

VFM Strategy 2018-2022



Our VFM Principles

Plymouth Community Homes has a clear social purpose and as such we have a different focus on value for money compared to a for-profit organisation.

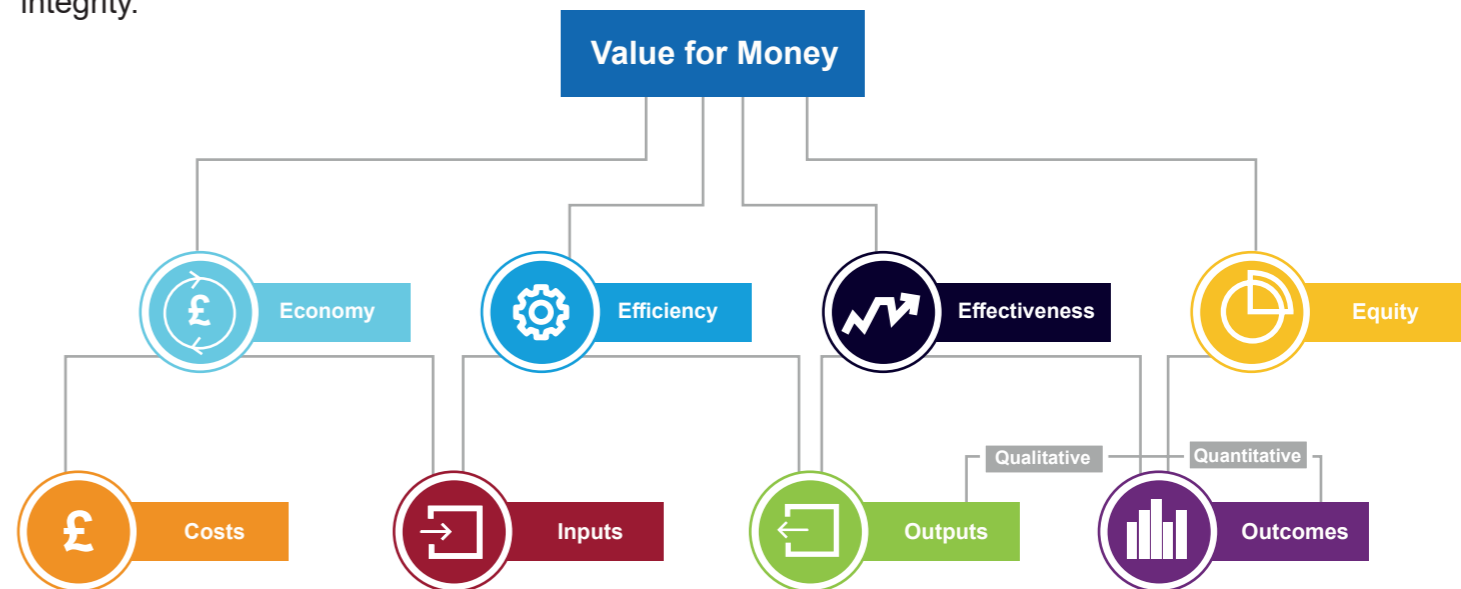
As a social landlord, we believe that our primary focus is to provide high-quality rented homes and an excellent housing management service. We also charge sub-market rents to ensure those with lower incomes can access decent, well-managed housing.

We believe that we achieve value for money in the running of our business through the following principles:



All of the above combine to deliver the “3Es” of economy, efficiency and effectiveness along with a 4th “E” of equity or fairness.

In other words: spending wisely, working productively, doing what we say we will and doing it with integrity.



Value for money is at the heart of everything we do. It is embedded throughout the organisation and delivered as part of achieving our strategic objectives.

As the main source of our income is social housing rent, we have a duty to spend our money wisely and ensure our residents receive the best possible services. We also have a duty to the taxpayer to protect the investment they make into social housing provision through development subsidies, housing benefit payments and other grant funding.

This strategy sets out what value for money means to Plymouth Community Homes and how we will achieve it.

Value for Money and Strategic Objectives

Aligned to our social purpose, we have a Strategic Business Plan, which sets out what we will deliver over the next four years.

We plan to further enhance services relating to social housing provision whilst growing our business through increased new-build development in a range of tenures, generating surpluses through our commercial activities and by optimising efficiency through refining how we run the business.

In delivering our strategic objectives we will consider the value for money implications throughout, which means in some cases we may increase spend to achieve a positive outcome. Digital transformation is an example of an invest-to-save initiative where the increased use of technology will modernise our business practices and offer a sleeker, more efficient service for residents.

For more information on our objectives, the full Strategic Business Plan can be opened by clicking on the house diagram below.



Managing our Assets

To demonstrate value for money with assets (mainly the homes), we aim to at least break even in terms of net present value (NPV) over the long term – in other words, the anticipated investment costs do not exceed the expected income.

Assets with a negative NPV are fully appraised when they become void and in some cases we dispose of poorly performing assets if they no longer fit with the criteria set out in our asset management strategy. Proceeds from sales are used for future new-build development or invested in services for residents.

Our stock numbers are reducing as a result of the Right-to-Buy and our neighbourhood regeneration project in North Prospect. We need to grow our business; therefore by 2022 we plan to build 600 new homes with a mixture of tenures to include shared ownership and open market sale. The surpluses from the sale of homes at full market value contribute to the cost of building new social housing which is our core business.

Our new-build and asset management plans are set out in more detail within the Development and Asset Management Strategies.

Non-Social Housing Activity

In addition to the homes, we have a range of business activities outside of socially rented housing.

We lease shops on a commercial basis which bring a financial return into the business as well as being home to a variety of essential community services such as post offices, chemists and libraries. We also rent out garages and parking spaces around the city which brings an income into the business.

Our headquarters, Plumer House, was purchased in 2011 and brought most PCH staff together in the same location. To make better use of the building and help with running costs we lease out more than half of the total floor space to external companies on a commercial basis. As we own the building outright, this allows us to negotiate flexible terms and ensure we secure the right tenants that fit with our company values.

Over 2,500 of our homes have solar panels, which are projected to bring in a surplus over their lifetime. We call these our social-commercial assets because they not only bring an income into the business they also provide the tenant with free electricity which helps to reduce household running costs.

Finally, we have a Manufacturing Department which exists to provide building components for our major works and repair programmes. It gives PCH control over the quality of products whilst offering financial savings through lower VAT costs. Any excess capacity within the factories is used to manufacture and sell our products in external markets through a for-profit subsidiary PCH Manufacturing Services Ltd. This is a low-risk activity but we protect social assets through the subsidiary holding a reserve to use in case of difficult trading conditions.

Staffing and Remuneration

Great staff are key assets to our organisation, and are important to our success. A crucial element of ensuring we achieve value for money in the delivery of our services is balancing the need to pay staff a fair rate to attract and retain the best people whilst controlling costs.

All of our roles are benchmarked against equivalent jobs within the sector and we aim to achieve the median pay rate. In addition to pay, our staff have a comparable annual leave entitlement, occupational sick pay following completion of probation and access to the defined contribution Social Housing Pension Scheme. Any changes to the above are determined by a Remuneration Committee made up of PCH Board members.

Regulatory Context of Value for Money

In April 2018, the Regulator of Social Housing (RSH) published a new Value for Money Standard which builds upon the previous standard published in 2012. This standard places a stronger onus on Boards' understanding of VFM which will be assessed through the Regulator's In-Depth Assessment programme.

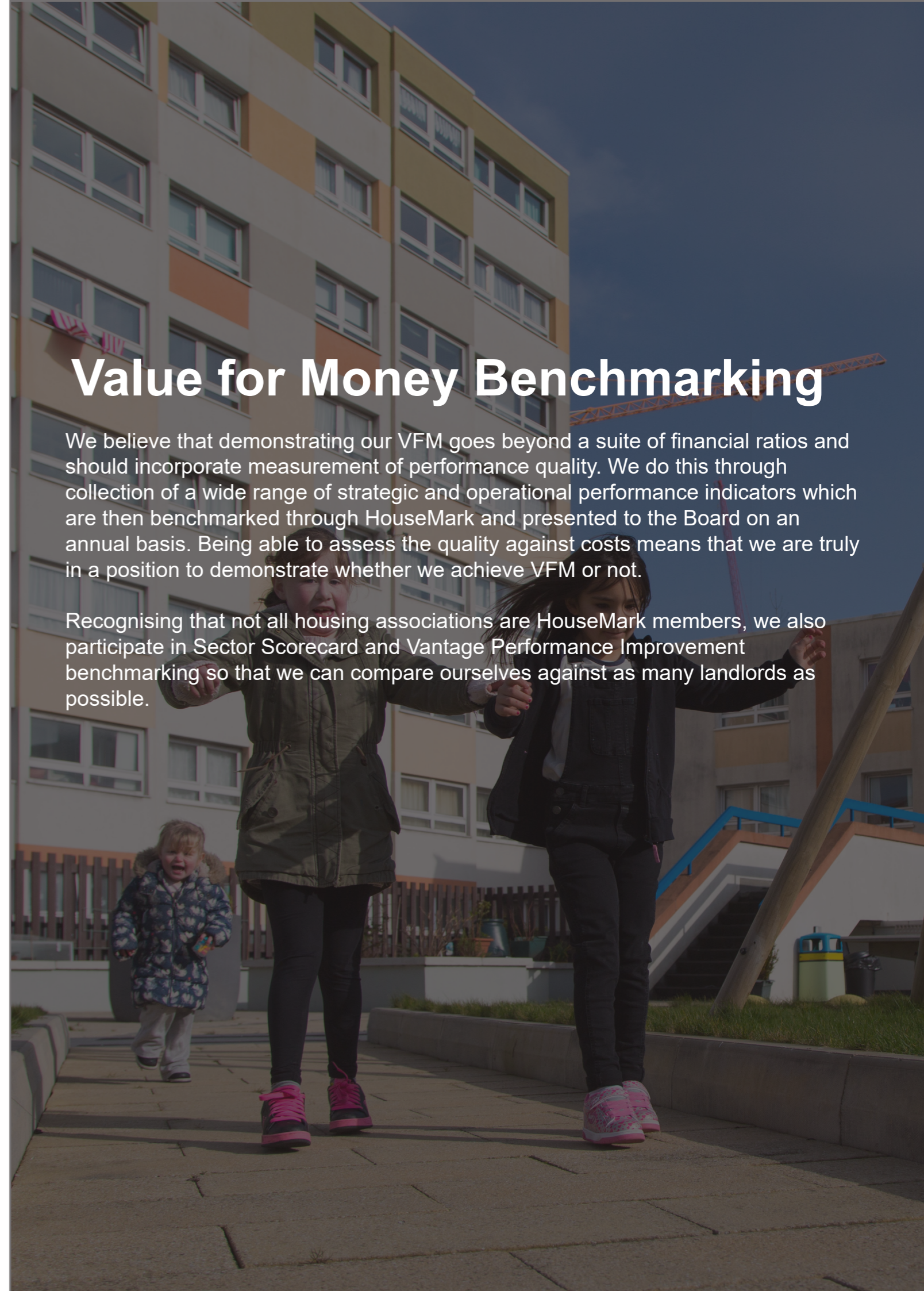
From 2017/18 we are required to report upon seven financial ratios and compare our performance to that of other landlords. The purpose of comparison is to help landlords understand the drivers behind their own performance.

A strategy map identifying our key business activities / strategies and the impact each of these activities has on the Regulator's metrics can be found in appendix A of this document.

Value for Money Benchmarking

We believe that demonstrating our VFM goes beyond a suite of financial ratios and should incorporate measurement of performance quality. We do this through collection of a wide range of strategic and operational performance indicators which are then benchmarked through HouseMark and presented to the Board on an annual basis. Being able to assess the quality against costs means that we are truly in a position to demonstrate whether we achieve VFM or not.

Recognising that not all housing associations are HouseMark members, we also participate in Sector Scorecard and Vantage Performance Improvement benchmarking so that we can compare ourselves against as many landlords as possible.



How will we monitor achievement of Value for Money?

Our Board will measure and monitor value for money through:

- monthly financial reporting;
- quarterly reporting on our strategic objectives;
- quarterly quality performance monitoring;
- annual reporting on metrics set by the Regulator of Social Housing;
- annual participation in the Sector Scorecard;
- annual detailed benchmarking of costs and quality performance against similar landlords through HouseMark and Vantage Performance Improvement;
- annual comprehensive value for money assessment to include all of the requirements set out by the Regulator's Value for Money Standard 2018.

In addition to the above, we plan to adopt a methodology for measuring our social value. This will enhance the way we monitor value for money as we move towards evaluating outcomes rather than measuring quantitative targets.

The table below contains our baseline Sector Scorecard outturns for 2016/17 and these will be used to support decision-making when setting future VFM outcomes. The outturns for these PIs will be determined by our core strategies with the aim of optimising the use of our resources so we remain true to our social purpose.

Business Health	Development (Capacity and Supply)	Outcomes Delivered	Effective Asset Management	Operating Efficiencies
Operating Margin 18.9% ★	Units Developed 60	Customer Satisfaction with Services 90.5%	Return on Capital Employed (ROCE) 2.41% ★	Headline social housing cost per unit £3,815 ★
Operating Margin (Social lettings) 17.11%	Units Developed as % Units Owned 0.41% ★	£ invested in new housing supply for every £ generated 0.72%	Occupancy rate 99.7%	Rent collected as % rent due 99.63%
EBITDA-MRI Interest Cover 303.5% ★	Gearing 12.51% ★	£ invested in communities for every £ generated 0.72%	Ration of response repairs to planned maintenance 0.46%	Overheads as % adjusted turnover 11.52%

★ The starred metrics are those required by the Regulator

PCH Value for Money Indicators

The table below outlines the performance indicators we believe demonstrate our Value for Money. They incorporate cost and quality-based indicators and will be used to formulate our assessment of achieving VFM in the delivery of our strategic objectives.

Performance Indicator
Operating margin
EBITDA-MRI interest cover
Units developed (absolute)
Gearing
Rent collected as % of rent due
Current tenant arrears as a percentage of annual debit
Average number of days to re-let routine void properties
Rent lost during the year due to voids as a % of rent due
Total income / surplus from non-social housing activity
% of residents satisfied with the repairs service
% of residents satisfied with major works
% of residents satisfied with the outcome of their ASB complaint
% of repairs completed within published timeframe
% of complaints and enquiries dealt with within timeframe
Average number of days sickness per FTE

These performance indicators will form a part of our Performance Management Framework. Targets will be set annually and will be reported to Board quarterly throughout each financial year culminating in a comprehensive assessment of value for money which will feature in the Statement of Accounts.

Strategy	Purpose	Risk	Aim to Increase or Maintain Provision	Investment in stock as % of value of properties held	New supply delivered as a % of stock owned	Gearing %	Headline Social Housing Cost per Unit	Operating Margin %	EBITDA MRI Interest Cover %	Return on Capital Employed %	Overall Satisfaction %
Rents	Aim for HA mid-market rent in Plymouth	Insufficient money to provide service v unsustainable tenancies	↑	—	—	—	—	↑	↑	↑	—
Service Charges	Cover cost of VFM services	Poor service draining finances	—	—	—	—	—	—	—	—	—
Other social housing income	Optimise income	Drain on finances	↑	—	—	—	—	↑	↑	↑	—
Commercial Shop Lettings	Sustainable letting to Optimise income	Unlettable shops drain finances and damage community	—	—	—	—	—	—	—	—	—
Commercial Plumer House Lettings	Optimise income	Reputational v unlettable drain on finances	—	—	—	—	—	—	—	—	—
Commercial Solar Panels	Tackle fuel poverty at no cost to PCH	Change in govt policy cuts income.	—	—	—	—	—	—	—	—	—
Commercial Manufacturing	Utilise excess capacity to optimise income and maintain viability of manufacturing.	Drain on PCH finance	↑	—	—	—	—	↑	↑	↑	—
Treasury	Secure funding to deliver strategy	Fail to secure money and lock into higher costs	↑	↑	↑	↑	—	—	↓	—	—
Financial	Maintain strong financial performance and credit rating	Can't achieve limits and suffer decline in credit rating	—	—	—	—	—	—	—	—	—
Governance	Ensures regulatory and legal compliance	Regulatory downgrade.	—	—	—	—	—	—	—	—	—

Key of Symbols

↑	Aim to improve
↑	Outturn could increase and improve
↑	Outturn could increase and decline
—	Maintain or no impact
↓	Outturn could decrease and improve



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