

Leeds Federated Housing Association Limited

VFM Statement 22/23

Value for Money Statement 2022/23



Leeds Federated
Value for Money Statement 2022/23

A version can be found on our website:

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

1 Summary

2022/23 was the second 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 Economic conditions

The economic conditions resulting from Brexit and the war in Ukraine presented on-going challenge to our business and to our customers during the past year. Inflation and the 'cost of living crisis' have impacted customers directly and increased the financial risks facing the organisation. Supply chain issues, increased costs to deliver our objectives has impacted our operating margin as well as the delivery of some planned maintenance work for our customers.

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.

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

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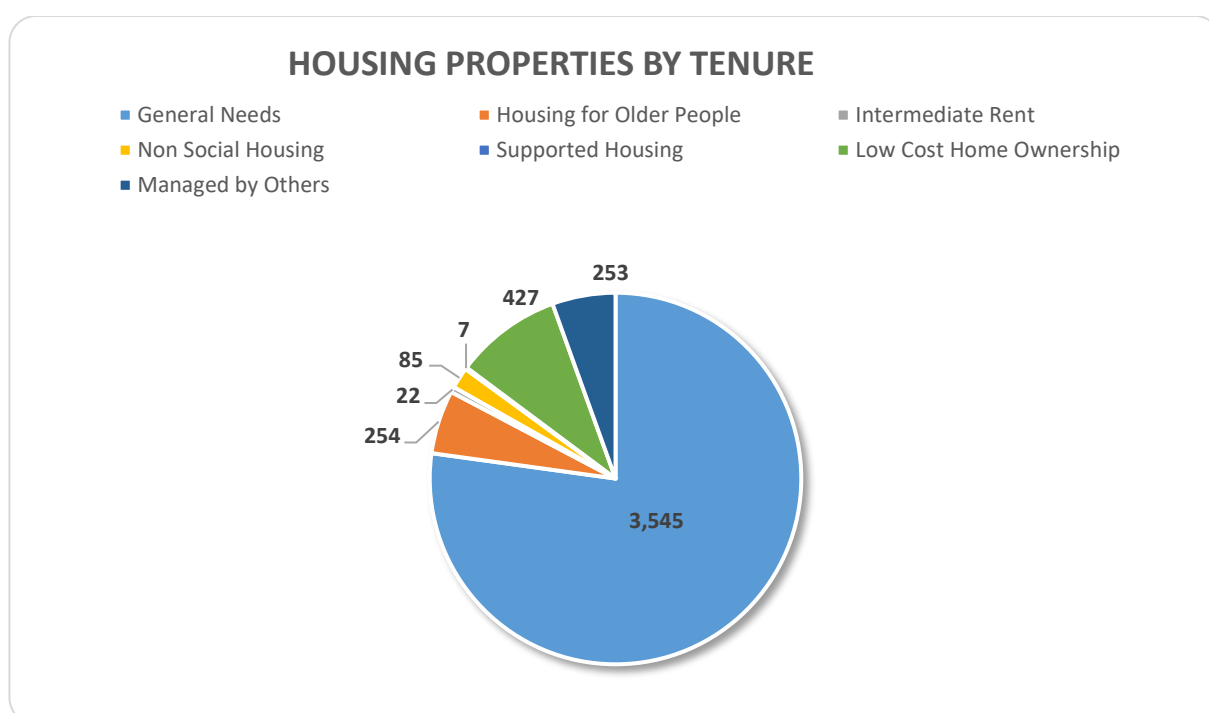
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We have also seen stabilisation and areas of improvement regarding customer satisfaction. We are continuing to increase our investment in resident engagement as part of our corporate plan, to re-establish lines of communication disrupted by the pandemic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

3 Key Statistics

● Housing Properties by Tenure

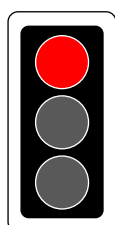
The following chart shows Leeds Federated's housing stock by category in 2022/23, a total of 4,593 units/bedspaces of which 85 units are non-social housing and 238 are managed by others. During the year we added a total of 85 units to our social housing stock through new development.



4 Key Performance Indicators

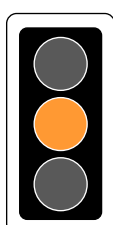
● Measuring Performance

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



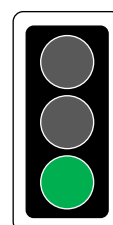
Red

Target
Not
Achieved



Amber

Target
Partially
Achieved



Green

Target
Fully
Achieved

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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 additional performance indicators for the 2022/23 year contained within the BSC.

Objective	KPI	Target	Outcome
Customer Satisfaction	Overall customer satisfaction with Leeds Federated's services (TSM TP01)	Minimum of 80% of customers 'satisfied' or 'very satisfied'	81.7% (78.9% 2022) of customers were 'satisfied or 'very satisfied' at the end of the financial year. (March 2023 ytd performance)
	Customer satisfaction with the value for money of rent (E010)	A minimum of 81% of customers 'satisfied' or 'very satisfied' that their rent offers value for money	At the end of the financial year, 84.7% (77.7% 2022) of Leeds Federated customers were either 'satisfied' or 'very satisfied' that their rent offers value for money. (March 2023 ytd performance)
Repairs	Appointments Made and Kept (SO24)	Minimum of 90% of responsive repairs appointments made and kept	Over the course of the year, 96.8% (95.0% 2022) of responsive repairs appointments were made and kept, contributing to high levels of customer satisfaction and the efficient use of resources.

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			(March 2023 ytd performance)
	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 90.4% (92.0% 2022) at the end of the year. (March 2023 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	99.85% (99.84% 2022) of gas safety certificates were in place at the end of the financial year. A total of 6 (6 for 2022) were overdue, but fully compliant with our escalation procedures. (March 2023 performance)
Housing Management	Minimise the level of rent arrears (S0002)	Current tenant rent arrears at 5.7% or less (yearend actual)	Social housing rent arrears at 5.5% at the end of the financial year (6.1% in 2022). (March 2023 Performance)
	Minimise lost rent due to empty properties (S007)	Keep rent losses within budget	There was a 1.1% (12.5% 2022) positive variance on the void loss budget. (March 2023 ytd performance)
Development	Timely completion of property sales (G001)	No more than 15% of properties to remain unsold five months from handover	2 of 17 homes (12%) (0 homes in 2022) had been on sale for more than five months at the year-end (March 2023 year-end)
	Achievement of sales targets for shared ownership homes (G003)	Achieve average sale proportion of 40% at first tranche.	Average – 51% (46% - 2022) (March 2023 ytd performance)

● How We Compare

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Leeds Federated has continued to deliver good performance in achieving value for money when compared to the social housing sector nationally. We have compared our 2021/22 positions against the RSH Global Accounts benchmarks for 2021/22. When considered in relation to peers nationally for 2021/22, the organisation is delivering strong levels of reinvestment, new social housing supply and return on capital employed whilst maintaining financial capacity through relatively low gearing.

We have as shown the 2022/23 outturn and internal targets which will be compared with the 2022/23 Global accounts when released. Except for Reinvestment and New supply activity which were impacted by supply chain challenges and reduced development opportunities during the year other internal VFM metrics have been achieved.

Sector VFM Metric	2020/21	2021/22	2022/23 (target)	2022/23 (outturn)	Sector Median 2021/22 ¹	Quartile Position 2021/22
(1) Reinvestment %	4.07% ³	7.39% ³	>=11.6%	10.25%	6.5%	Q2
(2a) New supply% (SH)	1.87% ³	1.59% ³	>=2.99%	1.90%	1.4%	Q2
(2b) New supply% (NSH) ²	0%	0%	0% ²	0%	0%	-
(3) Gearing at cost %	30.6%	22.7%	<30.0%	26.2%	44.1%	Q4
(4) EBITDA-MRI %	281%	187%	>200%	215%	146%	Q2
(5) SH cost per unit	£3,428	£3,882	<£4,148	£4,117	£4,150	Q3
(6a) Op Margin (SH) %	23.1%	18.2%	>13.3%	17.3%	23.3%	Q3
(6b) Op Margin(overall) %	24.55%	20.71%	>20.30%	22.0%	20.5%	Q2
(7) ROCE %	3.44%	3.60%	>2.58%	2.83%	3.2%	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 2021/22 (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 2020/21 and 2021/22 by Covid-related restrictions on working in customers' homes and a slower than expected recovery of development activity across the sector as was 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 and has been adapted to fit with the Regulator of Social Housing's requirements for the calculation of the relevant TSMs.

In addition to gathering information from customers on our performance against the satisfaction based TSMs, we have retained several historical STAR questions where these add to our understanding of customer priorities and perceptions.

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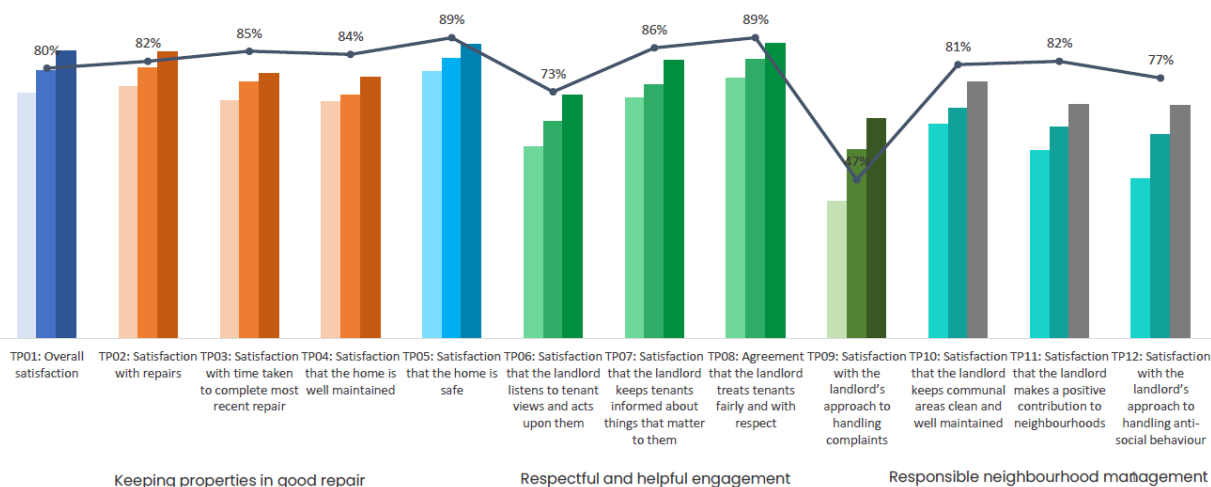
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We have performed strongly against most customer perception measures in 2022/23, reflecting a concerted effort to engage with customers and show greater accountability. Results can fluctuate through the year, in part because of the relatively small quarterly sample of 150 customers; however, the 12-month rolling average, which includes 600 respondents, demonstrates steady improvement.

Position vs Housemark benchmarks

Chart bars running light to dark shading show, lower quartile, median and upper quartile positions

Line is our own performance vs these scores



The vast majority of customers are satisfied overall, with almost half being very satisfied

Overall satisfaction with the service provided by Leeds Fed

Very dissatisfied Fairly dissatisfied Neither Fairly satisfied Very satisfied



83.3% satisfied

↑ Up 3.3% since last quarter

↑ 3.4% above rolling 12 month average

Additional Insights for Q4 22/23:

- This quarter, under 35s are most likely to be satisfied, with the likelihood of being dissatisfied increasing with age. 35-44s are most likely to be neither satisfied nor dissatisfied.
- Customers who have difficulties with day-to-day tasks are most likely to be satisfied, while those with difficulties getting around the home or mental health issues are most likely to be dissatisfied.
- Full-time workers are most likely to be satisfied, while those who are retired are most likely to be dissatisfied.
- Households with two or more adults are most likely to be satisfied, while single person households are most likely to be dissatisfied.
- Customers living in the Central Area are most likely to be satisfied, while those in the South Area are most likely to be dissatisfied. Customers in the North Area are most likely to be neither satisfied nor dissatisfied.

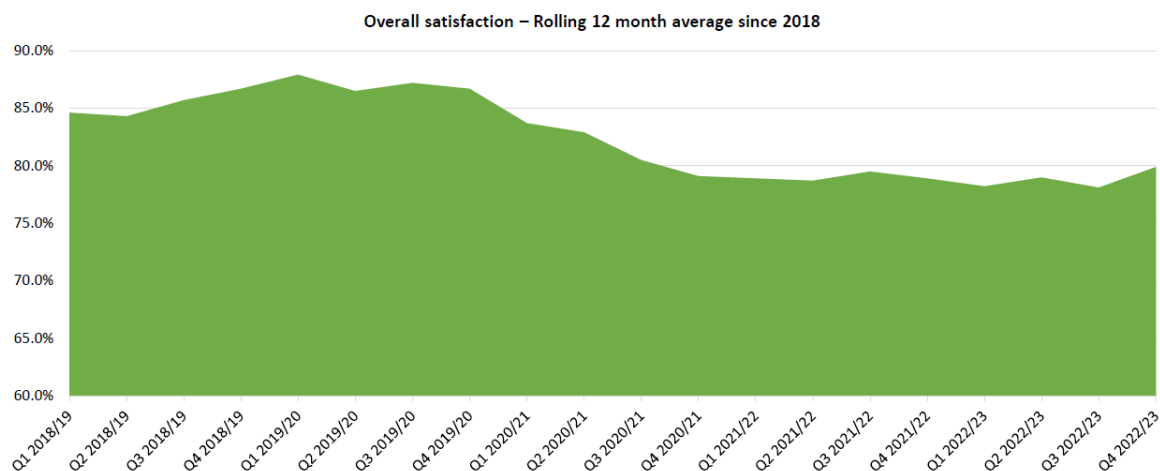
Please note: The above analysis excludes comparisons with demographics of fewer than 10 customers, as the data wouldn't be robust enough to draw conclusions.

Q1. Taking everything into account, how satisfied or dissatisfied are you with the service provided by Leeds Federated?
Base: All Q4 22/23 respondents (n=150)

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Overall satisfaction (as a 12 month avg.) has remained fairly consistent over recent quarters



Q1. Taking everything into account, how satisfied or dissatisfied are you with the service provided by Leeds Federated?
Base: All survey respondents dating back to 2005

Scorecard for all metrics (ordered by highest to lowest satisfaction in Q4 22/23)

Metric	Q4 22/23	Q3 22/23	Q4 vs Q3 22/23	Rolling 12M avg.	Q4 vs R12M avg.
Home that is safe	91.3%	86.0%	+5.3%	89.2%	+2.1%
Rent value for money	90.3%	84.5%	+5.8%	84.7%	+5.6%
Treat customers fairly and respectfully	90.2%	88.1%	+2.1%	89.2%	+1.0%
Neighbourhood as a place to live	88.5%	87.2%	+1.3%	82.8%	+5.7%
Keep customers informed	87.2%	83.8%	+3.4%	85.6%	+1.6%
Home that is well maintained	86.0%	82.7%	+3.3%	81.9%	+4.1%
Communal areas are clean and well maintained	84.9%	79.1%	+5.8%	81.3%	+3.6%
Time taken to complete most recent repair	84.0%	85.3%	-1.3%	84.7%	-0.7%
Overall satisfaction	83.3%	80.0%	+3.3%	79.9%	+3.4%
Easy to deal with	82.7%	80.0%	+2.7%	80.1%	+2.6%
Way query in last year was dealt with	80.5%	68.9%	+11.6%	72.6%	+7.9%
Overall repairs service in last year	80.0%	86.2%	-6.2%	81.8%	-1.8%
Listen to views and act upon them	79.6%	71.4%	+8.2%	72.5%	+7.1%
Positive contribution to neighbourhood	79.5%	83.9%	-4.4%	81.7%	-2.2%
Do what we say	79.1%	76.3%	+2.8%	76.1%	+3.0%
Service charge value for money	74.8%	77.2%	-2.4%	72.2%	+2.6%
Approach to handling ASB	73.8%	80.2%	-6.4%	77.1%	-3.3%
Approach to complaint handling	52.5%	42.0%	+10.5%	46.7%	+5.8%

■ = TSM question
■ = Bespoke question

■ = Increased satisfaction in Q4 compared to Q3 / Rolling 12 Month Average
■ = Decreased satisfaction in Q4 compared to Q3 / Rolling 12 Month Average

• Making Improvements

A notable outlier is customer satisfaction with our approach to complaint handling. We have performed well in responding to complaints in line with our published timescales and the Housing Ombudsman's Complaint Handling Code, but we have not always done this in a manner that meets our customers' expectations.

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We began a major piece of work in 2022/23 to understand and improve our organisational 'tone of voice'. Customers had told us that, while we were friendly and easy to deal with in person or over the phone, this was not always reflected in our written correspondence. This work is continuing into 2023/24 with further training and reviews of our written material and other communications.

6 Asset Performance

● Measuring Performance

The Association has used an asset return model to measure the performance of assets and to track progress in net Present Value over recent years.

During 2022/23 the new Asprey system replaced our previous model and will be used to track progress going forward. Comparatives from the previous model have not been provided due to some differences in methodology.

The Asprey system will not only enable the tracking of Net Present Value (NPV) but will also track Strategic Value (SV) which will enhance our ability to target appropriate interventions to address underperforming housing stock. Together with an increase in in high quality new homes as a result of

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our ongoing development programme we expect this will reflect overall improvement in our asset performance as a whole.

Rank	Unit Type	Average NPV	Average SV
1	Houses (semi-detached or detached)	£43,912	0.73
2	Other (typically agency-managed accommodation)	£8,580	0.64
3	Bungalows	£29,402	0.74
4	Terraced houses	£34,947	0.71
5	Flats	£26,036	0.68
7	Bedsits	£10,444	0.63
Average NPV per unit:		£31,723	0.70

● 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 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 which achieved 85% coverage of our housing stock. In 2022/23 we have worked to collect data for the remaining homes and at year end had achieved 96% coverage.

In 2022/23 we completed the implementation of a new Asset Management System (Asprey) which has replaced 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.

In 2023/24 our plans to improve include:

- Continue to 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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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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Operational performance and value for money *(continued)*

7. Value for Money Standard *(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, 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:

- 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.

8 Value for Money Targets

The table below shows Leeds Federated's performance for 2022/23 and our headline targets for the following three years as currently contained in our business plan. 2023/24 is anticipated to be challenging as the association continues to invest in its existing and new homes and services to its customers in line with corporate objectives whilst managing the combined impacts of cost inflation and the rent cap which will impact EBITD-MRI, operating margins, cost per unit and return on capital employed.

Sector VfM Metric	LFHA 2022/23	VfM Targets		
		2023/24	2024/25	2025/26
(1) Reinvestment %	10.25%	10.82%	11.78%	7.44%
(2a) New supply % (SH)	1.90%	2.82%	3.75%	2.87%
(2b) New supply % (NSH)	0%	0%	0%	0%
(3) Gearing at cost %	26.2%	32%	38%	42%
(4) EBITDA-MRI %	215%	41%	62%	97%
(5) SH cost per unit	£4,117	£5,305	£5,491	£5,049

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(6a) Op Margin (SH) %	17.3%	10.0%	11.9%	14.9%
(6b) Op Margin (overall) %	22.0%	16.2%	17.8%	20.3%
(7) ROCE %	2.83%	2.16%	2.65%	2.77%

9 Concluding Statement

This document provides a review of Leeds Federated Housing Association's activities over the course of the 2022/23 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.