VfM

Self-Assessment

2017-18

Beyond Housing formed on Monday 1 October 2018 following the merger of Coast & Country Housing and Yorkshire Coast Homes. The following documents are the VfM self-assessments for the former companies.

Value for Money: 2017/18 Self-Assessment

Introduction

Coast & Country's track record in delivering VfM is well-established. Our aim is to extract maximum value from the resources we use in our business. Achieving VfM helps us to deliver good quality products and services and invest in improving them further.

Our Corporate Plan 2016-2020 sets out our core purpose of '**working together to make a difference**'. This purpose is supported by our three corporate aims of providing:

- Great customer experiences
- Great homes and places
- Great business delivery.

Each of these is supported by a strategy to achieve its delivery. At the heart of each strategy is the requirement we deliver VfM by constantly improving the efficiency and effectiveness of all we do.

This report on our VfM activities assesses the extent to which we have complied with the VfM standard, set by our regulator, Homes England. During the year our regulator revised the VfM standard and issued a Code of Practice to be effective from Sunday 1 April 2018. In essence the principles of the VfM standard remain the same, but the narrative VfM self-assessment is replaced with the need to publish defined value for money metrics. For this assessment we have maintained a similar format as in previous years but added in detail on the VfM metrics.

This self-assessment aims to set out a comprehensive view of our VfM activities analysing the following:

- Our costs and performance (including VfM metrics)
- Our assets
- Our approach to VfM
- Our procurement activities
- Our social value
- Our progress on 2016/17 VfM actions
- Our VfM gains and next steps
- Our statement of compliance with the VfM standard.

It should be noted Coast & Country Housing is in advanced merger proceedings with Yorkshire Coast Homes based in Scarborough. The merger is expected to be finally approved at the annual general meeting scheduled in September, with go-live from Monday 1 October 2018. Coast & Country Housing will transfer all of its engagements into Yorkshire Coast Homes under the Co-operative & Community Benefit Societies Act 2014, and cease to exist thereafter. This is VfM self-assessment is written with this context in mind.

Our costs and performance

Specific expectation: We 'understand the costs and outcomes of delivering specific services and which underlying factors influence these costs and how they do so'.

The VfM self-assessment shall: 'set out the absolute and comparative costs of delivering specific services'.

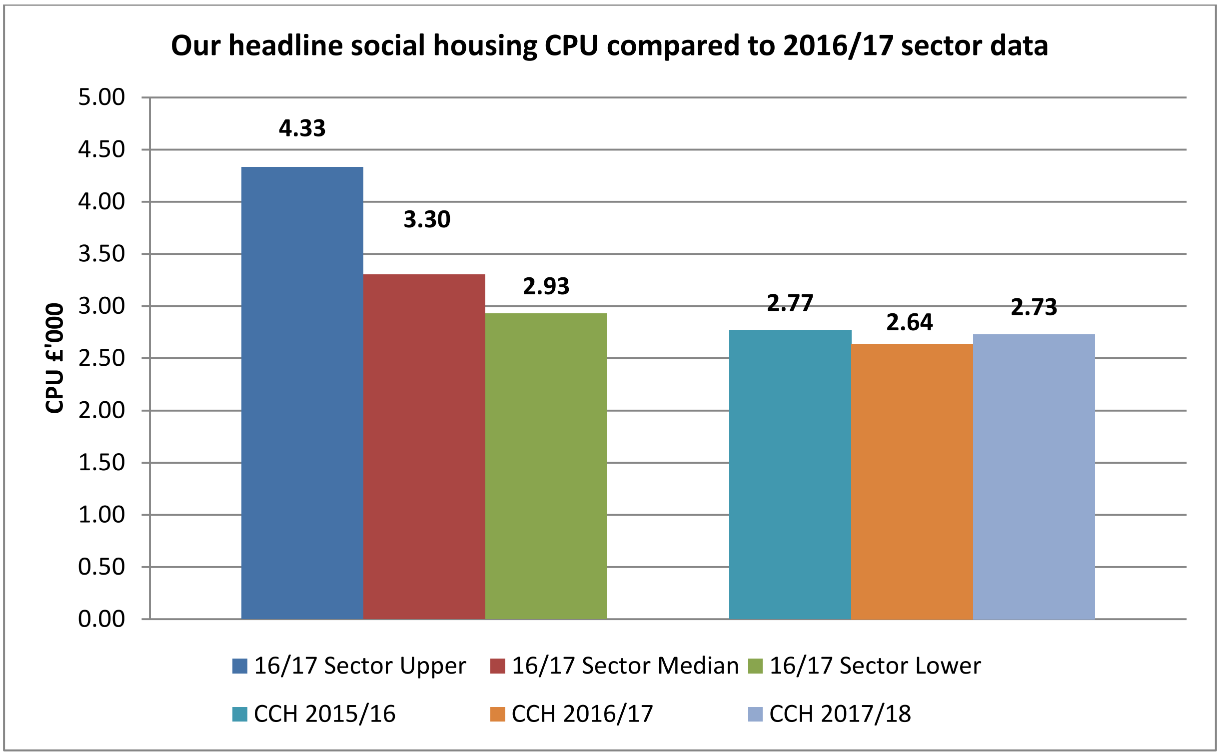
Our primary tools to help us assess the VfM of our services and how they compare with others are our Headline Social Housing Costs per Unit (CPU) performance and our participation in various benchmarking activities carried out by HouseMark.

Headline social housing costs per unit

The table below highlights our Headline Social Housing CPU for 2017/18:

	Costs	Units Owned & Managed	Cost Per Unit
Costs	£'000	No.	£'000
Management	10,281		0.97
Service charges	1,424		0.13
Maintenance	9,518	10,635	0.89
Major repairs	6,019		0.57
Other social housing	1,774		0.17
Headline Social housing costs - total	**29,016**	**10,635**	**2.73**

Our Headline Social Housing CPU for 2017/18 is **£2,728.** This number attains more meaning when we compare it to our performance trend as well as to available sector wide information.



The chart above shows our CPU increased by 3.4% on that recorded in 2016/17 as had been expected due to a planned increase in capital improvement and project related expenditure. The 2017/18 CPU remains below that of the sector's lower quartile in 2016/17 of £2,930. Despite increasing on the previous year the chart suggests that our costs remain competitive against the sector averages.

It is important to state that our aim is not simply to make our CPU as low as possible. The costs upon which our CPU is based include management costs which we wish to make as efficient as possible. They also include the investment we make in our properties to make them good homes for our customers to live in. We aim to maximise our efficiency so that we can invest effectively in the properties and the services we provide.

The following table breaks down the constituent parts of our CPU information from the last three years and compares it to the 2016/17 sector averages:

	Headline social housing CPU (£'000)	Management CPU (£'000)	Service charge CPU (£'000)	Maintenance CPU (£'000)	Major repairs CPU (£'000)	Other social housing costs CPU (£'000)
CCH 2015/16	**2.77**	**0.90**	**0.11**	**0.88**	**0.68**	**0.20**
CCH 2016/17	**2.64**	**0.92**	**0.12**	**0.86**	**0.55**	**0.18**
CCH 2017/18	**2.73**	**0.97**	**0.13**	**0.89**	**0.57**	**0.17**
2016/17 position						
2016/17 sector quartiles:						
Upper	**4.33**	1.15	0.60	1.11	0.96	0.51
Median	**3.30**	0.94	0.37	0.93	0.68	0.24
Lower	**2.93**	0.74	0.24	0.78	0.49	0.10

Management CPU: Our 2017/18 CPU increased to £0.97 in the year. The increase reflects a number of one-off items of expenditure that included c£270k merger related professional fees, and £200k for staff compensation costs arising due to changes to some terms & conditions. Without such incremental expenditure our CPU would have remained broadly in line with last year.

Service charge CPU: Our low service charges CPU primarily reflect the relatively low levels of service charge activity in our organisation.

Maintenance CPU: This is below the sector median but has increased in 2017/18 as we have introduced a new electrical servicing programme to ensure compliance to legal requirements. Overall this added c£400k to the maintenance budget. There remains an upward pressure on this CPU from intensive void management of our low demand areas.

Major repairs CPU: Our 2017/18 CPU shows a small increase on 2016/17 of 3.6%. More internal components were replaced during the year than in 2016/17 partly reflecting an increased heating/boiler replacement programme.

Other social housing costs CPU: This category consists of two main cost areas, our Independent & Supported Living Service ('ISL') and our costs relating to our development activities. Our ISL costs are offset by income from this business stream. Our development costs include those of our staff, their associated overhead costs and development scheme feasibility costs.

The above CPU performance should be seen in context. Our apparently competitive costs at a national level are due in some part to our operating in the north east, a low cost area. We need therefore to assess our CPU performance against our regional peers who also operate in this relatively low cost environment. The table below compares our 2016/17 CPU with the north east regional average:

	Closing social housing units managed	Headline social housing costs per unit (£'000)	Manage-ment CPU (£'000)	Servic e charge CPU (£'000)	Mainte nance CPU (£'000)	Major repairs CPU (£'000)	Other social housin g costs CPU (£'000)
CCH	10,657	2.64	0.92	0.12	0.86	0.55	0.18
NE Average	12,425	3.10	0.72	0.37	0.95	0.75	0.32

Our CPU of £2,640 compares well with the north east average of £3,100, ranking us 2nd of 12 regional organisations. Only our Management CPU is above the north east average.

The table above provides additional assurance that the conclusions we draw from our overall CPU performance nationally appear to be borne out by regional comparison.

HouseMark

Whist CPU benchmarking provides us with insight into our costs it sheds no light on the outputs that are derived from our costs, namely our performance. HouseMark is the leading benchmarking club in the housing association sector. We submit our cost and performance data to HouseMark who validate this data and compare it to the costs and performance of comparable organisations. We believe the most representative peer group for us to compare against is other English housing associations with properties in the 7,500 to 15,000 range.

At the time of compiling this report we have received draft 2017/18 HouseMark data that is still being verified by Housemark. We include the results but caveat them as being of a provisional status.

Rent arrears and collection

Our strengths:
- CPP of £145 is below the peer group average of £146.
- Total tenant arrears as % of rent due: 4.05% compares to our peer average of 4.64%.

Where we can improve:
- We have restructured our Income Management Service and have redirected further resources to arrears recovery. A position of Former Tenant Arrears Advisor has been created to improve our debt collection.
- We have delivered staff training to employees responsible for managing arrears.
- We have reviewed our arrears information and redesigned arrears procedures.
- We are reviewing our systems and our customer insight information as a means to improving our arrears performance.
- We have recognised that our arrears written off are high and have partnered with UK Search Limited to help us improve our recovery of former tenant arrears.

Our assessment:
- We recognised our arrears and collection performance needed to improve further and have invested in the Income Management Service to help it do so.

- We are continuing to embed a Rent First culture, seeking to implement intelligent account management software and optimise our systems and information to improve performance.

Tenancy management

Our strengths:

- CPP of £75 is below our peer average of £106.
- Based on the 2016/17 date we have high satisfaction levels with 91.1% satisfaction with the service we provide compared to 90.1% satisfaction of the peer group. 2017/18 data is unavailable at the time of writing this report.

Where we can improve:

- Our tenancy turnover rate of 11.4% is 4th quartile and compares to an average in our peer group of 6.6%.

Our assessment:

- Our tenancy management performance is impacted by the challenges we have in retaining customers in areas where there is low demand for our properties and alternative available accommodation. We have a number of Customer Sustainment projects underway including support for vulnerable customers, reducing avoidable terminations and reducing tenancy transfers.

Lettings

Our strengths:

- CPP of £88 is in the 4th quartile and is a reflection of the resources required to manage our void performance.
- We reduced the % of properties vacant but unavailable to let from over 0.77% to 0.41% in 2017/18.
- Average relet times reduced to 20.9 days in 2017/18, level with the peer average.

Where we can improve:

- Despite our much improved void performance, rent loss due to voids of 1.5% is 3rd quartile compared to a peer average of 0.66%.

Our assessment:

- We have been high cost and low performance on lettings compared to our peers for a number of years, and voids are a key corporate risk to the business.
- Since 2015 when we set up a Voids Steering Group, a range of initiatives have been implemented to manage void performance at a much improved level compared to that experienced historically.

Customer engagement

Our strengths:

- CPP of £14 is well below our peer average of £42.
- We have satisfaction at 71%, that our customers' views are taken into account. The average percentage for the Peer Group is unavailable at the time of writing the report.

Where we can improve:

- Our Customer Insight & Engagement programme will review how best we can involve our customers in shaping our services.

- We have implemented a GIS system and continue to embed it into the organisation, training employees as required.
- We have established a customer persona framework that improves our knowledge and understanding of our customer base. Additionally we have cleansed our customer information held within our management information system.

Our assessment:
- We believe that our low CPP reflects the established and embedded nature of our Customer engagement activities rather than any under investment in an activity that is very important to us.

Responsive and void works

Our strengths:
- CPP of £723 is placed in the peer group 1st quartile
- Percentage of repairs completed at the first visit: 94% compared to the peer group average of 95%
- Satisfaction with repairs: 91% compared to the peer group average of 85%.

Where we can improve:
- Cost per responsive repair is reducing but remains slightly higher than average and will be assessed via our review of repairs and maintenance service standards.

Our assessment:
- During 2016/17 we implemented an organisational restructure that has removed cost from our repairs service
- In 2017/18 we changed our service standards reducing Out of Hour expenditure, produced a new Customer Handbook and implemented new technology into our service
- Our corporate priorities will continue to focus our attention on the cost, efficiency and effectiveness of our repairs service.

Major works and cyclical maintenance

Our strengths:
- CPP of £1,335 is below the peer group average of £1,614.
- Our average SAP rating of 73 is better than peer 1st quartile of 72.

Where we can improve:
- Continue effective procurement to reduce costs.
- Ensure we have efficient and effective processes.
- Use our new asset management system to improve our major works programme planning.
- Target a greater proportion of annual investment on energy efficiency measures on homes with SAP ratings below 69.

Our assessment:
- We aim to continue to develop our asset management system and improve our asset management performance.
- We aim to identify our stress area estates and develop and implement solutions to improve the performance of such estates.
- We will continue to seek improvements in process, ICT and to reduce costs further via effective procurement.

Estate services

Our strengths:

- We believe that aspects of our estate management services are of a high quality. We are realistic however in their ability to overcome our customers' satisfaction with their neighbourhoods which at 80% is 3rd quartile in our peer group.

Where we can improve:

- CPP of £239 is 4th quartile in our peer group which averages £197.

Our assessment:

- Estate services continue to report 4th quartile cost performance and remain an area for review.
- A partnering arrangement is being piloted with Redcar & Cleveland Council relating to open space maintenance, whilst we are implementing further seasonal working patterns and compressed hours to reduce estate expenditure.

VfM metrics

As identified our regulator, Homes England, revised the VfM Standard introducing the requirement for providers to report on a suite of VfM metrics. The table below identifies these metrics:

Metric	Metric description	CCH 2017/18	CCH 2016/17	Sector 2016/17*
1	Reinvestment Percentage	3.2%	4.1%	N/A
2	New Supply of Social Housing Units delivered as a percentage of Total Social Housing Units Owned.	0.34%	0.63%	N/A
3	New Supply of Non-Social Housing Units delivered as a percentage of Total Social Housing Units Owned.	0%	0%	N/A
4	Gearing Percentage	52%	58%	50%
5	Earnings before Interest, tax Depreciation, Amortisation, Major Repairs included – EBITDA-MRI	237%	250%	170%
6	Headline Social Housing Cost Per Unit	£2.73K	£2.64K	£3.30k
7	Operating Margin percentage – Social Housing Lettings	34%	37%	34%
8	Operating Margin percentage – Overall	33%	35%	30%
9	Return on Capital Employed percentage (ROCE)	5.2%	6.5%	4.2%

*Source: Homes England – Global Accounts 2017 for Private Registered Providers

Metric 1 – Reinvestment Percentage looks at the level of investment in both new build and transfer properties. In 2017/18 our reinvestment percentage was 3.2% as compared to 4.1% in the previous year. We reduced the Empty Homes Purchase & Repair scheme during the year whilst our development programme was smaller in 2017/18.

Metric 2 & 3 – our New Supply of Social Housing Units was 0.34% in 2017/18 compared to 0.63% in 2016/17. Only 35 units were completed in the year on such schemes as Stokesley Road and West Acres. In the prior year 65 units completed of which 64 related to The Dunes. There was no new supply of non-social housing properties in either year.

Metric 4 – the Gearing metric measures the level of debt dependency by comparing debt against the size of the asset base. Our net debt position at 31 March 2018 was £155m compared to £166m the previous year. We have significant cash reserves that have increased over recent years due to reducing operating costs and low development activity, and which subsequently have reduced our gearing level.

Metric 5 – the EBITDA-MRI percentage measures operating surplus against interest payments. Our 2017/18 EBITDA_MRI was 237% below that of 2016/17 due to a number of factors including reduced rental income, higher management costs due to "one-off" related spend, increased capitalised repairs and a £2m land impairment.

Metric 6 – our Headline Social Housing cost per unit is £2.73k and is well below the sector average. We have established this indicator in our organisation as a key performance measure and our performance is reported in this VfM self-assessment.

Metric 7 & 8 – Operating Margin (social housing lettings only) and Operating Margin (overall) measures the profitability of operating assets before any exceptional items of expenditure are taken into account. Both have reduced compared to previous year with the explanations provided for the EBITDA-MRI movement valid for operating margin performance.

Metric 9 – The ROCE is an indicator of how efficiently we invest our capital resources. Our lower operating margin provides some explanation whilst an increase of £46m in the total asset less current liability position at 31st March 2018 reduces the ROCE percentage. The increase in the total asset less current liability position is attributable to drawing down our remaining loan facility and the 2017/18 housing property revaluation.

Comparing our performance on Metrics 4-9 against the financial information collated in the Homes England Global Accounts for 2016/17 we appear to be ahead of the sector average. During 2018/19 further analysis will be undertaken to improve our understanding of sector performance and that of our local peers as a means to gaining assurance to that of our own performance.

Our costs and performance - conclusion

- Our Headline Social Housing Cost per Unit for 2017/18 was £2,728 and despite increasing this year due to some one-off expenditure incurrences still remains well within the sectors lower quartile.

- Our review of our 2016/17 CPU compared to other north east organisations places us second out of twelve organisations for the lowest cost per unit and is therefore relatively consistent with our sector-wide conclusions.

- The provisional nature of the 2017/18 Housemark results lead us to conclude that overall our performance is generally better than average in terms of cost and performance, but there are some areas where we are high cost which reflect some of our strategic challenges such as lettings and estate management

- Our estimated Housing Management CPP, which aggregates rent arrears and collection, lettings, anti-social behaviour, tenancy management and customer engagement services, places us in the 1st quartile in our peer group

- Our 2017/18 low housing management costs generally reflected better than average performance. However, our lettings performance despite significant improvement in recent years is still 4th quartile overall and is reflective our challenging operating environment. Our Programme & Project management framework has a number of projects identified aimed at improving performance

- Our Repairs & Maintenance service CPP places us also in the 1st quartile and is accompanied by high levels of performance both in terms of satisfaction with the service and operational indicators

- Our Overheads as a Percentage of Adjusted Turnover, a key HouseMark indicator is 8%. The 2017/18 Peer Group information is unavailable at the time of writing this report however the 2016/17 first quartile was 10.6% and therefore we expect our performance to remain in the first quartile

- Our CPU information supports our belief that our services provide VfM

- Our VfM Metrics particularly relating to efficiency seem to suggest good performance against that of the sector (where sector information available) albeit performance in 2017/18 is on the whole lower than in 2016/17. We understand the movement in our performance and will build our knowledge of sector performance during 2018/19.

Our assets

Specific Expectation: that the organisation "understands the return on its assets, and has a strategy for optimising the future returns on assets – including rigorous appraisal of all potential options for improving value for money including the potential benefits in alternative delivery models - measured against the organisation's purpose and objectives."

The VfM self-assessment shall: "enable stakeholders to understand the return on assets measured against the organisation's objectives".

We own or manage over 10,600 properties, housing over 25,000 customers. These properties generated lettings income of £48.9 million in 2017/18 compared to £49.2 million in 2016/17. We invest this income in managing, maintaining and improving these properties, and in building new ones.

Two of our top priorities are, firstly to increase the size of our property portfolio with new affordable homes that will enhance our capacity to meet growing local needs and demands and, secondly to regenerate those neighbourhoods that we identify as Stress Areas where we currently struggle to meet customer expectations and where positive interventions are required.

Our 2018 Business Plan and our new Property & Development strategy include the capacity to build over 1,400 additional properties to deliver our corporate aim of 'Great Homes and Places'. All of our development schemes seek to deliver VfM outcomes with financial appraisals and tailored sales strategies where required. The schemes' progress against plan is monitored by our Development Committee, and is reported to our Board quarterly.

During 2017/18 our development programme progressed with delivery of our 64 apartment extra care scheme, The Dunes, and commencement of a further development of 25 bungalows for older people with care needs. These two developments conclude the envisaged work of a partnership between Coast and Country and Redcar and Cleveland Borough Council (RCBC), where we have worked together to provide new accommodation and care tailored to meet the changing needs of older customers.

The Dunes met the aspirations of both the Council; being affordable to construct and complementing a scheme nearby which provided independent living for elderly residents but without any communal and support facilities. The Dunes offered additional benefits to our existing residents providing communal support services that they could access on a daily basis to help them with independence, and also provide RCBC with economies of scale providing high quality care to these residents if required, ensuring additional value for money. Training and employment opportunities were also delivered as part of the contractual obligations. The scheme was recently shortlisted in the 'value' category at the Constructing Excellence north east (CENE) awards.

Work has also progressed appraising options on an identified stress area, Church Lane North, Using our asset data we have been able to examine options and concluded that best value would be achieved by remodelling the existing estate layout and using infill sites for new build development.

As standard, our consultants and contractors for our development projects are selected from a framework which, as well as ensuring compliance with OJEU regulations, also ensures that appointments are made from a value assured basis in terms of costs and quality. Mini competitions from the framework further drive value on a project by project basis. Our development projects incorporate contractual requirements for the delivery of training and employment activity throughout the lifetime of the contracts, including construction specific training opportunities for existing and new staff as well as community engagement with schools. The board receive monitoring reports with KPI's which allow transparency and rigorous control of budgets.

One of the main drivers for merger with Yorkshire Coast Homes has been to generate operational efficiencies from synergies that could then be reinvested into property development. The merged company's development programme is substantial, will generate new efficiencies and will provide opportunities to develop at scale and to deliver more than just affordable housing via an appropriate subsidiary structure. Immediate efficiency gains will be made with the shared access to development support staff including sales, reporting, administration and system co-ordination.

As at 31st March 2018 cumulatively we have:

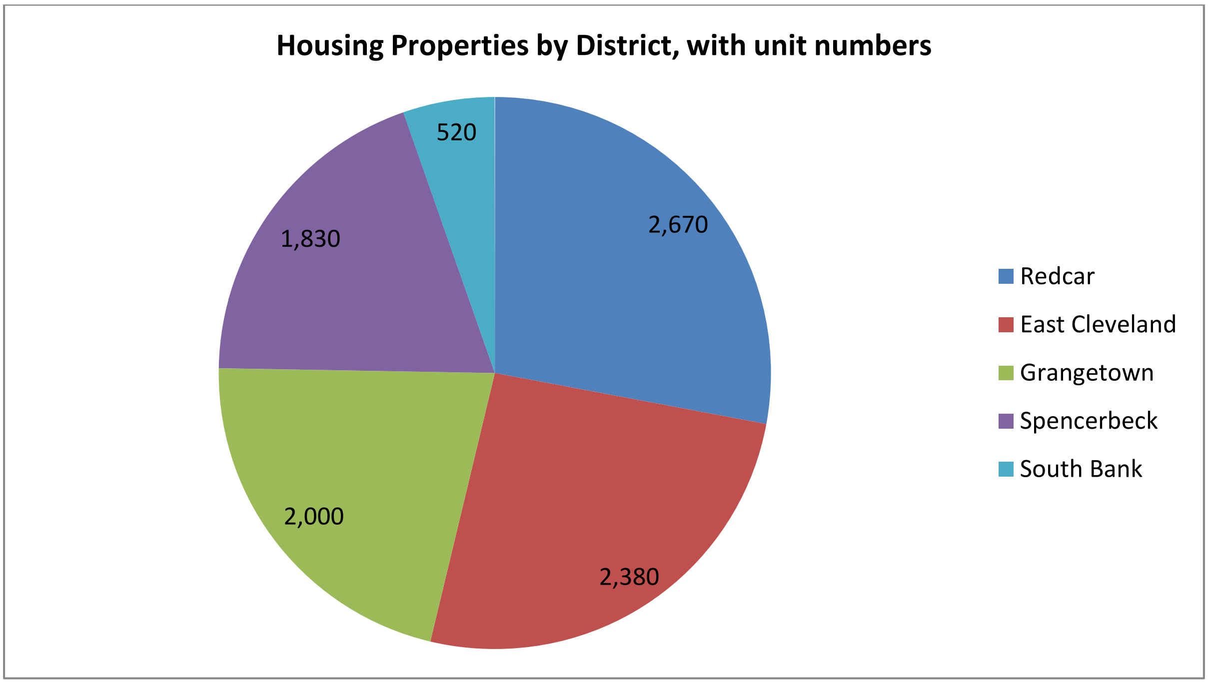
- Spent £113m, net of grant, in developing over 940 new homes
- Spent £24m, net of grant, in acquiring properties via Mortgage Rescue and Empty Homes Purchase & Repair schemes
- £2.7m on properties under construction.

Our Property and Development strategy requires us to manage our housing properties as effectively as possible so that we maximise the net income we generate from them in the long term. A 30 year investment programme identifies the work required to meet this objective. Our in-house team is responsible for surveying the condition of our housing assets and ensuring that its needs are reflected in the investment programme.

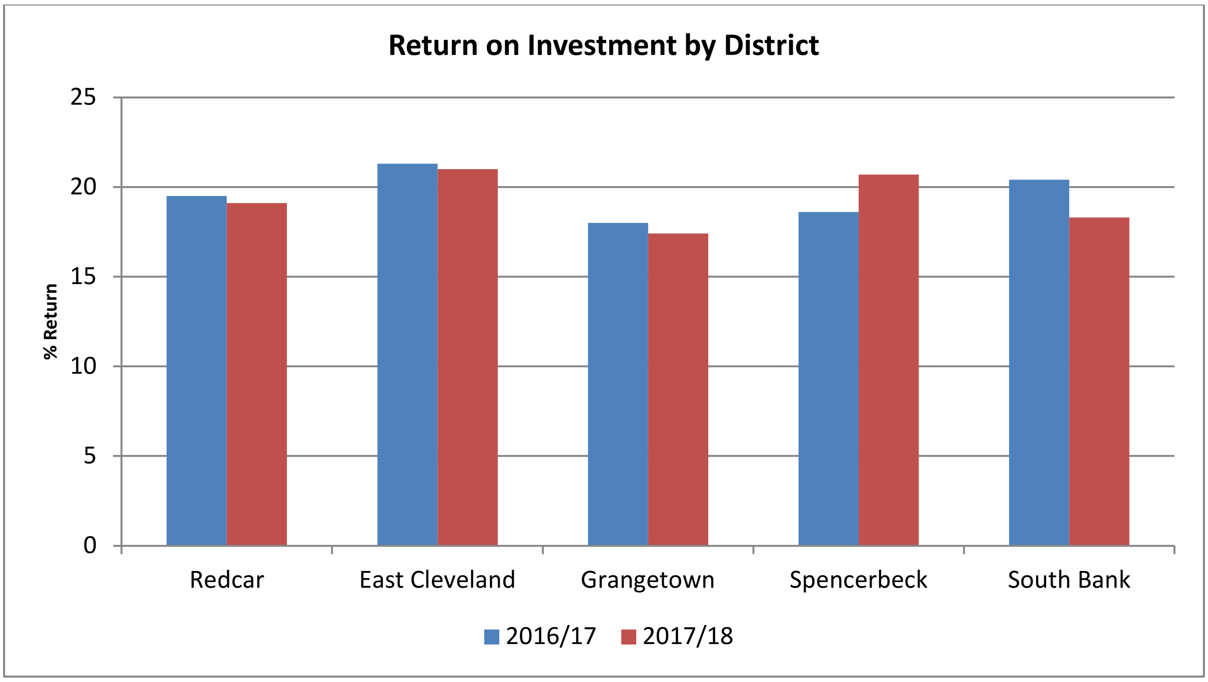
We have an Asset Performance Tool ('APT') which incorporates information which allows us to assess the financial performance of our stock as well as a range of qualitative information on our neighbourhoods. This combination of financial and non-financial information allows us to develop an extensive understanding of the returns our assets generate at estate level.

We have further enhanced our Promaster Asset Management System during the year by implementing the Asbestos and Energy Modules. Our operatives receive and relay information via PDA technology on a "real time" basis, our procedures have been streamlined whilst informing our operatives of asbestos locations will ensure a safer workplace environment.

We assess asset performance on our properties at the level of the following districts:



The chart below shows the Return on Investment (ROI) by district which is obtained by measuring operating surplus at scheme level as a % of scheme capital cost.



The table below summarises some of the indicators that we use to judge the performance of our assets at scheme level:

	Redcar		East Cleveland		Grangetown		South Bank		Spencerbeck	
	17/18	16/17	17/18	16/17	17/18	16/17	17/18	16/17	17/18	16/17
Responsive repairs direct Cost per Property (£)	193	187	238	229	210	212	223	213	226	219
NPV £000's per unit	46	34	46	36	39	30	39	31	46	36
Stock Turnover	10%	10%	13%	13%	17%	17%	12%	20%	12%	12%
Housing Demand average	18	18	43	43	9	9	16	16	15	15
Average tenancy duration (weeks)	387	387	356	354	264	255	174	258	326	357
Deprivation assessment (no change in 16/17)	1,531	1,531	1,516	1,516	385	385	182	182	1,294	1,294
% ASB cases	5%	4%	7%	7%	3%	4%	4%	4%	5%	5%
SAP Rating per unit	70	72	72	71	70	70	75	75	72	72

This information confirms that we continue to experience demand challenges in some of our areas of operation which threaten an acceptable long term return on our assets. Our poorer performing estates generally exhibit high levels of voids, high turnover, low customer satisfaction, high deprivation levels and low customer demand.

We cannot simply divest of our presence in these communities because we achieve low return on our assets in them. Our strategic commitment to 'Great Homes & Places' and our social purpose compels us to support these communities. We are committed to improving the quality of place and the quality of our customer offer for these communities. Proactive, intensive asset management remains critical to finding the solutions to support them.

We have identified five stress areas in our stock portfolio – Church Lane North, Grangetown North, Coniston Road Grangetown, Maxton Road/Shinwell Crescent South Bank, and Redcar Road East South Bank where tailored management, maintenance and environmental interventions are required.

During 2017/18 we have developed an in-depth knowledge and understanding of the issues faced on Church Lane North and Grangetown North. Two separate project teams are working on reviewing the performance of these two estates, gathering information, consulting with tenants with the intention of creating an intervention options appraisal and action plan. The APT system has been applied to the estate at property level identifying the poorest performing properties and therefore streets within each estate. This detail allows us to identify more specifically the reasons for poor performance and to tailor intervention that will optimise the future financial returns from the estates. Budget provision has been made in the 2018/19 to commence such work on the Church Lane North estate once an agreed intervention is reached.

The Church Lane North and Grangetown North projects will provide the framework for managing our future stress area reviews. Our next review has been identified as Coniston Road Grangetown.

During 2017/18 we continued with our:

- Refurbishment of multi-storey flats and shops;
- Rationalisation of our garage stock on a maintain, demolish or dispose basis;
- Review of all open spaces to ensure we are maximising our development opportunities.
- Identified Community Centre's for conversion, developed plans and works have commenced. We have accessed £300k of Homes England funding to support the conversion.
- Continued our environmental improvements partnership with Redcar & Cleveland Council.
- Completed a service charge review that has reduced charges to our tenants.

As well as our work in our low demand stress areas, our commitment to maintaining our property portfolio during 2017/18 led us to spend:

- £4.3m on property improvements replacing approximately c1,450 key components;
- £4.2m on over 37,000 responsive repairs;
- £2.1m on void property repair/improvements;
- £2.3m on cyclical maintenance;
- £0.8m on estate and environmental improvements;
- £0.8m on asbestos identification and removal works; and
- £0.1m on property adaptations for vulnerable people.

As well as investing in, and extracting value from, our existing assets, we have also continued to add to our property portfolio with new build and acquisition of existing properties

Our assets – conclusion

- We added 35 new build properties (24 affordable rent and 11 Shared Ownership) to our stock portfolio via Section 106 activity. Additionally we added 23 properties to stock via our Purchase & Repair scheme.

- Our Development team has been expanded during the year, adding development skill and knowledge to the team. The team have worked hard during the year to establish a development programme that will add 1,400 units to our stock portfolio over the next ten years.

- During 2017/18 we have used our APT information to gain better insight into the performance of our Church Lane North and Grangetown North estates, providing property level detail and allowing intervention plans to be developed.

- We use the current income from our property portfolio and our borrowing capacity to continue to invest sums in our existing and new properties to maintain our properties and protect our future income streams.

Our approach to VfM

Specific Expectation: that we "have a robust approach to making decisions on the use of resources to deliver the provider's objectives, including an understanding of the trade-offs and opportunity costs of its decisions."

Specific Expectation: that we "have performance management and scrutiny functions which are effective at driving and delivering improved value for money performance."

Our approach to VfM is characterised by the following:

- Our Corporate Plan 2016-2020, approved by our Board, sets our vision and corporate aims to 2020;

- The Corporate Plan is translated into financial terms by the organisation's financial Business Plan. The Business Plan is updated annually then approved by our Board and funders;

- Our Board and its Committees oversee the delivery of the Corporate Plan's core aims. VfM considerations are an established part of Board reports. A Board VfM Champion sponsors the link from Board to the business, meeting with senior management on a quarterly basis;

- Our Corporate Scorecard is made up of key performance indicators linked to each of our three corporate aims. This Scorecard is designed by management, with reference to benchmarking data, to ensure that its targets are relevant, aligned to our strategic priorities and sufficiently challenging. Our Board have selected both VfM efficiency savings and Social Housing CPU as their "top" key performance indicators for closer scrutiny and reporting on a quarterly basis.

- Performance is reviewed by management and formally reported to Board on a quarterly basis. It is also reported to, and scrutinised by, our customers through the Tenant Panel, Resident Scrutiny Group and tenant magazine. This approach means that we translate the organisation's vision, aims and priorities into effective, deliverable actions;

- A culture of continuous improvement and service reviews exists across our business;

- Financial analysis underpins our approach to VfM. Techniques including Zero based budgeting, business plans for commercial ventures, business cases for new activities and robust financial appraisals all drive our business decisions and the allocation of our resources;

- Customer insight is gathered through our complaints procedure, satisfaction surveys, About You questionnaires and daily contact;

- Our VfM Steering Group was revamped during the year and is tasked with overseeing the embedding of VfM across our business.

- A Programme and Project Management framework which has organised the delivery of our corporate objectives in a co-ordinated manner. Individual Programmes are aligned to our corporate strategies. Each Programme has a series of Projects which deliver the improvements we have identified. The framework ensures alignment and visibility across our business ensuring that change is managed in a controlled environment, mitigating risk and delivering business benefits.

VfM steering group

The priority for the Steering Group during 2017/18 has been to continue to improve staff engagement via simplifying the VfM register and processes for contributing to the register. The Steering Group further developed our VfM intranet page which now provides employees with array of VfM information on assets, costs of services, benchmarking and spend analysis.

The Steering Group has completed management awareness session in 2017/18 throughout the organisation, improving knowledge of VfM whilst also exploring service area value for money initiatives. The group has improved company communication of VfM with regular updates now provided in our weekly staff briefing.

The Steering Group has turned its attention to improving tenant engagement in the VfM process. The Group is researching how other associations engage with their tenants on VfM. This is the priority for the Steering Group during 2018/19.

The Steering Group continues to maintain the organisation's VfM Register and has introduced an audit process to improve the content of the register. In 2017/18 approximately 90 initiatives were logged on the register delivering cashable/non-cashable economic benefits of approximately £0.6m. The Register's initiatives include:

- Changes to process reducing staff time;
- New systems solutions such as data loaders;
- Standardisation and improvement of internal processes;
- Requisition and procurement of goods and services;
- Use of in-house repairs team as opposed to subcontractors;
- Improved information for operatives – less follow on work;
- Partnerships

Our approach to VfM - conclusion

- We believe that our VfM activities continue to link to an effective performance and scrutiny function that ensures our approach is aligned to our corporate objectives.

- We believe that VfM is embedded across our organisation and that this has been improved by our Programme and Project Management Framework.

Our procurement activities

Effective and efficient procurement is always vital to the cost effective delivery of high quality services and can be measured by the social outcomes and financial gains achieved.

Efficiencies from procurement activity during the year are estimated at c£0.35m. Highlights include:

- £170k – Northern Housing Consortium;
- £118k – Prosper framework savings;
- £14k – CHIC Framework
- £18k – The Wynd, Tender; and
- £14k – Machinery hire;

Our approach to procurement involves membership and partnership with framework providers such as Prosper, Northern Housing Consortium (NHC) and Central Housing Investment Consortium (CHIC).

Analysis of our supply chain indicates that:

- 35% of our suppliers are Teesside based;
- 23% are within a 50 mile radius; and
- 42% are beyond a 50 mile radius.

Our social value

Designing, delivering and supporting activities that generate social value in our communities remains a key priority for us and is integral to our purpose of *"working together to make a difference".* The social value that we generate is evident in a range of activities.

Independent & Supported Living service

HomeCall, our 24/7 technology enabled independent living service, supported over 4,500 customers to live independently in the community during 2017/18. Many of these customers are tenants of Coast & Country and the service, delivering 24 hour call handling and emergency response, provides essential support so that tenancies can be sustained and admissions to hospital, care and nursing homes prevented or delayed.

A key service provided by HomeCall is to attend to and support a customer who has experienced a fall. Our aim is to respond to the emergency quickly, determine the nature of the fall and then only call on the emergency services (i.e. ambulance service) if required. During 2017/18, a total of 1,790 falls were attended to by the team with 88% of these not requiring an ambulance callout, thereby delivering significant value back into the healthcare system and providing a speedy and supportive response for customers.

HomeCall is delivered against a full cost recovery business plan, with the current plan implemented in April 2017. A financial surplus has been returned for the full year 2017/18, outperforming the business plan projection, with a number of value-for-money savings and efficiencies delivered during the period. Notably this includes a saving of £50k against budget following a review of telephone line rentals, and an additional 5% discount negotiated with our technology supplier for equipment purchased.

Extra care supported housing

Our third supported housing scheme, The Dunes, opened in 2017. Providing a modern, safe and vibrant living environment, The Dunes, with excellent on-site facilities including a bistro and hair salon, enables elderly and vulnerable customers to maintain their independence supported by a team of carers available 24 hours a day.
For Coast & Country this form of supported housing provides another option for us to retain customers as their housing and care needs change, and an attractive option for us to attract new customers. For our partners in health and social care, supported housing schemes such as The Dunes are essential for managing care and support needs in the community, in a more cost effective way, than through traditional and more costly models
such residential care.

Adaptations

Coast & Country have a proactive approach in carrying out adaptations to properties so that changes can be made to enable and support our customers to maintain their independence and sustain their tenancies.

During 2017/18 a total of 1,165 adaptations were funded and carried out. Of these 39% were carried out ‘without delay’ meaning that we organised for the adaptation without the need for an assessment by an Occupational Therapist, thereby significantly reducing the length of time to carry out the work for the customer. This contributed to overall customer satisfaction of 92% being reported for the year.

Re:furnish project

Our Re:furnish Emporium, opened in September 2014, continues to deliver an excellent community service. The Project re-uses and recycles goods from empty properties and unwanted items from the public which are then sold or included in free furniture packages for people in need. The Project was developed in response to the increasing challenges faced by our customers in a challenging economic environment. As well as making available affordable quality furniture the project provides training, employment and volunteering opportunities for local people and reduces landfill waste.

We are proud of the outcomes of this Project which include:

- In excess of £85k of income from furniture sales;
- 52 free furniture packages for vulnerable customers – this is from one item to a complete package
- 5,000 volunteering hours.
- 31,000kgs saved from landfill
- Raising awareness to local groups by holding Coffee morning’s to give an overview of the project and to highlight the offer we have for those in need. 7 such events were included in the period with more planned in the 2018/19 year

Coast and County’s Rent First Approach

We have reviewed our income management approach, staffing structures and processes to ensure our approach to rent collection is fit for purpose. Our aim is to ensure that we support customers who are struggling to manage their finances whilst ensuring rent is collected in a timely and efficient manner. Our review identified that some of our customers did not understand that their unpaid rent was a problem for us and we found that our supportive approach actually facilitated customers accruing arrears. Debts escalated often resulting in customers abandoning their home or being evicted from their home.

We restructured our resources within the Income Management and Employability Team. We created Rent and Income Advisors (R&IA) roles in the new structure to be named single points of contact for all matters relating to rent accounts. We do not allocate properties to customers who cannot afford to meet their rent and household payments. The R&AI will help customers to claim housing and council tax benefits, they will carry out an assessment of the likely benefit award and set up a direct debit for any rent due. Should the customer experience any financial difficulties they will be able to contact their R&IA. For the first 3 months of the tenancy the R&IA will closely monitor the rent account to ensure there are no signs of financial difficulties.

In order to embed our rent first culture across the business we developed a communications strategy to demonstrate how collecting rent is everyone’s business. This strategy involved such things as a Rent First Summit where all managers considered how they and their teams could contribute, attendance at team meetings to encourage participation, competitions for the most cash collected and a series of social media articles. We believe our Rent First culture is truly embedded within Coast and Country and is evidenced by a number of key indicators:

Indicator	April 16/17	April 17/18
Current customer arrears	£1,579,654	£1,356,604
Average rent arrears of new customers	£102.94	£59.73
Customers with a clear/pre-paid account	62.8%	70.2%

Support to our customers

We continue to invest significant resource into improving our customers' personal financial awareness and resilience. Some key outcomes during 2017/18 include:

- We delivered the final year of the Big Lottery Start Right Stay Right Project and achieved the Project's overall aim by improving the financial confidence of 97% of first time social tenants with whom we worked and delivered £5.72 social return on investment for every £1 invested.
- We increased the number of customers engaging with our Start Right Stay Right Project and achieved 680 positive outcomes for customers.
- We have helped customers gain an additional £2.3m in benefits and grants.
- We have supported our customers in successful applications for Discretionary Housing Payments (DHP) totalling £230k.

Youth Employment Initiative

Our Youth Employment Initiative, which is jointly funded by Coast & Country Housing and European Social Funding commenced in May 2016. The aim of the project is to support young people aged 15-29, living across the Tees Valley area, who are not in employment, education or training.

Customers are offered support with:

- One to one advice and guidance;
- Access to employment opportunities and work experience;
- Help to develop the skills that business needs;
- A range of training courses and qualifications; and
- Confidence building, interview and CV skills.

During 2017/18 we:-

- Supported 255 customers to be more work ready;
- Helped 122 move into employment;
- Engaged with 211 businesses; and
- Provided 35 work experience opportunities.

Our progress on our 2016/17 VfM actions

- We said we would continue to improve our understanding and performance of our core Headline Social Housing Cost per Unit, and efficiency measures. We have embedded such indicators into our performance and business planning framework, and will add the VfM metrics to our suite of performance indicators.

- We said we would aim to maintain our first quartile performance in HouseMark Housing Management CPP and Overheads as a percentage of Adjusted Turnover. We believe the provisional Housemark results indicate we have achieved this. Additionally our Repairs & Maintenance CPP is also expected to be first quartile.

- We said lettings performance would remain a key area of focus for us during 2017/18. We have maintained focus in this area with a variety of customer sustainment projects underway aimed at ensuring our tenants are happy to stay with us and our empty homes are available for re-let on a timely basis.

- We said we wanted to improve our rent arrears performance. Whereas our provisional Housemark performance shows a slightly worse position than 2016/17, the sector average would appear to have deteriorated by much more. We have restructured the Rent & Income team during the year and are embedding a rent first culture. We are investing in this service area recognising the threat to rental income stream is a key risk.

- We said we would seek cost reduction and service improvements within the Repairs & Maintenance Service. Our expectation is the 2017/18 CPP will be first quartile.

- We set an efficiency target of £0.75m for 2017/18. We achieved an estimated £0.6m.

- We said we would continue to develop and implement our three strategies to deliver the Corporate Plan and ensure we continue to control and, where desirable reduce, our costs whilst at the same time identifying our priorities for performance improvements. We believe progress has been made in key areas despite some curtailment occurring during the year due to the organisation entering into merger discussions with Yorkshire Coast Homes based in Scarborough.

- We said we would continue to increase our understanding of the return on our assets improving our Asset Performance Tool and our new asset management system. Although some progress has been made the impending merger with Yorkshire Coast Homes has slowed the development. We have created estate specific APT analysis to provide performance information at a property level on our stress area estates Church Lane North and North Grangetown.

- The VfM Steering Group completed a number of initiatives to improve employee engagement and began researching ways in which to improve customer engagement in the VfM process.

Our 2017/18 VfM gains and next steps - conclusion

*The VfM self-assessment shall: "*evidence the value for money gains that have been and will be made and how these have and will be realised over time."

- Our core Headline Social Housing Cost per Unit benchmarked against the sector and our local peers in particular report us to be very competitive on a CPU basis. Whilst increasing on the 2016/17 performance we understand the reason for the increase. We feel our management cost base and service provision has stabilised in the aftermath of the 1% reduction to social rents.

- Our efficiency measures including operating margin and RoCE are above average and broadly correlate with our strong CPU performance. Lower unit costs allow us to increase our operating margins which in turn allow us to retain more of our income to invest in our strategic priorities.

- Our management team briefs/focus groups held during the year reaffirmed the belief that a VfM culture is embedded in our organisation. Likewise our VfM efficiency register and internal VfM information available/communications to staff further demonstrate ways in which we have instilled VfM into the business.

- Our in-house procurement function delivered £0.35m of efficiencies from various procurement exercises carried out during the year.

- Our impending merger with Yorkshire Coast Homes located in Scarborough will see Coast & Country Housing Limited transfer all of its engagement into Yorkshire Coast Homes in October 2018. A new association will be created that is stronger, will deliver efficiencies and deliver new value to our communities.

Our statement of compliance with the VfM Standard
After taking account of the actions and initiatives outlined in this self-assessment we believe that Coast & Country complies with the requirements of the HCA's VfM Standard.

Value for money statement

Introduction

Value for Money (VFM) remains a significant priority for Yorkshire Coast Homes, being central to the values of the business, driven by an overarching VFM strategy that influences and advises every other strategy of the organisation.

Managing almost 4,500 properties for 6,000 tenants, YCH plays a significant part in delivering housing solutions for the Scarborough Borough. Given the low wage economy, high benefit dependency and significant deprivation within the local communities, delivery of value for money is very much designed on providing maximum return for investment through traditional housing management services but also through the provision of enhanced opportunities for customers to be upskilled, ready for the job market and able to manage their money effectively; with the ultimate aim of sustaining tenancies.

Within the overarching VFM strategy YCH defines its strategic approach as follows:

"The strategic focus on value for money needs to be wider than achievement of cost reduction, instead seeking to create a balance between the resources expanded and the impact / outcomes achieved. When this balance is not achieved, it means VFM cannot be found"

To deliver VFM, in conjunction with the metrics established by the regulator YCH has the following internal targets:

- To provide savings of 2.5% of turnover annually
- To implement a model to measure social return on investment and impact

These two measures help steer the organisation to think about the quality of the services it provides but also to measure the value created for its typically "non-core" functions that provided enhanced benefits and opportunities for customers. By being able to establish the value to both the state and to the organisation through the calculations of social return of investment YCH is much more confident in being able to explain where it is maximising the return on its assets and generating value for money through all of its endeavours.

About YCH

YCH is a stock transfer organisation formed in 2003 following a positive ballot of Scarborough Borough Council tenants to transfer their housing management function to a specially created, independent housing association. The vision of YCH is "The Key to a better life" and underpinning this are the following objectives:

- Uphold and enhance our reputation as an excellent employer
- New housing, quality homes and excellent services
- Look to diversification where it supports the business and vision
- Our people supported with opportunities to achieve their potential
- Communities that are thriving and strong
- Keep a high performing, efficient, well-run business

YCH's area of operation is from the border of North Yorkshire and the East Riding of Yorkshire; along the coast to the villages of Staithes and Hinderwell on the border with Redcar and Cleveland. A large proportion of the geographical area incorporates swathes of the North Yorkshire Moors and encompasses the three principle towns of Scarborough, Whitby and Filey. The population is aging; with economic and educational attainment lower than national averages; with many jobs coming in the low paid service industry or being highly seasonal due to the overreliance on the tourist economy. Some communities served by YCH have incidents of household disability at twice the national average; whilst almost 99% of YCH customers identify as White British. The current population stands at around 106,000, with a local plan requirement to develop 9,000 new dwellings across the Borough by 2032; on average between 2011 and 2016 just 287 properties were built. Consequently YCH is a committed and active development partner for Scarborough Borough council and is actively seeking new sites and schemes to help the Council meet its housing requirements; developing 88 new units in the 2017/18 financial year.

Headline Social Housing Cost Per Unit

The table below highlights YCH's Headline Social Housing Cost per Unit for 2017/18:

Heading	Costs	Units Owned & Managed	Cost per Unit 2017/18	Cost Per Unit 2016/17
	£000		**£000**	**£000**
Management	3,790		0.85	0.88
Service Charges	406		0.09	0.06
Maintenance	5,046	4,461	1.13	0.93
Major Repairs	6,121		1.37	1.58
Other Social Housing	2,103		0.47	0.39
Headline Social Housing Cost Per Unit	**17,466**		**3.91**	**3.83**

The headline social housing cost per unit for YCH for 2017/18 was £3,915. This is an increase of 2.2% on the figure for 2016/17. The small increase had been expected due to YCH incurring additional merger related costs in relation to advice, consultancy and due diligence work.

The table below breaks down the constituent parts of the headline CPU compared with the previous year and the 2016/17 sector averages:

	Headline Social Housing CPU £000	Management CPU £000	Service Charge CPU £000	Maintenance CPU £000	Major Repairs CPU £000	Other Social Housing CPU £000
YCH 2016/17	**3.83**	0.88	0.06	0.93	1.58	0.39
YCH 2017/18	**3.91**	0.85	0.09	1.13	1.37	0.47
Sector Quartiles 2016/17						
Upper	**4.33**	1.15	0.60	1.11	0.96	0.51
Median	**3.30**	0.94	0.37	0.93	0.68	0.24
Lower	**2.93**	0.74	0.24	0.78	0.49	0.10

Management CPU: Our 2017/18 CPU is slightly less than the previous year which reflects the ongoing implementation of YCH's "Recovery Plan" following the implementation of the 4 year rent reduction.

Service Charge CPU: Our CPU reflects a relatively low level of service charge activity within the organisation, however a project is underway to identify and recover additional service charges.

Maintenance CPU: This has increased from the previous year, however the increase is offset by a similar decrease in major repairs CPU.

Major Repairs CPU: Reduction offset by increase in maintenance CPU above.

Other Social Housing CPU: The increase in 2017/18 is mainly due to merger related costs of £226k.

In 2016/17 YCH's social housing cost per unit was £3,831 which was just above the average for the sector of £3,698. The large geographical area covered by the association means often costs to deliver services are higher and therefore investing in new digital technology to provide customers with convenient; accessible and ultimately cheaper ways to access services will be a key priority over coming years.

A Housemark comparison for 2017/18 with a peer group of 10 similar organisations showed that YCH ranked 9 out of the 11 organisations with an average CPU of £3,430. Over the next three years the YCH business plan forecasts further reductions to the CPU which is estimated to be £3,499 in 2020/21. Following the proposed merger on 1st October 2018 the new organisation is expected to have a CPU of £3,000 in its first year of operation (2018/19).

VFM Metrics

The Regulator of Social Housing has revised the VFM Standard and has introduced a requirement for providers to report on a suite of VFM metrics. The following table highlights the metrics for Yorkshire Coast Homes for 2017/18 compared with the previous financial year. Benchmarking data for the 2016/17 figures has been provided where available.

Metric	Description	YCH 2017/18	Peer Group 2017/18	YCH 2016/17	Sector 2016/17
1	Reinvestment	7.5%	7.0%	9.2%	n/a
2	New Supply Delivered (Social Housing)	2.0%	1.2%	1.4%	n/a
3	New Supply Delivered (Non-Social Housing)	0.0%	0.0%	0.2%	n/a
4	Gearing	38.3%	49.5%	38.6%	50%
5	EBITDA – MRI	141.0%	254.1%	126.1%	170%
6	Headline Social Housing Cost Per Unit	£3,915	£3,431	£3,830	£3,300
7	Operating Margin (Social Housing)	14.6%	30.9%	18.6%	34%
8	Operating Margin (Overall)	12.4%	28.8%	16.1%	30%
9	Return on Capital Employed	4.1%	6.2%	5.5%	4.2%

Metric 1

The current level of reinvestment highlights the investment in existing properties alongside development of new supply. YCH is currently operating at 7.5% reinvestment with an expected peak of 12.4% by the end of the 2019/20 financial year. The level of re-investment is forecast to reduce mainly due to interest rates which are assumed to rise in the business plan from 1% to 3% over the next 5 years.

Benchmarking has been used to establish how YCH is performing against other businesses within the sector; with a view to helping establish future priorities to improve financial performance. With regards to reinvestment YCH is performing reasonably well against its peer group where the average performance was at 7.0%.

Metric 2 & 3: New Supply Delivered (%)

Over the last financial year YCH has delivered 88 new completions all of which were for social purposes. The developments remain in high demand areas such as Whitby where there is an acute shortage of affordable housing; largely driven up by high levels of second home ownership preventing local people from accessing home ownership markets and an earnings to average house price ratio of 8. As of the end of 2017/18, 2,100 households were on the waiting list for housing in the local area; therefore continuing to reinvest in new properties remains a key priority for the association and based on current projections YCH hopes to add to its housing stock by almost 10% over the next five years.

There is currently no appetite for YCH to deliver any further non-social housing. Any decision to develop for this purpose will be made either to co-operate with funding requirements or if there is a change in direction from the Board.

Against the benchmarking peer group YCH's development of new social units of 2.00% places YCH 3rd in its peer group which averages new supply of 1.2%. YCH remains committed to developing social housing units and through the merger with Coast and Country expects delivery of new units to improve considerably in the future.

Metric 4: Gearing

A gearing ratio of 38.3% indicates that there is scope for additional borrowing. The YCH business plan forecasts borrowing to increase to £110 million by 2027/28, a gearing ratio of 41%. YCH's gearing ratio is currently below both its peer group average in 2017/18 (49.5%) and the sector average for 2016/17 of 50%.

Metric 5: EBITDA MRI (interest Cover)

EBITDA MRI (interest cover) was 141% in 2017/18 against a Funders requirement of 100% (rising to 110% in 2020/21). This is higher than in 2016/17 due to lower interest costs and lower capitalised major repair costs. Interest cover is forecast to increase to 196% over the next three years before an increased requirement for major repairs expenditure reduces the percentage back to 142%. This indicator shows that Funders requirements should be comfortably met.

The YCH ratio of 141% is well below its peer group average of 254%. YCH has continued to invest in major repairs to its stock and this is discussed more under metric 6 below. YCH also continues to invest in community and anti-poverty related activities (£518,000 in 2017/18).

Metric 6: Headline social housing cost per unit

The revised business plan shows a reduction in the total social housing cost per unit over the next 3 years, mainly due to a reduction in major repairs. Management costs are also showing a reduction over the next three years partly due to the continuing implementation of the "recovery plan" following the announcement of the four year rent reduction, however further management cost savings have now been identified. YCH's route to merger has been based on a "twin track" approach and while the merger discussions have been ongoing, YCH has also been preparing for the possibility of continuing as a separate entity and the "Twin Track" Group has proposed a revised organisational structure for YCH. Efficiency savings from the revised structure have been incorporated into the business plan from 2020/21 onwards. Social housing CPU increases from 2021/22 due to an increased requirement for capital investment in YCH's existing stock.

In 2016/17 YCH's social housing cost per unit was £3,831 which was just above the average for the sector of £3,698. In many ways the large geographical area covered by the association means often costs to deliver services are higher and therefore investing in new digital technology to provide customers with convenient; accessible and ultimately cheaper ways to access services will be a key priority over coming years.

The benchmarking for costs per unit does demonstrate that YCH is above the average for its Housemark peer group (£3,431) and the sector average for 2016/17 (£3,300). YCH has made some decisions regarding the maintenance of the stock to continue its investment despite the rent reduction and the sectors response that has seen some organisations reduce their maintenance budgets. This is a conscious decision and YCH is aware of the impact this has on its cost per unit figures, particularly regarding the CPU for maintenance where YCH is the most expensive organisation; however this is seen as having a long-term benefit as the stock will be maintained to the highest standard as agreed with customers. However, following its proposed merger, the newly formed organisation is forecast to have a CPU of £3,000.

Metric 7&8 Operating Margin (%)

YCH is very aware of its operating margin and has a desire to be performing at a much higher rate than the current level of 12.4% (overall). In 2016/17 the average operating margin across the social housing sector was 30%. The operating margin for YCH is projected to increase over the next 5 years and beyond before levelling off at around 25%. It is worth noting that in the 2018/19 financial year the operating margin is expected to drop by 0.6%. This is due to the continuing rent reduction and some additional merger related costs which are included in the 2018/19 budget. YCH is investing in the improvement of its stock, community initiatives and the alleviation of hardship and poverty for its tenants which is reducing its operating margin. In 2017/18 around £518,000 was invested in social initiatives. Of the peer group YCH is the organisation with the lowest operating margin, and is some way below the sector average (30% in 2016/17) and its Housemark peer group of 29% in 2017/18 and recognises that this is an area for improvement. Following the merger with Coast and Country Housing, the new organisation is forecast to have an overall operating margin of 20.7% in its first year increasing to 29.6% by 2022/23.

Metric 9: Return on capital Employed

In 2017/18 YCH had a ROCE of 4.1% which is lower than the 2016/17 figure which included a surplus generated from 10 outright sales 22 shared ownership units. The rate is slightly below the 2016/17 sector average of 4.2% despite the low operating margin. As an LSVT organisation the total historic cost of YCH's assets is relatively low compared with more traditional housing associations due to the low purchase price per unit paid when the stock was transferred from the local authority.

Given the current rent adjustment agenda driven by the 1% rent cut it is inevitable that the ROCE until the end of the 2019/20 financial year will continue to fall and is forecast to be 2.9% by 2019/20. The return to CPI plus 1% from 2020/21 will see the start of an increase in ROCE.

YCH is operating towards the lower quartile of the peer group which has an average return on capital employed of 6.2%.

Internal Indicators

YCH currently operates a Performance Related Pay (PRP) scheme of which one of the targets is to achieve annual cash VFM savings of £130,000 in order to finance the PRP payments. In 2017/18 we again achieved this target with a total of £170,000 in cash savings recorded in the VFM Register.

Generating social value is a key priority for YCH based on its delivery of the Value for Money standard and in achieving the specific aim of optimising its return on assets. YCH has a designated Customer Care and Support section where any social value is measured utilising a framework looking at the Social Return on Investment (SROI) and basing the results on specific values corroborated by research accepted by the Global Value Exchange; a leading social value measurement body. Consequently using this adopted and recognised methodology YCH is confident the value generated through its work to create social value are appropriately and robustly measured and recorded. In the 2016/17 financial year YCH reported a social value of £61.79 for every £1 invested in its social initiatives broken down as per the table below:

	2016/17		2017/18	
Service	**Total Cost of Service**	**SROI for every £1 invested**	**Total Cost of Service**	**SROI for every £1 invested**
Money Management (Including benefits support)	£104,485	£38	£124,816	£30.91
Tenancy Support	£57,140	£7.23	£85,599	£3.05
My Better Life (employment and training support programme)	£57,964	£12.54	£37,118	£20.45
Community Investment (including intergenerational projects, community cohesion and social isolation initiatives)	£115,405	£4.02	£94,183	£5.84
Totals	**£334,994**	**£61.79**	**£341,716**	**£60.25**

In addition to the above staff related initiatives, YCH spent around £176,003 on other community, hardship and environmental initiatives which makes a total social investment of £517,719.

Over the last 12 months some significant changes have taken place within the Customer Care and Support section at YCH (which is responsible for delivering the employment support, money management, community development and tenancy sustainment services), which has seen a slight change in both staffing and functions of staff which has consequently led to a variation in how Community Investment and Tenancy costs are allocated. YCH has assumed that all costs relevant to the delivery of these services should feature in the calculation of any inputs for social value as opposed to specific project costs. In doing so it provides a clear overview of the value the service is generating.

Within the 2017/18 year the following changes have occurred:

- Introduction of management costs across the services;
- Relocation of My Better Life project back to Brook House generating a significant saving on project overheads;
- Increased costs against MMO service linked to change in staffing structure as part of the organisations Universal Credit preparations.

Overall the social value generated by YCH supports the company vision to deliver “The Key to a Better Life”. YCH makes a conscious decision to deliver these services to not only help customers to achieve their potential but to also help sustain tenancies. In delivering these services YCH has provided 787 interventions for customers in relation to a number of services. Among these there are a number of notable successes such as:

- 130 customers unable to manage debt with 35 having high level debt (defined as over £10,000)
- 10 Adult social care referrals linked to safeguarding referrals
- Management of 17 high risk hoarding cases
- Employment support for 119 customers through one-to-one sessions and group based workshops
- Engaged with 47 customers on a regular basis through a variety of tenants groups

The Future – Beyond Housing

YCH acknowledges that delivery of VFM is not a destination; instead regarding it as an ongoing journey. The future delivery of VFM within the organisation is likely to be one of consolidation and planning as the organisation undergoes a merger with Redcar based Coast and Country Housing. The expected date for the launch of the new organisation, Beyond Housing, is the 1st October 2018; and consequently much of the forward planning done to date will require significant revision to acknowledge the new organisation structure. The key driver for the merger is to boost the development of social and affordable housing across both the Yorkshire and Cleveland coastal regions.

The table below compares the forecast VFM metrics for 2018/19 for YCH as a standalone organisation with that of the first full year as Beyond Housing.

Metric	Description	YCH Actual 2017/18	YCH Forecast 2018/19	Beyond Housing Forecast 2018/19
1	Reinvestment	7.5%	11.7%	8.7%
2	New Supply Delivered (Social Housing)	2.0%	0.6%	1.2%
3	New Supply Delivered (Non-Social Housing)	0.0%	0.1%	0.0%
4	Gearing	38.3%	37.8%	48.5%
5	EBITDA - MRI	141.0%	179.9%	151.1 %
6	Headline Social Housing Cost Per Unit	£3,915	£3,620	£3,374
7	Operating Margin (Social Housing)	14.6%	14.4%	22.9%
8	Operating Margin (Overall)	12.4%	11.8%	20.7%
9	Return on Capital Employed	4.1%	3.4%	4.0%

The budgeted VFM metrics for 2018/19 are calculated from the respective business plans for both organisations. The headline social housing CPU for YCH is forecast to reduce to £3,620 in 2018/19 due to savings identified in the "Recovery Plan" that was implemented following the rent reduction announcement. The initial target CPU for Beyond Housing is £3,374, however this figure includes some initial merger related costs and longer term the target is to reduce the headline cost per unit to £3,000.