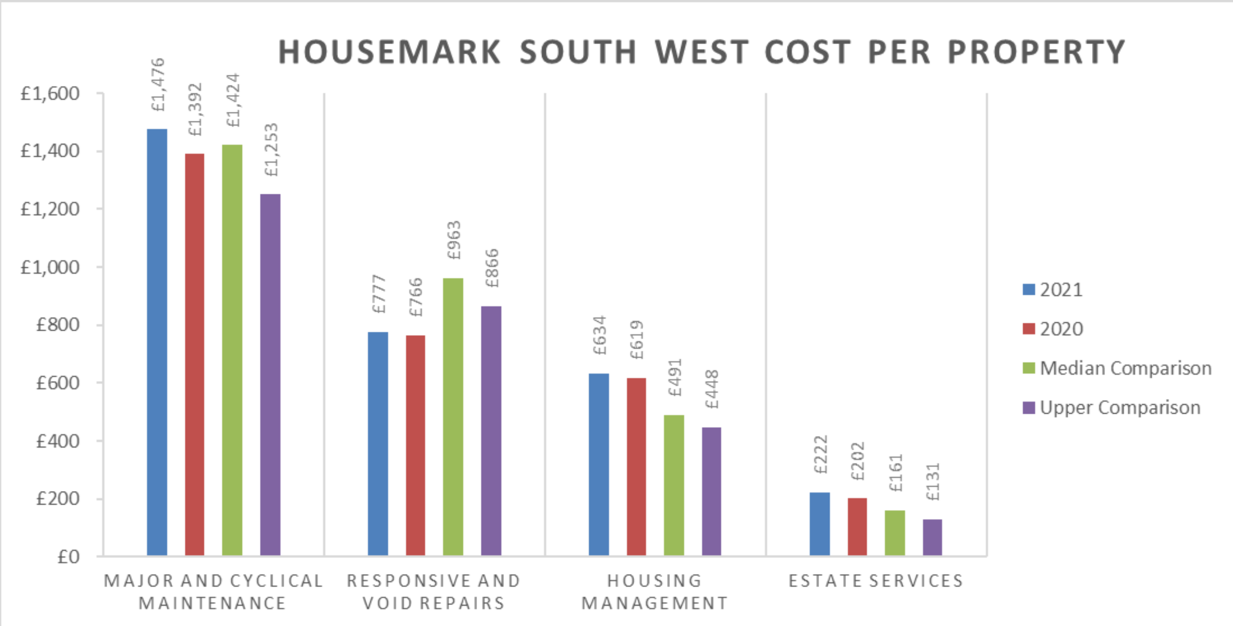
RSH Global Accounts Comparison

Area	Teign Housing			RSH Global accounts		
	2020-21 £	2019-20 £	2018-19 £	2020 £	2019 £	2018 £
Expenditure – per Social Housing Property						
Management	1,257	1,222	934	1,169	1,050	944
Routine & Planned Maintenance	1,017	978	790	1,072	1,086	960
Major repairs – Total	1,182	1,142	1,014	855	866	813
Major repairs – Revenue	512	429	365	378	251	251
Major repairs – Capital	670	713	649	477	615	562



South West Peer Group Housemark Comparison

Teign Housing Cost Per Property	Teign Housing	Teign Housing	Comparison Group	Comparison Group
			Median	Upper
	2020-21	2019-20	2019-20	2019-20
Department	£	£	£	£
Major and Cyclical Maintenance	1,476	1,392	1,424	1,253
Responsive and Void Repairs	777	766	963	866
Housing Management	634	619	491	448
Estate Services	222	202	161	131
No of Properties	3,714	3,691	3,235	1,187



As expected, these two comparisons against RSH global accounts and the Housemark South West Housing peer group show similar findings. The global accounts figures show costs per unit in 2020-21 were above that for 2019-20 by an average of 3.4% and the Housemark cost per property shows a 4.4% increase, with there being slight differences in how these are calculated.

Management cost per unit has seen a slight rise from last year and continues to be above the sector average. There are a few areas which have impacted this including an increase in Health & Safety costs. The Health & Safety team was increased from one to two staff members in 2020/21 and there was a large amount of expenditure on PPE due to COVID-19, and an increase in spend on IT to help drive our digital agenda. Continued scrutiny of management costs and tight budgetary control will ensure the overall efficiency of the organisation.

Routine and Cyclical Maintenance have increased from last year and towards the sector average. This finding is similar to the Housemark data, with Teign responsive and void costs increasing but below that of the comparative. This is in part due to the decision to improve the void standard this year, demonstrating our commitment to improve the quality of our stock and providing residents with an enhanced service. The improved void standard included the provision of carpets in flats to help reduce noise levels, more electrical sockets being installed, painting the property throughout, tiling more areas in the kitchen and bathroom and sometimes supplying white goods if the resident is facing particular hardship. It is anticipated that investing more initially and providing a better-quality property at the beginning will help keep the standard of the property and reduce the repair and maintenance costs over the life of the tenancy. It should also result in a lower turnover of residents. It is very difficult to measure the success of this in the short term, but we are monitoring this to do some analysis in the future.

Major repairs, both capital and revenue remain above the RSH sector average. Revenue expenditure has increased over the last couple of years, whereas capital spend has reduced in comparison to last year. Similar figures are shown in the Housemark data. The increased major revenue cost per unit is due to regeneration spend at the Rowan Kingsway block. Although this element of the spend is treated as a revenue cost, it relates to the project as a whole and therefore contributes to the longer-term improved stock quality. There has been increased expenditure on compliance, including asbestos and health and safety works. It is important to spend in these areas, in part to avoid longer term more expensive non-conformance related costs and to keep our residents safe.

This year has seen a decrease to capital major repairs cost per unit. There is some fluctuation in capital expenditure year on year due to the planning of the maintenance programme to make the most efficient use of resources.

We will maintain tight budgetary control going forward to provide optimum value to our residents. We have a strong commitment to invest in our housing stock for the future and we maintain a five-year rolling stock condition survey to ensure that the investment in our stock is focused in the right areas and maintains the longevity and desirability of our homes; this has been reflected in the recent Business Plan approved by the Board in May 2021. We continue to look for opportunities to invest in renewable energy solutions for both our new build and existing homes.

The Asset Management Strategy was reviewed and updated for a 12-month period and approved by the Board in March 2021. A further updated Asset Management and Carbon Reduction Strategy is being developed and will provide us with a clear focus and direction about the future use and energy efficiency of our assets such as continued use, redesignation, redevelopment or disposal. It defines the Teign Standard which continues to be above the current Decent Homes Standard whilst we await the publication of Decent Homes 2 and allows us to proactively manage our planned maintenance programme to drive out maximum cost efficiency and value for money. When we dispose of properties that have been assessed as not suitable or unsustainable as affordable housing, the proceeds are used to support the development of new homes.

We continue to:

- Review our own land, housing stock and garage sites for development opportunities – where suitable these are now included within the future development programme.
- Review key assets for potential opportunities.
- Assess the requirements and resources needed for progress towards EPC Band C by 2030 and Net Zero Carbon by 2050.
- The asset management software tool continues to improve the knowledge of our housing stock, including neighbourhood mapping and allows us to model the various options to determine the future of the asset.

Below is an extract from the scorecard which presents the company’s performance against targets set internally and against targets taken from Housemark data in for the year ended 31 March 2021. Areas have been selected which we believe represents current VfM significance.

Area	2020-21	2019-20	2018-19	Housemark 2019-20 Benchmark	Target 2020-21
Customer satisfaction					
Repairs	96.1%	96.4%	97.4%	94.2%	95.0%
Standard of property at re-let	91.0%	-	-	-	95.0%
Satisfaction with complaints process	50.0%	71.0%	80.0%	55.0%	75.0%
Rent collection & arrears					
Rent collection	100.9%	99.6%	100.0%	100.7%	100.0%
Rent arrears (% of annual debit)	2.5%	2.9%	2.3%	2.3%	3.2%
Void loss & turnaround					
Void losses	0.38%	0.33%	0.44%	0.55%	0.50%
Void turnaround time	25.5 days	20.5 days	20.5 days	22.4 days	23.0 days
Digital agenda					
Total number of tenant portal registrations	487	295	-	-	475
Inbound communication by Webchat	7.7%	1.5%	-	-	-

Although resident satisfaction with repairs has fallen marginally from last year by 0.3%, we continue to exceed our target for the year and against the Housemark average. We have begun collecting more data around satisfaction of the property at the point of re-let. There is little to compare against this year, but we are below our 95% satisfaction target. Satisfaction of the complaints process has fallen to 50%, however this is based on a sample of just two respondents and so is an unreliable indicator. The number of complaints and respondents to this metric reduced greatly over the past year, we believe this is predominantly due to the lockdown. To provide greater satisfaction to residents, new steps have been taken. Further investment has been put into the void standard in 2020/21 and into the 2021/22 budget, we therefore would expect for this to improve over time. We have also recruited a resolutions manager to help manage the complaints process. With greater dedication in this area, it is hoped that further investigation and analysis of complaints can lead to improving systems in place, ways of doing things and dealing with the root causes.

Rent collection increased and arrears reduced from the prior year. This is a positive as there were some expectations that lockdowns and various external factors might negatively affect both of these metrics. We do perform less favourably against the 2019-20 benchmark however this does not take any impact from COVID-19 into account and therefore is not a fair comparison. We have continued to support residents over the last year, through the process of applying for Universal Credit and working with them where possible to manage their rent payments. This has helped us to improve performance from last year and exceed our internal targets.

Void losses have increased marginally, likely as a result of an increased void turnaround time. Improving the void standard, has had an impact on the turnaround time.

Across the organisation we have a strong focus on VfM, and many departments have specific VfM targets. These will be reviewed when an updated VfM strategy is presented to the Board for approval in July 2021. In 2020-21 our VfM focus was on:

Digital

The opportunity to enhance the digital offering to residents and staff continues to be a vital part our approach to Value for Money into the future. Our Corporate plan has a digital focus and the Digital Strategy approved by the Board in March 2021 sets out our plans and ambitions for the next three years.

The periods of lockdown which forced people to work at home where possible, has prompted us to change how we work. In consultation with the employees, we are introducing an agile working policy which will allow continued working from home as well as in the offices, to suit the business and employees.

During the year we have further developed the Civica Cx housing management system, phase 2 of the project. This has seen the successful introduction of the ASB and Estate modules and enhancements in many other work streams including development, compliance, caretaking and finance. We are heavily involved in the user group which drives forward product enhancements and are a flagship site for the software. This has allowed us to negotiate additional support and training days free of charge in exchange for sharing our experiences with potential customers. As we are still developing the software, we cannot yet measure the cost savings from using the new software confidently, but we have seen benefits such as the improved accuracy of our data, communications and record keeping.

The senior management team completed a digital leadership course to empower them to develop the strategy, which was presented and approved by the Board in March 2021. Towards the end of the year, the IT team issued new equipment to all employees to allow them to work efficiently at home. Following this the team were then able to begin the Microsoft modernisation programme which will give IT users a whole suite of Microsoft products.

We continue to enhance the webchat service and use of the Cx resident portal. The webchat service now represents around 8% of inbound communication (up from 2% last year) and the number of resident portal registrations has increased by 65% from last year.

Health and Safety

The Board approved increased expenditure for Health and Safety over the next two years from 2020-21, totalling £200,000. This includes replacement of fire doors, reviewing evacuation procedures, notices and signage improvements and this work has commenced during the year. This will ensure that we keep residents safe and informed.

There has been an increase in the Health and Safety team with the appointment of a Health and Safety advisor and we have introduced a new software package, SHE Assure, to manage health and safety in the organisation.

Welfare Reform

We continue to work with our residents to support them with Universal Credit. The Welfare Reform Action Group meets regularly to share knowledge and best practice to develop our knowledge and support residents through the changes. We have three Head Start Advisors who support residents with Universal Credit claims and applying for any grants that they may be entitled to. With a clear focus on tenancy sustainment, they consider affordability assessments and checks prior to sign up and then continue to monitor the resident’s payment behaviours during the first 12 months of their tenancy, offering additional support as and when required. This year we supported over 400 residents and since the service started, we have supported our residents in achieving over of £200k of financial gains from charitable payments, discretionary housing benefit, income support, employment support allowance and Universal Credit.

Asset Management

Our continued use of Active Asset Management Sustainability software allows us to identify and to dispose of inappropriate and high value assets. We identified a large old, listed property comprising of nine homes which was not proving efficient in terms of the rent received against the cost of maintaining it. This was placed on the market in early 2020 and was sold in August 2020.

Procurement

We continue to be a member of the Advantage South West Procurement Consortium. This organisation exists to improve lives and homes through innovation and collaboration and improves value for money for its members. In 2020-21 the savings delivered through the membership of this consortium total £150,836 and a further £117,518 of RPI avoidance.

Templer HomeBuild

The wholly owned subsidiary, Templer HomeBuild continues to provide us with greater control over service delivery and cost efficiencies. There is a strong emphasis on 'right first time' generating progressive efficiencies and cost savings. The VAT savings to be realised from Templer HomeBuild in 2020-21 were £357,000. The 2021-22 budget includes a further VAT saving of £430,000.

Voids

In 2020-21 we continue to see a rise in the number of properties that are being returned to us in a poor state of repair or that need extensive clearance work. We expected to see a significant increase in the costs of repairing our void properties due to the enhanced void standard that we are offering and whilst the number of voids was lower than expected we have seen a decline in the standard in which they have been returned. The total expenditure was under budget, but we recognise that some earlier intervention and some support for the residents living in these properties may help to prevent these issues. We analyse the voids properties and their residents on monthly basis to identify any trends or patterns in order to mitigate these issues.

The new void standard which has been implemented this year has resulted in an increase to the void cost per unit. This, however, includes the property being fully decorated, the installation of more power sockets, enhanced tiling in the kitchen and bathrooms and in some cases floor coverings, curtains or blinds being provided. We also provide some white goods for those most in need. The success of this additional investment in our properties is difficult to gauge after the first year however it is hoped that in the longer term, we will see less tenancy turnover and the properties that are being handed back being in better condition.

Residents

We continue to actively engage with our residents and the wider community. We have a Resident Involvement Manager who co-ordinates this and helps us to gauge what it is that residents value and what they expect from us. We have a Tenants' Forum which currently meet via Zoom every six weeks. We continue to consult on changes to services and processes as well as resident related policies, procedures, and strategies. We also have a Scrutiny Panel who undertake regular reviews of our services, from a resident point of view and provide critical feedback and recommendations for service improvement. Thirdly, a resident Service Board supports Teign Housing's strong ethos towards co-regulation and at their quarterly meetings they focus on areas in relation to the Regulator of Social Housing's Consumer Standards. These all help to keep Teign Housing connected with its residents.

Towards the end of the year, we appointed a Resolution Manager to coordinate, manage and record any dissatisfaction or complaint about the service we are providing. New policies and procedures have been developed to help employees navigate through the complaints process and deal with any issues efficiently, the data is all now held in the housing management system all of which should provide a higher quality service for our residents.

In 2021-22 as well as the projects above which will continue, our focus will also be on:

Refinancing

The project which began in 2019-20 will be completed in the first quarter of 2021-22. Whilst we will incur significant break costs of £4.13m, both the new revolving credit facility and the long debt are at significantly lower interest rates and carry lower administration costs, meaning that we can borrow an additional £18m with very little change in the costs. The covenants that are attached to these loans are also more favourable than the previous debt, as they do not require major repairs to be included in any interest cover calculations, which gives us greater financial capacity.

Further Improving both our resident and employee experience via digital transactions

We will continue to enhance our digital offering to staff by progressing the Microsoft modernisation project with completion expected in the autumn, we will then begin to plan the next stage of development for the Cx housing management system.

Using data intelligence, we hope to develop resident personas to enable us to communicate with our residents more effectively and to further grow our webchat and portal users. Across the organisation we aim to reduce reliance on paper-based systems, looking for opportunities to automate processes and improve efficiency and data accuracy.

Improve our complaints process

The aim of the investment in a dedicated Resolutions Manager is for the organisation to be able to deliver a better service to our residents. We will further enhance our approach to complaints and co-develop processes with our residents.

Develop more affordable homes

We aim to increase the scale of the development programme, whilst ensuring that homes remain affordable for people living in our local communities. This may be through the purchase of section 106 developments or through smaller land led schemes. We continue to review our land and properties for redevelopment opportunities. Ultimately this will lead to an increase in rental income, which in turn can be re-invested in our existing stock or to build more new homes.

Reduce our carbon emissions and improve the environment and reduce the costs of living in our homes

We will strive to deliver the actions which have been set out in the Carbon Reduction strategy, we will create an action plan which will be frequently reviewed, given that the Government's carbon reduction agenda is constantly changing. We will begin to work towards our target of reducing carbon emissions by 20% over the next 3 years.

Improve cash flow by increasing the collection of non-rent debt

We will make modest investments in our credit control function to improve the performance and the collection rates, and to provide a better quality service to residents. We have recently developed a new process for rechargeable repairs, and we will be more proactive rather than reactive through the debt chasing process.

TeignCare

We want to make the financial administration of the TeignCare service more efficient by managing all the resident accounts on the housing management system and also by introducing a managed Direct Debit service. As well as this saving on processing time and making our data more accurate, it will also give residents access to their account online and the choice of which day to pay their direct debit, as this is currently restricted. It will also be possible to set up a direct debit over the phone, which is not currently possible.

All of this means we have strong business plan that can manage the impact of costs increases which have resulted from the strategic decisions made to improve the quality of our homes and services and to keep residents safe. We also continue to deliver new homes and improve the overall capacity of the plan whilst still delivering the aims and aspirations of the company.