Value for Money Statement 2018/19

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 the right things
- 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 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 2018, the association approved a financial plan to deliver some 2,500 homes by 2022. 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 for those who use our services and need our help
- Have 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 2018/19

2018/19 saw the third year of operation of the enlarged Apex group which includes Newington Housing Association. This created a group structure with assets of just under £650m, a combined turnover of £50.7m and an operating surplus of £9.2m. Units under management stood at 6,480 as at 31 March 2019.

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 through the continuing disposal of hard to let properties that required substantial repair work and the group have further plans to rationalise the stock. Reviews of other under-performing activities and costs further 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 4.09% in 2018 to 3.8% in 2019.

During 2018/19 there have been challenges including:

- Operating surplus decreased by 9.8% to £9.2m (2018: £10.2m) as a result of additional costs in housing management and maintenance services taking into account the scale of the development programme, continuing increases in the National Living Wage and a higher investment in cyclical maintenance
- Net margin decreased by 31% to £2.2m (2018: £3.2m) as a result of the additional costs highlighted above
- Staff recruitment and retention difficulties as a result of wider challenges on pay and conditions within the sector
- The impact of 500 tenants moving onto Universal Credit (UC) during the year. 422 tenants were in payment of UC and 78 cases were still outstanding at the year end.
- Reduction in SP funding which reduced the association's income by £220k

Despite this the Apex group has:

- Started 524 units (29% of NI DfC programme)
- Increased its homes to 5,597 for some 14,000 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 £233k in our communities
- Assisted 547 tenants through our financial inclusion service
- Invested £623k 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

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

- Average number of days taken to complete repairs at 12 days
- Just under 100% of properties with a valid gas safety certificate
- Use of agency staff in supported housing & care schemes at over 10% of all staffing costs

All of these have been targeted for improvement in the 2019/20 business plan.

Measuring value for money

We are evolving how we measure value for money and will make further improvements during 2019/20. 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.

Setting aside the necessary increase in costs for 2019, 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.

From next year, subject to any requirements in a revised VFM standard and the agreement of the final methodology for the NI sector scorecard we will use these measures to compare Apex's performance to our peers.

Sector Scorecard	Apex 2018/19 (actual)	Apex 2017/18 (actual)	Peer Group Ave 2018/19
Business Health			
Operating margin (all activities) (i)	17.6%	20.3%	20.3%
Operating margin (social housing lettings) (ii)	22.4%	25.2%	22.4%
EBITDA % Interest cover (MRI) (iii)	109.1%	123.7%	188.4%
Development - capacity and supply			
Units completed	322	289	58
New supply delivered % - social	5.6%	5.3%	1.3%
Gearing (1) (iv)	35.9%	33.0%	29.9%
Outcomes delivered			
Customer satisfaction with services provided by landlord (2)	88.0%	88.0%	87.2%
Reinvestment %	14.2%	8.4%	5.1%
Investment in community activities	£233K	£94K	£112K
Effective asset management			
Return on capital employed (v)	1.45	1.75	2.31
Occupancy (vi)	99.5%	99.8%	99.2%
Ratio of responsive repairs to planned maintenance	0.50	0.93	0.56
Operating efficiencies			
Headline social housing unit cost per unit (exc Major Repairs) (vii)	4,644	3,530	3,743
Rent Collected (viii)	99.05%	102.8%	99.09%
Overheads as a % of turnover	6.5%	6.5%	12.4%

(1) – Gearing = net debt/NBV of properties
(2) – Customer satisfaction surveys are carried out every 3yrs

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

(i) Lower than previous year due to higher investment in cyclical maintenance and increasing housing management and maintenance costs due to scale of development programme. This is expected to improve in 19/20 with the increased hand-over of new developments.

(ii) As in (i) above.

(iii) Lower than previous year due to higher investment in cyclical maintenance and major repairs to properties. This is expected to improve in 19/20 with the increased hand-over of new developments.

(iv) 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.

(v) Lower return on capital employed than in previous year due to higher costs as per (i) above. This is expected to improve in 19/20 with the increased hand-over of new developments.

(vi) Lower performance than in previous year due to slightly longer turnaround times for re-letting properties. Work is on-going within the association to address any issues to ensure better performance in 19/20.

(vii) Benchmarking included care costs this year and therefore not a like-for-like comparison. This will be reviewed again in 19/20.

(viii) Lower performance this year than in previous year due to slight increase in arrears however it remains on par with the peer group performance.

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 2019:-

Portfolio	Book value £m	Market value £m	Rental income £m	Gross yield 2019	Gross yield 2018	Operating profit £m	Operating margin 2019	Operating margin 2018
Social housing lettings (excluding shared ownership)	515	n/a	21.4	4.2%	4.4%	10.5	49.1%	53.5%
Shared ownership	5	n/a	0.04	0.7%	n/a	n/a	n/a	n/a
Commercial rent	n/a	n/a	0.09	n/a	n/a	0.07	73.4%	43.6%

Gross Yield = Rental income/book value

Measuring social impact

Apex continues to measure the impact of its community investment activities. In 2018/19 Apex achieved the following key outcomes:-

- 27 tenants assisted into training and employment
- 547 tenants helped through our financial inclusion service
- £246k of additional benefits identified and claimed through benefits advice service
- 252 new homes handed over to tenants
- 524 new homes started on construction sites across Northern Ireland
- 186 disabled adaptations carried out
- 60 affordable homes sold outright
- 20 tenants commenced savings with the affordable credit check
- 59 staff achieved accredited qualifications
- 36 student work placement opportunities created
- 87% tenant satisfaction level with new Apex home
- £3.7m invested in remodelling, refurbishment and upgrades to tenants homes
- 92 energy efficiency upgrades and 114 oil to gas boiler upgrades
- Active tenant network grown from 22 to 28 members
- 139 staff received well-being training
- Savings of £47k on £109k loans through the affordable credit project
- All new tenants received a social security benefits check on commencement of tenancy
- Food parcels for 1,962 adults and 1,471 children provided through our partnership with Foyle Foodbank
- 28 tonnes of food to 11 different charities to help sustain their own activities
- 108 persons supported through the Apex Community Supermarket
- 1254.5 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 60,000 user visits to the complex were made by children, young people, families and adults
- Services include childcare, afterschool club, youth programmes, adult training and employment, family support, healthy living programmes, advocacy services and resident group meetings
- 100 participants took part in the Training for Employment Project and completed certificates in Numeracy, Literacy and IT qualifications from Entry Level to Level 3
- 260 children attended an eight week summer scheme programme
- Over 100 individuals and families benefitted from the 'Families In Need' Christmas Appeal
- Over 480 individuals and families were supported by the Lenadoon Women's Group
- Over 300 children, parents & families from both communities attended the Annual Christmas Event

Apex's future plans

Key value for money targets that have been set for the association in the 2019/20 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	>250
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.