

Value for money summary 2020-21

Our approach

Our value for money approach was reviewed at Cottsway's March 2021 Board meeting and we continue to regularly review and scrutinise our strategy.

Although the Coronavirus pandemic impacted on the 2020-21 results, more normalised targets have been set for 2021-22.

Our Board has defined our approach to value for money as:

“ Working efficiently and effectively in everything we do; we will maximise the return on our assets and maintain or improve customer satisfaction whilst always considering the social and environmental impacts of those decisions. ”

Triple focus

These three strands ensure that there is a strong focus throughout the business:

1. Strategic oversight

The Board assesses progress on delivering better value for money each year, evaluating our performance against the measures we have decided to use. This is a key part of our commitment to co-regulation with our customers and our regulator. Board meetings include reports and debates on progress against our objectives. The Board rigorously assesses all opportunities to grow or change our services by testing whether they meet at least two of three requirements: improving customer satisfaction, increasing surpluses, or delivering new homes.

2. Operational focus

We have our own behavioural framework 'We are Cottsway' and use this to ensure our staff work towards a consistent culture and approach to all aspects of our work, including value for money which is embedded in everything we do.

3. Measurable delivery

We use a range of measures to capture hard evidence about our business performance. We have adopted the "sector scorecard" devised by the housing sector as a new and transparent way of benchmarking efficiency. We will publish our performance each year to our customers and stakeholders.

Our performance

Test 1: How healthy is our business?

The first three measures show how well we make surpluses every year by being efficient in our day-to-day activities, as well as how much cash we can generate. The fourth measure shows operating cash generated after deducting capitalised repairs, with the percentage indicating how much headroom we have to meet interest payments on outstanding debt, in line with the Regulator's value for money code.

Our overall margin has increased slightly as the pandemic forced us to not be able to complete all repairs thereby reducing repairs expenditure. The fall in future margin and interest cover is driven by the catch-up on maintenance work which we were unable to perform in the last financial year.

Measure 1: Operating margin overall

2022 target	2021 actual	2020	2019
38.53%	40.39%	38.30%	40.00%

Measure 2: Operating margin (social housing lettings only)

2022 target	2021 actual	2020	2019
38.96%	42.30%	38.56%	42.19%

Measure 3: Increase/decrease in overall operating margin

2022 target	2021 actual	2020	2019
-1.86%	2.09%	-1.70%	-3.79%

Measure 4: EBITDA MRI (as a percentage of interest)

2021 actual	2021 actual	2020	2019
132.88%	177.47%	162.19%	171.07%

Test 2: How many more homes can we build?

We delivered 130 affordable homes in 2020-21, a fall of 31% over the previous year and in line with target. This delivery number was marginally impacted by Covid-19 and next year planned delivery grows.

Our level of reinvestment is planned to increase in 2021/22 and also our gearing to rise as we invest in the delivery of more homes over 2021/22 and 2022/23.

We are working with local partners and stakeholders and we are actively looking for additional opportunities to increase investment to support delivery of new homes.

Measure 5: Homes developed

2022 target	2021 actual	2020	2019
148	130	186	145

Measure 6: New supply delivered (social housing %)

2022 target	2021 actual	2020	2019
2.92%	2.60%	3.70%	3.00%

Measure 7: Reinvestment %

2022 target	2021 actual	2020	2019
7.32%	5.27%	12.02%	7.14%

Measure 8: Gearing

2022 target	2021 actual	2020	2019
61.26%	58.80%	60.50%	58.17%

Test 3: What difference do we make to people?

We deliberately operate within a manageable and cost-effective distance of our Witney office to help us deliver the best quality, value-for-money homes and services.

Customer satisfaction has grown with 92% of our customers happy with what we provide in return for the rent they pay. Similarly, the repairs satisfaction and net promoter scores have seen an improvement.

The final two show how we are investing our own money in new homes and other local priorities.

Measure 9: Customer satisfaction with value for money

2022 target	2021 actual	2020	2019
92%	92%	89%	88%

Measure 10: Customer satisfaction with repairs

2022 target	2021 actual	2020	2019
92%	92%	89%	89%

Measure 11: Net Promoter Score

2022 target	2021 actual	2020	201
46	46	37	35

Measure 12: Investment in new housing for every £1 generated from operations

2022 targets	2021 actual	2020	2019
1.15	0.95	1.98	1.03

Measure 13: Investment in communities for every £1 generated from operations

2022 target	2021 actual	2020	2019
0.04	0.04	0.04	0.04

Test 4: How well do we manage our assets?

Using our capital means we can maximise the surplus we can make to reinvest. Return on capital will fluctuate over time as our development programme grows because the return on new homes is initially lower than for existing ones.

The second measure shows that our occupancy levels remain high as we continue to focus on ensuring empty homes are made available for new customers as quickly as possible, giving someone a place to live more speedily and reducing lost rent. The third relates to our programme of works to ensure we use our resources effectively to maintain and improve existing homes.

Any poor-quality homes, or ones that gave an inadequate financial return, are subject to a rigorous options appraisal, resulting in nine homes being sold during 2020-21. Along with proceeds from other sales, this generated a surplus of £1.0 million for reinvesting in new homes and local services.

Measure 14: Return on capital employed

2022 target	2021 actual	2020	2019
3.63%	4.25%	3.79%	4.49%

Measure 15: Occupancy

2022 target	2021 actual	2020	2019
99.30%	99.15%	99.30%	99.30%

Measure 16: Ratio of responsive repairs to planned maintenance spend

2022 target	2021 actual	2020	2019
0.186	0.376	0.330	0.332

Test 5: How efficient are we?

The first measure indicates how much we spend on each home we own - for example, on repairs and maintenance, management and service charges - and is an overall indicator of Cottsway's efficiency. The headline cost reduced mainly because we were unable to perform all planned repairs due to the impact of the pandemic as can be seen this increase in 2021/22 when we plan to catch up on most repairs.

The second measure shows how effective our systems are in collecting all rent owed showing cash collected versus current tenant rents - this is above 100% as we take deposits in advance on new lets plus collect cash due from former tenants. The third is the proportion of turnover required to cover our running costs. Unfortunately, this year due to the pandemic we are unable to report on standard repairs versus the external benchmark as we were unable to provide normal services throughout the year.

Measure 17: Headline social housing cost £ per home

2022 target	2021 actual	2020	2019
£3,418	£2,644	£2,805	£2,756

Measure 18: Rent collected

2022 target	2021 actual	2020	2019
100.00%	103.98%	100.55%	100.89%

Measure 19: Overheads as a percentage of adjusted turnover

2022 target	2021 actual	2020	2019
12.6%	10.3%	10.4%	11.0%

Measure 20: Cost of standard repairs versus ARK* benchmark

2022 target	2021 actual	2020	2019
96%	n/a	95%	91%

*Independent specialist advisors

Test 6: How do we compare?

Cottsway compares itself with a peer group made up of Registered Providers who are large scale voluntary transfer organisations with between 3,000 and 7,000 homes operating within London, the South East and South West. This closely matches our operational area from a cost basis and therefore provides good indicators on performance.

Benchmarking ourselves in this way enables us to review our performance and target areas for improvement. We focus on those aspects that relate to how we deliver services and new homes.

Our performance is mostly well above the average and either close to or in the top quarter in terms of operational performance. The new supply delivered is low however this rises and fall dependant primarily on developer delivery and we are expecting 2021/22 to be double that number.

It should be noted that the comparison results are based on 2019/20 as the information for 2020/21 is not yet available.

Headline social housing cost £ per home

2021 actual	Upper Quartile	Median	Lower Quartile
£2,520	£3,209	£3,558	£4,166

Operating margin overall

2021 actual	Upper Quartile	Median	Lower Quartile
40.39%	36.20%	32.89%	25.72%

Operating margin (social housing lettings only)

2021 actual	Upper Quartile	Median	Lower Quartile
42.30%	39.02%	34.62%	31.21%

EBITDA MRI (as a percentage of interest)

2021 actual	Upper Quartile	Median	Lower Quartile
177.47	202.70	163.06	147.34

New supply delivered (social housing %)

2021 actual	Upper Quartile	Median	Lower Quartile
2.60%	3.78%	3.15%	2.06%

Return on capital employed

2021 actual	Upper Quartile	Median	Lower Quartile
4.25%	4.64%	3.88%	3.04%

Overheads as a percentage of adjusted turnover

2021 actual	Upper Quartile	Median	Lower Quartile
9.70%	10.31%	10.90%	13.69%

Our priorities for 2021-22

Our primary aim is to get back to operating a full service for our customers along with the phased reopening of our office.

We have switched on our new core systems in the last few months so there will be a focus on making them deliver the planned improvements to assist operations along with developing a medium-term vision of our service delivery ambitions.

A plan to over-time catch up on component replacements impacted by the pandemic will be implemented.

We will be developing our Economic/Social and Governance metrics to help with a road map to support the Government's carbon objectives along with potentially finding new funding solutions.

Cottsway House
Heynes Place
Avenue Two
Witney
Oxfordshire OX28 4YG

www.cottsway.co.uk

E: contact@cottsway.co.uk
T: 01993 890000

Follow us on:
Twitter, Facebook and YouTube

