

Hexagon Housing Group

Value for Money Strategy 2020/21

1. What is Value for Money (VFM)?

Hexagon's mission is to meet housing needs in South London through our commitment to residents, local communities and the environment. Value for money is doing the right things to deliver the mission, efficiently and at optimum cost, whilst not wasting resources on doing other things.

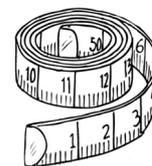
2. How does Hexagon seek to achieve and monitor VFM?

Hexagon adopts a number of techniques to achieve VFM:

- Working to a corporate plan which sets out corporate objectives for the forthcoming three years, including VFM themes, measures and targets;
- Considering VFM in all key strategic decisions
- Only undertaking non- social housing activities within our Investment Policy
- Making comparisons on cost and quality with other Registered Providers (RPs) using the Housemark benchmarking service to identify where we could improve (see Appendix A for 18/19 results)
- Setting an annual VFM strategy which sets out proposed actions to improve VFM in the forthcoming financial year;
- Setting an annual budget which reflects the corporate objectives and is in accordance with the VFM targets – then monitoring performance against this through regular management accounts;
- Reporting performance against the targets in the published financial statements
- Reporting the outcome of the VFM strategy each year.

3. VFM themes and measures

In November 2019, Hexagon's Board agreed a set of VFM themes to be incorporated in the 3-year corporate plan, together with a set of measures so that progress can be monitored and reported on. In January 2020, the Board agreed a 20/21 target for each of the measures.



VFM Theme	Agreed measures	20/21 target
Controlling operating costs (including all major repairs) per social housing unit	Operating cost per social housing unit	£4527
	Operating cost per social housing unit , excluding exceptional items	£4314
Controlling growth of interest costs per social housing unit	Interest paid as a percentage of average borrowings	2.7%
Making the best use of our properties	Void loss % on rented homes	1.1%
	% of homes with positive net present value	100%
Maximising development (within our capacity)	Affordable units developed as a percentage of units owned	2.3%
	Rolling average three-year surplus on outright sales	£240k
Improving resident satisfaction	% satisfied with last repair	95%
Delivering social value	Annual social value delivered per £ spent on employment initiatives	£7
Addressing climate emergency	Average energy efficiency rating of properties	73.7

More detailed definitions of each of the measures is set out in the January report to the Board. Where possible, sector-wide definitions have been used, to allow comparison with other housing associations.

4. Resident input

The Resident Advisory Group have told us that, for them, improving VFM means getting the repairs service right, whilst maintaining the affordability of rents. They said that this would also help to improve resident satisfaction, as would improving communication between Hexagon and individual residents. Ideas put forward by the Group have been incorporated in the main projects for 20/21.

5. Main projects for 20/21

All of Hexagons departments have actions in their 20/21 workplans to improve VFM, but the main 20/21 VFM projects are set out below.

Project	Led by	Intended impact
Use our contract monitoring reports to improve the performance of contractors (especially Purdy)	Responsive repairs	Get jobs done at the first visit Get jobs done more quickly Reduce missed appointments Reduce outstanding works orders Reduce callbacks to rectify repairs Improve resident satisfaction with repairs
Review the quality of materials specified in the repairs contracts, ahead of the next tender	Responsive repairs	Reduce the number of repairs generated by poor quality materials
Make sure all residents have the chance to rate their satisfaction with response repairs, including communal repairs	Responsive repairs	Increase in proportion of jobs rated for satisfaction More information to put things right straight away Increase residents' confidence in the survey method.
Improve the way that satisfaction surveys are undertaken for planned repairs	Stock Improvement	Increase in proportion of jobs rated for satisfaction More information to put things right straight away Increase residents' confidence in the survey method.
Service charges plan, including implementation of Cx Phase 1A (rent reviews and service charges)	Rents and service charges	Provide better information to residents on their service charges Make sure that all relevant costs are included in service charges

Project	Led by	Intended impact
Implement phase 2 of Cx including workflow, complaint handling/analysis, mobile working, and a resident portal	Business Improvement	Customer Service Centre to resolve more resident queries and requests straightway More complex queries and requests tracked until resolved to the residents satisfaction Some services and data available to residents 24/7 via a Resident Portal
Meet our Love London Working targets for assisting residents into employment	Community Investment	Deliver social value via less unemployment
Invest in our existing homes to reduce the risk of non-contained fires	Stock investment and Development	Deliver social value via improved fire safety for residents
Implement the asset strategy, including the selective disposals of poor performing properties	Stock investment	Release funds for re-investment in new homes with better energy efficiency
Energy efficiency works to existing homes	Stock investment	Improve the energy efficiency rating of 90 homes
Start moving away from the provision of fossil fuel boilers in new builds	Development and New Business	Minimise carbon emissions in new builds
Embed a Universal Credit (UC) Hub to ensure better support for residents with UC claims	Revenues and Community Investment	Reduce UC arrears levels
Prepare for purchase to pay system, to dispense with paper invoices and invoice approval slips for purchases that are not already via Cx	Business improvement	Information easier to find for service charge statements and annual audit Saving on paper, printing and storage.
Initiate Electronic Document Management linked to Cx, to avoid having to file paper copies	Business improvement	Information easier to find, and held more securely. Saving on paper, printing and storage.

6. How progress will be monitored

Progress in delivering value for money will be reported in different ways:

Level	Method
Board	Annual report on how the budget helps to deliver the targets
Board	Annual report on progress against the financial business plan
Board	Quarterly management accounts and treasury update
Board	Quarterly performance indicators
Directors' Group (DG)	Annual analysis of HouseMark benchmark results
DG	Monthly management accounts
DG	Monthly performance indicators
Residents	Quarterly performance indicators considered by Performance Review Group
Residents	Maintenance performance indicators considered by Repairs Panel

There will be further reporting on progress against this value for money strategy:

Level	Method	When?
All stakeholders	Section on VFM outcomes included in the financial statements	July
Board	Annual report on progress against the strategy	September
Residents	Annual report to all residents, and a specific VFM section on Hexagon's website.	September

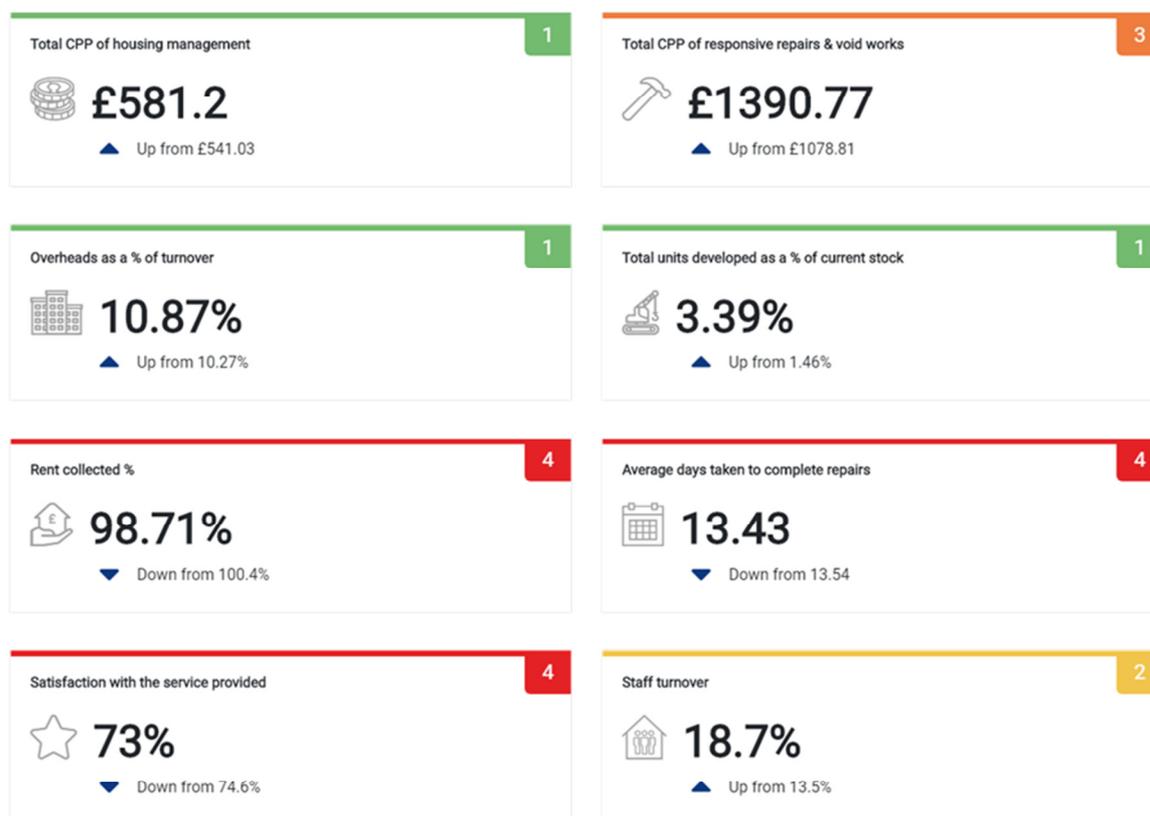
Benchmarking results for 18/19

Appendix A

The latest Housemark dashboard (see below) shows how we compared to others in London. The key is

1. – Better than 75% of our peers
2. - Better than 50% of our peers
3. – Better than 25% of our peers
4. – In the worse 25%

The dashboard shows that we need to collect more of the rent due, improve resident satisfaction and reduce the average time taken to do a responsive repair. We perform well on the cost of housing management, on overhead costs, on the number of new homes developed and on staff turnover.



The Regulatory for Social Housing also publishes benchmarking data using VFM metrics available from annual financial returns. The results below show how we compare to others across England and Wales. We have done well on the number of new homes delivered, our investment in new homes and stock improvement, on our surpluses from social housing lettings and the extent of our borrowing compared to the cost of properties. We do less well on generating cash to repay our loans and on

our overall surplus. We spend a lot per property compared to our peers and have a lower return on the money we have spent building and improving properties.

However, we did spend a lot rectifying the problems at Brickfield Cottages in 18/19. Without this, we would have been in the 3rd quarter for social housing cost per property, which is not a bad place to be for a London-based association.

	Hexagon
Investment in new homes and stock improvements as % of cost of properties	Yellow
New homes delivered as a % of existing homes	Green
Simple gearing - loans/ cost of properties	Yellow
Cash interest cover (EBITDA MRI)	Orange
Social housing cost per property	Red
Operating margin on social housing lettings	Yellow
Overall margin (surplus/ turnover)	Orange
Return on capital employed	Red

Key	
Better than 75%	Green
Better than 50%	Yellow
Better than 25%	Orange
Worst 25%	Red

Regarding return on capital employed – Hexagon does not deliver a low surplus per unit, but we do have a high cost of assets (predominately property costs) per unit. We think this may be driven by the source and type of our properties – we have no properties transferred at low initial value from a local authority, only 7% of our properties are shared ownership, and we have few properties (2%) developed using S106. However, this cannot be proved as equivalent data is not available from other providers. Because the historic cost of assets cannot be changed, to improve return on capital employed to the national median, we would have make an extra 60% surplus per unit, which is not compatible with the agreed corporate plan.