

## **Langley House Trust**

### **2019/20 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) recognises 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 takes steps to identify and implement improvements which will reduce costs, remove waste and add value for its stakeholders.
- 1.2 Langley House Trust is regulated by the Regulator of Social Housing and complies with its Value for Money Standard. Although the Kainos Community and Clean Sheet are not registered social housing providers, they are both fully incorporated into our Group-wide Value for Money Strategic Approach, because the Group recognises the benefit of the Value for Money programme for all of its services.
- 1.3 The Regulator of Social Housing updated the Value for Money Standard (revised) in April 2018 requiring that providers must:
- clearly articulate their strategic objectives
  - have an approach agreed by their Board to achieving Value for Money in meeting these objectives and demonstrate their delivery of Value for Money to stakeholders
  - through their strategic objectives, articulate their strategy for delivering homes that meet a range of needs
  - ensure that optimal benefit is derived from resources and assets and optimise economy, efficiency and effectiveness in the delivery of their strategic objectives

#### **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 demonstrates a robust approach to achieving Value for Money
  - regular and appropriate consideration of potential Value for Money gains
  - there is consideration of Value for Money across the Group and where this investment is in non-social housing activity, they should consider whether this generates returns commensurate to the risk involved and justification where this is not the case

- that they have appropriate targets in place for measuring performance in achieving Value for Money in delivering their strategic objectives, and that they regularly monitor and report their performance against these targets
  - the Group understands the expectations of its stakeholders in relation to Value for Money
  - Langley House Trust is compliant with regulatory standards relating to Value for Money
- 2.2 The Board continues to support the development of a culture where staff and volunteers are empowered to identify and deliver measurable Value for Money outcomes and where Value for Money 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. Strategy**

- 3.1 The strategy within the Group is to ensure a culture where Value for Money is integral to business delivery with clients central to decisions made and outcomes achieved.
- 3.2 The Group's value chain of economy, efficiency and effectiveness is evidenced in the table below that clearly shows the relationship between the Group's strategic objectives, key measures of performance (KPIs) and reporting of Value for Money:

OBJECTIVE	BOARD MONTHLY KPI	REGULATOR OF SOCIAL HOUSING (RSH) VFM METRIC
<p>1 Maintain and develop a Christian ethos that provides an environment which will stimulate growth in our clients and our people (staff and volunteers)</p>	<ul style="list-style-type: none"> <li>• External quality validation (standards met)</li> <li>• % clients who have offended (and are reconvicted) whilst with the Group</li> <li>• Number of clients meaningfully engaged</li> <li>• Number of successful planned departures</li> <li>• Staff turnover</li> <li>• Current client gross rent arrears</li> </ul>	<ul style="list-style-type: none"> <li>• Reinvestment</li> <li>• New supply</li> </ul>
<p>2 Continue to grow and develop both the capacity and models we offer the justice sector both within community and in prison</p>	<ul style="list-style-type: none"> <li>• Cumulative care income (actual v budget)</li> <li>• % clients who have offended (and are reconvicted) whilst with the Group</li> <li>• Number of clients meaningfully engaged</li> <li>• Number of successful planned departures</li> <li>• Monthly management accounts</li> </ul>	<ul style="list-style-type: none"> <li>• Reinvestment</li> <li>• New supply</li> </ul>
<p>3 Whilst remaining relevant and missional continue to increase levels of quality and efficiency in the delivery of services</p>	<ul style="list-style-type: none"> <li>• Cumulative care income (actual v budget)</li> <li>• Utilisation of Supported Housing beds</li> <li>• External quality validation (standards met)</li> <li>• Number of properties without a valid gas certificate</li> <li>• % clients who have offended (and are reconvicted) whilst with the Group</li> <li>• Number of clients meaningfully engaged</li> <li>• Number of successful planned departures</li> <li>• Cumulative voluntary income (actual v budget)</li> <li>• Staff turnover</li> <li>• Monthly management accounts</li> </ul>	<ul style="list-style-type: none"> <li>• Headline social housing cost per unit</li> <li>• Operating margin</li> <li>• Return on capital employed</li> </ul>

OBJECTIVE	BOARD MONTHLY KPI	REGULATOR OF SOCIAL HOUSING (RSH) VFM METRIC
4 Continue to increase financial and staff capacity to enable more sustainable effective delivery of the Trust's mission	<ul style="list-style-type: none"> <li>• Utilisation of Supported Housing beds</li> <li>• Loss of rental &amp; services income (voids)</li> <li>• Number of successful planned departures</li> <li>• Cumulative voluntary income (actual v budget)</li> <li>• Staff turnover</li> <li>• Current client gross rent arrears</li> <li>• Monthly management accounts</li> </ul>	<ul style="list-style-type: none"> <li>• Reinvestment</li> <li>• New supply</li> <li>• Headline social housing cost per unit</li> <li>• Operating margin</li> <li>• Return on capital employed</li> </ul>
5 Be a partner organisation of choice to both commissioners and referrers	<ul style="list-style-type: none"> <li>• External quality validation (standards met)</li> <li>• Number of properties without a valid gas certificate</li> <li>• % clients who have offended (and are reconvicted) whilst with the Group</li> <li>• Number of clients meaningfully engaged</li> <li>• Number of successful planned departures</li> </ul>	<ul style="list-style-type: none"> <li>• Reinvestment</li> <li>• New supply</li> <li>• Return on capital employed</li> </ul>

#### 4. Performance Against the Regulator of Social Housing’s Seven Value for Money Metrics

4.1 The Group’s performance against the seven Value for Money metrics required by the Regulator to be reported against is as follows:

	2019/20	2018/19	2017/18	Direction of Travel
1 Reinvestment	2.3%	5.2%	6.4%	↓
2A New Supply (Social Housing)	6.1%	5.8%	13.8%	↑
2B New Supply (Non-Social Housing)	0.0%	0.0%	0.0%	
5 Headline Social Housing Cost per Unit	£9,689.09	£9,016.21	£9,182.56	↑
6A Operating Margin (Social Housing)	(6.9%)	(7.9%)	(1.8%)	↑
6B Operating Margin (Overall)	2.0%	(2.8%)	1.4%	↑
7 Return on Capital Employed (ROCE)	6.2%	(3.3%)	1.6%	↑

#### 4.2 Understanding the Metrics

The difficulty of the Regulator applying seven metrics across the housing sector in a generic “one size fits all” approach to a provider the size of Langley House Trust is that you can lose the true value and achievement of purpose. From the metrics above it is tremendous to report, that five out of the six applicable are showing a positive year on year direction. Nevertheless, the headline for Langley House Trust is that during the year 2019/2020 we were able to have an impact on the 1,483 clients that we engaged with (2018/2019 – 914 clients). Furthermore Langley House Trust maintained the reconviction rate of less than 3% for those in our housing.

We work with adult men and women (18+) who have offended or who are at risk of offending. We are skilled in working with those deemed ‘hard to place’ and those with complex needs. This includes individuals who are subject to MAPPAs (Multi-Agency Public Protection Arrangements).

The 9.2% growth in income (£1.1m), increased occupancy, application of the Group’s Value for Money approach driving the operating margin and ROCE have resulted in the positive year on year direction of five of the six applicable RSH metrics.

Specific remarks on the RSH's metrics are:

- 4.2.1 Re-investment** - is the acquisition and repairs and maintenance costs, plus expenditure on works to existing properties divided by the value of the organisation's properties. The table in 4.1 shows that in 2018/19, the Group's investment in properties further reduced to 2.3% (down from 6.4% in 2017/18). The principle reason to reducing the number of acquisitions was directly attributable to the uncertain outlook caused by Brexit.
- 4.2.2 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. The number of new or replacement units taken on within the year is at the same level as 2018/19 at 28 units but as a % of total stock this is higher than in 2018/19 due to the timing of the disposal of Bridge House and handing back of Elderfield within the year.
- 4.2.3 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.
- 4.2.4 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.
- 4.2.5 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. The increase to the cost base for social housing was a strategic decision from the business plan to raise the quality of our housing stock far above that of the decent homes standard.
- 4.2.6 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. The increased operating margin for social housing was due to an improved occupancy position that offset the increase to the cost base. This improved margin is also reflected in the Group's overall operating margin that increased by 4.8% in 2019/2020 to 2.0%.

**4.2.7 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 housing properties by the provider's total assets, less its liabilities. Income growth combined with the operational effect of the 2018/19 restructuring produced the 9.5% increase in Return on Capital Employed to 6.2%.

## **5. Performance Against the Group's Internal Value for Money Targets**

- 5.1 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 the Group to demonstrate and measure Value for Money within the organisation in contrast to the Regulator's seven key metrics.
- 5.2 Value for Money is key to the Group's achievement of its business plan. The Board's Key Performance Indicators are reported monthly with Value for Money being encapsulated in the following KPIs:

# LANGLEY HOUSE TRUST

HELPING PEOPLE TO LIVE CRIME-FREE LIVES

Key Performance Indicator (KPI)	2019/2020 KPIs		Regulator of Social Housing Value for Money Metric	Group Strategic Objective Progress Measured By KPI				
	Actual	Target		Maintain and develop a Christian ethos that provides an environment which will stimulate growth in our clients and our people (staff and volunteers)	Continue to grow and develop both the capacity and models we offer the justice sector both within community and in Prison	Whilst remaining relevant and missional continue to increase levels of quality and efficiency in the delivery of services	Continue to increase financial and staff capacity to enable more sustainable effective delivery of the Trust's mission	Be a partner organisation of choice to both commissioners and referrers
Cumulative care income (actual v budget)	95.9%	100%	N/A					
Utilisation of Support Housing beds	90.4%	>91.8%	Operating Margin Return on Capital Employed					
Loss of rental and services income (voids)	13.2%	<8.3%	Operating Margin Return on Capital Employed					
External quality validation (standards met)	100%	100%	N/A					
Number of properties without a valid gas certificate	Nil	Nil	N/A					
% Clients who have offended (and are reconvicted) whilst with the Trust	0.2%	<1.4%	N/A					
Number of Clients meaningfully engaged	88	> 80	N/A					
Number of successful planned departures	50.8%	>40%	N/A					
Cumulative voluntary income (actual v budget)	96.7%	100%	N/A					
Staff Turnover rolling 12 months	16.59%	<24%	Operating Margin Return on Capital Employed					
Current client gross rent arrears	7.1%	<5.9%	Operating Margin Return on Capital Employed					
Monthly management accounts			Reinvestment New Supply Headline Social Housing Cost Operating Margin Return on Capital Employed					

The ongoing review of these KPIs ensure that areas identified for improvement continued to be monitored.

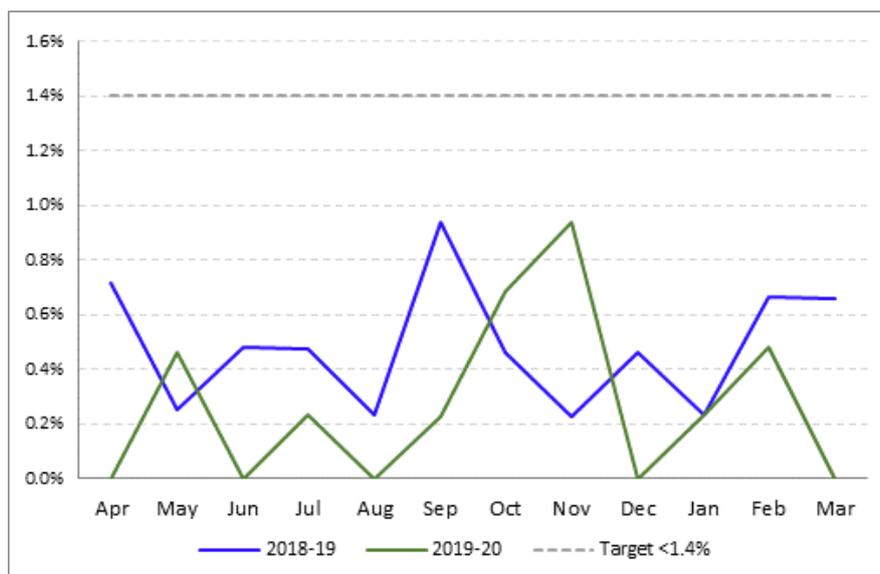
**5.3 Areas identified for improvement 2020/2021**

Performance measures have been identified to improve performance in 2020/2021 as follows:

New KPI introduced 2020/21	Target	RSH Vfm Metrics
Retention of clients within Care Projects	absolute measure	Reinvestment & New Supply
Unit numbers (actual v budget)	absolute measure	Reinvestment & New Supply
% clients satisfied with the service provided by the Trust	>71%	New Supply & Operating Margin

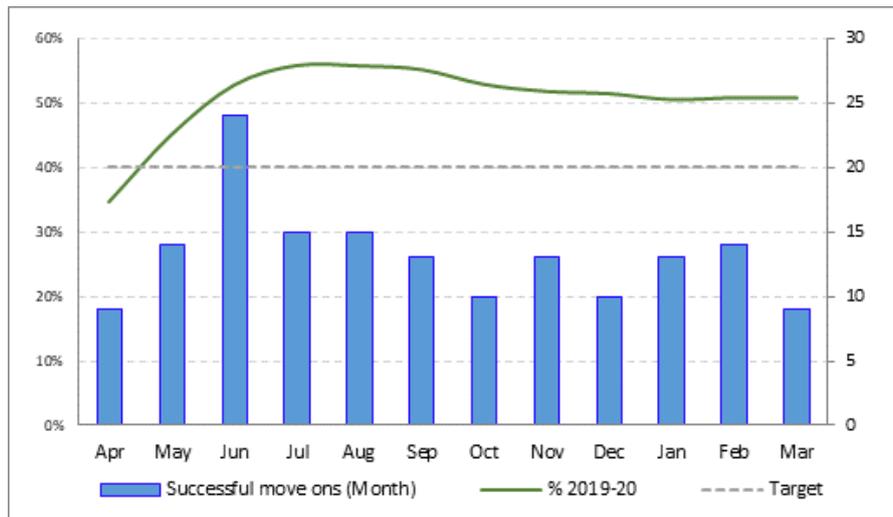
5.4 Two measures that highlight the prime missional objectives of the Group are:

5.4.1 Reconviction Rates



Clients reconvicted or being taken into custody remained consistently below sector averages throughout 2019/20 with even November's slight peak (0.9%) being below the 1.4% target.

5.4.2 Successful Departure



Successful move-ons were above target for the whole year 2019/20. Departures in the second half of the year stabilised generally with late March 2020 starting to see the effects of COVID-19 which will continue into 2020/21 (lower numbers overall).

5.5 The Group’s strategy to promote a culture where Value for Money is integral to business delivery is built on encouraging, equipping and empowering staff to have local ownership and accountability for Value for Money outcomes. This has resulted in a plethora of creative initiatives that demonstrate economy, efficiency and effectiveness with Projects. Many of these ideas have been implemented into other Projects.

The table below contains a sample of these:

Project/ Dept.	VfM Initiatives	Economy	Efficiency	Effectiveness
Bedford/ Luton/ Bench	We have a connection with the food bank who is distributing crockery which they regularly receive from Centre Parks, who replace everything every 6 months. They have given us some of the crockery which we have distributed to houses as need arises.	x		x
Box Tree	Taking advantage of promotions throughout the year: the funding of the Christmas service buffet was achieved through vouchers at no additional cost to the Project.	x		x
Box Tree	Obtained discounts for escorts saving 1 ticket per trip	x		
Central Services	After identifying the most competitive supplier for a purchase, accessing the supplier via Easyfundraising (or go through Amazon Smile if using Amazon for the purchase) where most of the suppliers on the site will donate a percentage of the purchase price back to Langley.		x	x

Project/ Dept.	VfM Initiatives	Economy	Efficiency	Effectiveness
Central Services	Renegotiation of photocopier contracts - better quality copiers with improved scanning capabilities	x	x	x
Central Services	A batch of 15 laptops were purchased with a trade in promotion saving approximately £2,000.	x	x	
Central Services	Moving to direct debit when suppliers offer an incentive to do so and it is appropriate.	x	x	
Ixion	Use of community room hire at John Lewis which is free for hire to registered charities.	x		
Kainos	We planned in advance for graduation day and bought refreshments when they were on offer rather than buying these last minute.	x	x	
Kainos	Purchase of small whiteboards for use in sessions. Reduces the amount of paper used and is more environmentally friendly.	x		x
Longcroft	Purchase of a milk dispenser to produce a saving in milk costs and wastage as a result.	x	x	x
Longcroft	Changed to LED light bulbs everywhere - brighter, more efficient light sources.			x
Murray Lodge	Online food deliveries to reduce the staff time and travel costs.	x	x	x
Murray Lodge	Provided waterproof mattress protectors for all beds, saves the mattresses needing to be replaced. (Cost of a mattress is over £300.) Other benefits of this is all clients receive the same standard, as waterproof mattress protectors can be cleaned and ensure no-one has to sleep on a soiled mattress.	x	x	x
Operations	Review and cancellation of subscriptions generating a £2,500 saving per year.	x		
Operations	10% saving negotiated on venue costs for NMM and NCG meetings by signing a contract with the hotel.	x		
Tekoa	Christmas gifts for clients purchased through inKind Direct - 70% saving £300.	x	x	x
Tekoa	Retendering of Project cleaning contract assessing quality, work efficiency and price. New contractor appointed is able to attain a higher level of cleanliness, at more regular hours, saving £300 per year.	x	x	x
Tekoa	Targeted opportunities for car / minibus sharing (e.g. L&D, staff conferences).	x		x
The Knole	Seeds have been purchased in order for us to grow our own vegetables. This activity will help in regards to healthy eating and positive social interaction for clients.	x	x	x
The Knole	Identifying free parking in the town centre that can be used when out with clients.	x		

- 5.6 The Group continued to achieve cost savings across key areas throughout 2019-2020. During the financial year the Group increased its income by 7.6% and reduced its cost base by 3%.

## **6. Performance – Client Satisfaction**

- 6.1 Langley House Trust benchmarks its client satisfaction survey result against the Small Providers Benchmarking (SPBM) Group which is facilitated by Acuity. The SPBM membership consists of 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 87% in 2019. The Group had a lower response rate to the survey in this reporting year which resulted in the overall satisfaction score for 2019 of 67%. The actual survey returns equated to 52% (212 out of 408).

- 6.2 Client satisfaction with the value for their rent was 65% in 2019, compared to 70% in 2018. The 5% shifted towards those stating they were unsure on their views about the rent levels. Feedback continues to evidence that the higher costs of providing supported housing is an issue that clients would like to see addressed, as it creates a barrier to employment. The Group rent levels are not affordable for working clients. Affordable move-on remains a national issue for the Supported Housing sector.

## **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 endorse the Group's strategy to keep clients central to value for money decisions made, confident that staff are empowered and have the skills, tools and enthusiasm to continue to contribute and drive to the delivery of Value for Money.