




Leeds Federated

Value for Money
Report

2017/18



Leeds Federated Housing Association Limited

Value for Money Report

for the year ended 31 March 2018

1 Executive Summary

2017/18 was the second year of a new Corporate Plan covering the period 2016 – 2022, reflecting a revised set of corporate priorities with a sharper focus on the need to deliver growth. Through the new 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 new Corporate Plan retains a focus on:

- the need to maximise the sustainability and performance of the existing asset base;
- the need to maintain, and where appropriate, improve the performance of services;
- the need to obtain maximum business benefit from the use of technology and continue to foster and support a culture of innovation throughout all areas of activity.

During the year, Leeds Federated launched 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. These will be included in our future forecasting as they become quantifiable and deliverable.

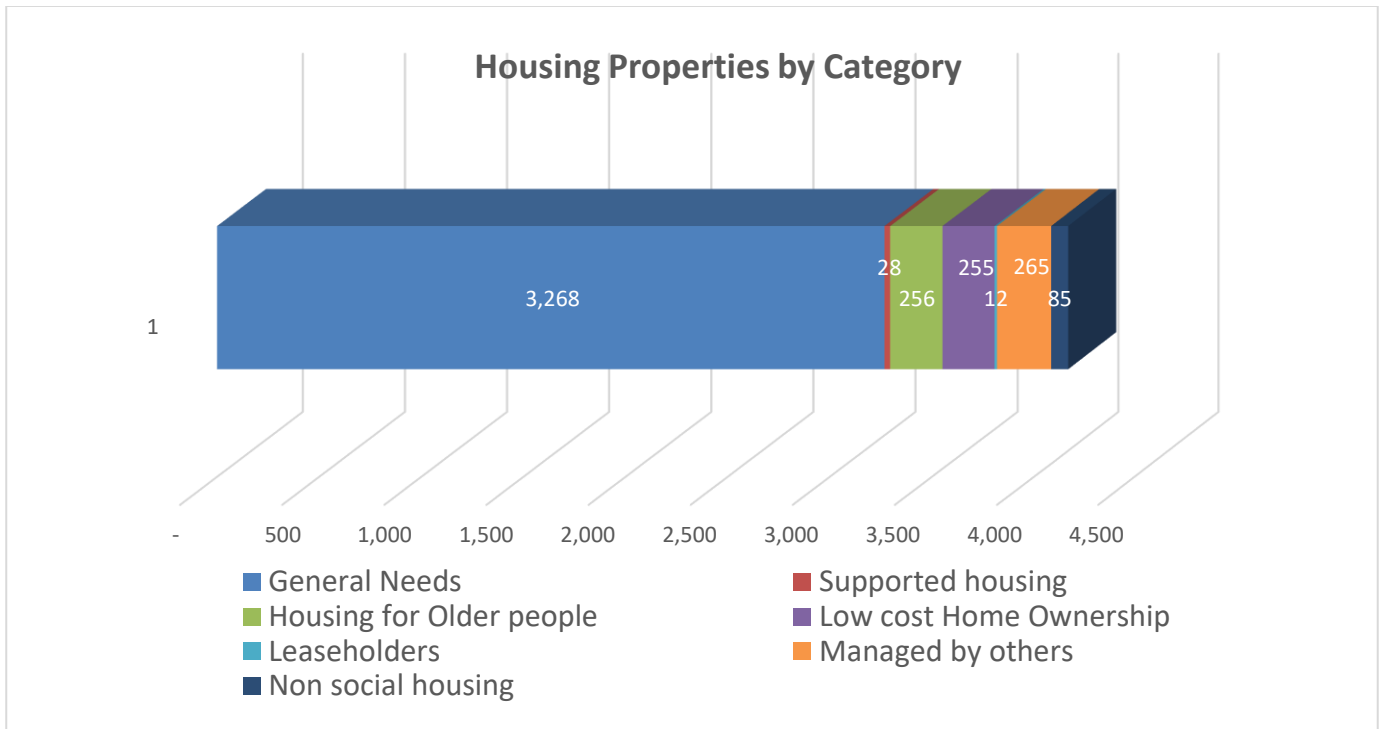
2 Key Information

	2018	2017	2016
	£'000	£'000	£'000
Total Turnover	23,414	21,983	23,020
Operating Surplus	8,169	7,660	6,710
Housing and Investment properties, net of depreciation and grants	196,250	182,015	179,605
Fixed assets, net of capital grants and depreciation	197,590	183,460	181,183
Total assets less current liabilities	199,037	191,766	178,761

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Housing Properties by Category

The following chart shows Leeds Federated's housing stock by category in 2017/18, a total of 4,169 units/bedspaces² of which 85 units are non-social housing and 265 are managed by others.



² – unit of measurement per the HCA definition is a bedspace or unit which is lettable.

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How We Compare

Value For Money metrics	2016/17*	2017/18*	Budget 2018/19
Operating Margin (overall)	34.8%	34.9%	25.1%
Operating Margin (social housing lettings)	33.6%	32.7%	24.0%
EBITDA-MRI	306%	320%	251%
Units developed	30	155	220
New supply delivered – social housing units	0.8%	3.8%	5.3%
New supply delivered – non-social housing units	0%	0%	0%
Gearing at cost	26.2%	25.6%	27.8%
Reinvestment	3.9%	10.6%	14.2%
Return on capital employed	4.08%	4.31%	3.22%
Customers satisfied that rent provides VfM	82.2%	85.7%	82.5%

* Calculations based on the Value For Money definitions as published April 2018. Leeds Federated is participating again in the Sector Scorecard comparisons.

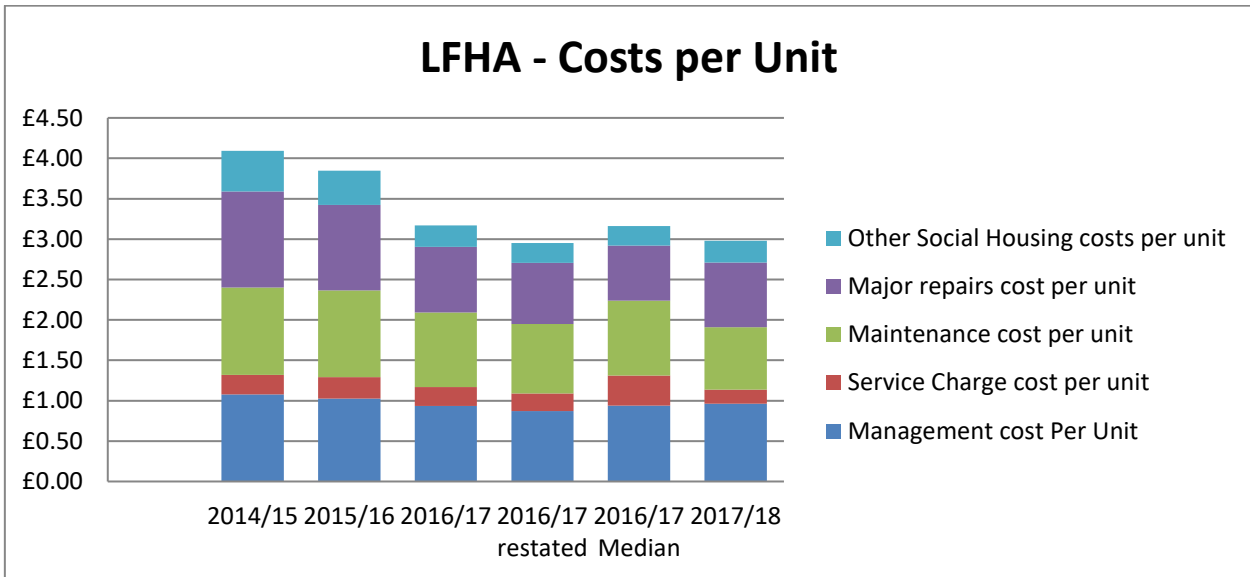
Costs £'000s/unit	2016/17*	2016/17 Median **	2017/18
Headline social housing CPU	£ 2.95	£ 3.30	£ 2.98
Management CPU	£ 0.87	£ 0.94	£0.96
Service Charge CPU	£ 0.22	£ 0.37	£0.17
Maintenance CPU	£ 0.86	£ 0.93	£0.77
Major Repairs CPU	£ 0.76	£ 0.68	£0.80
Other social housing costs CPU	£ 0.25	£ 0.24	£0.27

* - restated based on the amended unit/ bedspace definition and hence revised number of units

**based on 2016/17 Global Accounts)

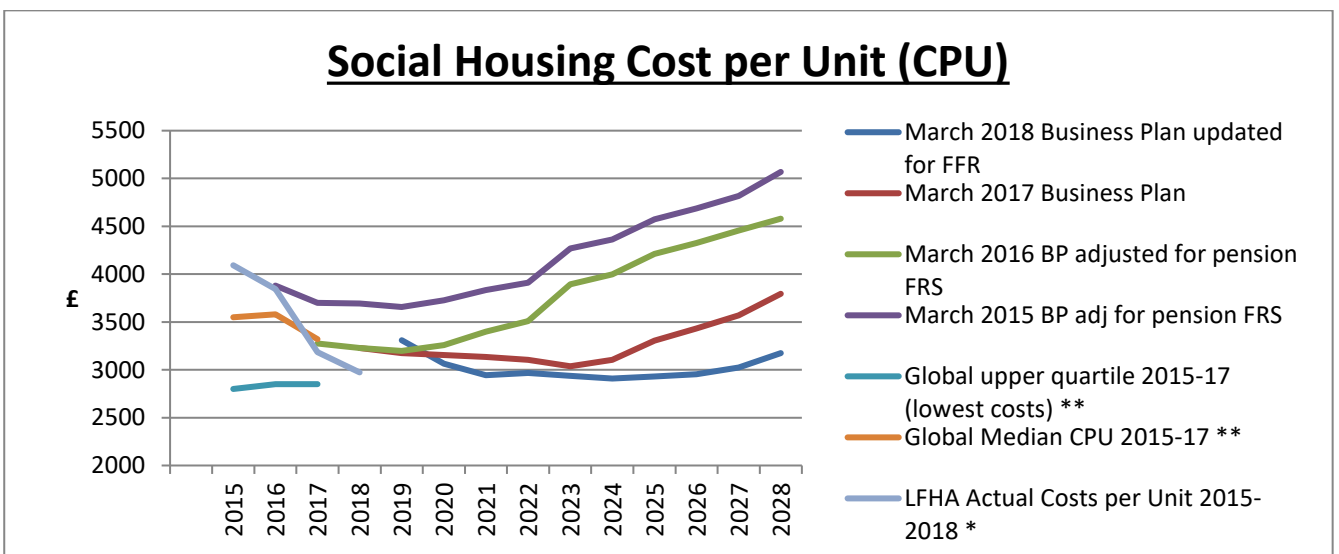
In comparison within a peer group of 8 registered providers of similar size and geography Leeds Federated performance is mainly ahead of, and in a few instances slightly behind the median for the comparator group based on available 2016/17 measures via Housmark. The association will continue to compare itself with others of similar size and geography and will seek to maintain its performance at or ahead of median levels for those comparators.

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Direction of Travel

The table below shows how Leeds Federated through successive iterations of its business plan has successfully and significantly reduced its social housing cost per unit. (CPU) 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. We are targeting maintaining our Social Housing CPU unit between the anticipated Global accounts median and upper level as evidenced by the March 2018 Business plan which reflects the initial investment in the V21 programme and then performance below £3,000 for the next 5-6 years. The additional targeted savings generated through V21 will further improve on the CPU and enable us to sustain performance at a level below £3,000 which we expect will place Leeds Fed between upper and median quartile performance and which we consider appropriate for an association of our size, location, stock condition and customer base.



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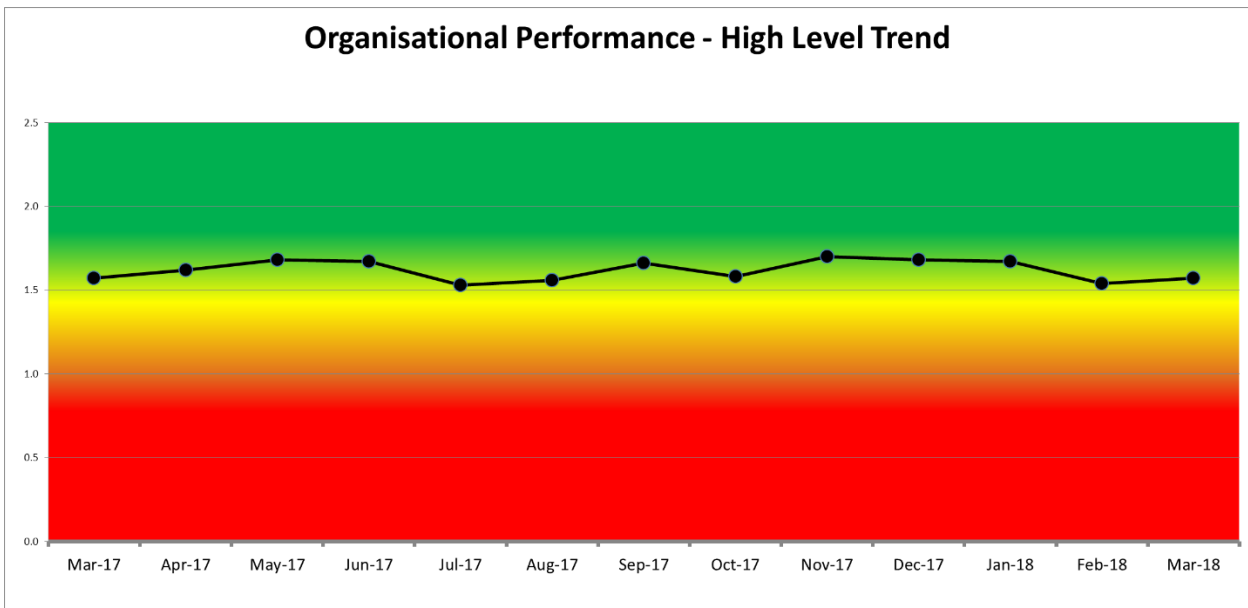
3 Our Approach to Value for Money

Managing Performance

Leeds Federated manages performance throughout the business using an integrated balanced scorecard system that links individual and team performance targets to the delivery of strategic objectives. In 2017/18 measures were compiled for 12 core business functions:

01	Good Quality Homes	07	Delivering New Homes
02	Customer Satisfaction	08	IT Services
03	Sustainable Tenancies	09	Preferred Employer
04	Quality Repairs Service	10	Financial Performance
05	Statutory Services	11	Value for Money
06	Housing & Tenancy Management	12	Being a Voice

Performance has generally been strong throughout the year across the full range of indicators, and when viewed in overall terms, has remained within the 'green zone', see the chart overleaf.



Customer Perceptions

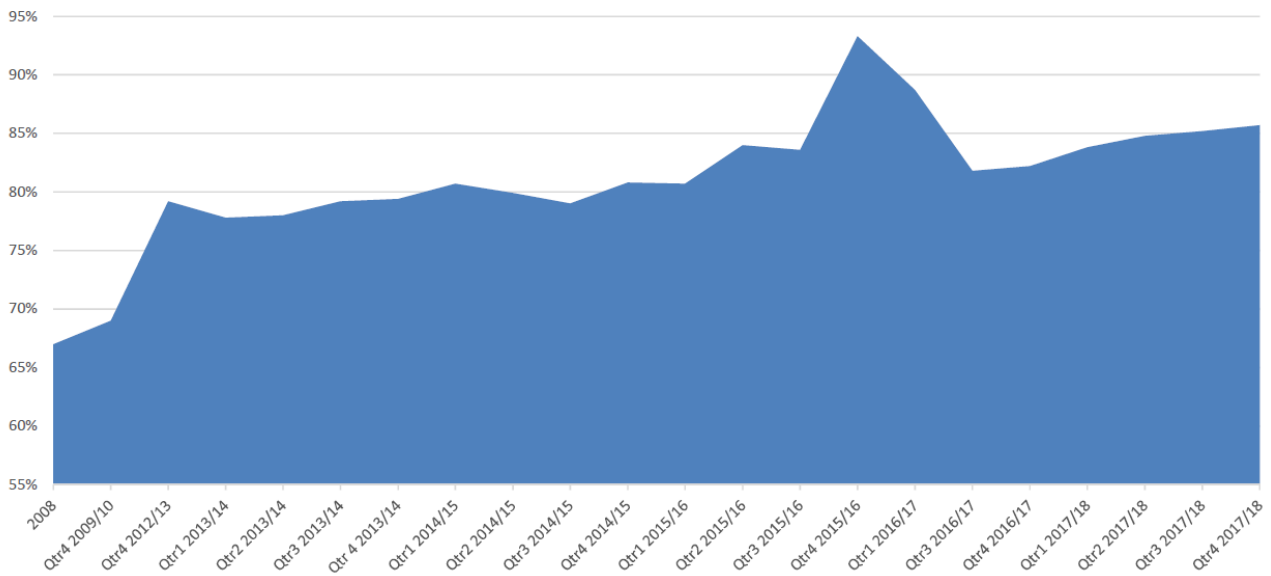
Customers are at the heart of everything Leeds Fed does. Customer insight data remains very important to the Association, helping inform and influence both operational and strategic decision making. In particular, this enables Leeds Federated to understand how effective it is in delivering value from a customer perspective. Where possible, the NHF STAR methodology is used to allow for benchmarking and historical comparison.

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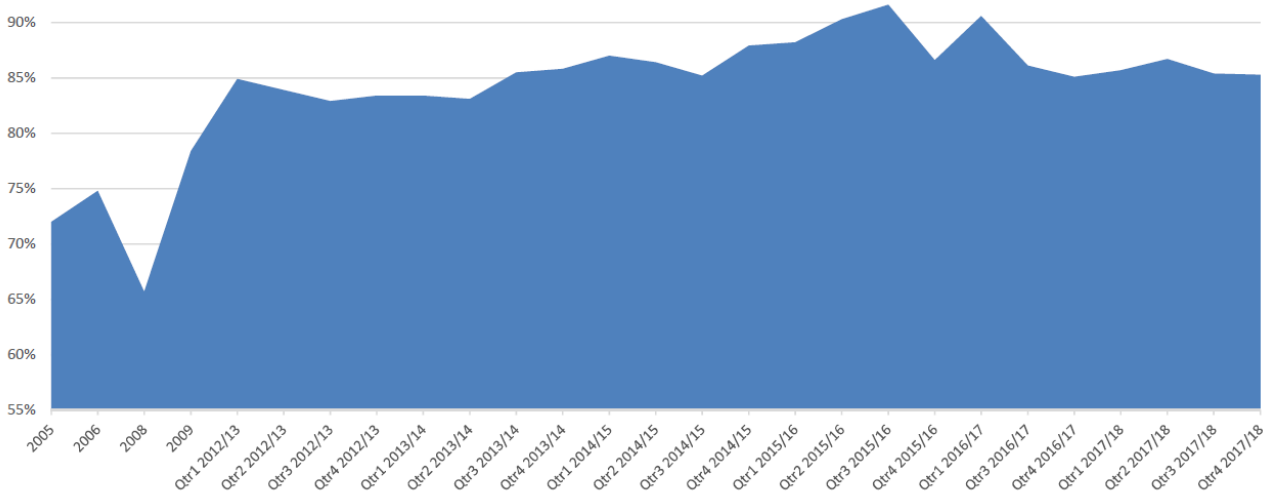
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Satisfaction with rent providing value for money



There has been a continued positive trend in relation to customer perceptions of value for money in relation to rent.

Overall Customer Satisfaction



Levels of customer satisfaction overall remain stable.

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Managing Assets

To enable Leeds Federated to enhance its understanding of the performance of its asset base, an Asset Return Model was established during 2015/16. The accuracy and reliability of the model improves as the base data grows, and in September 2017 it was refreshed and updated with a further year's maintenance data and a new assessment of housing management cost at a scheme level. The results are monitored by the Association's Operations Committee on a quarterly basis.

The efficacy of the model and the effectiveness of its use in decision making was tested by Internal Audit during 2017/18 and found to be fit for purpose.

Average net present values have improved over time as new developments have been delivered, and the Association has addressed underperforming stock through a process of option appraisals, resulting in units being identified for disposal.

Average Net Present Value	2015/16	2016/17	2017/18	Trend
Detached, or semi-detached house	£33,098	£41,513	£44,083	↑
Terraced house	£29,355	£35,302	£37,934	↑
Flat	£28,239	£30,388	£32,219	↑
Bedsit	£18,802	£18,882	£23,166	↑
All stock average	£31,060	£35,502	£36,672	↑

4 Concluding Statement

This document provides a review of Leeds Federated Housing Association's activities over the course of the 2017/18 financial year from a value for money and efficiency perspective.

Leeds Federated believe that this report provides assurance of compliance with the requirements of the Homes & Communities Agency's Value for Money Standard.