

Leeds Federated Housing Association Limited

Value for Money Statement for the year ended 31 March 2019

Value for Money Statement 2019/20



Leeds Federated Value for Money Statement 2018/19

A version can be found on our website:

<https://www.lfha.co.uk/aboutus/value-for-money>

1 Summary

2018/19 was the third 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:

- 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.

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. These will be included in our future forecasting as they become quantifiable and deliverable.

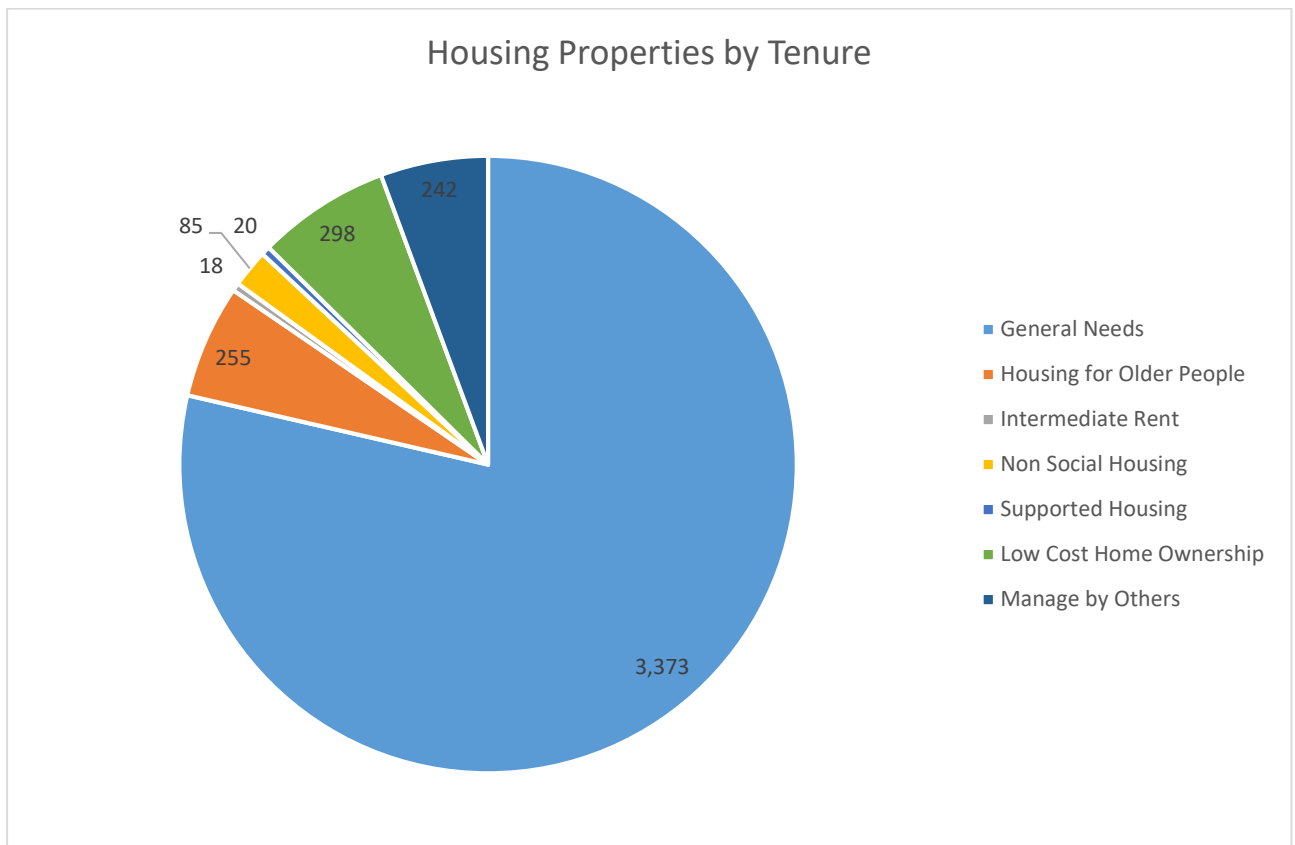
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Value for Money Statement for the year ended 31 March 2019 (continued)

2 Key Statistics

● Housing Properties by Tenure

The following chart shows Leeds Federated's housing stock by category in 2018/19, a total of 4,304 units/bedspaces¹ of which 85 units are non-social housing and 242 are managed by others. During the year housing stock increased in total by 135 lettable units.



¹ – unit of measurement per the HCA definition is a bedspace or unit which is lettable.

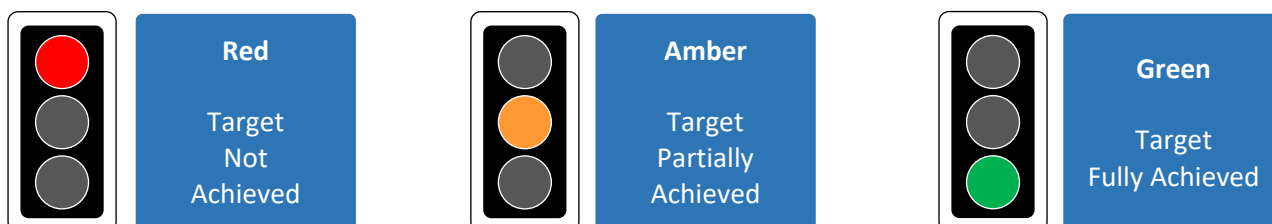
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Value for Money Statement for the year ended 31 March 2019 (*continued*)

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.

The following table analyses some of the performance indicators for the 2018/19 year. The Value for Money self-assessment (pages 10-13) analyses some other performance indicators, as well as giving a summary on overall BSC performance for 2018/19.

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Value for Money Statement for the year ended 31 March 2019 (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.
	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	85.0% of Leeds Federated customers were either 'satisfied' or 'very satisfied' that their rent offers value for money.
Repairs	Appointments Made and Kept	Minimum of 90% of responsive repairs appointments made and kept	97.8% of responsive repairs appointments were made and kept, contributing to high levels of customer satisfaction and the efficient use of resources.
	Customer Satisfaction with individual repair jobs	Minimum of 85% customer satisfaction with the quality of individual repair jobs	Customer satisfaction with individual repair jobs was 90.2% at the end of the year
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	99.66% of gas safety certificates were in place at the end of the financial year. A total of 14 were overdue, but fully compliant with our escalation procedures.
Housing Management	Minimise the level of rent arrears	Current tenant rent arrears at 5.45% or less	Social housing rent arrears at 5.91% at the end of the financial year. This includes £128k of arrears from housing co-ops which are in dispute over their management agreement and the level of rent due. The Association is choosing to return rental payments until an agreement is reached on the recommendation of the solicitors. Without this, arrears would be 4.41%
	Minimise lost rent due to empty properties	Keep rent losses at or below 1.5% of rent roll	Rent losses due to empty properties at 1.17% of rent roll

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Value for Money Statement for the year ended 31 March 2019 (continued)

Objective	KPI	Target	Outcome
Development	Successful delivery of our new homes programme	Hand over 226 units during the year	171 units handed over
	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 all first tranche sales proportion 38%*
			Average in Harrogate 35% (appraised at 25%)
		Average in Leeds— 40% (appraised at 40%)	

● 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.

Particularly 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 2018
	2017/18	2018/19	Sector Median 2017/18
(1) Reinvestment %	10.60%	6.10%	8.00%
(2a) New supply % (SH)	3.80%	3.97%	1.52%
(2b) New supply % (NSH)	0% ²	0% ²	1.20%
(3) Gearing at cost %	25.60%	24.40%	42.70%
(4) EBITDA-MRI %	320%	340%	217.10%
(5) SH cost per unit	£2,980	£3,010	£3,674
(6a) Op Margin (SH) %	34.90%	36.30%	34.50%
(6b) Op Margin (overall) %	32.70%	25.70% ⁴	33.30%
(7) ROCE %	4.31%	3.80%	4.60%

² – Leeds Federated does have current plans to develop new non-social housing

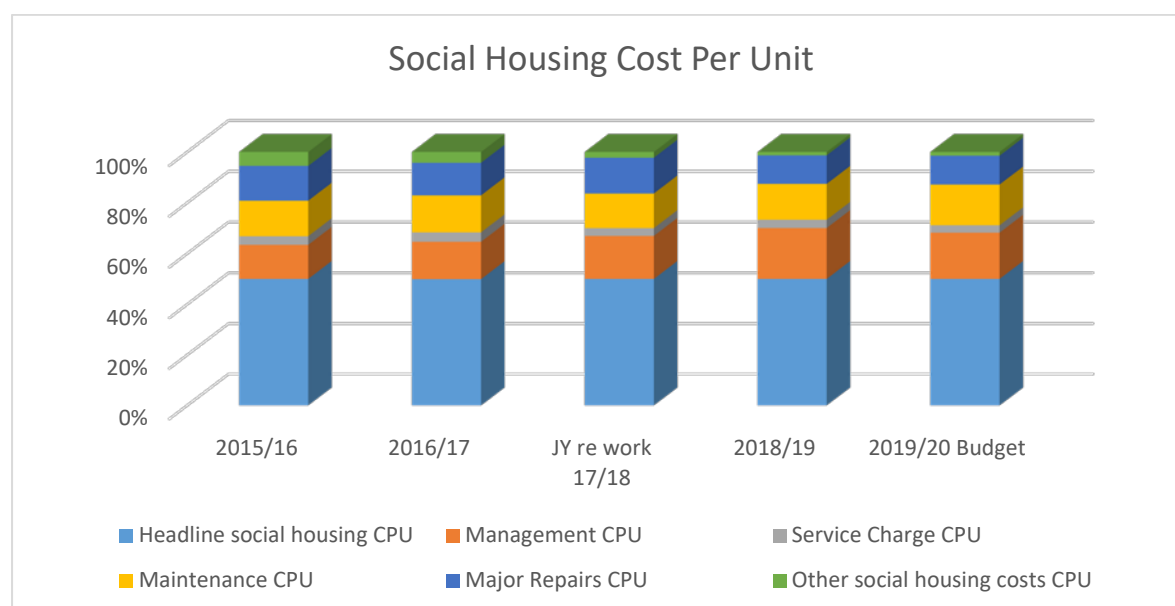
³ – an average of the Y&H, NE, NW and Midlands median figures

⁴ - reduction in operating margin (overall) as a result of budgeted expenditure on the refurbishment of student accommodation, additional depreciation costs relating to the planned closure and redevelopment of the Association's offices, and additional costs arising from enhancements to some cyclical maintenance programmes.

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Value for Money Statement for the year ended 31 March 2019 (continued)

Sector VfM Metric	LFHA 2018/19	Global Accounts Data 2018				
		Regional Median ³	Yorks & Humbs	North East	North West	Midlands
(1) Reinvestment %	6.10%	6.15%	4.30%	6.20%	7.20%	6.90%
(2a) New supply % (SH)	3.97%	2.77%	1.69%	7.00%	0.09%	2.30%
(2b) New supply % (NSH)	0% ²	0.85%	0%	0%	1%	2%
(3) Gearing at cost %	24.40%	41.28%	41.40%	38.60%	40.70%	44.40%
(4) EBITDA-MRI %	340%	222.6%	183%	265%	224%	219%
(5) SH cost per unit	£3,010	3160.33	£3,338	£2,976	£3,167	£3,242
(6a) Op Margin (SH) %	36.30%	31.85%	32.90%	30.20%	28.50%	35.80%
(6b) Op Margin (overall) %	25.70%	33.30%	31.20%	27.30%	23.80%	31.70%
(7) ROCE %	3.80%	4.93%	3.60%	6.00%	5.30%	4.80%



4 Customer Perceptions

● Measuring Performance

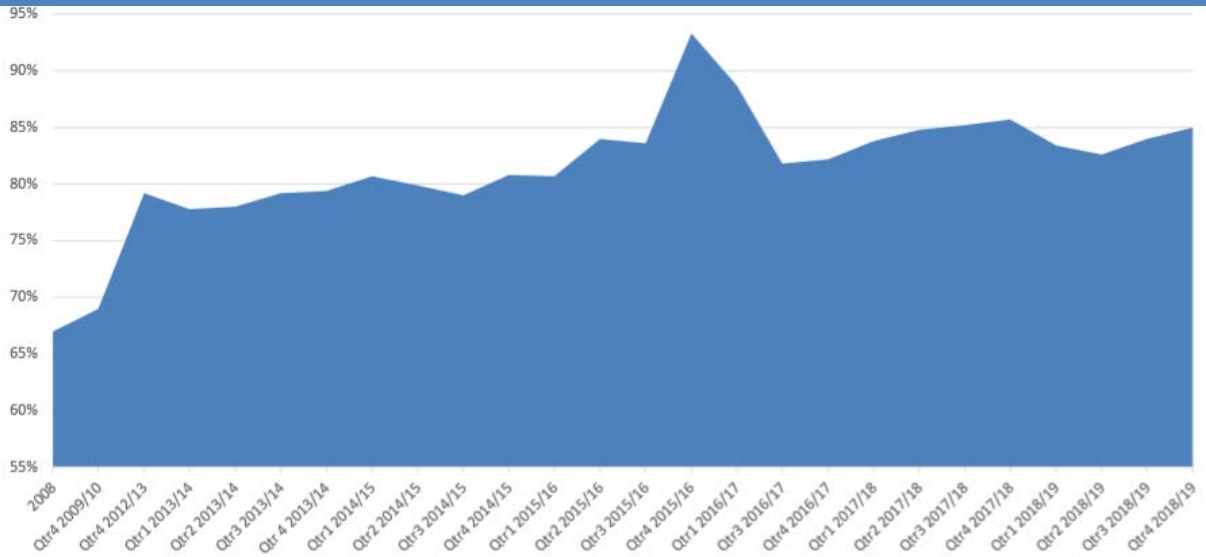
Customer perception data is collected on a rolling basis, with a minimum of 600 customers participating in the survey annually. This approach has been in operation for many years allowing a useful longitudinal analysis of performance. Leeds Federated has continued to use the National Housing Federation's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

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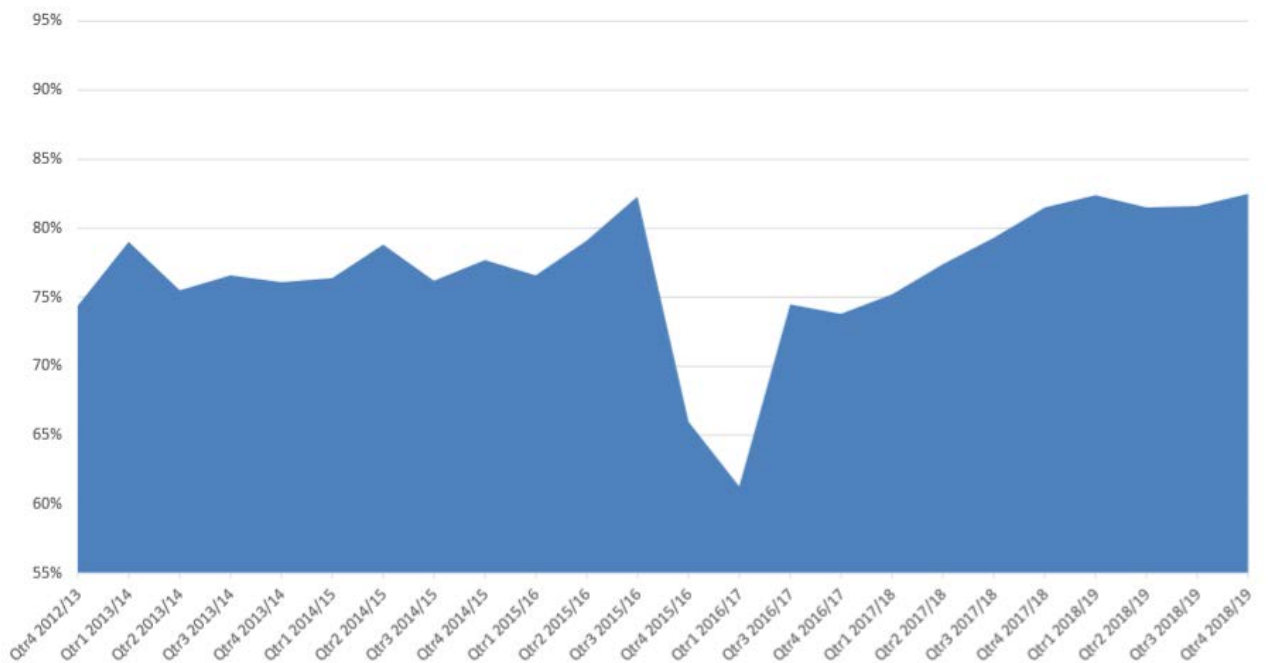
Value for Money Statement for the year ended 31 March 2019 (continued)

Figure 20: Satisfaction with rent providing value for money, 2008 to Qtr 4, 2018/19

Satisfaction with rent providing value for money (2008 – 2019)



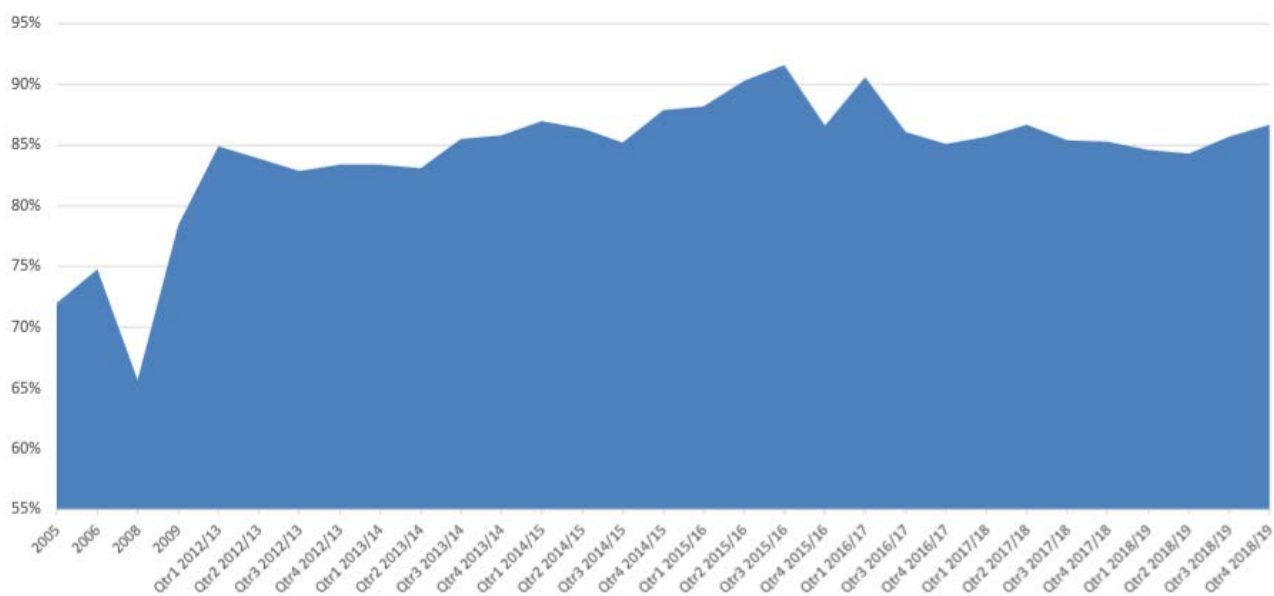
Satisfaction with service charges providing value for money (2012 – 2019)



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Value for Money Statement for the year ended 31 March 2019 (continued)

Satisfaction with overall service (2005 – 2019)



● How We Compare

Our customer perception data for 2018/19 has been compared with that of other providers subscribing to HouseMark². This shows that our results fall into a range of quartiles, although the majority of results are above the median.

Satisfaction with services	Upper Quartile	Median	Lower Quartile	Number in HouseMark Sample	Leeds Federated GN Qtr 4 2018/19	Ranking
Overall satisfaction	89.08	87.25	81.15	66	87.4	2 nd quartile
The home	87.50	85.00	81.00	61	84.4	3 rd quartile
The neighbourhood	87.00	84.90	82.08	62	77.9	4 th quartile
Repairs and maintenance	84.20	79.00	72.00	63	81.9	2 nd quartile
Listening to views and acting upon them	78.40	71.80	64.20	61	72.6	2 nd quartile
Value for money of rent	88.03	86.15	82.00	64	85.9	3 rd quartile
Value for money of service charge	73.35	66.60	62.20	43	84.3	1 st quartile

² – peer comparison relates to general needs customers

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Value for Money Statement for the year ended 31 March 2019 (*continued*)

● Making Improvements

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

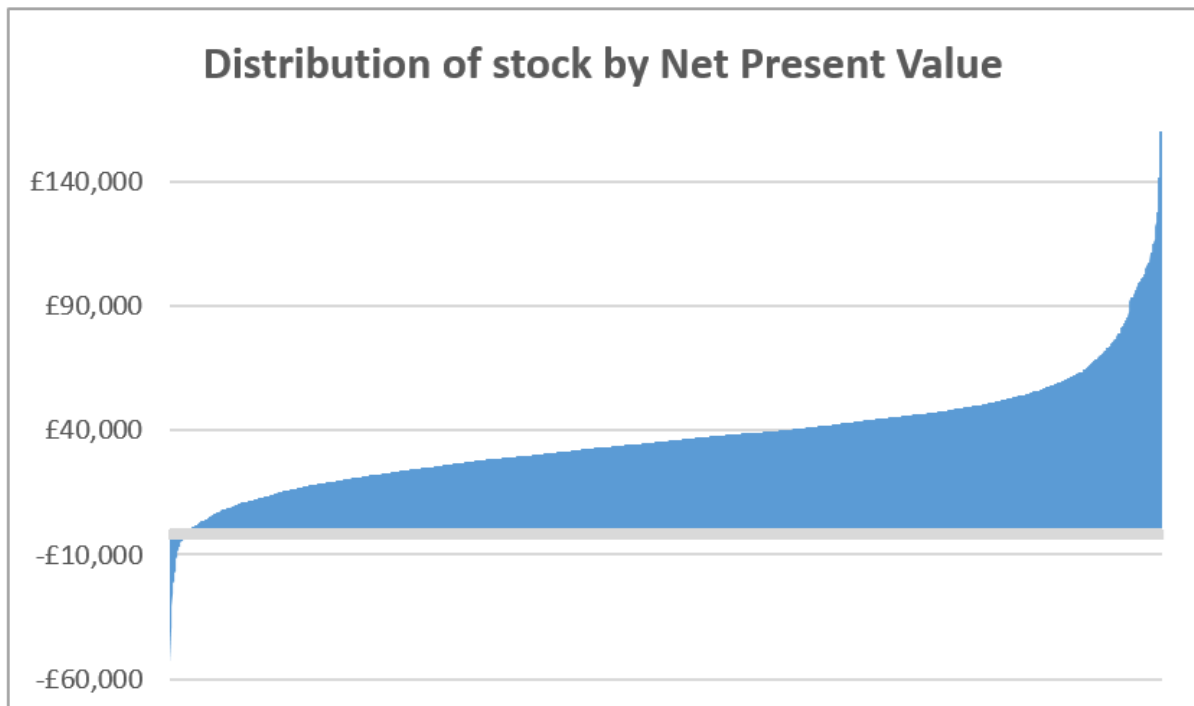
As part of our Vision 21 Programme, we have involved our customers in extensive work to review and improve the way we deliver services, through a series of 'customer journey mapping' exercises. These are intended to support the development of processes which are more effective from a customer perspective and which lead to enhanced satisfaction and improved perceptions of value for money.

We are committed to adopting and implementing the 'Together With Tenants' charter that is currently being 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.



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Value for Money Statement for the year ended 31 March 2019 (*continued*)

The Performance of our Assets is Improving

We are achieving year on year improvements in value for money as a result of:

- targeted interventions and option appraisals to address underperforming stock
- the development of an average of 150 high quality new homes each year
- continued planned investment in our homes to maintain them in good condition

Year	All Stock Average NPV per unit	Trend
2015/16	£31,059.81	↑
2016/17	£35,501.54	↑
2017/18	£36,672.04	↑
2018/19	£37,785.15	↑

● Making Improvements

During 2018/19 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. These have included:

- a full option appraisal of the Association's main office building, resulting in a decision to convert office accommodation to residential use and dispose of surplus land
- decisions to dispose of various underperforming housing properties
- consideration of more sustainable alternative uses for underperforming housing stock

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.

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Value for Money Statement for the year ended 31 March 2019 (*continued*)

In 2019/20 we plan to:

- Invest £19m in the delivery of a total of 178 new homes, comprising a mixture of shared ownership and housing for social and affordable rent
- Invest £5.7m in improving the condition of our existing homes and ensuring continued compliance with the Home Standard
- 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 reduced its social housing cost per unit.

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 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.

● 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 added into successive iterations of our business plan.

At the present time, the Benefits Realisation Plan documents over 100 individual value for money improvements across the three categories of Economy, Efficiency and Effectiveness.

The value for money improvements are drawn directly from the detailed project planning that underpins the key vision 21 work streams:

● Delivering The Offer

A comprehensive review of our approach to delivering customer-facing services which is being carried out in close consultation with customers and staff. This project includes extensive customer journey mapping intended to ensure that our processes meet customer needs as effectively as possible, along with reviews of internal processes to maximise efficiency, economy and effectiveness.

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Value for Money Statement for the year ended 31 March 2019 (*continued*)

It is anticipated that improvements in processes will deliver efficiencies in service delivery meaning that there will be capacity to manage new homes without a proportional increase in housing management staffing costs. In addition, more efficient processes which better meet customer needs will provide the opportunity for resources to be used more effectively to support those customers that require additional help to sustain their tenancies which in turn will contribute to reducing operating costs. It is anticipated that more streamlined processes and greater clarity on the service offer which has been established as a result of Customer Journey Mapping and Business Process Mapping will contribute towards developing a more productive and motivated staff team and this should ultimately improve overall customer satisfaction with Leeds Federated as a landlord.

● Digital World

The development of new IT systems to support the delivery of services. Our new systems are being designed to improve efficiency and effectiveness by supporting more agile ways of working and by reducing the need for resource-intensive manual administration.

● Repairs Reimagined

A full review of our approach to delivering responsive, planned, and cyclical maintenance with the aim of maximising the value for money obtained from our expenditure in this business area.

In 2019/20 we are conducting a full review and option appraisal of our approach to the delivery of repair and maintenance services, including consideration of the potential business benefits of increasing the range of services delivered in house.

● Payments and Charging

A review of our approach to billing and collecting rents and other charges applicable to customers, combined with a major upgrade to finance systems to support improved ways of working across all business areas.

● Growth

The Growth agenda will deliver value for money gains primarily through adding financially viable, energy efficient and good quality homes to the Association's stock, benefiting both customers and the Association. New IT systems supporting the development programme and scheme management processes will improve the accessibility and visibility of information and reduce admin time.

Innovation 'pilots' are underway to evaluate the use of new technologies in the management and maintenance of our housing stock, generating value for both the customer and the Association.

● Business Process Mapping

A comprehensive review of our core business processes has been carried out and future processes have been designed to eliminate waste and to maximise efficiency, economy and effectiveness. The findings from this activity will directly inform the design of our new Housing, Finance and Development Systems.

● The Way We Work

The Vision 21 Programme includes extensive work to improve our systems and processes, but we are also mindful of the vital role of organisational culture and working practices in ensuring long term success.

'The Way We Work' is a project area focussing on how we maximise the benefits of new flexible and agile working practices. It is guiding and supporting the transition from a traditional, centralised approach to a more geographically dispersed working model, and ensuring that corporate systems are in place to support this.

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Value for Money Statement for the year ended 31 March 2019 (*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', '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 has been 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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Value for Money Statement for the year ended 31 March 2019 (*continued*)

- 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 etc, and through the goals and projected business benefits of the Vision 21 Programme.
- The board regular 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.
- Consideration of value for money has been undertaken in relation to non-social housing activity, with the board approving changes in our approach to student housing to maximise value and commercial returns.
- 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.

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Value for Money Statement for the year ended 31 March 2019 (*continued*)

8 Value for Money Targets

The table below shows Leeds Federated's performance for 2018/19 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 once fully quantified and timetabled.

Sector VfM Metric	LFHA 2018/19	VfM Targets		
		2019/20	2020/21	2021/22
(1) Reinvestment %	6.10%	9.09%	6.74%	2.93%
(2a) New supply % (SH)	3.97%	4.36%	3.88%	1.49%
(2b) New supply % (NSH)	0%	0%	0%	0%
(3) Gearing at cost %	24.40%	28%	30%	30%
(4) EBITDA-MRI %	340%	272.00%	262.00%	267.00%
(5) SH cost per unit	£3,010	£3,428	£3,142	£3,088
(6a) Op Margin (SH) %	36.30%	17.86%	22.89%	26.12%
(6b) Op Margin (overall) %	25.70%	25.00%	27.67%	30.04%
(7) ROCE %	3.80%	3.14%	3.07%	3.37%

9 Concluding Statement

This document provides a review of Leeds Federated Housing Association's activities over the course of the 2018/19 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.