

Leeds Federated Housing Association Limited

Report of the board of management and strategic report
for the year ended 31 March 2022 (continued)

iii) Operational Performance & Value for Money

Value for Money Statement 2021/22



Leeds Federated
Value for Money Statement 2021/22

A version can be found on our website:

<https://www.lfha.co.uk/>

1 Summary

2021/22 was the first year of the Corporate Plan covering the period 2021 – 2026, reflecting a set of corporate priorities with a sharper focus on our customers through the introduction of the 'Engage' Strategic objective alongside 'Sustain' and 'Grow'. Through the Corporate Plan, Leeds Federated has clarified its approach to increasing its customer focus objective through the following goals:

- Engage with customers, listen to and learn from the customer voice
- Maintain a highly satisfied customer base and staff team
- Collaborate with stakeholders to achieve the best outcome for the business and for customers
- Demonstrate value for money to our customers

The Corporate Plan continues to also focus on its Sustain and Grow strategic objectives with both day to day activities and corporate projects contributing to specific goals, performance targets and the management of risks associated with the delivery of the Plan.

The Association through its Strategic objectives and supporting goals explicitly identifies Value for Money as a goal for each objective illustrating how Value for Money is fully integrated within all activities undertaken.

2 COVID-19 & Economic conditions

The Covid-19 pandemic presented on-going challenges to our business and to our customers during the past year however these have been less severe than in 2020/21 with development, customer facing and back-office functions returning towards pre-Covid levels subject to the need to follow changing Government rules and guidance.

Many customers continued to experience unexpected changes in their circumstances. We expanded our customer engagement team and continued via our financial inclusion team to provide additional support to customers experiencing hardship, and have worked to sustain tenancies and reduce the level of rent arrears.

Post Covid-19 and Brexit related supply chain issues and cost inflation emerged during the year which have impacted operating margin as well as delivery of some planned maintenance work for our customers.

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Operational performance and value for money (continued)

2. COVID-19 & Economic conditions (continued)

Towards the end of the year the war in Ukraine has further compounded these issues and accelerated inflation in areas of energy, food and petrol all of which contribute to a cost of living crisis for our customers and additional financial risk for the association as it seeks to deliver quality services, and invest in energy efficiency solutions for existing homes as well as continue to develop new homes for affordable rent and sale.

Despite these challenges the association has managed to perform strongly financially maintaining its financial resilience and capacity to continue to invest in support of its corporate strategic objectives.

Whilst Levels of customer satisfaction have declined during the year, we have seen some stabilisation and areas of improvement. We are continuing to increase our investment in resident engagement as part of our corporate plan, to re-establish lines of communication disrupted by the pandemic and to ensure our services reflect and respond to customer needs and priorities.

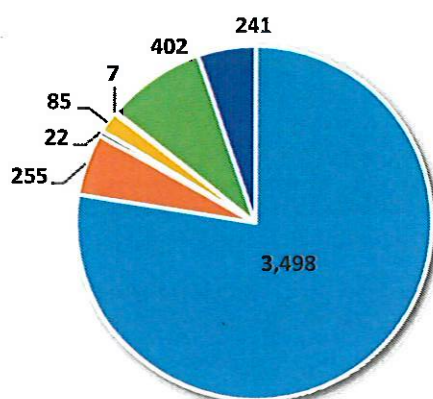
3 Key Statistics

● Housing Properties by Tenure

The following chart shows Leeds Federated's housing stock by category in 2021/22, a total of 4,510 units/bedspaces¹ of which 85 units are non-social housing and 241 are managed by others. During the year we added a total of 70 units to our social housing stock through new development.

HOUSING PROPERTIES BY TENURE

- General Needs
- Housing for Older People
- Intermediate Rent
- Non Social Housing
- Supported Housing
- Low Cost Home Ownership
- Managed by Others



¹ – 7 units are not reported in note 6, Accommodation in Management, because they are not classified as owned and managed as defined by the Regulator of Social Housing (RoSH) in their Financial Viability Assessment (FVA) and Statistical Data Return (SDR). In total there are 4,503 units of measurement per the RoSH definition of a bedspace or unit which owned and managed and is lettable.

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Operational performance and value for money (continued)

4 Key Performance Indicators

● Measuring Performance

Key Performance Indicators are a series of targets measured by traffic light system:



Performance is tracked and reported using a Balanced Scorecard System

The results are regularly reviewed by staff, customers and by the Association's board:

- every month by the organisation's Leadership Team
- every quarter by the Challenger Panel, made up of Leeds Federated customers
- every quarter by the Operations Committee
- at each full Board meeting

The seven standard metrics relating to Value for Money specified by the Regulator of Social Housing are integrated into the scorecard. We have continued to track performance against these measures.

The following table analyses some of the performance indicators for the 2021/22 year. The Value for Money Statement (pages 8-19) analyses some other performance indicators, as well as giving a summary on overall BSC performance for 2021/22.

Objective	KPI	Target	Outcome
Customer Satisfaction	Overall customer satisfaction with Leeds Federated's services	Minimum of 80% of customers 'satisfied' or 'very satisfied'	78.9% (79.0% 2021) of customers were 'satisfied' or 'very satisfied' at the end of the financial year. (March 2022 ytd performance)
	Customer satisfaction with the value for money of rent	A minimum of 85% of customers 'satisfied' or 'very satisfied' that their rent offers value for money	At the end of the financial year, 77.7% (80.0% 2021) of Leeds Federated customers were either 'satisfied' or 'very satisfied' that their rent offers value for money. (March 2022 ytd performance)

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Report of the board of management and strategic report for the year ended 31 March 2022 (continued)

Operational performance and value for money (continued)

4. Key performance Indicators (continued)

Measuring Performance (continued)

Repairs	Appointments Made and Kept	Minimum of 90% of responsive repairs appointments made and kept	Over the course of the year, 95.0% (95.8% 2021) of responsive repairs appointments were made and kept, contributing to high levels of customer satisfaction and the efficient use of resources. (March 2022 ytd performance)
	Customer Satisfaction with individual repair jobs	Minimum of 85% customer satisfaction with the quality of individual repair jobs	Average customer satisfaction with individual repair jobs was 92.0% (87.3% 2021) at the end of the year. (March 2022 ytd performance)
Gas Servicing	Up to date gas safety certificates maintained for all relevant stock	100% of required gas safety certificates to be in place at all times	99.84% (99.71% 2021) of gas safety certificates were in place at the end of the financial year. A total of 6 (11 for 2021) were overdue, but fully compliant with our escalation procedures. (March 2022 performance)
Housing Management	Minimise the level of rent arrears	Current tenant rent arrears at 6.2% or less (year end actual)	Social housing rent arrears at 6.11% at the end of the financial year (6.2% in 2021). Allowing for housing benefit due but not yet received, this figure falls to 4.6% (4.9% in 2021) based on our 4-weekly rolling average measure.
	Minimise lost rent due to empty properties	Keep rent losses within budget	There was a 12.5% (10.5% 2021) positive variance on the void loss budget. (March 2022 performance)
Development	Timely completion of property sales	No more than 15% of properties to remain unsold five months from handover	0 homes (1 home 2021) had been on sale for more than five months at the year-end (March 2022 year end)
	Achievement of sales targets for shared ownership homes	Achieve average sale proportion of 40% at first tranche.	Average – 46% (47% - 2021) (Target minimum: 40%) March 2022 ytd performance

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Report of the board of management and strategic report for the year ended 31 March 2022 (continued)

Operational performance and value for money (continued)

4. Key performance Indicators (continued)

● How We Compare

Leeds Federated has continued to deliver good performance in achieving value for money when compared to the social housing sector nationally. When considered in relation to peers nationally, the organisation is delivering strong levels of new social housing supply and demonstrating efficient use of financial capacity despite Covid impacts, inflationary and supply chain challenges which have impacted margins. We have shown our 2021/22 positions against the RSH Global Accounts benchmarks for 2020/21.

Sector VfM Metric	Leeds Federated				Sector Median 2020/21 ¹	Quartile Position 2020/21
	2019/20	2020/21	2021/22 (target)	2021/22 (outturn)		
(1) Reinvestment %	7.86%	4.07%	>=8.14%	7.39% ³	5.8%	Q2
(2a) New supply% (SH)	3.65%	1.87%	>=2.15%	1.59% ³	1.3%	Q2
(2b) New supply% (NSH) ²	0%	0%	0% ²	0%	0%	-
(3) Gearing at cost %	24.84%	30.58%	<26.0%	22.7%	43.9%	Q4
(4) EBITDA-MRI %	331%	281%	>193%	187%	183%	Q2
(5) SH cost per unit	£3,145	£3,428	<£3,865	£3,882	£3,730	Q2
(6a) Op Margin (SH) %	20.85%	23.09%	>15.9%	18.21%	26.3%	Q4
(6b) Op Margin(overall) %	25.51%	24.55%	>20.00%	20.71%	23.9%	Q3
(7) ROCE %	3.86%	3.44%	>2.91%	3.60%	3.3%	Q2

(SH – Social Housing, NSH – Non-social housing, EBITDA-MRI – Earnings Before Interest, Tax, Depreciation, Amortisation, Major Repairs Included, ROCE – Return on Capital Employed)

1 – RSH Global Accounts for 2020/21 (all providers > 1000 homes)

2 – Leeds Federated does not have current plans to develop new non-social housing

3 – The delivery of planned maintenance programmes and development was significantly adversely impacted in 2021/22 by Covid-related restrictions on working in customers' homes and a slower than expected recovery of development activity across the sector. We expect this to be the case for other providers.

5 Customer Perceptions

● Measuring Performance

Customer perception data is collected on a rolling basis, with a minimum of 600 customers participating in the survey annually. This approach has been in operation for many years allowing a useful longitudinal analysis of performance. Leeds Federated has continued to use the National Housing Federation's STAR methodology, which enables straightforward comparison with other organisations in the sector.

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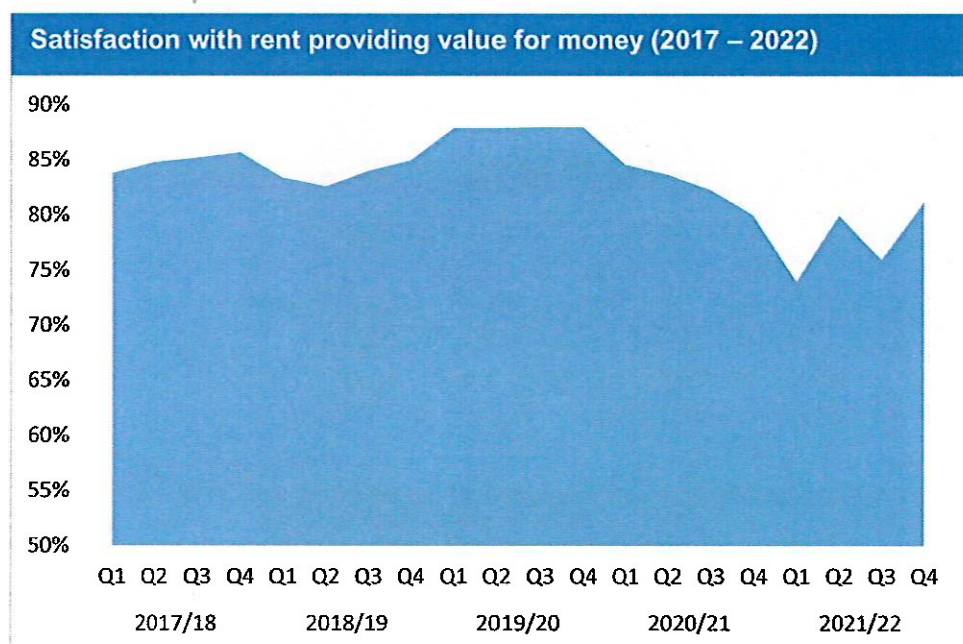
Report of the board of management and strategic report for the year ended 31 March 2022 (continued)

Operational performance and value for money (continued)

5. Customer Perceptions (continued)

Measuring Performance (continued)

Like other providers, we observed an overall decline in customer satisfaction during the pandemic, which is likely to be linked to the reductions in service that were necessary as a result, and a reduction in the presence and visibility of staff when restrictions were in operation. There are signs that customer perceptions of our service are beginning to recover, however we recognise that significant effort will be required to rebuild confidence and relationships after such a difficult period. We are continuing to expand our Customer Engagement function to ensure that we are able to achieve this.



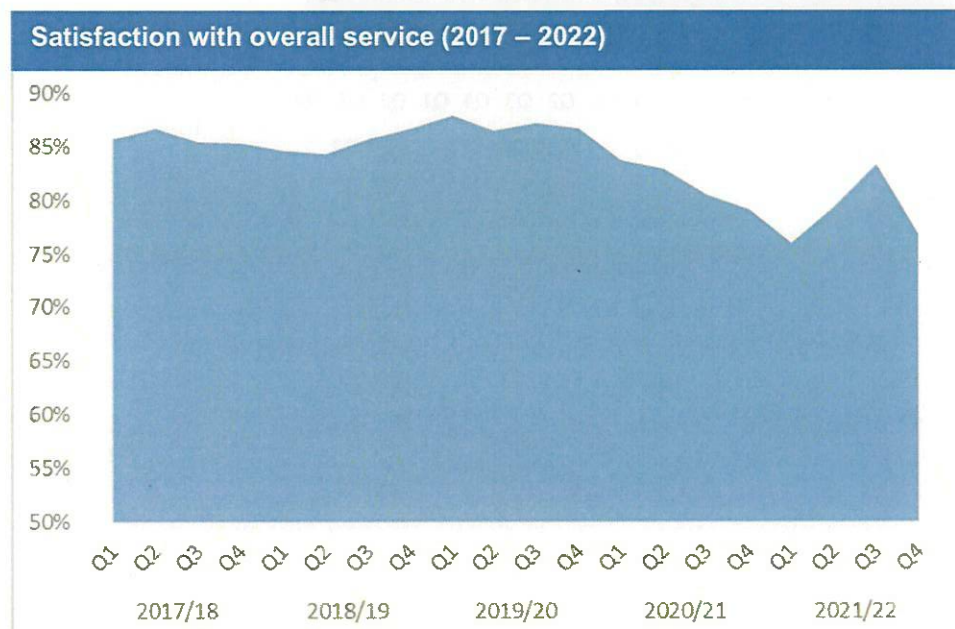
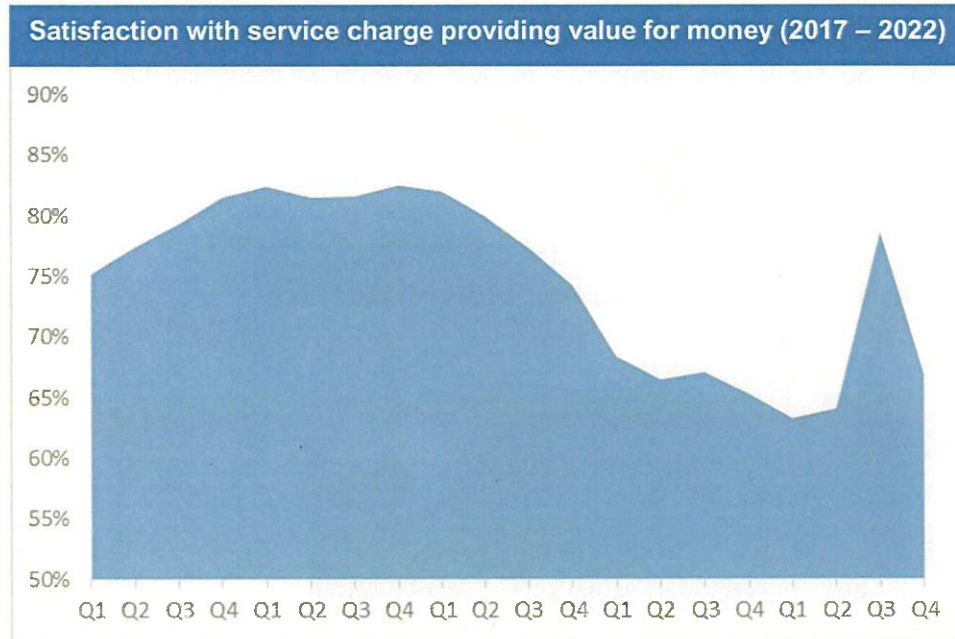
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Report of the board of management and strategic report for the year ended 31 March 2022 (continued)

Operational performance and value for money (continued)

5. Customer Perceptions (continued)

Measuring Performance (continued)



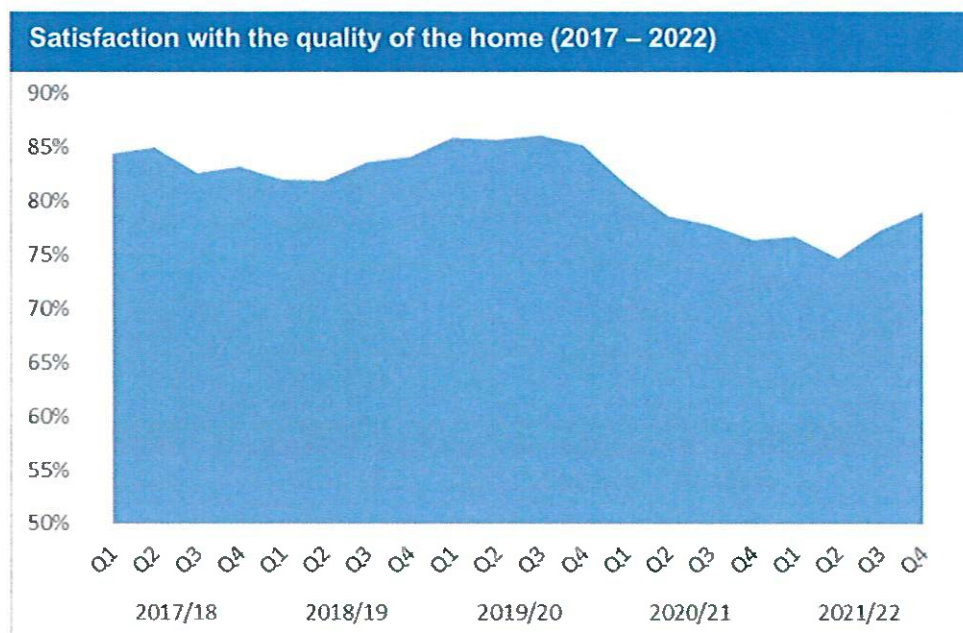
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Report of the board of management and strategic report for the year ended 31 March 2022 (continued)

Operational performance and value for money (continued)

5. Customer Perceptions (continued)

Measuring Performance (continued)



● Making Improvements

Our customer Challenger Panel continues to consider and scrutinise customer satisfaction data on a quarterly basis.

In 2021/22, we have invested additional resource in our Customer Engagement function, and we are continuing to expand this area of activity in 2022/23. We are in the process of implementing the 'Together With Tenants' developed by the National Housing Federation. This will reinforce our long-standing commitment to ensuring that the customer voice is at the heart of our approach to governance and operational decision making.

6 Asset Performance

● Measuring Performance

Our Asset Return Model is used to measure the performance of our assets and to track progress over time. The overwhelming majority of our stock performs well, and using the Asset Return Model we have tracked the performance of our assets over time.

Performance has been improving as a result of interventions to address underperforming housing stock combined with an increase in high quality homes as a result of our expanded development programme.

We refreshed our Asset Return Model with up to date housing and asset management data during the 2021/22 year to ensure that values continue to reflect current performance.

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Report of the board of management and strategic report for the year ended 31 March 2022 (continued)

Operational performance and value for money (continued)

6. Asset Performance (continued)

Measuring Performance (continued)

Rank	Unit Type	Average NPV	
		2020/21	2021/22
1	Houses (semi-detached or detached)	£46,094	£54,462
2	Other (typically agency-managed accommodation)	£39,852	£41,146
3	Bungalows	£26,014	£33,967
4	Terraced houses	£33,706	£32,364
5	Flats	£24,375	£29,252
7	Bedsits	£3,844	£20,041
Average NPV per unit:		£31,440	£37,388

● Making Improvements

We have continued our work to review and evaluate underperforming assets, with the involvement of the Board. The aim in all cases is to maximise value for money by making the best use of resources in the form of the assets themselves and also to make best use of our housing management and maintenance resources.

In 2021/22 we undertook a major new independent stock condition survey involving a full internal and external condition survey of our homes. This achieved 85% coverage of our housing stock, and we are working to collect data for the remaining homes.

We have invested in a new Asset Management System (Asprey) which will replace legacy software. The Asprey system will ensure that we are able to manage the data generated by the stock condition survey as effectively as possible, targeting our Decent Homes and energy efficiency investment to maximise value for money.

Operational performance and value for money (continued)

In 2022/23 our plans to improve include:

- Embed the new Asprey asset management system, and use its capabilities to model and deliver out future energy upgrade and retrofit programmes, while maintaining compliance with the Home Standard.

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Report of the board of management and strategic report for the year ended 31 March 2022 (*continued*)

Operational performance and value for money (*continued*)

7 Value for Money Standard

Leeds Federated has assessed its performance against the requirements laid out in the Regulator of Social Housing's Value for Money Standard. Leeds Federated has judged itself to be compliant with these requirements.

1.1 Registered providers must:

- a. clearly articulate their strategic objectives
- b. have an approach agreed by their board to achieving value for money in meeting these objectives and demonstrate their delivery of value for money to stakeholders
- c. through their strategic objectives, articulate their strategy for delivering homes that meet a range of needs
- d. ensure that optimal benefit is derived from resources and assets and optimise economy, efficiency and effectiveness in the delivery of their strategic objectives.

- Our strategic objectives are articulated in the Corporate Plan, through the three core strategies of 'Sustain', 'Engage', and 'Grow'.
- We have an approach agreed by the Board to achieving Value for Money in meeting these strategic objectives. This is primarily embedded in those strategies, however a separate Value for Money Policy exists which is approved by the Board.
- Our 'Grow' Strategy and Development Policy articulate our approach to delivering homes that meet a range of needs.
- Our VfM Policy sets out how we ensure that optimal benefit is derived from resources and assets and optimise economy, efficiency, and effectiveness in the delivery of our strategic objectives.

2.1 Registered providers must demonstrate:

- a. a robust approach to achieving value for money – this must include a robust approach to decision making and a rigorous appraisal of potential options for improving performance
- b. regular and appropriate consideration by the board of potential value for money gains – this must include full consideration of costs and benefits of alternative commercial, organisational and delivery structures
- c. consideration of value for money across their whole business and where they invest in non-social housing activity, they should consider whether this generates returns commensurate to the risk involved and justification where this is not the case
- d. that they have appropriate targets in place for measuring performance in achieving value for money in delivering their strategic objectives, and that they regularly monitor and report their performance against these targets.

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Report of the board of management and strategic report for the year ended 31 March 2022 (continued)

Operational performance and value for money (continued)

7. Value for Money Standard (continued)

- robust approach to achieving Value for Money is set out in our Value for Money Policy. We demonstrate this in ongoing business activity through option appraisals, business cases taken to Corporate Investment Group and to Board, and through the goals and projected business benefits of an ongoing programme of corporate projects.
- The board regular considers potential value for money gains in the form of option appraisals and business cases for changes in operational activity. Other examples at board and operational levels include asset disposal decisions, procurement approaches, resource allocation, development of new systems and changes to existing systems.
- VfM performance is measured and recorded monthly through our balanced scorecard KPIs and through our annual VfM statement

2.2 Registered providers must annually publish evidence in the statutory accounts to enable stakeholders to understand the provider's:

- performance against its own value for money targets and any metrics set out by the regulator, and how that performance compares to peers
- measurable plans to address any areas of underperformance, including clearly stating any areas where improvements would not be appropriate and the rationale for this.

- Evidence is published annually as part of the statutory accounts to detail performance against Value for Money targets and the metrics set out by the Regulator, along with any plans for improvement.

8 Value for Money Targets

The table below shows Leeds Federated's performance for 2021/22 and our headline targets for the following three years as currently contained in our business plan.

Sector VfM Metric	LFHA 2021/22	VfM Targets		
		2022/23	2023/24	2024/25
(1) Reinvestment %	7.39%	12.08%	11.54%	7.54%
(2a) New supply % (SH)	1.59%	2.91%	3.85%	3.07%
(2b) New supply % (NSH)	0%	0%	0%	0%
(3) Gearing at cost %	22.7%	28%	32%	33%
(4) EBITDA-MRI %	187%	223%	207%	211%
(5) SH cost per unit	£3,882	£4,097	£4,397	£4,536
(6a) Op Margin (SH) %	18.2%	15.3%	20.6%	20.3%
(6b) Op Margin (overall) %	20.7%	22.5%	24.4%	22.9%
(7) ROCE %	3.60%	2.92%	3.72%	3.47%

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Report of the board of management and strategic report
for the year ended 31 March 2022 *(continued)*

Operational performance and value for money *(continued)*

9 Concluding Statement

This document provides a review of Leeds Federated Housing Association's activities over the course of the 2021/22 financial year from a value for money perspective. Leeds Federated believe that this report provides assurance of compliance with the requirements of the Regulator for Social Housing Value for Money Standard.