Value for Money Statement

Our Strategic Approach to VFM

At Choice we believe that a focus on Value for Money ("VFM") leads to improved outcomes for our customers and our stakeholders, and that it generates savings on resources which can either be taken as short-term gains or recycled back into the organisation as additional longer-term investment. We have embedded this concept into the organisation through our Strategic Plan which states through Value for Money we will

1. Maintain the affordability of our housing provision;
2. Increase the return on investment, economic and social;
3. Improve the core efficiencies relative to others, particularly in relation to repairs and maintenance; and
4. Reduce the differential between private and social housing new build development costs.

We endorse the Department's decision to include VFM within the new regulatory framework. Our 2019 regulatory report states: **"Choice HA has articulated and delivered a comprehensive and strategic approach to achieving value for money in meeting their organisation's objectives."**

Our VFM strategy has the following aims:

- Setting VFM targets which become the focus for enhancing delivery;
- Establishing management systems and structures aimed at promoting VFM; and
- Establishing a VFM culture at all levels of the organisation.

Our strategy set outs a number of VFM-related targets, encompassing:

- Improvements across our key performance indicators;
- Achieving upper quartile benchmarks over the life of the plan;
- Seeking to deliver cash savings; and
- Focusing on the benefits derived from our assets.

We aimed to achieve these targets while maintaining average rents at affordable levels.

Progress Made to Date

The overall VFM process is continuous and we recognise that the quest to improve is never complete. However, areas where we have focused our efforts are:

VFM Area	Progress
Improving tenant satisfaction levels	Tenant satisfaction levels improved from 87.8% last year to 90.9% at March 2020.
Improving core operating metrics	Most operating metrics (voids, repairs performance, staff absence) showed improvements during the year. However the Coronavirus pandemic had a material impact on operations from March 2020 onwards resulting in a significant deterioration in voids, repairs and arrears performance from the end of March into the new financial year.

Achieving 100% compliance on health and safety	We achieved 100% compliance through most of the year, although the Coronavirus pandemic impacted on performance in late March.
Enhancing our delivery on new build	We completed 332 new social units in 2019/20, as compared to 301 in the previous year. As a consequence of the Coronavirus pandemic our social units started reduced from 399 to 118. We have implemented a number of initiatives to further enhance performance.
Improving returns from our assets	Our return on assets (at **1.90%**) has improved because of stronger operating surplus performance.

We have also engaged with the Sector Scorecard benchmarking exercise for the past 3 years. Our performance against key metrics is presented below:

Metric		FY18	FY19	FY20
1	Operating margin (social housing lettings)	22.40%	23.64%	25.58%
2	Interest cover - EBITDA (MRI)	-4.14%	99.22%	112.28%
3	Units developed (as a % of units owned)	3.15%	2.92%	3.13%
4	Gearing	23.91%	23.30%	25.27%
5	Satisfaction with the overall service provided	87.60%	87.80%	88.30%
6	Reinvestment %	6.59%	6.09%	7.90%
7	Investment in community activities	£ 34,550	£ 121,747	£ 209,000
8	Management CPU	£ 994	£ 859	£ 905
9	Service charge CPU	£ 430	£ 480	£ 431
10	Maintenance CPU	£ 1,102	£ 1,153	£ 1,120
11	Major repairs CPU	£ 1,432	£ 856	£ 970
12	Other social housing costs CPU	-£ 1	£ 176	£ 130
13	Headline social housing CPU	£ 3,957	£ 3,523	£ 3,556
14	Rent collected %	102%	99%	98%
15	Return on capital employed (ROCE)	1.70%	1.80%	1.92%
16	Ratio of responsive repairs to planned maintenance	0.48	0.48	0.41
17	Occupancy	98.50%	98.80%	98.40%

A number of trends are apparent from this analysis:

- We improved our operating margin through income growth and improved cost control.
- The interest cover ratio had improved because of the improved operating performance and despite the fact that we have actually increased major repairs spend in the year.
- Units developed has been maintained at levels consistent with previous years, although we have plans in place to improve output.
- Gearing increased as we completed the drawdown of our low-cost EIB finance.
- Tenant satisfaction has improved to 88.3%.
- We have increased our investment in community initiatives through additional resources devoted to financial inclusion and the TBUC programme.
- Overall we have been able to maintain unit costs at a similar level to last year, and well below the FY18 numbers.
- Our ROCE metric has improved because of improved operating surplus.
- Rent collected and occupancy metrics have deteriorated slightly and this reflects challenges in March arising from the Coronavirus pandemic.

- The ratio of responsive to planned maintenance indicates that we are spending proportionately more on planned works.

The sector scorecard system has enabled us to compare these results with local and national peers and we use this date to inform our strategic planning.

In delivering these improvements we have taken forward a number of key initiatives

1. Our VFM strategy steering group has overseen the completion of work across the business.
2. Choice Services as our in-house maintenance contractor diversified into the Republic of Ireland and generated a gift aid payment to the parent association of £200k.
3. Maple & May, our PRS brand grew turnover by 97% and generated a profit of £537k.
4. We continue to operate our new rent policy which will improve fairness, affordability, sustainability and transparency in our rents. We applied a below-inflation rent increase in April 2019 and April 2020.
5. We completed the draw down of low cost development funding (£150m) from the European Investment Bank and locked in historically low interest rates. This will enable us to deliver more social homes in the future.
6. We participated in the Sector Scorecard benchmarking.
7. We have improved the efficiency and effectiveness of our procurement function.
8. We retendered our MTC maintenance contract for the west of Northern Ireland and achieved good value for money.
9. We tendered our electricity supply and achieved good value for money.
10. To improve our Site Acquisition we have established a dedicated team to identify and acquire sites, build relationships with agents and developers etc. and speed up the site feasibility process;
11. We have seen a significant increase in Competitive Design &Build delivery following a fundamental review of the process that lead to a streamlining of the procurement process;
12. We have commenced use of the NEC3 Engineering and Construction Contract (ECC) which provides more fit for purpose contracting arrangements with our contracting partners;
13. We have commenced using CEMAR (Contract Event Management and Reporting) which has improved and fully electronic contract management practices including instant and simultaneous notification to Choice of any contract event i.e. compensation event or early warning;
14. To improve how we project manage we have an accredited NEC3 Project Manager policy which means that all the Choice ECC projects moving forward will have a NEC3 Accredited Project Manager appointment to control the contract administration;
15. We have introduced an in-house accredited NEC3 Project Manager training consequently Choice has now run and received the official NEC3 Project Manager Accreditation for four of its development staff, demonstrating its commitment to upskilling its staff.
16. We improved value for money in respect of the use of consultants for our Assets projects.
17. We have employed tenant inspectors for major stock refurbishment projects.
18. We commenced a major project to use technology to improve management of anti-social behaviour.
19. We exceeded our target for achieving potential income from our solar PV portfolio.

Social impact

VFM is also about enhancing the social impact we deliver. We define Social Impact as the contribution we have on society (whether through improved housing or non-housing activities) and in this sense we focus on the impacts of housing on people's wellbeing or welfare.

During the 2019/2020 financial year:

1. We have invested over £100,000 in community enhancement initiatives including the WorkChoice programme to provide employment opportunities to tenants.
2. We implemented the Choice Savings Scheme in partnership with local Credit Unions and we have plans to extend the scheme to those who have dormant accounts in a bid to get our tenants using them again.
3. We implemented enhanced tenant engagement through online/digital platforms including provision of support to tenants with Universal Credit applications. Phase 1 of the Tenant Portal has gone live and this will be further developed in 2020/21.
4. We enhanced our debt advice service for tenants. In preparation for benefit services moving to digital, Choice has ramped up its frontline staff with digital devices in order to assist tenants with digital exclusion issues and helping them to access their accounts.
5. Our financial inclusion department have assisted many tenants in accessing their Universal Credit claims thus avoiding closure due to digital exclusions.
6. The financial inclusion department are actively aware of free digital training courses that have been provided and that are available for the benefit of our tenants.
7. We continue to implement community investment strategies and measure success with social value metrics.
8. We have reduced the time to close-off Anti-Social Behaviour cases with appropriate case tracking.
9. Working with HACT we have developed a methodology for quantifying the social value we generate, and we plan to roll this out during 2020/21.

Delivery of The Strategy 2019-2021

As stated previously in the Report, the Choice Strategy to 2021 includes VFM as one of its four strategic goals. This is expressed as follows:

1. Maintain the affordability of our housing provision;
2. Increase the return on investment, economic and social;
3. Improve the core efficiencies relative to others, particularly in relation to repairs and maintenance; and
4. Reduce the differential between private and social housing new build development costs.

To support the delivery of these objectives a Project Board was established. A task list was produced. As at the end of March 88% of the tasks had been completed. Of those tasks not completed work is nearing completion on areas such as the introduction of a business case approach to Expenditure and Investment decisions; a procurement strategy and our approach to contract management. It had been intended to complete these tasks during Q1 of 2020/21 however owing to the impact of Covid 19 on working practices these will be delayed. A project plan is being prepared for 2020/2021 to complete the outstanding tasks from the past year and new tasks which have emerged.

Conclusions

We re-confirm the importance of VFM to Choice, and believe we have made good progress this year.

We aspire towards continuous improvement and we will continue to place considerable emphasis on improving VFM. We will routinely review our policies, processes, systems and measures to ensure that these underpin our VFM strategy and priorities. In particular, our KPI metrics have been updated to ensure that the management of Choice have the information to assess our VFM performance against the objectives outlined above.

We will also ensure that relevant VFM actions and outcomes are communicated regularly with our customers and stakeholders to demonstrate progress against our plans.

Board & SMT of Choice
26th August 2020