

Hexagon

Value for Money Strategy 2022/23

STRATEGY DOCUMENT

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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.

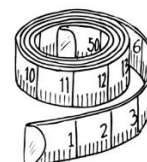
2. How does Hexagon seek to achieve and monitor VFM?

Hexagon adopts a number of techniques to achieve VFM:

- Working to a corporate plan which sets out corporate objectives for 2020/21 through to 2022/23, 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 2020/21 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. The following 2022/23 targets for each of the measures were agreed by the Board in March 2022.



VFM Theme	Agreed measures	22/23 target
Controlling operating costs (including all major repairs) per social housing unit	Operating cost per social housing unit	£7,128
	Operating cost per social housing unit, excluding exceptional items such as FRA remedial works costs	£4,961
Controlling growth of interest costs per social housing unit	Interest paid as a percentage of average borrowings	3.1%
Making the best use of our properties	Void loss % on rented homes	0.9%
	% of homes with positive net present value	100%
Maximising development (within our capacity)	Affordable units developed as a percentage of units owned	1.1%
	Rolling average three-year surplus on outright sales	£279k
Improving resident satisfaction	% satisfied with last repair (Will be confirmed at May Board meeting)	85 ^{*1}
Delivering social value	Annual social value delivered per £ spent on employment initiatives	£7
Addressing climate emergency	Average energy efficiency rating of properties	72 ^{*2}

*1: *We are putting in place a new process for capturing resident satisfaction data. The target for this measure will be confirmed at the May 2022 Board meeting.*

*2: *Our Sustainable Finance Framework has set a target for us to achieve an average SAP score of 72 across our stock.*

More detailed definitions of each of the measures is set out in the March 2022 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, the following areas were the most important (in order of priority): -

1. Safety of existing homes
Day to day responsive repairs
2. Recovering rent arrears
3. Resident Voice and activities and improving communication through our website
4. Communal cleaning
Component replacements (kitchens, bathrooms, ...)
5. Investment in better IT solutions
6. Communal repairs
7. Carrying out stock condition surveys to improve stock knowledge and data
More energy efficient heating for homes
Service charge cost transparency
8. Community Investment, employment and financial inclusion
Developing new homes
Grounds maintenance
9. Maximising income and efficiency: Letting our homes as quickly as possible
10. Communication: Producing resident newsletters
11. Net Zero Carbon: Addressing the climate emergency

The residents have indicated that the prioritisation of the above would help to improve resident satisfaction. We believe the draft budget facilitates the delivery of the above priorities. We have also incorporated the above priorities into our main projects for 2022/23.

5. Main projects for 2022/23

All of Hexagons departments have actions in their 2022/23 workplans to improve VFM, but the main 2022/23 VFM projects are set out below.

Project	Led by	Intended impact
Deliver new repairs and voids contract from July 2022	Responsive Repairs	Improve residents' satisfaction with last repair by 10% at the end of Q4 when compared with Q1's performance. Reduce complaints about repairs by 10%.

Project	Led by	Intended impact
Achieve the benefits of refinancing	Finance	Open up development capacity within our business Enable us to carry out our fire safety related commitments Enable us achieve decarbonisation by government set deadlines
New Social Value strategy developed	CIT	Ensure we are extracting and measuring the social value obtained through our contractors
Review the use of Advice Pro (casework software) to ensure get full benefit from it	CIT	Reduce the number of referrals which do not lead to access to other CI services
Pro active arrears work by CIT team	CIT	Reduction in arrears in cases where interventions
Money Makeover' financial health checks	CIT	Additional income and/or savings to outgoings for residents with indirect impact on rent arrears levels.
Provide digital skills support on a one to one basis via Digital Champions	CIT	50% of those involved in the programme have improved digital skills after 6 months - improving their ability to apply for benefits, jobs etc.
Development Scheme costs	Development & New Business	Total scheme costs are less than those approved for all schemes
Cross subsidising rental homes by outright sale	Development & New Business	Rolling three years average of >=£252K, will be more than this in 2022/23 due to delay on site where contractor went into liquidation.
New social value requirements implemented on 2 new contracts	Development & New Business	Social value levy requirements met ¹ , based on % of contract sum – Either through direct £ contribution OR direct provision ² .
Ensure value for money office hygiene & supplies contracts		Quotations received via Procurement for Housing that aim to ensure continued high level of service but make some cost savings

¹ CIT provides an annual social value report with KPIs based on HACT model

² Social value levy £ Targets not known until contracts placed for Old Kent Road and Blackwall Lane

Project	Led by	Intended impact
Purchase to Pay software implementation	Business Improvement	Decision taken on whether to implement is taken based on whether offering VFM & if agreed system implemented
Implement the remaining elements of Cx	IT	Transformation of way we deal with complaints with improved performance and increased customer satisfaction. Service charges produced efficiently with less queries generated. Contacts within the organisation being monitored to improve customer communication/increase customer satisfaction, voids and lettings – improved process that is clearly visible leading to improved performance and less void loss.
Implement Electronic Document Management	IT	Make records accessible remotely and reduce space taken up by paper records, reduction in time taken to look through paper files.
Develop resident portal through Cx	IT	Residents able to completely self service some requests and start others processes remotely at a time that is convenient to them. We should see a reduction in arrears as people are able to access their rent account and have more visibility and take more control over payments etc. With more customers self serving this should free up resources to be targeted to those customers that need our support.
Improve performance on void turnaround to meet targets for each void category type as well as void rent loss. This will in part happen through a review of the process and towards the end of the year	Neighbourhood Services	Reduce time that properties are empty, voids and lettings – improved process that is clearly visible leading to improved performance and less void loss.

Project	Led by	Intended impact
Improve satisfaction and perceptions of VFM of estate services through re-tendering the grounds maintenance and cleaning contracts	Neighbourhood Services Resident Engagement	Resident satisfaction increases by 5% from the 21/22 survey results (xx%) Consider combination of cleaning & grounds maintenance contract to achieve efficiencies in cost and achieve better VFM.
Ensure that Supported Housing schemes remain viable when LB Southwark removes void loss agreements. There is a 3 step plan for this	Neighbourhood Services	Void losses mitigated
Manage the risk to revenue with the roll out of Universal Credit, providing appropriate support to affected residents.	Revenue	Continue to utilise the UC Hub for all case management with new claims for UC. Ensure spreadsheets and data is maintained so risks can be identified in volume and appropriate support can be in place to manage risk to income. Ensure that support is offered at the correct time for residents with this being managed via FI team. Reduction in arrears in this area
Listen to our residents to understand their concerns following complaints and surveys to drive up satisfaction and reduce the volume of complaints and to respond efficiently and effectively to complaints.	Customer services	Reduced number of formal complaints at stage 2 & 3. Improved levels of resident satisfaction with complaint handling. Evidence learning from complaints & corrective action
Improved recording of service charge expenditure with budgeting of service charges	Rents & Service Charges Business Improvement	Rules for charges for all paying services charges are fair, equitable and reflect what is in agreements. Expenditure is audited by R&SC staff quarterly for accuracy of coding.
Continue with small scale energy efficiency improvement works.	Stock Improvement Team	Reduction in carbon emissions from our stock and an increase in the average SAP rating.

Project	Led by	Intended impact
Assess properties that become uneconomical if there is further investment to reach the net zero carbon target	Strategic Asset Manager	Properties identified and a clear response agreed on next steps to take in line with the asset management strategy.
Revisit reasons why Hexagon appear poor on the Return on Capital Employed Measure used in the Sector Scorecard	Business Improvement Finance	Provide Preclearance to the Board that our performance is reasonable based on our data

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
Performance Management Committee	Annual analysis of HouseMark, Sector Scorecard and related benchmarking results
Directors' Group (DG)	Annual analysis of HouseMark Sector Scorecard and related benchmarking 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:

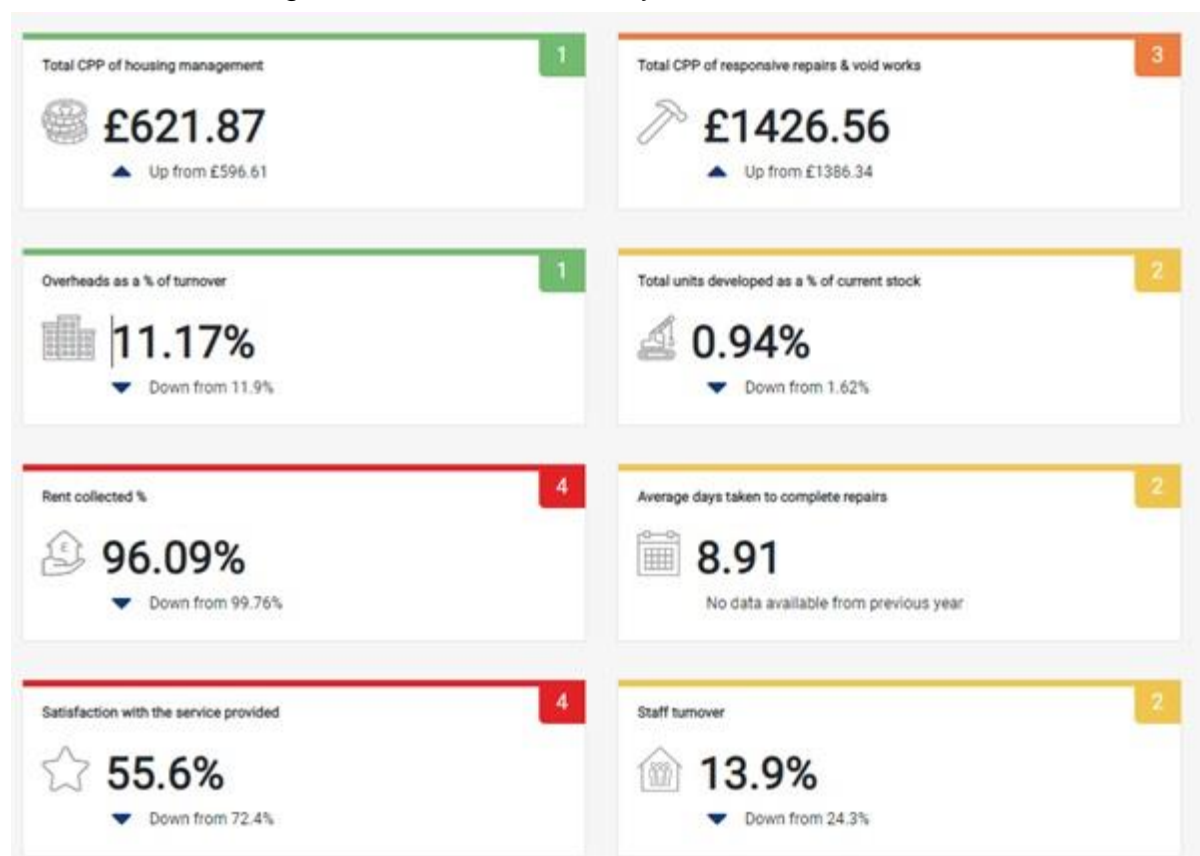
Level	Method	When
All stakeholders	Section on VFM outcomes included in the financial statements	July
Board	Annual report on progress against the strategy	September
Residents	Annual report to all residents, and a specific VFM section on Hexagon's website.	September

Benchmarking results for 2020/21

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 are better than 75% of our peers in housing management cost per property and in our overhead costs as a percentage of our turnover. We are better than the median in terms of staff turnover, days to complete repairs and units developed. However, we need to improve in our responsive and voids repairs costs and overall satisfaction with landlord which is one of the lowest in the country. We will analyse these results in full and report back to the Board via the Performance Management Committee in May.



Prepared by: Business Improvement Team

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Hexagon