

Langley House Trust

2018/19 Value for Money Report

1. Introduction

- 1.1 As a recipient of funding from local and national government bodies and also from charity donors, Langley House Trust and its subsidiaries (the Group) recognise that it is accountable to its clients, supporters, funders and staff for the money it receives. The Group is committed to making sure it gets the best value for the money it spends and actively take steps to identify and implement improvements which will reduce costs, remove waste and add value for its stakeholders.
- 1.2 The Group has implemented a Value for Money (VfM) Strategic Approach which provides the organisation with an over-arching plan for implementing, monitoring, and evidencing VfM activity in line with its strategic business objectives.
- 1.3 Langley House Trust is regulated by the Regulator of Social Housing and complies with its Value for Money Standard. Although the Kainos Community is not a registered social housing provider, it is fully incorporated into our Group-wide VfM Strategic Approach because the Group recognises the benefit of the Value for Money programme for all of its services.
- 1.4 Following a consultation period at the end of 2017, the Regulator of Social Housing implemented a set of seven VfM metrics to use to bench mark providers. The metrics are designed to test providers' risk appetite and commitment to delivering new supply. Providers must also develop and monitor their own measures, relevant to their own specific business model and plan.

2. Governance

- 2.1 The Board of Trustees is responsible for deciding the strategic business priorities of the Group and making sure it has the right resources to deliver them. The Board is accountable for ensuring that:
 - the Group understands the expectations of its stakeholders in relation to VfM;
 - Langley House Trust is compliant with regulatory standards relating to VfM;
 - the Group identifies, implements, monitors and evidences VfM activity and outcomes.
- 2.2 The Board continues to support the development of a culture where staff and volunteers are empowered to identify and deliver measurable VfM outcomes and where VfM related achievements are recognised and rewarded because it believes that Value for Money activity is most effective when it is an integral part of day to day business practices.

3. Performance against the Regulator of Social Housing's Seven Value for Money Metrics

3.1 The Trust's performance against the seven VfM metrics required by the Regulator to be reported against is as follows:

		2018/19	2017/18
1	Reinvestment	5.2%	6.4%
2A	New Supply (Social Housing)	5.8%	13.8%
2B	New Supply (Non-Social Housing)	0.0%	0.0%
5	Headline Social Housing Cost per Unit	£9,016.21	£9,182.56
6A	Operating Margin (Social Housing)	(7.9%)	(1.8%)
6B	Operating Margin (Overall)	(2.8%)	1.4%
7	Return on Capital Employed (ROCE)	(3.3%)	1.6%

Initial analysis shows that in 2018/19, the Trust's investment in properties slightly reduced back to 2016/17 levels at 5.2%. Whilst the level of new social housing brought into commission is at a lower level than the higher levels of growth encountered in 2017/18, new social housing units continue to be added to the Trust's portfolio. The continued focus on expenditure has led to a reduction in the Trust's social housing cost by over £150 per unit. Due to occupancy challenges and restructuring the Trust's overall operating margin has decreased by 4.2% in 2018/19 to (2.8%) and its Return on Capital Employed has also decreased by 4.9% to (3.3%).

3.2 The definition of the Regulator's seven VfM metrics are:

1. Re-investment – acquisition and repairs and maintenance costs, plus expenditure on works to existing properties divided by the value of the organisation's properties.

2. New supply – the regulator expects providers to report on both the supply of social and non-social housing units. It will calculate new supply from the total number of housing units acquired in the reporting period divided by the total number of units held at the end of that period.

3. Gearing – this metric is designed to assess the provider's reliance on debt and appetite for growth. It divides the total owed in loans and finance leases by the cost or

deemed cost and/or valuation of housing properties and would therefore not be applicable to the Group.

4. Earnings Before Interest, Tax, Depreciation, Amortisation, Major Repairs Included (EBITDA MRI) – overall surplus (or deficit), plus other income received, less grants and capitalised repairs, plus total depreciation charge divided by the total capitalised interest in housing properties and interest payable and other financing costs. Designed to assess investment capacity by measuring surplus against a provider's interest payments, it would not currently apply to the Group.

5. Headline social housing cost per unit – an amalgamation of management, service charge, maintenance and repair costs, including capitalised major repairs and other related social housing expenditure such as neighbourhood and community costs divided by the total number of social housing units at the end of the reporting period.

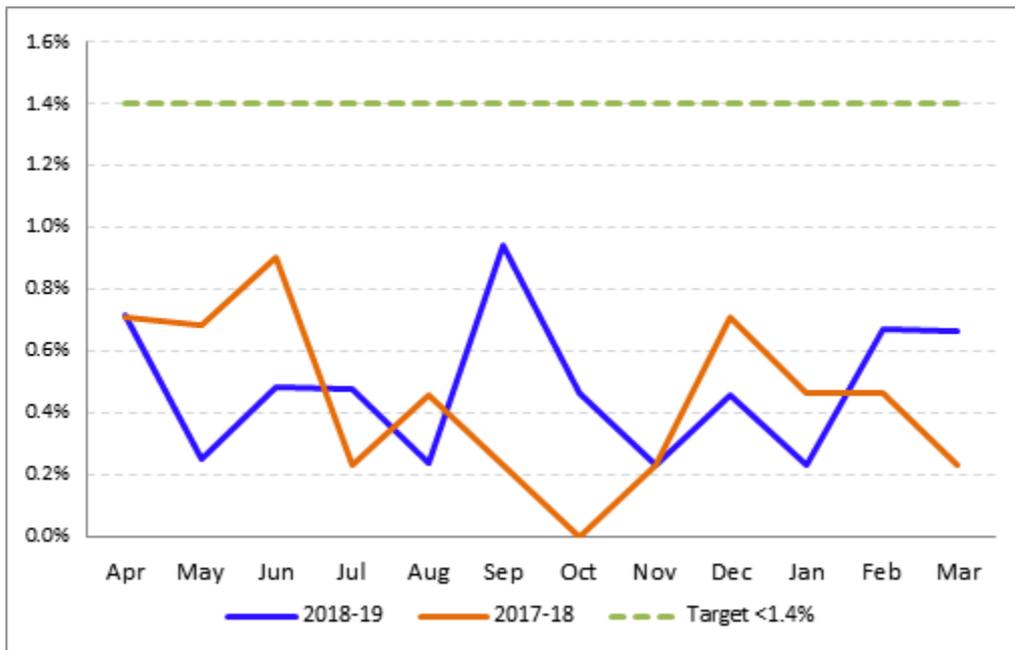
6. Operating margin – designed to assess the profitability of operating assets before exceptional expenses are taken into account and to give the regulator an indication of overall value for money performance. The regulator has proposed two measures; operating margin for social housing lettings calculated by dividing the operating surplus (or deficit) for social housing lettings by the turnover from social housing lettings only and operating margin overall, calculated by dividing the overall surplus (or deficit) by overall turnover.

7. Return on Capital Employed (ROCE) – a common measure used in commercial business, the regulator suggests that this metric will demonstrate the level of efficient investment of resources. Calculated by dividing the overall surplus (or deficit), the income from any joint venture partnerships and any gain or loss from the disposal of assets by the provider's total assets, less its liabilities.

3.3 These metrics are designed to test providers' risk appetite and commitment to delivering new supply.

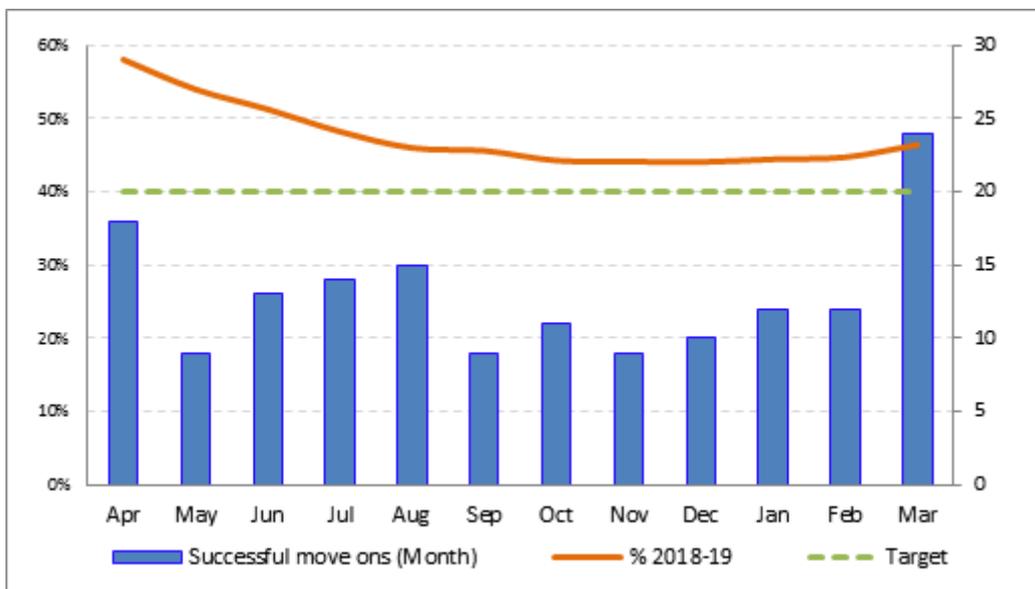
3.4 As stated in 1.4 above the Regulator of Social Housing expects providers to develop and monitor their own measures, relevant to their own specific business model and plan. These enable to the Trust to demonstrate and measure Value for Money within the Organisation in contrast to the Regulators seven key metrics. Two measure that highlight the prime missional objectives of the Trust are:

3.4.1 Reconviction Rates



The Trust consistently reports a low percentage of reconviction/return to custody (whilst in our service) reflecting the value of our housing provision.

3.4.2 Successful Departure



Record move-ons into more independent accommodation. 46% successful outcomes achieved across the year 2018/19 – client placements at the Knole and House St. Martin KNO, HSM retained for longer than any previous placement. Continued client retention at the Shrubbery and Longcroft.

4. Performance - Internal Objectives

- 4.1 The Group has made consistent progress in delivering the objectives set out in its VfM Strategic Approach. Performance against these objectives is reported to the Audit Risk and Compliance Committee on a quarterly basis and to the full Board annually.

Objective 1 – Promote a culture where VFM is integral to our approach

- Local Champions have continued to promote VfM within their projects and departments.
- VfM is a standing item on the agenda for all staff and client meetings.
- Following the launch of the VfM Awards, prizes were presented to winning teams at the Staff Conferences in June 2018.
- Staff and volunteers across the Group have been kept updated on VfM activities and initiatives through regular internal communications and the Joint Consultative Committee.
- Clients have been kept updated through the National Consultative Group and their Client Representatives.
- Clients' views have been captured through feedback mechanisms such as our annual client survey.

Objective 2 – Measure and demonstrate performance against VFM targets

- Performance against the Regulators seven standard metrics analysed and reported to the Audit, Risk & Compliance Committee and Board for 2017/18 and 2018/19.
- Performance against VfM targets is monitored by the Board as part of our reporting format.
- The VfM Strategic Approach and Action Plan are reviewed by Executive Team.
- We wrote and published a report outlining our VfM activity and achievements in 2017/18.

Objective 3 – Identify VFM activity

- VfM Champions have helped to identify, evaluate and prioritise VfM opportunities for the Group and agreed the focus for the VfM awards in 2018.
- A high level process review has been undertaken of key processes and further work has been undertaken to map and improve referral, recruitment, finance and support and care processes.
- Local transferable VfM initiatives have been identified and replicated across projects through the support of the VfM Champions group.
- VfM Champions developed and implemented an environmental promise to ensure consistent practices are in place across projects and office to reduce the Group's environmental impact.

Objective 4 – Ensure Board is actively accountable for delivering VFM

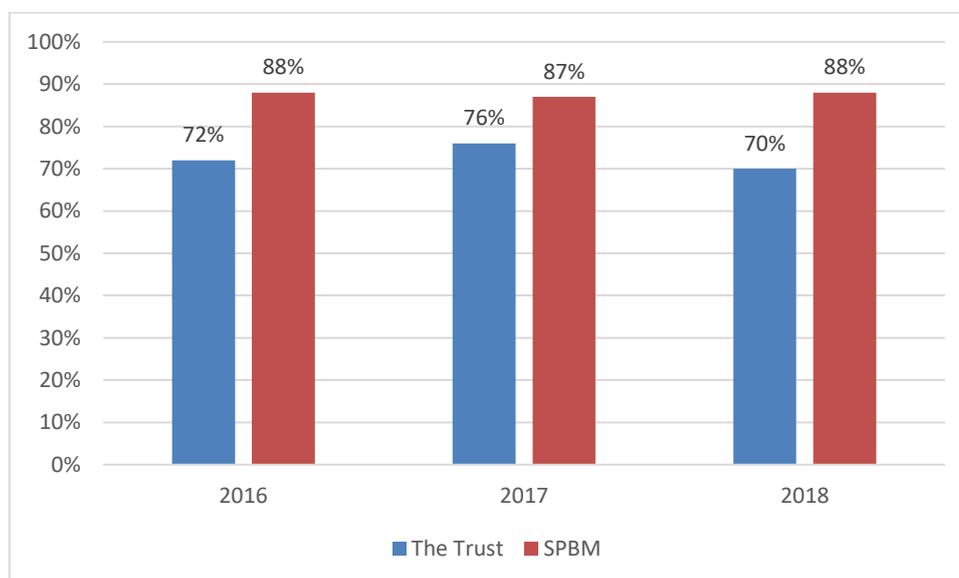
- The Board has appointed a VfM Champion who leads VfM initiatives at Board level.
- Papers presented to Board include an assessment of the VfM impact, where appropriate, as part of the summary information and recommendations section.

- 4.2 Prizes were awarded at the 2018 staff conferences for VfM achievements. Ashdene and The Knole (for the second year running) received the respective Northern and Southern prizes for innovation - the winners were chosen by conference delegates using voting technology.
- 4.3 The Group continues to achieve cost savings across key areas in 2018-19, with financial forecasts indicating continued cost reductions in the context of organisational restructuring. During 2018/19 the Trust's cost base was reduced £455.8k.

5. Performance – Client Satisfaction

- 5.1 Langley House Trust is a member of the Small Providers Benchmarking (SPBM) Group which is facilitated by Acuity. The membership consists of around twenty smaller housing associations which all have less than 1,000 units and is a mix of both supported and general needs providers. Supported housing providers in the SPBM Group reported an average overall satisfaction rating of 95% in 2018. The Trust's overall satisfaction score for 2018 was 95%, which was reassuringly consistent with both the SPBM Group score and the Trusts 2017 score of 96%.
- 5.2 Clients surveyed in 2018 reported client satisfaction with the value for their rent at 70%, compared to 76% in 2017. As with previous years, the higher costs of providing supported housing was identified as an item clients would like to see reduced in relation to affordability for employment pursuits. The lack of affordable move-on remains a national issue for the Supported Housing sector and this remains the same at the Trust which further exasperates client's opinions around rents.

Client Satisfaction with Value for Rent 2018



6. Performance – VfM Champion Reported Initiatives

- 6.1 Value for Money remains a standard agenda item at all meetings. VfM Champions report monthly on local initiatives that can be replicated across other Projects and Departments.
- 6.2 In addition to monitoring spend and ensuring competitive purchasing other initiatives have included:
- **Postage** - Items that can be sent 2nd class are. Hand delivering letters where possible or sending by email (eg application packs, reference requests, new starter letters, etc) instead;
 - **Gardening** - Free plants from garden centres to put around the gardens. This has encouraged clients to become involved – one client has now found an activity he likes to do, which in turn has helped his mental health;
 - **Food** - The VfM Champion has agreed a new deal with food suppliers resulting in cheaper food and a credit note;
 - **Food** - Arranged for Cash and Carry to deliver rather than us collecting as well as establishing online ordering service. Saving of staff time as well as encouraging better menu planning.

7. Conclusion

- 7.1 Langley House Trust and its subsidiaries continue to demonstrate their commitment to delivering tangible value for money for clients, funders, staff and other stakeholders through cost savings, improved processes and enhanced quality. From the strategic oversight of the Board to local initiatives implemented at projects and offices, the Group has fostered a culture where value for money is an integral part of everyday decision-making and this is being reflected in the control and reduction of costs year on year. These results enable the Group to turn its attention to those areas where results are weaker, such as its energy costs and current tenant arrears with real confidence, knowing that staff have the skills, tools and enthusiasm to continue to contribute to the delivery of value for money in these areas.