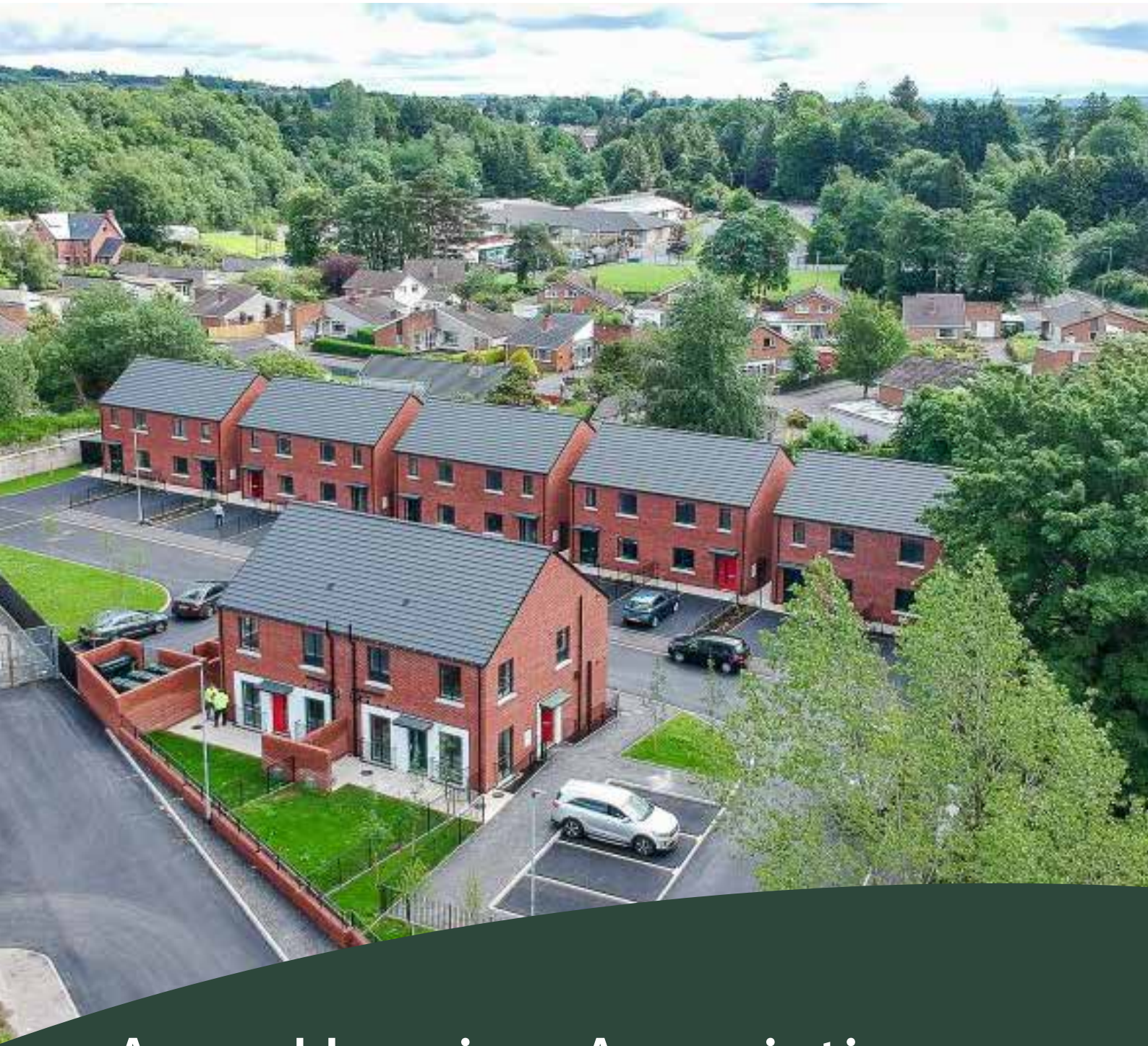

Apex Housing Association
Value for Money Statement 2019-2020

Value for Money Statement 2019/20

Value for Money in Apex

This statement is for our tenants, residents, stakeholders, board members and staff. It sets out where we are on providing efficient and effective services for all our customers, and creating value for money within Apex.

What does achieving Value for Money mean in Apex?

The Board and staff of Apex define value for money (VFM) as the relationship between effectiveness, efficiency and economy, often described as the value chain. Value for money is high where there is a good balance between all three – low costs, high productivity and successful outcomes.

We aim to be accountable to our customers, partners, funders and regulator by setting out here our past performance and future aspirations.

HouseMark defined three core components of VFM:-

- Effectiveness – doing things right
- Efficiency – doing things right, which includes carrying out activities in a timely and simple manner, and with minimum waste
- Economy – the cost of procuring inputs to services, that reflects not just price but sustainability

Value for money is at the heart of the Apex Strategic Plan. Our strategic themes embed value for money into everything we do and how we do it creating a compelling drive to deliver value for money at Apex. There are some areas where we are improving but in areas where we need to do better we have plans in place to do that.

The association pursues value for money to ensure we are not only delivering effective and efficient services, but also the development of as many homes as possible to meet a range of housing needs. The volume of homes delivered by the association is important to meet increasing demand, but Apex wants to deliver value by providing good quality homes and services and investing in its customers and communities.

To ensure that its resources are directed towards achieving its ambitions, Apex is committed to finding efficiencies and making sure it maximises the value of the money it spends.

In 2019, the association approved a financial plan to deliver some 2,000 homes by 2023. Achieving these goals in an environment of slower growth in income, political and economic uncertainty unpins the need for a greater focus on reducing costs, spending money wisely and a strategic approach to making the best use of assets.

Our approach to Value for Money

Value for Money is fully integrated in our corporate and business planning. We will continue to set objectives and measure performance using a balanced scorecard based on six key areas:-

- Enable and engage our team
- Support those who use our services and need our help
- Having well-maintained, energy-efficient homes
- Provide more homes and sustainable development
- Being an efficient, best practice business
- Promoting tenant participation and community investment

Sitting beneath the corporate strategy are a range of objectives and action plans. Delivery against these are scrutinised by the Board, Committees and Senior Management Team. Customer scrutiny is delivered through the various levels of participation as set out in the Tenant Participation Strategy.

Delivering value for money in 2019/20

2019/20 saw the fourth year of operation of the enlarged Apex group which includes Newington Housing Association. This created a group structure with assets of just over £700m, a combined turnover of £54.8m and an operating surplus of £9.8m. Units under management stood at 6,800 as at 31 March 2020.

Achievements to date have been built on careful decisions about how money is spent and decisive action to make the most of the value of assets under the group's control. Apex created efficiencies by reviewing areas of under-performing activities and identified savings in administration costs. Additional savings were achieved in negotiating lower borrowing costs on some variable rate facilities thereby reducing the weighted average cost of debt from 3.8% in 2019 to 3.38% in 2020.

During 2019/20 there have been challenges including:

- Surplus on Ordinary Activities decreased by 53.8% to £1.013m (2019: £2.193m) as a result of higher borrowings due to the level of the development programme and increased losses on Sale of Housing Properties under the House Sale scheme
- The outbreak of the Covid-19 pandemic during March 2020
- Lower spend on planned and routine maintenance as a result of the start of a national lockdown in March 2020
- Staff absence due to self-isolation/shielding in March 2020
- The continued impact of the rollout of Universal Credit
- Low level of 2019/20 site starts due to site closures in March 2020

Despite this the Apex group has:

- Increased its homes to 6,800 for some 15,000 residents
- Maintained high levels of customer satisfaction in excess of 88%
- Continued to deliver high levels of support and care to vulnerable tenants
- Invested over £545k in our communities in conjunction was our funding partners
- Assisted 265 tenants through our financial inclusion service
- Invested £459k in further IT infrastructure and facilities to enable greater efficiency and improved service delivery
- Maintained low levels of rent arrears and bad debts
- Maintained an investment grade credit rating with a stable outlook
- Maintained the highest level of regulatory rating in NI

Some performance results were below where we would want them to be in measures relevant to the delivery of value:

- Below targeted delivery on urgent and routine maintenance
- Low level of on-site starts at the end of the year in comparison to previous years
- Below targeted delivery in some areas of statutory maintenance compliance
- Reliance on Agency staff in Supported Housing & Care schemes
- Level of non-cost recovery on some Supported Housing & Care schemes

All of these have been targeted for improvement during 2020/21.

Measuring value for money

We are evolving how we measure Value for Money and will make further improvements during 2020/21. This is in line with developments in the sector to create a standard approach to value for money benchmarking. This year we will continue to benchmark ourselves against our HouseMark peer group and our NI peer associations, where comparable information is available.

The association continues to show good performance on a range of cost, financial and asset performance metrics which show Apex is on a path to meeting its long term strategic objectives.

Our approach to measurement

Apex is developing how it reports on value for money in order to continue to provide effective and efficient services and meet the DfC's regulatory framework and the revised HouseMark measurement of value for money and the sector scorecard. Apex has regularly measured its performance against our peers within NI and other benchmarking clubs. This statement is built around what is currently agreed to be included in the NI adopted sector scorecard.

Measuring costs and performance

We set out below the performance of Apex on the proposed sector scorecard measures based on our own audited accounts for the past two years.

Using the final methodology for the recently revised NI sector scorecard we will use these measures to compare Apex's performance to our peers.

Sector Scorecard	Apex 2019/20 (actual)	Apex 2018/19 (actual)	Peer Group Ave 2019/20
Business Health			
Operating margin (all activities) (i)	17.4%	17.6%	n/a (1)
Operating margin (social housing lettings)	23.3%	22.4%	n/a
EBITDA % Interest cover (MRI) (ii)	103.0%	109.1%	n/a
Development - capacity and supply			
Units completed	348	322	n/a
New supply delivered % - social	5.7%	5.6%	n/a
Gearing (2) (iii)	37.4%	35.9%	n/a
Outcomes delivered			
Customer satisfaction with services provided by landlord (3)	88.0%	88.0%	n/a
Reinvestment % (iv)	7.2%	14.2%	n/a
Investment in community activities	£545K	£400K	n/a
Effective asset management			
Return on capital employed (v)	1.41	1.45	n/a
Occupancy	99.5%	99.5%	n/a
Ratio of responsive repairs to planned maintenance (vi)	0.52	0.50	n/a
Operating efficiencies			
Headline social housing unit cost per unit (exc Major Repairs) (vii)	4,649	4,644	n/a
Rent Collected (viii)	98.82%	99.05%	n/a

Overheads as a % of turnover (ix)	8.4%	6.5%	n/a

(1) – Peer group averages not available due to the delay in receipt of benchmarking reports due to Covid
(2) - Gearing = net debt/NBV of properties
(3) - Customer satisfaction surveys are carried out every 3yrs (*2020 delayed due to Covid*)

Commentary on KPI's where performance is lower than in previous year

(i) Lower than previous year due to a pension adjustment relating to the closed Defined Benefit scheme in the final accounts.

(ii) Lower than previous year due to higher investment in cyclical maintenance and planned maintenance coupled with a lower surplus due to a pension adjustment on the closed defined Benefit scheme.

(iii) Higher gearing than in previous year due to higher investment in new-build developments and land banking for future development funded by private finance. Gearing will continue to increase to maximise the association's ability to meet increased housing need.

(iv) Lower than previous year due to higher investment in cyclical maintenance and planned maintenance to properties. This is expected to improve in 20/21 with the increased hand-over of new developments.

(v) Lower than previous year due to a pension adjustment relating to the closed Defined Benefit scheme in the final accounts resulting in a lower operating surplus.

(vi) Higher than previous year due to lower cyclical costs that were not completed before the end of the year due to lockdown.

(vii) Higher than last year again due to the pension adjustment affecting the final accounts.

(viii) Lower than previous year due to the timing of technical income receipts at the year end.

(ix) Higher percentage this year than in the previous year due to additional growth in some housing management and maintenance teams as a result of continued growth and restructuring. Also affected by higher defined pension benefit costs at the year end.

Measuring asset performance

In order to fund our ambitions to build more homes the Apex group needs a large, stable and well performing asset base from which it can receive rental revenue and raise finance, and an active programme of development from which it can receive increased revenues.

Portfolio as at 31 March 2020:-

Portfolio	Book value £m	Market value £m	Rental income £m	Gross yield 2020	Gross yield 2019	Operating profit £m	Operating margin 2020	Operating margin 2019
Social housing lettings (excluding shared ownership)	565	n/a	23.8	4.2%	4.2%	11.4	48.0%	49.1%
Shared ownership	7	n/a	0.12	1.7%	0.7%	n/a	n/a	n/a
Commercial rent	n/a	n/a	0.10	n/a	n/a	0.08	77.5%	73.4%

Gross Yield = Rental income/book value

Measuring social impact

Apex continues to measure the impact of its community investment activities. In 2019/20 Apex achieved the following key outcomes:-

- 42 tenants assisted into training and employment
- 265 tenants helped through our financial inclusion service
- £372k of additional benefits identified and claimed through our benefits advice service
- 328 new homes handed over to tenants
- 34 new homes started on construction sites across Northern Ireland
- 240 disabled adaptations carried out
- 190 general needs and 64 sheltered units of accommodation benefitted from on-going kitchen replacement programmes
- Cyclical redecoration was completed on 577 homes across NI
- 36 affordable homes sold
- 410 people attended 25 Tenant Participation events
- 47 staff achieved accredited qualifications
- 32 student work placement opportunities created
- 87%+ tenant satisfaction level with new Apex home
- Over £4m invested in refurbishment and upgrades to tenants homes
- 164 energy efficiency upgrades of oil to gas boilers
- 2 active tenants participated at Boardroom level

- The Active Tenant Network grew from 28 to 30 members
- 109 staff received well-being training
- 256 staff received accredited First Aid and Personal Safety Training
- All new tenants received a social security benefits check on commencement of tenancy
- 4,000 hot meals provided through the luncheon club
- Food parcels for 2,456 adults and 1,837 children were provided through our partnership with Foyle Foodbank
- 27.9 tonnes of food to 11 different charities to help sustain their own activities
- 108 persons supported through the Apex Social Supermarket
- 956 hours of volunteering spent with Apex

In addition Apex's community resource centre – the Glen Community Complex in Suffolk Road, Belfast achieved the following outcomes:-

- Over 50,000 user visits to the complex were made by children, young people, families and adults
- Services include childcare, pick-up service afterschool club, youth programmes, adult training and employment, family support, healthy living programmes, advocacy services
- 47 participates took part in the Training for Employment Project and completed certificates in Sage book keeping, and IT European Computer Driving Licence level 2 and a mindfulness course creating employment opportunities for 3 tutors / facilitators
- The Evening Youth project facilitated accredited training in OCN levels 1 & 2 in Peer Mentoring, Make-up and beauty level 1 and OCR level2 in ICT essential skills and non-accredited training on drugs and alcohol awareness programmes and cooking, fitness, mindfulness and 'mind your mate' programmes.
- Over 130 individuals and families benefitted from the 'Families In Need' Christmas Appeal and Covid 19 crisis community response facilitated by the Lenadoon Women's Group
- 426 individuals and families received support for personal development, health and well-being and rights advocacy, by the Lenadoon Women's Group

Apex's future plans

Key value for money targets that have been set for the association in the 2020/21 plan and managed by a balanced scorecard:

Customers

Overall satisfaction with services	>85%
Satisfaction with repairs & maintenance services	>80%

Process

Rent collected from current and former tenants as % of rent due	>98%

People

Sickness absence average days/shifts lost per employee	<10

Financial health and growth

Total starts on site	>200
Group operating surplus	>£10m
Group surplus on ordinary activities	>£3.0m

These outputs will be monitored and presented to the Board, Committees and Senior Management Team throughout the year.