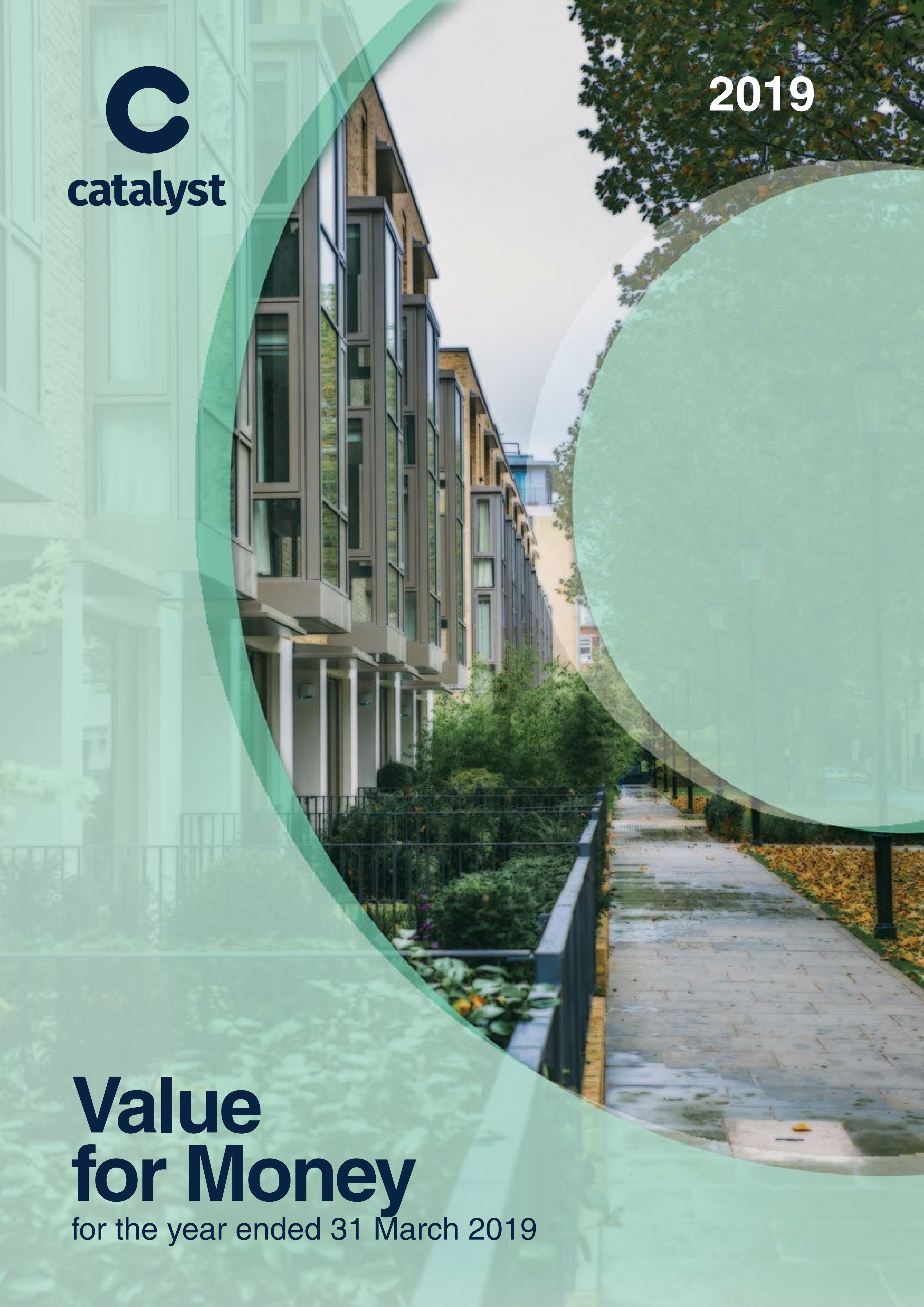

catalyst

2019

Value for Money

for the year ended 31 March 2019

Registered Society
Registered Number: 16561R

Regulator for Social Housing
Registered Number: L0699

Value for Money

Introduction

We define value for money as 'using our resources to deliver more of what our customers' value. We strive to build as many high quality homes as possible, and to deliver an excellent customer experience every time. The section below provides an overview of our performance against key value for money metrics.

Excellent customer experience every time

Indicator	2019	2018	2017	2018 G15 average	2018 G15 median	2018 Sector Scorecard
Customer satisfaction with service provided by landlord	74.1%	71.6%	74.5%	77%	74%	87.5%

Our customer satisfaction performance has improved during 2018/19 and is in line with G15 median performance.

During the year we:

- Launched our Customer Experience Programme - a business-wide initiative to ensure that we provide our customers with an excellent customer experience every time. This was successful in terms of embedding a customer-oriented culture across the business, and we will continue to build on this over the coming year.
- Involved our Customer Experience Committee - a forum set up to allow Catalyst to interact with customers in key business decisions, relating to the enhancement of services delivered to customers.
- Mobilised new repairs and maintenance contracts successfully, with early signs being that customers are more satisfied with service delivery.
- Were subject to review by Service Excellent Standards - a national accreditation for supported and sheltered housing which looks at 23 key areas, including value for money, complaints handling, and how we consult with our customers. We received a 2-star good quality service rating, demonstrating the level of quality of service to our sheltered and supported housing customers.

Provision of more quality homes and great places to live

Development and investment in homes

	2019	2018	2017	2018 G15 average	2018 G15 median	2018 Sector Scorecard
Units developed	560	566	228	814	662	n/a
Reinvestment %	6.2%	5.5%	4.6%	6.1%	5.8%	5.8%
New supply delivered % (social housing units)	2.5%	2.2%	0.9%	1.6%	1.5%	1.0%
New supply delivered % (non-social housing units)	0.7%	1.2%	0.3%	0.5%	0.4%	0.0%
Gearing	29.6%	29.1%	28.4%	44.6%	47.0%	35.1%

Value for Money (continued)

We developed 560 units this financial year, which is in line with last year. The number of units we developed is lower than the G15 average and median as a result of the size and scale of the development programmes of some of our G15 peers. Our merger with Aldwyck Housing Group will extend our reach and our ambition is to build a pipeline capable of delivering 1,300 homes per annum.

During the year we finalised our development procurement framework, allowing us to deliver value for money across our development activities. This framework can also be accessed by other public entities subject to a fee, thereby generating additional income for Catalyst.

Our reinvestment (calculated as the cost of investment in new and existing homes as a percentage of the total value of properties) has increased as we continue to invest in growing our development pipeline and making our existing homes better, and safer, places to live. This, alongside the increase in the percentage of new social homes delivered, clearly demonstrates Catalyst's committed to providing high quality, affordable homes in London.

Our gearing levels (total debt and finance leases divided by carrying value of housing properties x 100) are marginally higher than the prior year but significantly below the sector average. This provides us with comfort that we have the capacity to extend our development programme, creating 'more quality homes and great places to live'.

Effective Asset Management

	2019	2018	2017	2018 G15 average	2018 G15 median	2018 Sector Scorecard
Return on capital employed	2.3%	3.4%	3.8%	3.6%	3.5%	3.7%
Occupancy	99.8%	100%	100%	99.5%	99.5%	99.4%
Ratio of responsive repairs/planned maintenance	0.69	0.50	0.41	0.64	0.60	0.61

Return on capital employed (ROCE) (calculated as (operating surplus + surplus on disposal of fixed assets + share of surplus in joint ventures divided by capital employed) x 100) measures how good organisations are at generating surpluses from their asset base. Catalyst's ROCE has fallen from last year and reflects a reduction in sales activity. It should be noted that the G15 comparator relates to the 2017/18 financial year, when the market was more buoyant.

Occupancy levels remain stable at 99.8%, confirming that our properties remain desirable to our customers. We have reduced void turnaround times during the year by almost 67% as a result of our Service Improvement Group providing colleagues with additional training and more relevant reporting to help drive void performance.

The ratio of responsive repairs to planned maintenance is 69%, which is higher than last year and the G15 average. During the year, we mobilised our three regional responsive maintenance contractors and ended contracts with a large number of contractors that historically provided responsive services. The change in this ratio reflects the cost of winding down contracts and mobilising new contracts.

Investment in the community

£'000	2019	2018	2017
Invested in communities	2,990	2,525	2,229

We are driven by social purpose, our social investment increased this year by an additional c£500k. See the Catalyst Gateway section of the Annual Report on page 17 for more information about how funds have been invested.

High business performance

	2019	2018	2017	2018 G15 average	2018 G15 median	2018 Sector Scorecard
Operating margin (overall)	25.2%	29.4%	35.6%	28.0%	29.1%	27.9%
Operating margin (social housing lettings)	36.0%	35.5%	35.1%	33.3%	33.3%	30.4%
EBITDA MRI	153.7%	187.6%	234.9%	164.0%	184.2%	213.6%

Our overall operating margin fell by 4.2% to 25.6% which, as mentioned previously, is due to lower surpluses generated from sales as a result of unfavourable market conditions.

The operating margin for social housing lettings (operating surplus on social lettings divided by turnover from social housing lettings x 100), which measures the surplus that we generate from our core landlord activities, has continued to improve. Effective finance business partnering arrangements, enhanced financial reporting and the work of the central Procurement Team have all played a part in driving financial performance.

The EBITDA MRI is used as a measure of cash generation as a percentage of interest (net of amortised cost). Our EBITDA MRI (Earnings Before Interest, Tax, Depreciation and Amortisation, Major Repairs Included) has fallen due to reducing sales surpluses, but remains strong, ensuring that we are generating sufficient cash to cover the interest on our borrowings.

Operating efficiencies

	2019	2018	2017	2018 G15 average	2018 G15 median	2018 Sector Scorecard
Headline social housing cost per unit (£)	4,518	4,759	4,638	5,106	4,743	3,450
Rent collected	100%	99.5%	99.5%	100%	100%	99.9%
Overheads % adjusted turnover	11.6%	13.5%	16.5%	11.5%	11.0%	12.0%

Our headline social housing cost per unit has fallen from last year and is lower than the G15 average, and our overheads as a percentage of turnover have fallen year-on-year for the past three years. We continually challenge the delivery of value for money across all business activities, and strive to reduce costs and free up more capacity to allow us to fulfil our social purpose.

Great people, great place to work

	2019	2018	2017
Employee engagement	673.6	656.6	642.9
Stability index	79%	82%	68%
% time lost to sickness	3.3%	2.8%	4.4%

We are proud to increase our employee engagement for the third year running (measured by the average score achieved in Best Companies survey). We have achieved this through a sustained programme of communication and consultation with our employees about how we can make Catalyst a great place to work, and follow this up with the delivery of action plans and initiatives that address feedback received.

The stability index (the % of people at year end with in excess of one year's service) and time lost to sickness (number of sick days/total number of working days available) are slightly less favourable than last year but have improved significantly from two years ago.

catalyst

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www.chg.org.uk

Registered Society
Registered Number: 16561R

Homes and Communities Agency
Registered Number: L0699

A charitable housing association

Catalyst is one of the leading housing associations in London and the South East. Our vision is to create a self-sustaining business, which uses commercial disciplines and profits to provide affordable homes, improve neighbourhoods and change lives.

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