



CLARION
HOUSING GROUP

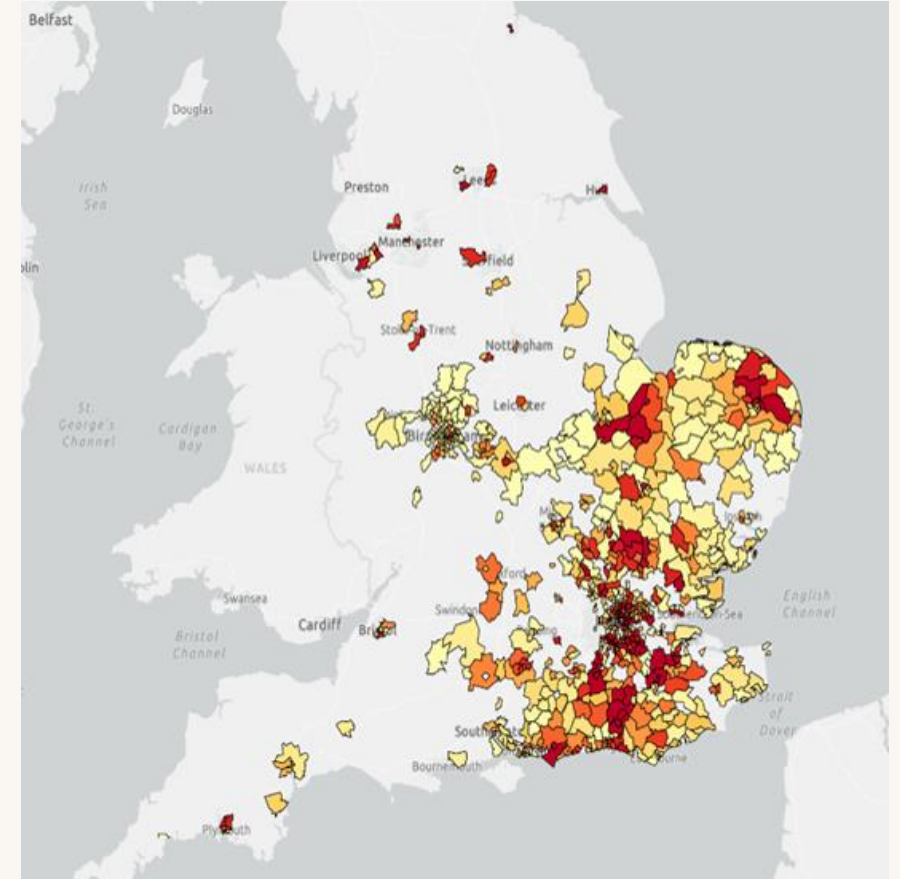
Measuring Value for Money, Social Value and Ensuring Sustainability

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Clarion Housing Group



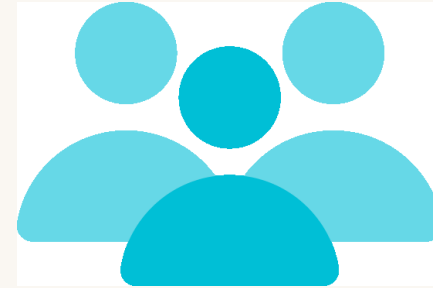
- ◆ Originated in the early 1900s
- ◆ 120,000 homes (75% social/affordable rent)
- ◆ 350,000 residents
- ◆ National coverage
- ◆ Ambitious development programme - 4,000 units/pa, 80% affordable
- ◆ Clarion Futures - largest non-Government training and support service in the UK





Outline

- ◆ What is value for money (vfm):
- ◆ Constituent parts
 - ◆ Financial vfm
 - ◆ The customer view
 - ◆ Social value
 - ◆ Sustainability
 - ◆ Stock
 - ◆ Stakeholders
 - ◆ The missing number
- ◆ Clarion Futures – case study
- ◆ A proposed vfm framework





Value for money in a social enterprise

What is value for money (vfm)

Definitions:

- Best value for money is defined as the most advantageous combination of cost, quality and sustainability to meet customer requirements
- The optimal use of resources to achieve the intended outcomes.
- A measure of quality that assesses the monetary cost of the product or service against the quality and/or benefits of that product or service



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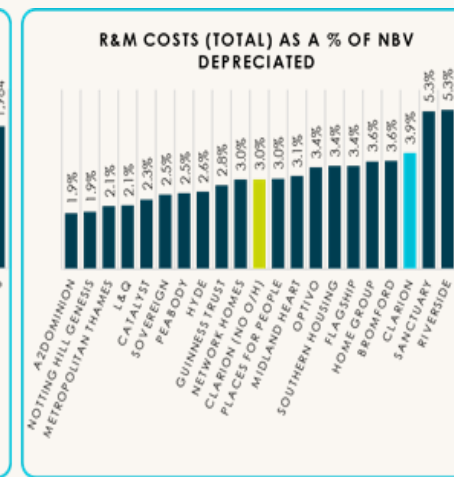
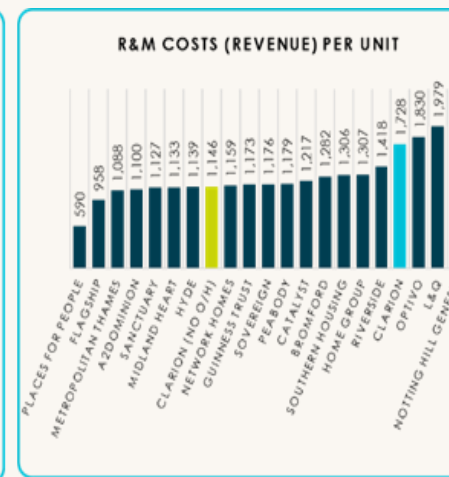
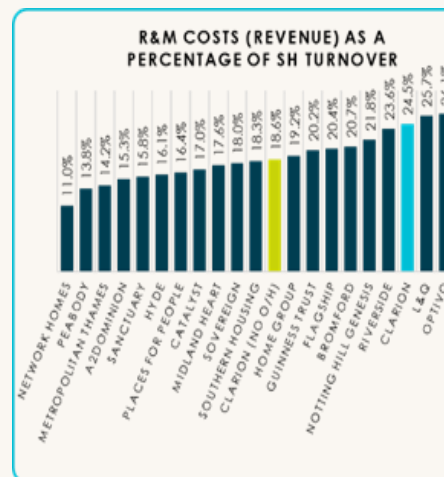
Value for money in a social enterprise

How does the sector measure vfm

- Regulatory 7 measures- all financial
 - Attempts to measure efficiency and effectiveness
 - Supports benchmarking
 - Long term financial sustainability
- But does it cut it?
- What are we about:

To provide housing for those in need, not served by the market

Sector Scorecard Measure	Clarion 2019/20	G15 - 2019/20			Clarion 2018/19	
		VFM	Median	Average		Rank
Operating margin (social housing lettings)	✓	32.4%	28.0%	27.6%	4 / 11	36.6%
Operating margin (overall, excluding disposals)	✓	27.8%	22.6%	21.7%	1 / 11	30.5%
EBITDA MRI interest cover	✓	151.3%	107.2%	114.1%	3 / 11	133.9%





The Customer view (i.e. the value)

- A good decent quality, affordable home
- Good customer service:
 - Accessible
 - Responsive
 - Quick resolution
 - To be kept informed/listened to
 - A good neighbourhood
 - Support services
- Ultimately:

A decent home they can afford

- Any assessment of vfm has to consider how well (effective) we deliver these





What about social value?

- A definition:
 - value for money on a whole life basis in terms of generating benefits not only to the organisation, but also to society and the economy, whilst minimising damage to the environment
- No standardised model but variants available:
 - HACT's Wellbeing Valuation Approach
 - Hyde's Value of a Social Tenancy methodology
- We know a safe, secure and affordable home supports:
 - Better health & wellbeing outcomes
 - Improved educational outcomes
 - Increased employment and training prospects
 - Neighbourhoods and social interaction
 - Wider economic benefits



Sustainability

- Long term in nature – life time tenancies, 30 year business plans!!
- Custodians – leave in a better position than when we started
- Funding - sustainable investment, impact investing (UK sustainable investment market £2 trillion)
- ESG – environmental, social, governance
- We do now have a standardised approach – the ‘Sustainability Reporting Standard’
 - 3 areas (ESG)
 - 12 Themes, 48 Criteria



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Stock

- Approx. 5 million social housing homes (UK), 1/6th of all homes
- Annual cost of operation ~ £20bn
- Annual R&M cost ~ £10bn
- Carbon zero cost (£20k/unit) ~ £100bn

- Does require financial metrics
- Imperative we can demonstrate increased efficiency and effectiveness
- But
 - must take account of individual strategies, plans and ambitions – can you articulate and differentiate yours?
 - benchmarking is a ‘can opener’ - to highlight areas for further exploration



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And Stakeholders

- ◆ Who are you developing your vfm strategy for?
 - ◆ Board
 - ◆ Customers
 - ◆ Staff
 - ◆ Regulator
 - ◆ Politicians
 - ◆ Funders
 - ◆ Partners / suppliers
 - ◆ Local authorities, councils etc.

- ◆ Think about what message you want to get to each of them



The biggest missing number!!

- 'Value' of our social and affordable rents
- One of the biggest measures of our delivery but missing from our accounts
- The difference between market rent (LHA) and rent charged:
 - Value to the resident
 - Value to Government / welfare system

Clarions calculation for 20/21 ~
£550m:

- Circa 4x net surplus
- >6% ROCE
- 21% return on grant funding



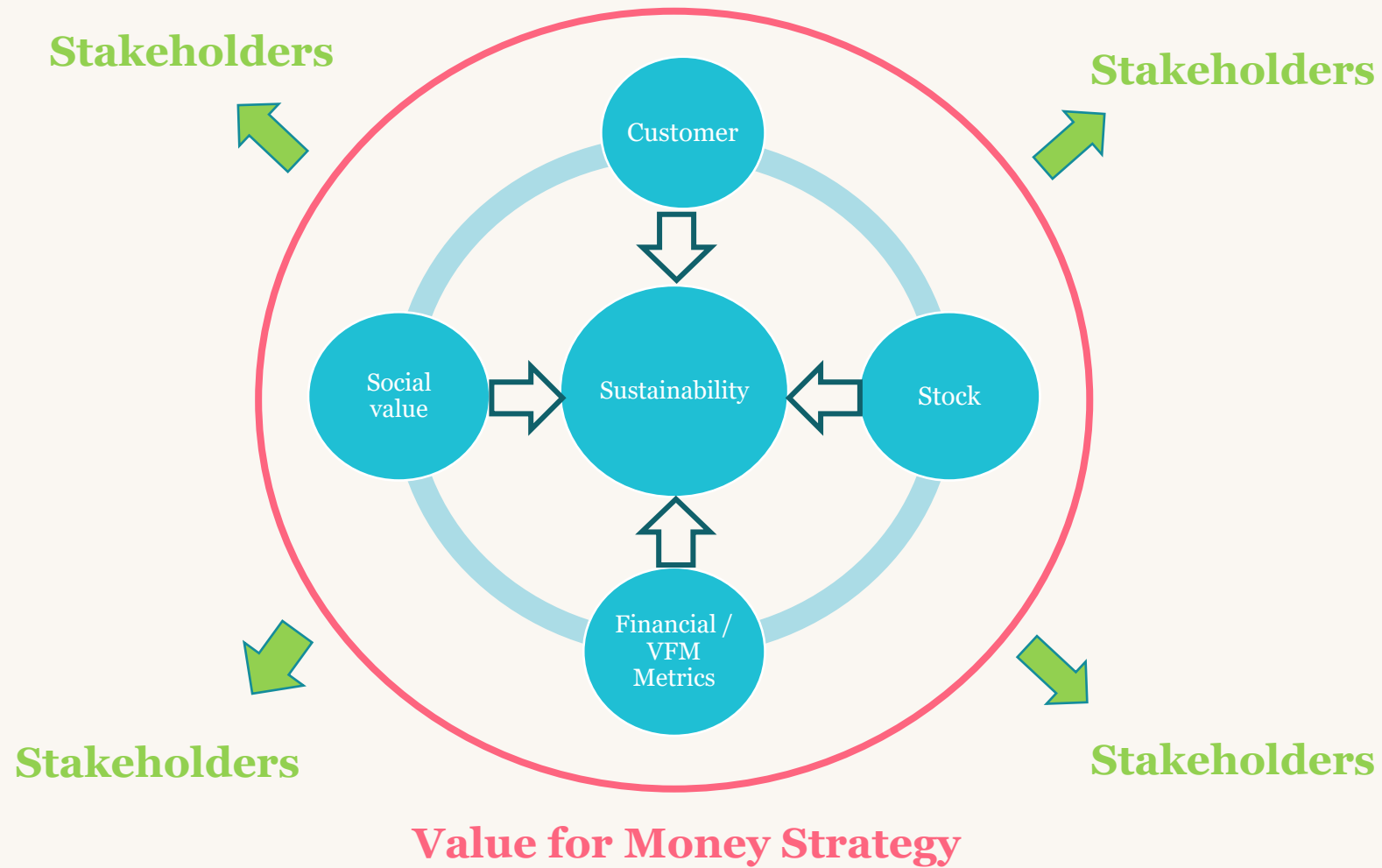
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Clarion Futures – a case study

- Our charitable Foundation – we invest £10m per year
- It raises £3m-£5m per year
- Focus/outcomes (20/21):
 - Jobs & training: 2,370 into full time employment, 1,719 help to start work
 - Communities: 11,557 sustained activity interventions, 5,073 volunteers
 - Money & Digital: 3,584 debt mgmt. & advice, 1,780 provided with internet access
- Value with the HACT model (e.g. a full time job is valued at £14,433, relief from being heavily debt burdened £10,336)
- Clarion Futures delivered **£107m** of social value – nearly a 10x return of investment



A vfm strategy framework





Summary

- ◆ Vfm is far broader than the vfm metrics
- ◆ Consider what your customers value
- ◆ Think about other stakeholders views/requirements:
 - ◆ Politicians
 - ◆ Funders
 - ◆ Councils/local authorities
 - ◆ Our staff
- ◆ How do you capture and quantify the social value
- ◆ How do we want to promote our successes



We achieve incredible things - let's use this to get the message out there

Thank you



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