Value for Money Strategy

Making the Difference – Delivering Value for Money 2019-22

Introduction

This strategy sets out the approach for Raven Housing Trust to deliver and demonstrate Value for Money (VFM) in line with the three-year corporate strategy Making the Difference.

Background

Raven's strategic plan 2014-18 'Less is More' focused on cost reduction as the primary driver for improving value for money. The plan successfully delivered a reduction in unit costs from £4,056 per unit to £3,370 per unit by the end of 2017/18. During the same time customer satisfaction dropped from 88% to 86%, although satisfaction with value for money for rent remained the same. We successfully delivered more homes over this period, completing 70 new builds in 2014/15 rising to 136 in 2017/18 and set a target within the approved business plan in 2018 to deliver 220 new homes every year for the next five years.

These are relatively simple metrics: cost, satisfaction, new homes. We know our business is more complex than that and that our Purpose has two dimensions to it Building Homes AND Changing Lives.

As part of the 'Making the Difference' Strategy 2019-22 Raven will be undertaking significant investment in business transformation (Better Connected Programme) and existing properties (Maximising our Assets) including plans for meeting zero carbon requirements. It is more important at times of high investment to track value for money and to ensure underlying efficiencies and economies are maintained.

The Value for Money strategy reflects the complexity of delivering and measuring value for money against our strategic objectives.

Value for Money Objectives

The objectives that underpin the VFM Strategy are:

1. We will be open and transparent regarding the value for money we provide.
2. We aim to be sector median cost, across all our activities, except for community investment where we have chosen to maintain a higher on-going level of expenditure.
3. We expect business as usual operating costs to remain at 2018/19 baseline levels but that total unit costs will be higher over the period of this strategy in relation to investment in customer satisfaction and process improvement.

4. We aim to be a high performing organisation as measured by customer and staff satisfaction and engagement measures, maintaining all these measures above sector median and some in the top quartile.
5. We will measure the cost of our carbon emissions and develop plans to reduce the level of emission generated by our activities.
6. Where our cost or performance is worse than above, we will understand why, and if it is not reasonable, we will have a plan for improving it.

Value for Money Metrics

We will monitor our financial performance through the following metrics:

1. Sector Scorecard metrics, as required by the Regulator
2. Our definition of EBITDA-MRI
3. Our definition of Return on Capital Employed.
4. Margin on commercial investment, ensuring our investment decisions perform in line with Development and Commercial appraisal criteria.

Definitions and targets against the first two of these metrics are included in Appendix A. As the Regulator emphasises many of the metrics work against each other so no provider is likely to be in the “best” quartile on all measures.

We will monitor our organisational performance through the following metrics:

1. Overall satisfaction with new home
2. Overall customer satisfaction
3. Net Promoter Score
4. Value for money for rent
5. ‘Word cloud’ from Explain, our customer satisfaction tool, telling us what people value most from the raw data comments
6. Social value of investment
7. Employee engagement
8. IiP Accreditation

We will monitor past, present and future planned performance in order to tell the story of value for money within the organisation.

Value for Money Priorities

Our strategy Making the Difference combines spending money on the right things for residents, spending that money wisely, investing to generate greater income to support our core business and growth strategy and investing in carbon reduction.

Making the Difference seeks to recognise and measure the difference Raven makes in changing lives, this is integral to our delivery of VFM. The strategy combines the commitment to get the most value from our assets with a commitment to meet the housing needs of our residents, by seeking to support residents’ desires for greater housing choices to the extent that they are no longer limited to choosing social housing. The strategy also sets out to ‘rebase’ what Raven thinks it knows about resident housing needs.

A major listening project 'The Voice of the Customer' will set the baseline point against we measure the strategy's aim to 'connect all residents to services the value and trust so they can take control, save time, and make choices'.

The assessment of our delivery of VFM will go beyond the current customer satisfaction measures to consider how we are delivering customer engagement, resident choices and connection to services they value. In addition we will continue to focus and develop our assessment of our delivery of the social value of our investments.

Although a customer focused strategy, Making the Difference recognises that as well as spending money on the things that matter, spending that money wisely is essential to delivering value for money. To this end there are a range of strategic projects targeting productivity and efficiency gains in operational activity and improved performance and/or savings from procurement and contract management arrangements, these will require upfront investment to deliver benefits. Over the three years of the plan we expect there to be increasing and unavoidable costs associated with compliance, notably for health and safety and data protection and upskilling our workforce to develop change and new capabilities. Raven's drive for improving value for money will never compromise resident health and safety.

The assessment of our delivery of VFM will include the current headline unit cost measures and other regulatory requirements but will also include more detailed analysis on overhead costs and operational activity to enable us to assess the efficiency and effectiveness of our core business activities.

Finally the three year plan includes initiatives to generate a greater level of commercial income, some of which require upfront investment with the expectation of future returns/improved risk management. Raven's risk appetite recognises the importance of such initiatives in building a sustainable business capable of building homes and changing lives into the future.

The assessment of our delivery of value for money related to commercial growth can be measured by delivery against targets but also requires a long-term view of investment and returns.

We can summarise our value for money priorities as follows:

1. Spending money on the things that are valued by our residents
2. Improving customer satisfaction with activities valued by our residents
3. Recognising the social value our investment returns
4. Maximising the value of our assets
5. Improving the efficiency of our processes
6. Effective procurement
7. Generating additional income
8. Reducing the level of carbon emissions generated by our activities

Annual Value for Money Plan

To deliver these priorities, an annual VFM plan will be prepared alongside the Budget and Business Plan each year, which will form the basis for setting value for money indicators and targets to be reported on during the year.

Risk and Uncertainty

In an operating environment as unpredictable as the one that exists at the time this plan is being put together, it is inevitable that some of our investment and effort will cost more money and, at best, produce no noticeable improvement in performance other than maintaining compliance and service standards. It will allow us to maintain our service through potentially turbulent times.

Raven's strategy is not just to 'cope' but instead recognises the opportunity to transform the delivery of social housing services, and through its Better Connected programme of change will seek to do so alongside its residents, delivering excellent customer service and improving value for money for residents, and for the public purse.

Measuring Improvement in Value for Money

We will benchmark our performance against our peers through HouseMark, the industry wide standard and through the Sector Scorecard metrics required by the Regulator. We will develop our measurement and reporting of Social Return on Investment.

Monitoring and Reporting

The Value for Money plan is integral to the strategic plan. Performance against our Sector Scorecard and Internal VFM metrics are reported quarterly to the Board. A mid-year review of progress against the annual plan will be undertaken by the Board in November each year.

An annual review of our performance on VFM will be reported in the Operating and Financial Review within the Financial Statements. This will include any sector wide data required by the Regulator.

We will integrate and embed VFM within our Corporate Strategies, Directorate Reporting and External Communications over the life of this Strategy.

Appendix A – Financial Metrics

Sector Scorecard

Metric	Subdivision – Consolidated, Social Housing or both	Metric Description	Target
Reinvestment % (in existing homes and new homes)	Consolidated	Scale of investment into existing housing and acquisition or development of new housing in relation to the size of the asset base	Per current Development Strategy Above sector median (top quartile)
New Supply Delivered (%)	Consolidated and Social Housing	Units acquired or developed in year as proportion of existing stock (new supply in joint ventures is not included)	Per current Development Strategy Above sector median (top quartile)
Gearing (%)	Consolidated	Proportion of borrowing in relation to size of the asset base	Above sector median
Earnings before interest, tax, depreciation, amortisation, major repairs included (EBITDA MRI) – Interest cover %	Consolidated	Key indicator for liquidity and investment capacity	In line with sector median
Headline Social Housing cost per unit	Social Housing Only	Social housing costs per unit	In line with sector median for each individual element except (community investment) above median by 2025. Total unit cost can be above median overall (but only by value of community investment)

			Higher than median for the timeframe of Better Connected. Baseline operating costs (excluding investment) to be maintained at 2018/19 baseline (in real terms).
Operating margin %	Consolidated and Social Housing	Operating surplus / (deficit) divided by turnover (demonstrates the profitability of operating assets)	Above sector median by 2025. Below sector median for the timeframe of Better Connected. Margin calculated with operating costs (excluding investment) to be maintained at 2018/19 baseline (in real terms).
Return on capital employed %	Consolidated	Surplus / (deficit) plus disposal of fixed assets plus profit / (loss) of joint ventures compared to total assets	Above sector median

Raven VFM Metrics

Metric	Subdivision – Consolidated, Social Housing or both	Metric Description	Target
Our definition of EBITDA-MRI	Consolidated	Per note below	In year performance against approved budget. Year on year improvement (excluding investment).
Capital Employed	Consolidated	To be developed as part of maximizing our asset project.	

Development and Commercial appraisal criteria.	Consolidated	Approved appraisal criteria and business plan assumptions.	Overall returns in line with approved business plan
Social Value of Investment	Consolidated	Per Regulator and National Definition of • Social Value of Investment • Carbon Emissions	Year on year improvement in social value Per Carbon reduction Plan
Customer Engagement	Consolidated	Net Promoter Score Satisfaction (per surveys) for • with new home • overall satisfaction • value for money for rent	Net Promoter score greater than 50 Increase in satisfactions against 2018/19 baselines
Staff Engagement	Consolidated	Employee engagement (staff survey) IiP and Employer Accreditation	Increase against 2018/29 baseline IiP Platinum and Time top 100 employers.

Internal Definition – EBITDA-MRI – excluding Shared Ownership

EBIT Earnings Before Interest and Tax (Operating Surplus)
+ Add back depreciation and component write offs
+ Add back impairment
- Deduct amortised grant
- Remove Shared Ownership first tranche sales receipts
- Remove Shared Ownership cost of sales
- Remove disposal of property, plant and equipment
- Less capitalised major repairs
EBITDA MRI (Earnings before interest, tax, depreciation, amortisation, major repairs included)

Internal Definition – Return on Capital Employed

Internal EBITDA MRI Definition
Divided by:
Average fixed and net current assets for previous and current financial year