VALUE FOR MONEY STRATEGY

2019 - 2020

1. Introduction

We strive to be a robust, professional and efficient business, committed to delivering Value for Money. Central to this is a commitment to a positive Value for Money culture that evidences how we meet our purpose, deliver efficiency and maximise the financial, social and environmental returns on all resources.

Value for Money within Southdown does not mean simply doing things at the lowest cost, but demonstrating how we deliver our vision and values by providing services at the agreed quality standards, and in the most cost efficient and effective way. Integral to this approach is ensuring that we will never inappropriately compromise on health and safety standards for staff, clients or our properties purely in pursuit of financial savings.

Value for Money is also one of the standards of the Regulator of Social Housing (RSH), who oversee our activities as a Registered Provider of social housing.

In this Value for Money Strategy, we describe how we demonstrate the delivery of value for money, by comparing our performance against peer group performance across mandatory metrics (RSH scorecard metrics) and other appropriate metrics.

2. Value for money headlines

Of the eight relevant RSH sector scorecard metrics, we have improved our headline performance in 2018/19 in just two of these core metrics. However, the majority of these metrics are financially driven and therefore adversely impacted by our decision to make an additional in year investment to improve our social housing properties. This investment comprised of £0.3 million property improvements (which included expenditure to raise the standard of property compliance with 39 housing units taken on from other registered providers) and a further £0.2 million cost for the implementation of a new housing management / IT database system. Without this additional one-off expenditure, our performance against these sector scorecard metrics would have **improved across five of the eight relevant metrics (and remained the same in another)**. This adjusted trend is also shown in Table One below.

For the two metrics where our performance is lower than last year (after adjusting for the one-off investment), we are still performing better than the similar sized, smaller housing associations (SPBM) and/or the supported housing (Acuity Supported) peer group.

We also measure our performance against other benchmarked metrics (shown in Table Two) and client/tenant satisfaction ratings. Our annual performance and satisfaction ratings are consistently high year on year and when compared to other providers. This year has been a period of change with significant funding cuts to some of our client services. We feel this is likely to have impacted on this year's satisfaction rates and contributed to the small dip in some of our performance rates this year.

We feel this consistently strong performance demonstrates our culture of delivering Value for Money through the achievement of our core priorities and these core sector metrics.

3. Housing cost benchmarking and performance

We assess progress against our strategy in relation to our landlord functions by monitoring our progress against the key financial metrics developed as part of the RSH Standard on Value for Money and the social housing 'Sector Scorecard'. Since 2017, we have also participated in the Acuity benchmarking tool for smaller RPs. We have used available data from both the Sector Scorecard and Acuity to benchmark against as part of our Value for Money assessment for 2018/19.

The Acuity benchmarking data included in this report is only for 2017/18, with the 2018/19 metrics only being available in the autumn. Although we are not able to compare current performance with Acuity, we have included our own internal performance for 2018/19, comparing this with the previous year and 2016/17.

There are nine sector scorecard metrics, which we are required to report on as part of the value for money standard. One of these is not relevant to us, as we do not operate non social housing properties.

Table One below, compares our performance in these metrics across three years and benchmarks this against the following peer groups:

- **Acuity SPBM** – Benchmarking club made up of 140 smaller housing association providers (with less than 1,000 units)
- **Acuity Supported** - A sub group of Acuity SPBM comprising of 20 specialist supported housing providers.
- **HouseMark** – National benchmarking of larger housing association providers (over 1,000 units) made up of 450 organisations.

Our performance against these metrics is shown in the following tables, along with an outline of our interpretation of this performance:

Table One: Performance against Sector Scorecard benchmarking metrics

Table Two: Performance against additional Acuity benchmarking metrics

Table One: Sector Scorecard	**2018/19**			**2017/18**					2016/17
Acuity Sector Scorecard results Supported = 20 organisations SPBM = 140 organisations HouseMark = 450 organisations	**Southdown**	Trend against 2017/18 Southdown	Trend excluding one off spend	**Southdown**	Acuity Supported	Our Trend against Acuity Supported	Acuity SPBM	All HouseMark	Southdown
RSH Sector Scorecard core metrics									
Reinvestment %	**5.3%**	↑	↑	**4.4%**	**5.0%**	↑	4.1%	5.7%	**1.0%**
New supply delivered %	**0.9%**	↓	↓	**4.2%**	**1.0%**	↓	n/a	1.1%	**0**
Gearing %	**(19.4%)**	↑	↑	**(17.1%)**	**21.1%**	↑	19.3%	43.6%	**(17.3%)**
EBITDA MRI interest cover %	**1,702%**	↓	↔	**2,522%**	**337%**	↑	277%	214%	**2,641%**
Headline social housing cost per unit	**£7,172**	↓	↓	**£6,201**	**£8,517**	↑	£4,688	£3,237	**£5,822**
Operating Margin % (Social housing)	**1.6%**	↓	↑	**7.6%**	**9.4%**	↓	24.9%	32.7%	**7.6%**
Operating Margin % (overall)	**2.4%**	↓	↑	**3.6%**	**6.0%**	↓	21.7%	29.9%	**3.6%**
Return on capital employed (ROCE)	**2.4%**	↓	↑	**3.6%**	**2.4%**	↔	3.5%	4%	**3.7%**

Reinvestment %	Our ambition and 5 year business strategy is to increase the supply of accommodation we own, however Government intervention in the social housing sector has created challenges, which as a specialist supported housing provider have limited our ability to deliver our growth aims. In addition to the three year, 1% rent reduction (2017/20); we also face uncertainty regarding the future funding regime for supported housing. This has led Southdown, along with all other supported housing providers, to take a cautious risk based approach when committing to new capital projects. Despite these uncertainties, our reinvestment in housing stock is 5.3% and higher than both SPBM and Acuity Supported peer groups
New supply delivered %	New housing unit growth is typically by acquisition from other Registered Providers (RP) and this has delivered 0.9% growth this year, which is in line with all the peer groups performance. Our 5 year business Strategy is to develop an additional 25 housing units by 2023
Gearing %	We have no additional borrowing this year, meaning our gearing has reduced to -19.4% in 2018/19, which is significantly lower than all benchmarked peer groups (we have negative gearing as our cash at bank balance is higher than our loan liabilities). We have the capacity to increase borrowing when the uncertainty around the future funding regime for supported housing is resolved
EBITDA MRI interest cover %	This ratio of interest cover has reduced in 2018/19 due to the additional investment we made to improve some of our social housing properties. Aligned to our Gearing, this interest cover remains very positive and over 5 times higher than the comparable sector measures
Headline social housing cost per unit	Our cost per social housing unit has increased this year due to the additional investment to improve our social housing properties. Our performance continues to be higher than SPBM and lower than the Acuity Supported peer groups. (Supported housing provider costs are usually higher than general needs housing). Our year on year increase reflects added value as we invested in property improvements. This has increased our costs but is in line with our strategy, our vision and values and delivers value for money for our vulnerable tenants
Operating margin % (social housing and overall margin %)	Our operating margin (overall and just for social housing), have both reduced this year due to the additional investment in social housing property improvements. These margins are lower than Acuity Supported (showing the value we deliver by operating at small margins) and significantly lower than SPBM margins generated by general needs providers.
ROCE	Our ROCE in 2018/19 has reduced this year (due to the additional property investment), which is in line with the ROCE for the Acuity Supported peer group and lower than the wider SPBM group

Table Two: Additional Acuity benchmarking metrics	**2018/19**		**2017/18**					2016/17
	Southdown	Trend against 2017/18 Southdown	**Southdown**	Acuity Supported	Trend against Acuity Supported	Acuity SPBM	All HouseMark	Southdown
Value for Money								
Overheads as % of turnover	**10.3%**	↓	**10%**	12.2%	↑	14.3%	10.5%	**10.9%**
Allocation and lettings								
% of rent lost to voids	**2.6%**	↓	**2.4%**	5.3%	↑	5.0%	3.4%	**2.04%**
Income management								
% rent collected supported housing	**97.0%**	↓	**100.3%**	97.6%	↓	97.9%	100.0%	**100.2%**
Quality housing experience								
Planned & cyclical repair cost per unit	**£916**	↓	**£1,034**	£626	↑	£842	£1,314	
Quality housing experience								
Responsive & void repair cost per unit	**£720**	↑	**£587**	£663	↑	£633	£677	

Performance overview	Most metrics have dipped a little when compared to last year, but the majority are still better than the benchmarked peer groups.
Overheads as % of turnover	We continue to focus on controlling overhead costs. The small increase with this measure is primarily driven by the lost income as a result of funding cuts. This year performance is still lower than all benchmarked peer groups.
% of rent lost to voids	Our lost income through voids shows a small increase this year but remains lower than all benchmarked peer groups. Voids are a high risk area for the business, especially when a rent void is linked to a resident with a learning disability care package. We have experienced a high level of voids in our learning disability services, following the death of a number of older clients and lengthy delays in receiving suitable new referrals. To mitigate this risk, we have raised this issue with commissioners in relation to their role to help manage the provider market and speed up making referrals and agreeing funding packages for prospective clients.
% rent collected supported housing	We have consistently strong rent collection rates although this year end ratio has taken a small dip as we experienced some Housing Benefit payment arrears at this year end. This ratio has recovered n 2019/20, back above all benchmarked peer groups.
Planned & cyclical repair cost per unit	This includes preventative maintenance and replacement of property components. Spend level a little lower than previous year but still above the SPBM and Acuity Supported peer groups.
Responsive & void repair cost per unit	This year, we have seen more properties requiring a higher cost void repair before they can be re-let. This and additional responsive works to properties taken on from other registered providers have pushed up our unit repair cost this year. We look at this in a positive way as it demonstrates our focus on a well maintained housing portfolio, which contributes to an excellent tenant experience. We invest more per unit on repairing our portfolio than all of our benchmarked peer groups.

n/a = not available

In 2019 Southdown have also joined a group of specialist housing providers who are interested in developing a new sector scorecard, specifically for supported housing. This project is being led by the Home Group who also coordinated the development of the general needs sector scorecard. The aim of the new supported housing scorecard is to build on the work of the Acuity tool, but also link to the development of a quality assurance framework for the sector. This is a recommendation from the 2018 review of the future funding of supported housing, which looks to address issues of outlying, high cost providers that have negatively impacted Government's view of value for money of supported housing.

It is hoped that additional benefits of the supported housing scorecard will be a greater appreciation of the additional costs of developing and maintaining very specialist types of accommodation, and recognition of reasonable intensive housing management costs. The scorecard will be developed in 2019, with the aim to have an agreed version in place by quarter 3.

With our participation in our existing and new benchmarking clubs, we will continue to monitor and assess our performance against our peers across the available benchmarked metrics to widen our suite of measures to report on in our Annual Report. We will aim to improve our own performance year on year and to exceed our peer performance in the majority of benchmarked measures.

4. Non-Housing cost benchmarking

As a specialist supported housing and community care and support provider, and with housing activities only accounting for 18% of our income, although we evidence our achievements against the RSH regulatory standard for our landlord activities, Value for Money has far wider considerations due to the diversity of our other operating activities. To reflect this we also assess and report on Value for Money for other key areas of our business as detailed in the following pages.

Staffing

In recognition of the priority that we need to place on investing in staff, in 2016 we launched a comprehensive Engagement Strategy. Despite successful implementation on a wide number of initiatives, unfortunately we have yet to achieve the anticipated or required outcomes. In 2018/19 we have seen a rise in staff turnover rates to 21% (17% in 2017/18), which is above our target of 14% and staff sickness was similar to last year at 4.3% against a target of 4%. We have also experienced a significant decrease in the number of applicants for care worker positions (now fewer than 2 applicants per post). All of these issues have resulted in additional pressure on staff teams to cover for absent colleagues and maintain service capacity and quality levels. With the impacts of very low unemployment, a paucity of potential care workers in the local labour market, supporting clients with increasingly complex needs and with fewer community resources for them, plus time limited and uncertain contracts with the public sector, attracting and retaining staff is likely to continue to be a major challenge.

We do continue to obtain very high staff satisfaction levels through benchmarked standards and accreditation (e.g. Gold Investors in People accreditation, Mindful Employer, UK Family Friendly) and regularly obtain positive feedback as a good employer through our externally validated staff surveys. Although not complacent, we feel that the issues we are experiencing are indicative of the very challenging employment market, particularly for care and support roles. Staffing levels are a key area of focus for the Board and we will continue to develop and deliver staff engagement initiatives.

Service Quality

One of the key determinants for assessing Value for Money is whether the services we provide meet our agreed quality standards. Achievements made during 2018/19 include:

- Achieved an overall ‘Good’ assessment rating across all our care services assessed by the CQC
- We established a new client quality checking team to undertake quality and processes reviews of our Community Support Services, building on the work undertaken in 2017 to develop a tenant quality activity for our role as a landlord
- All contracted services were reviewed by commissioners, with us meeting all performance indicators
- Although we experienced some reductions in client and tenant satisfaction survey results, these all remained at high levels when compared to other providers. This is a period of change with significant funding cuts to some of our client services, which may have impacted on this year’s satisfaction scores.

Core Questions	2017	2018	Change	Diff.
I am involved in planning my support	92%	**87%**	↓	-5%
Staff are polite and treat me with respect	98%	**96%**	↓	-2%
Staff are reliable and arrive on time	95%	**94%**	↓	-1%
Information given to me is clear and easy to understand	94%	**90%**	↓	-4%
Staff have explained how I can feedback or complain	85%	**82%**	↓	-3%
Overall I am satisfied with the support I receive	93%	**92%**	↓	-1%
Support has made a positive difference to my life	92%	**92%**	←→	-

Tenant Questions	2017	2018	Change	Diff.
I understand my rights and responsibilities as a tenant	95%	**92%**	↓	- 3%
I am satisfied with the standard of repair work	87%	**86%**	↓	- 1%
I am satisfied with the overall condition of my home	93%	**89%**	↓	- 4%
Overall I am satisfied with the housing and repair service	87%	**89%**	↑	+2%

Commissioned Contracts

All of the care and support services that we provide are under contract to local authority or health commissioners. Care and support contract funding accounts for £22.0 million (82%) of Southdown’s total turnover of £26.8 million. Commissioners use competitive tendering processes, fixed hourly rate framework agreements or single provider negotiations based on cost benchmarking models to arrive at the best value for money for services.

We have experienced sustained reductions in the level of funding made available for our commissioned services. It is now proving to be more and more difficult to deliver major efficiency savings without appropriate investment in social care funding for the cost pressures faced by this sector. Without inflationary uplifts from commissioners, and contract extensions beyond originally anticipated terms, we are increasingly having to review and reduce service capacity and staffing levels to ensure contracts remain financially viable.

Social Impact

Social value outcomes achieved by our support services

Through delivery of our operational services, we make a significant impact to the communities in which we work. During 2018/19, we supported 10,000 vulnerable clients across Sussex to maximise their independence and achieve their personal goals. Each contracted service is monitored and reviewed by its public sector commissioners against a set of quality standards and performance indicators. A key element of the review process is to evidence the outcomes that are being achieved as a direct result of the support provided by our staff.

To demonstrate the difference that our support and housing services have made each year we produce an annual 'Impact Report'. The report for 2018/19 is now available on our website.

In addition to our contracted services, we invest £41k to fund our client involvement and quality checking central resources, £32k to support our volunteer service and £37k for additional financial inclusion advice for clients and tenants.

Social impact within the Sussex economy

With a turnover of £26.8 million and employing over 900 local people, Southdown makes a significant contribution to the local Sussex economy. Working within our financial regulations we aim to prioritise awarding procurement contracts to local businesses, and with the majority of staff living locally, they reinvest their salaries to further stimulate the local economy.

We invest time and resources to support local professional networks and community initiatives as part of our corporate social responsibility. Each year we nominate a local charity to support and, during 2018, staff raised over £1,800 for Macmillan Cancer Support.

5. Value for Money summary

Although we are committed to continuing to promote and achieve business efficiency across the organisation, we increasingly appreciate that our ability to deliver significant ongoing cost savings will be harder to achieve, and in fact, costs are beginning to rise in some areas. This is particularly true as we have already identified and delivered substantial savings over recent years, have plans to further invest in the quality of our housing portfolio and are facing mandatory increases in costs due to Government initiatives (National Living Wage, Apprenticeship Levy, Pension Auto-enrolment, and rent decrease).