

Leeds Federated Housing Association Limited

Value for Money Statement for the year ended 31 March 2020

Value for Money Statement 2019/20



Leeds Federated Value for Money Statement 2019/20

A version can be found on our website:

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

1 Summary

2019/20 was the fourth year of a Corporate Plan covering the period 2016 – 2022, reflecting a set of corporate priorities with a sharper focus on the need to deliver growth. Through the Corporate Plan, Leeds Federated has clarified its approach to increasing its delivery of new homes by:

- Setting a wider geographical area for development
- Reviewing and revising development scheme appraisal criteria where evidence had shown these to be more conservative than was necessary to effectively manage risk
- Developing new systems to further strengthen the management of risk and financial commitment in relation to our development programme

In addition to sustaining our new levels of ambition in providing new homes, the Corporate Plan retains a focus on:

- maximising the sustainability and performance of the existing asset base;
- maintaining, and where appropriate, improving the performance of services;
- obtaining maximum business benefit from the use of technology and continuing to foster and support a culture of innovation throughout all areas of activity.

The Association has continued to progress its Vision 21 Programme. This is an ambitious organisational change initiative comprising a portfolio of projects to review and re-focus our approach to service delivery, growth, asset management, working practices, and the technology we use to support our business.

A headline aim of the Vision 21 Programme is to deliver ongoing efficiencies in the form of a 5% reduction in operating costs, an annual saving of around £650k per annum from 2021. Staff from across the business are actively engaged in the Vision 21 work and the voice of the customer is a key aspect of our work reviewing the approach to service delivery.

We have taken a prudent approach to reflecting savings from Vision 21 in our business plan. Efficiencies are only being included in the business plan once they have been satisfactorily evidenced in our Benefits Realisation Plan.

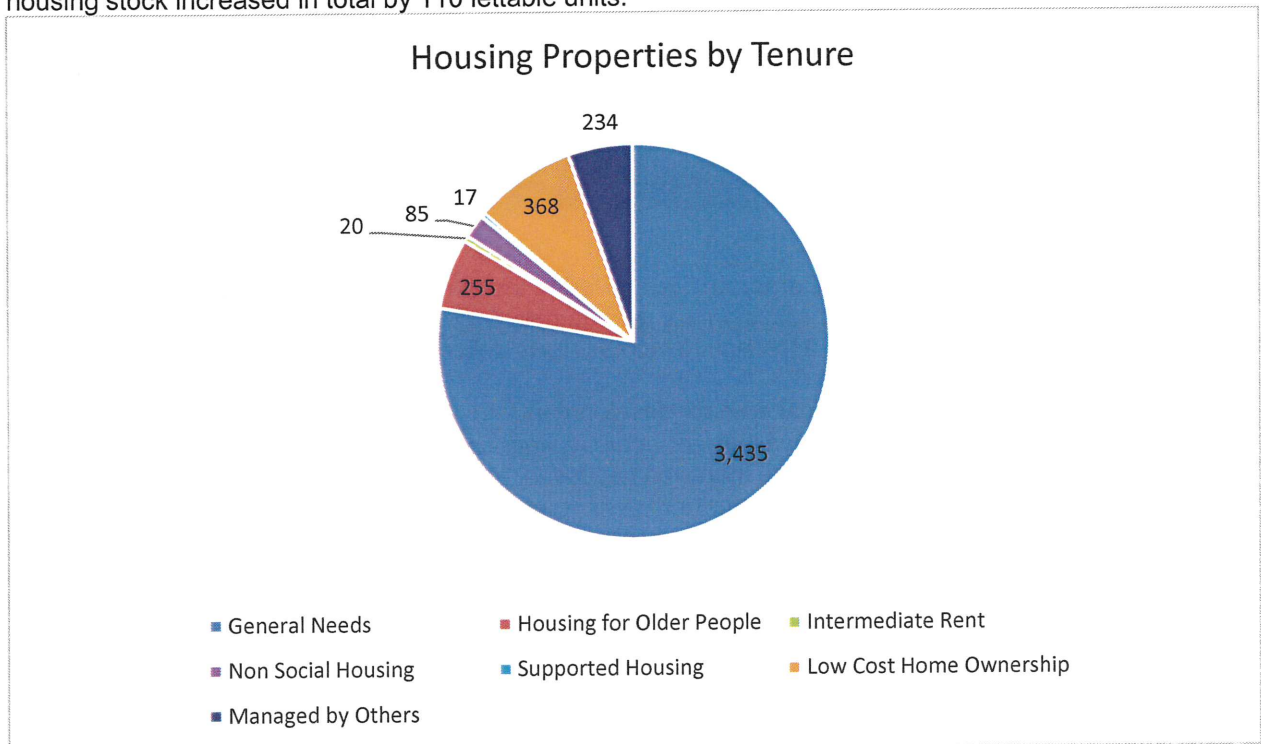
Leeds Federated Housing Association Limited

Value for Money Statement
for the year ended 31 March 2020 (*continued*)

2 Key Statistics

● Housing Properties by Tenure

The following chart shows Leeds Federated's housing stock by category in 2019/20, a total of 4,414 units/bedspaces¹ of which 85 units are non-social housing and 234 are managed by others. During the year housing stock increased in total by 110 lettable units.



¹ – unit of measurement per the Homes England and Regulator of Social Housing definition is a bedspace or unit which is lettable.

Leeds Federated Housing Association Limited

Value for Money Statement for the year ended 31 March 2020 (*continued*)

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

A major review of the performance scorecard was undertaken for the 2018/19 financial year to further improve our ability to understand and respond to trends in key measures of business performance. As part of this review, the seven standard metrics relating to Value for Money specified by the Regulator of Social Housing were integrated into the scorecard. We have continued to track performance against these measures.

The following table analyses some of the performance indicators for the 2019/20 year. The Value for Money Statement analyses some other performance indicators, as well as giving a summary on overall BSC performance for 2019/20.

Leeds Federated Housing Association Limited

Value for Money Statement for the year ended 31 March 2020 (continued)

Objective	KPI	Target	Outcome
Customer Satisfaction	Overall customer satisfaction with Leeds Federated's services	Minimum of 80% of customers 'satisfied' or 'very satisfied'	86.7% of customers were 'satisfied or 'very satisfied' at the end of the financial year. (Q4 performance result)
	Customer satisfaction with the value for money of rent	A minimum of 83% of customers 'satisfied' or 'very satisfied' that their rent offers value for money	At the end of the financial year, 88.0% of Leeds Federated customers were either 'satisfied' or 'very satisfied' that their rent offers value for money. (Q4 performance result)
Repairs	Appointments Made and Kept	Minimum of 90% of responsive repairs appointments made and kept	Over the course of the year, 97.8% of responsive repairs appointments were made and kept, contributing to high levels of customer satisfaction and the efficient use of resources. (March 2020 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 88.2% at the end of the year. (March 2020 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	99.73% of gas safety certificates were in place at the end of the financial year. A total of 10 were overdue, but fully compliant with our escalation procedures. (March 2020 performance)
Housing Management	Minimise the level of rent arrears	Current tenant rent arrears at 6.31% or less	Social housing rent arrears at 6.03% at the end of the financial year, based on our 4-weekly rolling average measure. Excluding legacy arrears relating to housing co-ops, many of which were repaid early in 2020/21, this figure drops to 5.01% (March 2020 performance)
	Minimise lost rent due to empty properties	Keep rent losses within budget	Rent losses due to empty properties were 1.5% of overall rental income at the end of the financial year. (March 2020 performance)

Leeds Federated Housing Association Limited

Value for Money Statement for the year ended 31 March 2020 (continued)

Objective	KPI	Target	Outcome
Development	Successful delivery of our new homes programme	Hand over 175 units during the year	157 units were completed in 2019/20 against a start of year forecast of 175, with 18 units being carried forward in to the 2020/21 programme.
	Achievement of sales targets for shared ownership homes	Achieve average sale proportion of 40% at first tranche for homes outside North Yorkshire and 25% for homes in North Yorkshire	Average in Harrogate 42% (Target minimum: 25%) March 2020 ytd performance Average in other areas – 48% (Target minimum: 35%) March 2020 ytd performance

● How We Compare

Leeds Federated has continued to deliver strong performance in achieving good value for money when compared to the social housing sector nationally. When considered in relation to our regional peers, the organisation is delivering strong levels of reinvestment and new social housing supply, and demonstrating efficient use of financial capacity.

Sector VfM Metric	Leeds Federated			Global Accounts Data 2019
	2018/19	2019/20 (target)	2019/20 (outturn)	Sector Median 2018/19
(1) Reinvestment %	6.10%	>=8%	7.86% ¹	6.2%
(2a) New supply % (SH)	3.97%	>=4.29%	3.65% ²	1.5%
(2b) New supply % (NSH)	0%	0% ³	0%	0%
(3) Gearing at cost %	24.20%	<28.5%	24.84%	43.4%
(4) EBITDA-MRI %	340%	>260%	331%	184%
(5) SH cost per unit	£3,010	<£3,300	£3,145	£3,690
(6a) Op Margin (SH) %	22.7%	>16.42%	20.85%	29.2%
(6b) Op Margin (overall) %	25.70%	>25.02%	25.51%	25.8%
(7) ROCE %	3.80%	>3.1%	3.87%	3.8%

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

¹ The delivery of some planned maintenance programmes was slower than expected during 2019/20

² 18 units originally scheduled for completion during 2019/20 were carried forward to 2020/21

³ Leeds Federated does not have current plans to develop new non-social housing

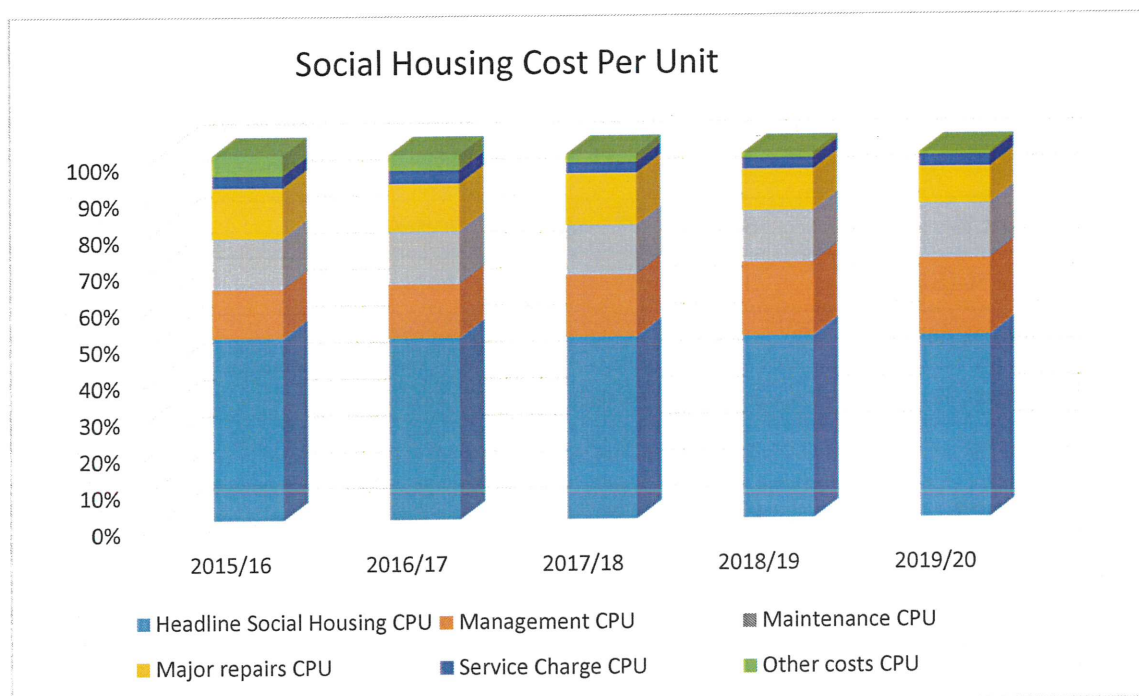
Leeds Federated Housing Association Limited

Value for Money Statement for the year ended 31 March 2020 (continued)

Sector VfM Metric	Global Accounts Data 2019					
	LFHA 2019/20	Regional Median ¹	Yorks & Humbs	North East	North West	Midlands
(1) Reinvestment %	7.86%	7.7%	7.4%	8.8%	7.3%	7.3%
(2a) New supply % (SH)	3.65%	1.3%	1.5%	1.1%	0.7%	2.0%
(2b) New supply % (NSH)	0%	0%	0%	0%	0%	0%
(3) Gearing at cost %	24.84%	43.9%	39%	43%	40.8%	52.8%
(4) EBITDA-MRI %	331%	190.6%	180%	181.2%	176.7%	224.5%
(5) SH cost per unit	£3,145	£3,540	£3,800	£3,330	£3,460	£3,560
(6a) Op Margin (SH) % ²	20.85%	26.8%	22.1%	26.3%	25.5%	33.3%
(6b) Op Margin (overall) %	25.51%	24.8%	21.9%	25.4%	23.4%	28.4%
(7) ROCE % ²	3.87%	5.6%	3.2%	6.5%	4.5%	8.1%

¹ An average of the Y&H, NE, NW and Midlands median figures

² Leeds Federated's results reflect the investment in the V21 programme, as described in the VfM statement summary



Leeds Federated Housing Association Limited

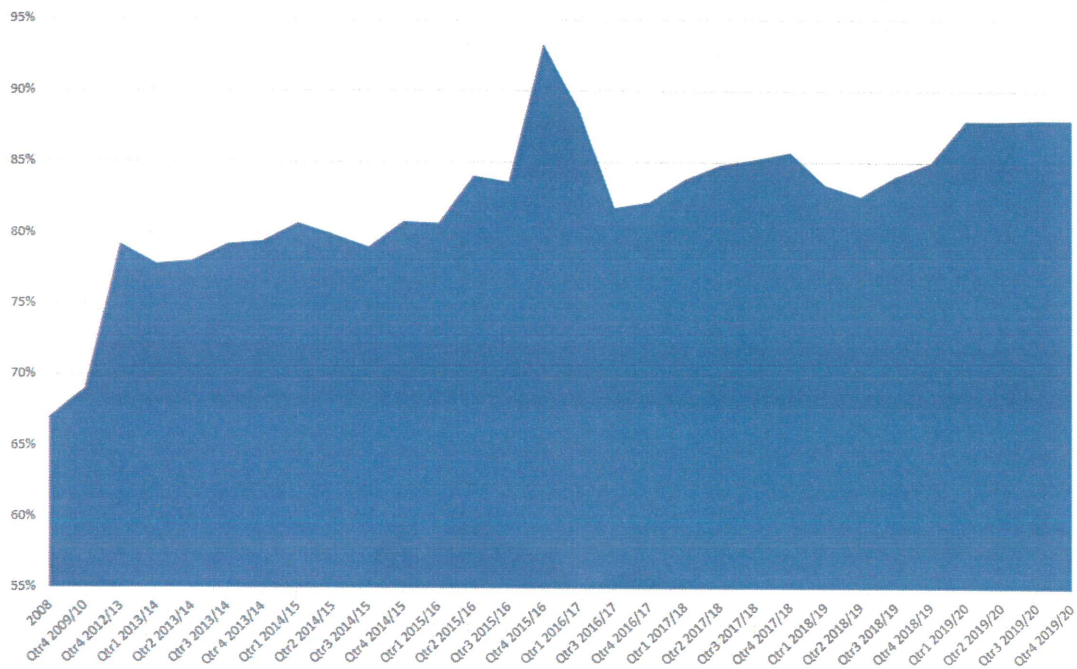
Value for Money Statement for the year ended 31 March 2020 (continued)

4 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.

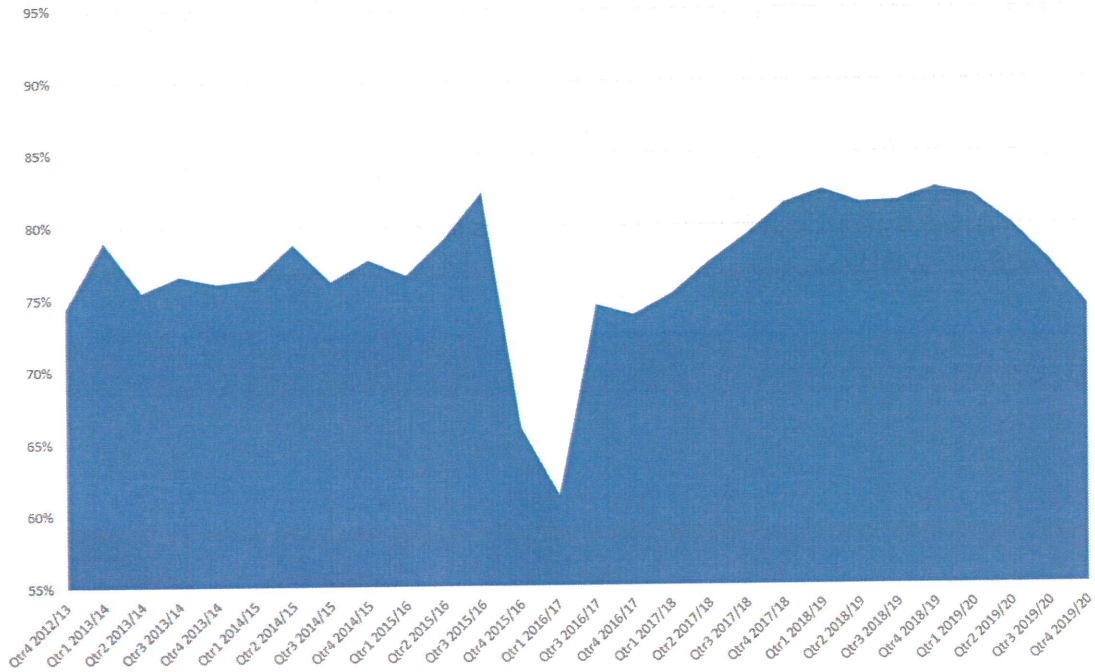
Satisfaction with rent providing value for money (2008 – 2020)



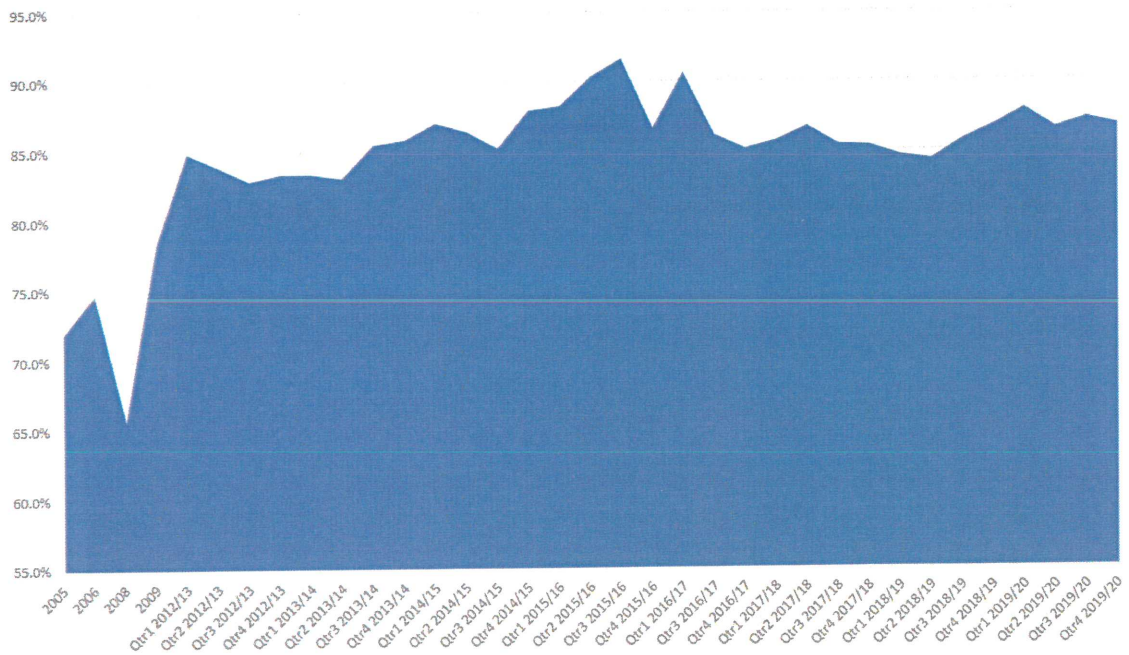
Leeds Federated Housing Association Limited

Value for Money Statement for the year ended 31 March 2020 (continued)

Satisfaction with service charges providing value for money (2012 – 2020)



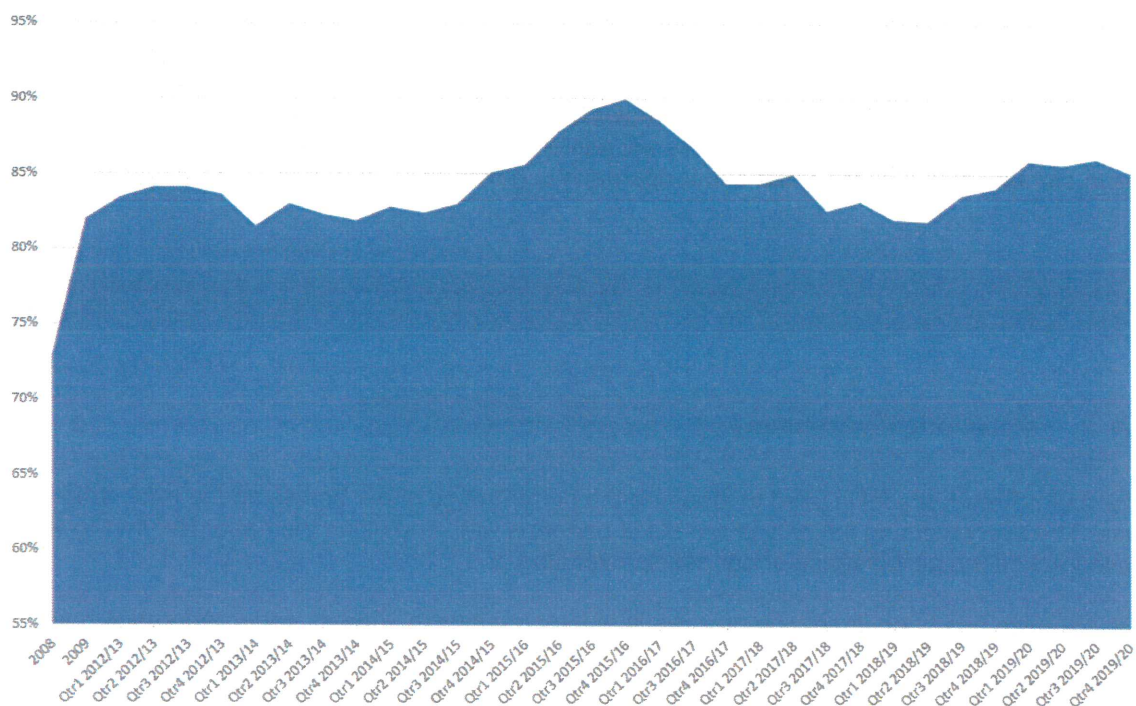
Satisfaction with overall service (2005 – 2020)



Leeds Federated Housing Association Limited

Value for Money Statement for the year ended 31 March 2020 (continued)

Satisfaction with the quality of the home (2005 – 2020)



● How We Compare

Our customer perception data for 2019/20 has been compared with that of other providers subscribing to HouseMark¹. This shows that our results fall into a range of quartiles, although the majority of results are above the median.

Satisfaction Question	LFHA 2019/20 Q4	LFHA Quartile Position	HM National Benchmarks		
			Upper	Median	Lower
Overall satisfaction	86.7%	3	89.08%	87.25%	81.15%
The home	85.2%	2	87.50%	85.00%	81.00%
The neighbourhood	76.7%	4	87.00%	84.90%	82.08%
Repairs and maintenance	80.6%	2	84.20%	79.00%	72.00%
Listening to views & acting on them	70.5%	3	78.40%	71.80%	64.20%
Value for money of rent	88.0%	2	88.03%	86.15%	82.00%
Value for money of service charge	74.3%	1	73.35%	66.60%	62.20%

¹ peer comparison relates to general needs customers

Leeds Federated Housing Association Limited

Value for Money Statement for the year ended 31 March 2020 (*continued*)

● Making Improvements

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

During 2020/21, we will be adopting and implementing the 'Together With Tenants' Charter 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.

5 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.

● Making Improvements

During 2019/20 a number of option appraisals were carried out with a range of recommendations made and implemented with the aim of improving the performance of the Association's asset base. This continues an established programme of 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 2020/21 we plan to:

- Begin a major review of our most challenging assets, taking into account the Board's aspiration to invest in improved sustainability and energy performance over the long term.
- Launch our new In-House Contractor to deliver the bulk of our planned investment programme, with targets to achieve improved quality and value for money.
- Continue to operate the Asset Return Model, evaluating the performance of our assets and determining the best approach to delivering improvements in Value for Money

6 Vision 21

Through successive iterations of its business plan Leeds Federated has successfully and significantly controlled its social housing cost per unit.

Leeds Federated Housing Association Limited

Value for Money Statement for the year ended 31 March 2020 (*continued*)

The Association will continue to drive cost savings as well as increase efficiency and effectiveness of its activities through the implementation of its Vision 21 programme. A key target is to maintain our social housing cost per unit between the anticipated median and upper quartile positions.

Vision 21 is a comprehensive organisational change programme aimed at securing long term improvements in value for money. The targeted savings generated through Vision 21 will further improve on social housing cost per unit and enable us to sustain performance between upper and median quartile, a position which we consider appropriate for an Association of our size, location, stock condition and customer base.

Investment in the V21 programme includes the investment of the project team, software and system development and setting up the in-house contractor and office hub venues. Cumulative spend from 2017/18 to 2019/20 is £1,429k with a further spend of £851k in 2020/21, the final year of the programme.

● Realising The Benefits

As the Vision 21 Programme progresses, we are quantifying the delivery of value for money gains in our Benefits Realisation Plan. As these are confirmed and agreed, they will be reflected in successive iterations of our business plan. It is anticipated that benefits of £650k p/a will be identified and realised once the programme is completed during 2020/21 and all changes have been implemented. To date, £253k p/a benefits have been identified relating to the programme.

At the present time, the Benefits Realisation Plan documents over 110 individual value for money improvements across the three categories of Economy, Efficiency and Effectiveness.

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', 'Innovate', 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.

Leeds Federated Housing Association Limited

Value for Money Statement for the year ended 31 March 2020 (continued)

- 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.

- A 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 the Vision 21 Programme.
- The Board regularly considers potential value for money gains in the form of option appraisals and business cases for changes in operational activity, and through regular updates on the delivery of the Vision 21 programme.
- The Board has considered and approved the creation of a new In-House Contractor to deliver planned maintenance work. This was on the basis of a rigorous business case with clear value for money targets.
- VfM performance is measured and recorded on a monthly basis through our balanced scorecard KPIs (Linked) 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:

- a. performance against its own value for money targets and any metrics set out by the regulator, and how that performance compares to peers
- b. 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. At the present time, the Vision 21 Programme is our principal approach to achieving long term improvements in value and performance.

Leeds Federated Housing Association Limited

Value for Money Statement for the year ended 31 March 2020 (continued)

8 Value for Money Targets

The table below shows Leeds Federated's performance against various Value for Money metrics for 2019/20 and our headline targets for the following three years as currently contained in our business plan. Future targets do not include assumptions on the value for money gains that will accrue from the Vision 21 Programme. These will be added into the business plan only once fully quantified and timetabled.

Note on COVID-19:

The effects of COVID-19 have been disclosed on pages 4 and 5 of the Strategic Report. Whilst there was an impact of the suspension of some services, performance against our KPI's was still strong, as shown on Page 15 'How We Compare'. The VfM targets shown below for the years 2020/21 and beyond were agreed prior to the COVID-19 outbreak and do not take into account the impact of COVID-19 on the business and the external operating environment. In common with other providers in the sector, we are currently reviewing budgets and business plans in consultation with the Board and when these are updated and approved, at the midyear point, the KPI targets will updated if needed.

Sector VfM Metric	LFHA 2019/20	VfM Targets		
		2020/21	2021/22	2022/23
(1) Reinvestment %	7.86%	7.82%	5.89%	6.95%
(2a) New supply % (SH)	3.65%	3.15%	2.72%	4.03%
(2b) New supply % (NSH)	0%	0%	0%	0%
(3) Gearing at cost %	24.84%	28%	29%	30%
(4) EBITDA-MRI %	331%	229%	278%	328%
(5) SH cost per unit	£3,145	£3,650	£3,330	£3,250
(6a) Op Margin (SH) %	20.85%	15.95%	21.06%	22.11%
(6b) Op Margin (overall) %	25.51%	21.14%	25.77%	28.68%
(7) ROCE %	3.87%	2.43%	2.87%	3.87%

9 Concluding Statement

This document provides a review of Leeds Federated Housing Association's activities over the course of the 2019/20 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.