PINE COURT HOUSING ASSOCIATION

VALUE FOR MONEY SELF-ASSESSMENT 2022/23

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 £6.8m in total of efficiency savings realised at 31st March 2023 (£84k during 2022/23). 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.

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?

The way we use our resources is a crucial foundation in our Strategic Plan (2023-28) as that allows us to progress our vision for 'a better future'. We will deliver this by:

- Delivering specialist housing services
- Delivering strong performance and financial viability
- Continued development and growth
- Seeking new and improved partnership opportunities

The association delivers 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 is directly linked to our vision of 'a better future'. Our VFM Strategy sets out how the activities of the association alongside 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 2022/23 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 2022/23, the Association generated £84k of additional financial capacity by collecting more income, obtaining grant funding towards recurring management costs, lower net interest through active treasury management and hardship fund savings through active tenancy management and support.

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	**45**	**-**	**45**
Management Cost	Overhead and other savings	**-**	**13**	**13**
Other Activities	Savings generated on release of funds held for pension	**5**	**-**	**5**
		21	**-**	**21**
2022/23 AES Gains	**Operating Activities**	**71**	**13**	**84**

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.

Term Partnering Agreement (TPA)

In 2018 the association undertook an OJEU Compliant Asset Management Tendering process. This included works comprising of repairs, planned, voids, services and new build. These works were awarded to Sovini Commercial Partners as part of a Term Partnering Agreement (TPA). The TPA arrangements were reviewed by the board during 2020/21 to ensure they continue to meet the long term requirements of the association and that they continue to deliver value for money. A further review has been completed in 2023/24 and the outcome was received by the board in June 2023, who agreed to extend the contract to July 2033. The TPA continues to support the association to mitigate the current supply chain, volatility and insolvency risks which are faced by many other RP's across the housing sector due to the challenging operating environment. The closer collaborative working across the wider Sovini group enhances and drives VFM in the delivery of services through:

- Greater visibility (interfacing systems & real time reporting)
- More flexibility (access to a wider supply chain network)

- Greater certainty leading to improved customer service & life cycle costs
- Better emergency and demand planning (rapid mobilisation and resumption of services post lockdown)Reduced theft / fraud (normally built into contract price “risk” by external contractors)
- Control of asset management specification / standardisation, which will reduce future repairs and maintenance costs
- Continuity of supply in unstable operating environment (COVID, BREXIT etc)
- Added value through collaboration leading to innovative system development (Bistrak), local labour, reduced carbon footprint, social value pledges to local communities.

The Performance of the TPA is monitored by officers via the monthly Asset Management Contract Core Group meetings. OVH's Asset Management team continue to benchmark performance through HouseMark, HQN and Liverpool City Region Benchmarking Club to ensure it continues to deliver VFM for the association. The TPA also evidences VFM through the following:

- An independent benchmark was carried out by RAND Associates based on national average SOR’s.
- Recently dispensation has been approved on the basis that OVH are achieving Value for Money, and this has been evidenced to affected customers.
- Greater certainty leading to improved customer service & life cycle costs.
- The contractors are within the same VAT group, and…
- The contractors have their own set of financial regulations to adhere to when sub-contracting works outlining VFM and transparency through the supply chain, which again procurement can access all information.

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 currently contains 520 properties with an average NPV of £74k. The majority or properties (98.7%) have an NPV of above £10K, 0.5% have an NPV of between +£10K and -£10K the remaining 0.8% have an NPV of less than -£10K. Only 2 properties had an NPV of less than -£50k and these have been appraised during 2022/23 to review their longer term viability. Following this review process we are happy that their financial performance will improve, and they will be monitored throughout the course of 2023/24.

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 2023/24, 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 and resource 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 precertification process shows that we have generated just under £1.3M of social value for the 2022/23 year, which gives a £32.34 return on every £1 invested.

Please note, as these figures have been certified by HACT.

Description of activity	Budget for this activity	Number of beneficiaries	Social value generated	Social value return
Clear Rent Accounts	£13,500	18	£84,998	1 : 6.30
Employee Training (PCHA & Subsidiaries)	£7,104	32	£30,349	1 : 4.27
Customer Empowerment Panel	£10,000	11	£21,758	1 : 2.18
Decoration Allowance	£1,800	19	£207,243	1 : 115.14
Chung Hok House Residents Association	£2,900	38	£75,165	1 : 25.92
Community Development: Liverpool Chinese	£2,000	150	£257,499	1 : 128.75
Community Development: Liverpool Hung Gar Kung	£180	50	£106,074	1 : 589.30
Community Development: Pagoda Arts	£660	100	£171,666	1 : 260.10
Community Development: Mandela8	£2,000	200	£343,332	1 : 171.67
Total	**£40,144**	**618**	**£1,298,084**	**1 : 32.34**

Source: PCHA Social Value Bank (2022/23)

The details of these certified activities and figures are reported in the association’s Annual Report, which is published and made available to all stakeholders. Full details are 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. This has evidenced that when compared with our peers, the association 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.

Performance Indicator	**Year-end 2022/23**					
	Value	**Target**	**Status**	**Housemark Quartile**	**2021/22 Value**	**Trend**
Rent collected as a proportion of rent available (exc. arrears b/f)	100.06%	101.00%		**2**	100.74%	
Average number of days to re-let a void property	0.5	5		**1**	1.5	
Rent arrears of current tenants as a proportion of the rent roll	0.05%	1.25%		**1**	0.62%	
% of rent lost due to void properties	0.01%	0.08%		**1**	0.06%	
Customer satisfaction with services (cumulative)	99.53%	95.00%		*No data*	99.34%	
% of dwellings meeting the Decent Homes	100.00%	100.00%		*No data*	100.00%	
Property Compliance	100.00%	100.00%		**1**	100.00%	
% of lettings to ethnic minority tenants	77.00%	50.00%		*No data*	60.00%	

*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.

Our impact on society

Key:
Target achieved
Target not achieved

Source: PCHA Yearend Board Performance Report (2022/23)

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 2022/23 VFM performance is summarised below in Table Four. This compares current year performance against our initial forecast and also against our performance in 2021/22 (against the National Median) and our forecast performance during 2023/24.

Table Four: 2022/23 VFM performance

Indicator		Prior year Actual 2021-22	National Top Quartile 2020-21	Current year forecast 2022-23	Current year actual 2023-23	Next year Forecast 2023-24
Regulator for Social Housing Value for Money Metrics						
1	Reinvestment %	1.13%	8.60%	1.28%	1.16%	19.21%
2	Operating margin	34.17%	25.40%	27.99%	26.67%	25.33%
3	EBITDA MRI (as a percentage of interest)	386.60%	197.50%	334.04%	359.00%	192.25%
4	Units developed (as a percentage of units owed)	0.00%	2.10%	0.00%	0.00%	4.24%
5	Gearing	15.46%	53.10%	14.24%	13.56%	28.66%
6	Return on capital employed (ROCE)	3.70%	3.90%	3.11%	2.97%	2.46%
7	Headline social housing cost per unit	3,135	£5,180	3,744.23	3,741	3,923
8	Management cost per unit	694	N/A	840	929	1,026
9	Service charge cost per unit	635	N/A	706	708	720
10	Maintenance cost per unit	831	N/A	1040	1082	974
11	Major repairs cost per unit	1,000	N/A	1131	1004	1,173
12	Other cost per unit	(25)	N/A	27	19	29
Additional Value for Money Metrics						
13	Operating Margin (Social Housing Lettings)	34.17%	28.50%	27.99%	26.67%	24.02%
14	Units developed (Social Housing units)	0	0	0	0	23
15	Customers satisfied that their rent provides value for money	95.00%	N/A	88.70%	88.70%	88.70%
16	Ratio of responsive repairs to planned maintenance spend	0.21	N/A	0.30	0.40	0.34
17	Rent collected	100.74%	N/A	101.00%	100.06%	100.20%

The following is an analysis of the 2022/23 outputs in relation to each of the metrics, with reference to prior year's performance and forecasts for 2023/24. This information was been reported to the risk and audit committee for scrutiny as part of the VFM update report on the 18 May 2023 and also to the board in July 2023.

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 investment programme capital spend being £54k lower, this relates to kitchen and flat door replacements which were unable to be completed in year but are being reviewed for completion in 2023/24 pending outcome of change of use application.) A new development scheme at Tunstall Street is being pursued and anticipated handover is now Quarter One 2023-24. On completion we will see significant increase in our performance, in line with the 23/24 forecast.

2 & 13 Although operating surplus achieved is £41k (1.32%) lower than forecast, we have operated efficiently throughout the year, only seeing increases associated with our most vulnerable tenants. Specifically, during the year our efficiency has been adversely impacted through uncontrollable cost increases for our utilities supplies to our sheltered schemes of £45k and due to the proactive completion of £30k of unbudgeted DMC repairs.

3 EBITDA MRI is higher than forecast despite the lower operating margin as explained within point 2 due to lower interest costs within the year as a result of no development scheme borrowings being required for drawdown. We note that, had we achieved all of our investment priorities in year our performance would have been 336%, 20% lower as our higher EBITDA relates to improvement programme delivery delays, which have been scheduled for completion in 2023/24.

4 & 14 No units developed within the year as mentioned above new development scheme at Tunstall Street is being pursued and anticipated handover is now April 2023.

5	Lower gearing ratio than forecast due to a lower value of intercompany balances outstanding at year end. Forecast figures included an expected pending works balance on new development units, which has not taken place within the year and is carried over to 2023/24.
6	2.97% reflects £848k operating surplus over a capital employed of £28.5m (Increase of £0.5m from 2021/22). This decrease against forecast is due to our lower operating surplus.
7	The Headline CPU is reporting £1 per unit lower than forecast mainly due to lower levels of component replacement and major works costs for the year of £65k offset by higher management costs of £47k mainly relating to utility costs for our sheltered schemes.
8	Management CPU is higher than forecast by £88 per unit due to increased utility and energy Costs for our sheltered shemes which has increased by £45k.
9	Service Charge CPU is reporting in line with budget for the year as none of the utility cost increases have been relayed to our tenants. Affordability assessments have been completed which have enabled us to pass on most of our anticipated costs in 2023/24.
10	Maintenance CPU is reporting £41 higher per unit which reflects the increased DMC works completed.
11	Major Repairs CPU is reporting £125 per unit lower (£65k lower in total) than forecast, mainly relating to slippage in fire door, kitchen & bathroom programmes & underspend on cyclical decs.
12	Other CPU relates to £4k lower bad debts (£8 per unit) than forecast of due to the write off of £13k of FTA balances, improved rent collection and no void loss.
15	STAR survey was completed in 2022/23 and is due to be completed again in 2024/25 However due to the introduction of the TSMs, a STAR survey including TSM questions will be carried out in 2023/24.
16	Responsive repairs as a ratio of Planned Preventative Maintenance spend reporting £21k higher for the year as a result of our proactive response to tackle DMC repairs (£30k) whilst improvement programme works are lower overall by £11k due to slippage on the component replacement aspect of the programme. Which has created an increased weighting towards responsive rather than planned works in year.
17	Rent collection performance for Year end is 100.06%, this is 0.94% lower than the 101.00% stretching target however reflects top quartile performance.

We have worked with our stakeholders - board members, the risk and audit committee and customers to progress our VFM priorities.

The board will continue to review its plans for 2023/24 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.