

Leeds Federated Housing Association Limited

Report of the board of management and strategic report
for the year ended 31 March 2021 (*continued*)

Value for Money Statement 2020/21



Leeds Federated
Value for Money Statement 2020/21

A version can be found on our website:
<https://www.lfha.co.uk/>

1 Summary

2020/21 was the final year of a Corporate Plan covering the period 2016 – 2021, 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 maintained 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 innovation and the use of technology.

The Association concluded its Vision 21 Programme during the year. This was 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 technology.

A headline aim of the Vision 21 Programme was to deliver ongoing efficiencies in the form of a 5% reduction in operating costs, an annual saving of around £650k per annum from 2021/22. Staff from across the business were actively engaged in the Vision 21 work and the voice of the customer has been a key aspect of our work in reviewing the approach to service delivery.

2 COVID-19

The Covid-19 pandemic has presented numerous challenges to our business and to our customers during the past year. There was a significant adverse impact on operational service delivery in the early part of 2020/21, however we have successfully restored service performance to pre-Covid levels, and our financial results for the year are robust.

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

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However, levels of customer satisfaction have declined during the year. We are investing in resident engagement as part of our new 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.

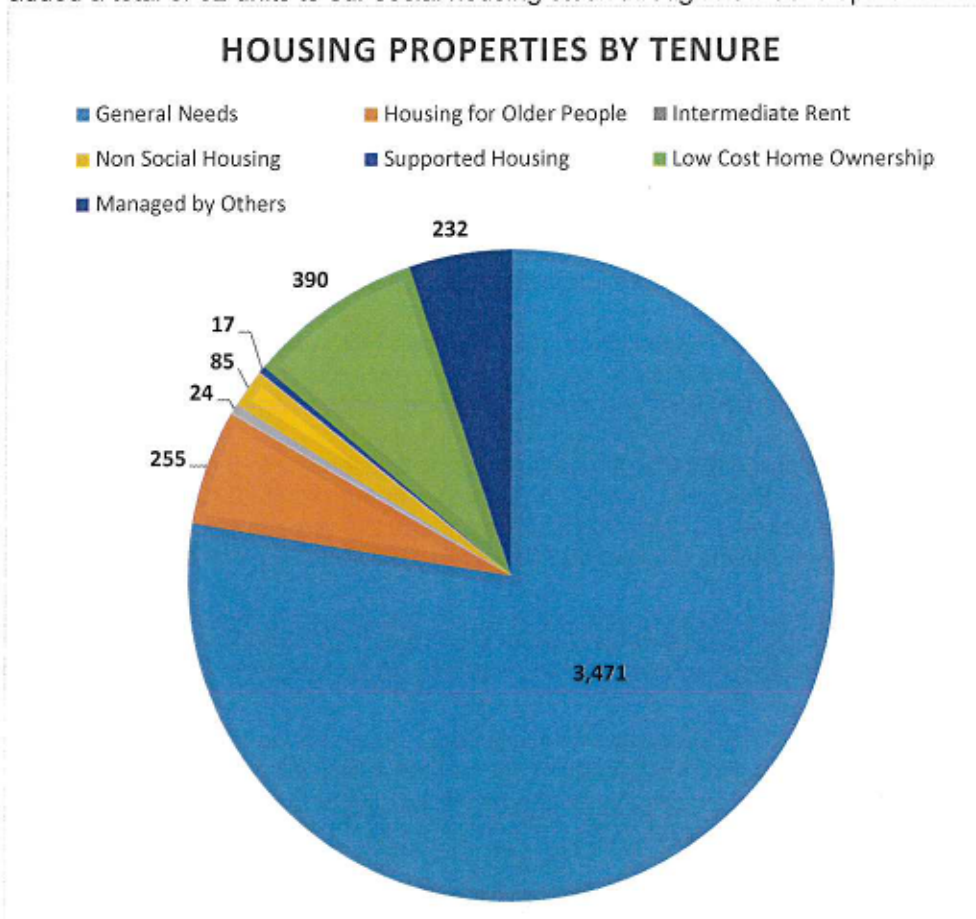
Note on Benchmarking

Where possible, we have benchmarked our performance for the 2020/21 year. However, this is generally against other organisations' 2019/20 position. We are therefore comparing our performance post-Covid with that of peer organisations pre-Covid, meaning that robust conclusions cannot be drawn. We will revisit our performance position relative to others when benchmarking data is available for the 2020/21 year.

3 Key Statistics

● Housing Properties by Tenure

The following chart shows Leeds Federated's housing stock by category in 2020/21, a total of 4,474 units/bedspaces¹ of which 85 units are non-social housing and 232 are managed by others. During the year we added a total of 82 units to our social housing stock through new development.



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

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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 2020/21 year. The Value for Money Statement (pages 7-17) analyses some other performance indicators, as well as giving a summary on overall BSC performance for 2020/21.

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Objective	KPI	Target	Outcome
Customer Satisfaction	Overall customer satisfaction with Leeds Federated's services	Minimum of 80% of customers 'satisfied' or 'very satisfied'	79.0% of customers were 'satisfied or 'very satisfied' at the end of the financial year. (March 2021 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, 80.0% of Leeds Federated customers were either 'satisfied' or 'very satisfied' that their rent offers value for money. (March 2021 ytd performance)
Repairs	Appointments Made and Kept	Minimum of 90% of responsive repairs appointments made and kept	Over the course of the year, 95.8% of responsive repairs appointments were made and kept, contributing to high levels of customer satisfaction and the efficient use of resources. (March 2021 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 87.3% at the end of the year. (March 2021 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	99.71% of gas safety certificates were in place at the end of the financial year. A total of 11 were overdue, but fully compliant with our escalation procedures. (March 2021 performance)
Housing Management	Minimise the level of rent arrears	Current tenant rent arrears at 6.17% or less	Social housing rent arrears at 5.65% at the end of the financial year, based on our 4-weekly rolling average measure. Excluding legacy arrears relating to housing co-ops, this figure drops to 4.90% (March 2021 performance)
	Minimise lost rent due to empty properties	Keep rent losses within budget	There was a 10.5% positive variance on the void loss budget. (March 2021 performance)

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Objective	KPI	Target	Outcome
Development	Timely completion of property sales	No more than 15% of properties to remain unsold five months from handover	1 home had been on sale for more than five months at the year end (5% of units available for sale) (March 2021 year end)
	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 25% (Target minimum: 25%) March 2021 ytd performance Average in other areas – 47% (Target minimum: 40%) March 2021 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 peers nationally, the organisation is delivering strong levels of new social housing supply, and demonstrating efficient use of financial capacity. We have shown our 2020/21 positions against national benchmarks for 2019/20.

Sector Vfm Metric	Leeds Federated				Benchmarking		
	2018/19	2019/20	2020/21 (target)	2020/21 (outturn)	Sector Median 2019/20 ¹	Quartile Position 2019/20	Quartile Position 2020/21 ²
(1) Reinvestment %	6.10%	7.86%	>=6.74%	4.07% ⁴	6.9%	Q3	Q4
(2a) New supply% (SH)	3.97%	3.65%	>=1.40%	1.87%	1.6%	Q2	Q2
(2b) New supply% (NSH) ³	0%	0%	0% ³	0%	0%	-	-
(3) Gearing at cost %	24.20%	24.84%	<40.0%	30.58%	41.0%	Q1	Q2
(4) EBITDA-MRI %	340%	331%	>186%	281%	169.9%	Q1	Q1
(5) SH cost per unit	£3,010	£3,145	<£3,721	£3,428	£3,851	Q2	Q2
(6a) Op Margin (SH) %	22.7%	20.85%	>14.60%	23.09%	25.2%	Q3	Q3
(6b) Op Margin(overall) %	25.70%	25.51%	>18.90%	24.55%	23.0%	Q2	Q2
(7) ROCE %	3.80%	3.86%	>2.30%	3.44%	3.0%	Q2	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 – Housemark Sector Scorecard for 2019/20 (national peer group, all participants)

2 – LFHA 2020/21 outturns compared against Housemark Sector Scorecard 2019/20

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

4 – The delivery of planned maintenance programmes was significantly adversely impacted in 2020/21 by Covid-related restrictions on working in customers' homes. We expect this to be the case for other providers.

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Note on Benchmarking

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5 Customer Perceptions

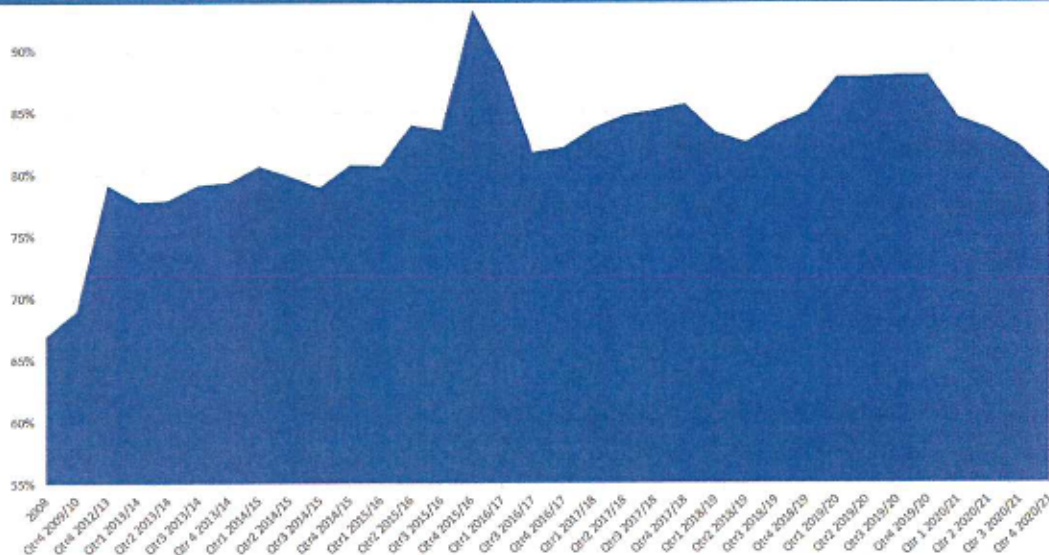
● Measuring Performance

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.

We have observed a decline in customer satisfaction throughout the 2020/21 year. It is certainly the case the service quality has been adversely impacted by Covid-19. However, at the present time it is difficult to ascertain the extent to which this has been a driving factor in falling levels of satisfaction. There is not yet sufficient benchmarking data available from peers to enable us to accurately understand our 2020/21 performance relative to others.

Working with other providers in the sector, we have undertaken research into customers' perception of how effectively Leeds Federated and others have responded to the challenges posed by the Covid crisis. This has provided us with some insight into the relative strengths and weaknesses of the approach we took during the year, and has helped us to establish customer priorities for service improvement.

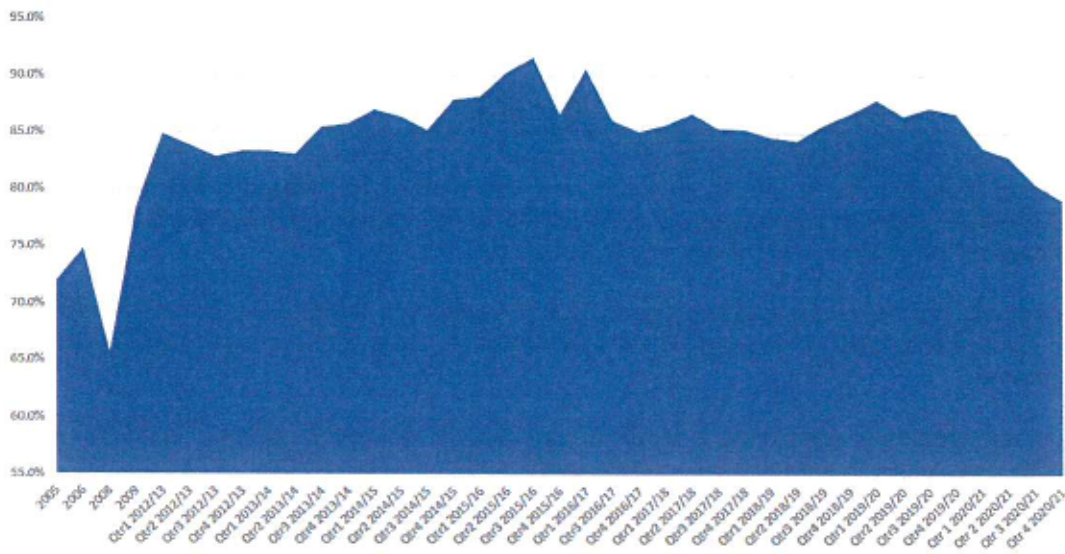
Satisfaction with rent providing value for money (2008 – 2021)



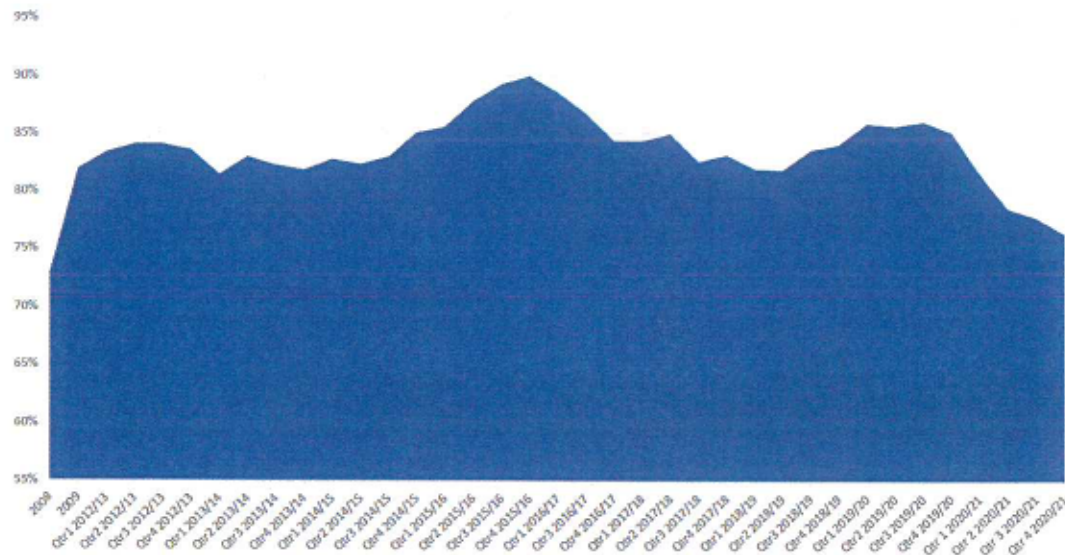
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Satisfaction with overall service (2005 – 2021)



Satisfaction with the quality of the home (2005 – 2021)



● 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 2020/21. 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.

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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.

We did not update our Asset Return Model during 2020/21, however a refresh has commenced in 2021/22. The values in the table below were calculated during 2019/20:

Rank	Unit Type	Average NPV
1	Houses (semi-detached or detached)	£46,094
2	Other (typically agency-managed accommodation)	£39,852
3	Terraced houses	£33,706
4	Bungalows	£26,014
5	Flats	£24,375
6	Back-to-back terraces	£16,109
7	Bedsits	£3,844
Average NPV per unit:		£31,440

● 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 2020/21 we brought a number of planned maintenance work streams in house, following the approval by our Board of a comprehensive business case in 2019/20. The new in-house contractor has performed well over the course of a challenging year, delivering significant quality benefits and a net saving of £54k over contracted-out prices.

In 2020/21 we plan to:

- Conduct a major new stock condition survey enabling us to fully understand the options and costs associated with the decarbonisation and long term maintenance of our housing stock.

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- Install a new asset management IT system to support us in modelling and delivering energy upgrade and retrofit programmes, while maintaining compliance with the Home Standard.

These plans are aimed at ensuring that we achieve maximum value for money and benefit to our customers in balancing these complex and costly considerations.

6 Vision 21

Through successive iterations of its business plan Leeds Federated has successfully and significantly controlled its social housing cost per unit. A key target is to maintain our social housing cost per unit between the anticipated median and upper quartile positions.

2020/21 was the concluding year of Vision 21, a comprehensive organisational change programme aimed at securing long term improvements in value for money. As a result of work undertaken as part of the Vision 21 Programme we have been able to confirm the achievement of the following value for money gains in the year:

- As we grow our housing stock, our costs continue to increase at a slower rate than our revenue. This is projected to deliver an annual benefit of £424k from 2020/21.
- A swift and effective transition to remote working as a result of the installation and mobilisation of suitable technology earlier in the programme, with a resultant benefit of £49k.

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.

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.

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- 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 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.
- The Board 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. Despite challenging operating conditions in 2020/21, these targets have been achieved.
- VfM performance is measured and recorded on a monthly basis 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.

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- 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 2020/21 and our headline targets for the following three years as currently contained in our business plan.

Sector Vfm Metric	LFHA 2020/21	Vfm Targets		
		2021/22	2022/23	2023/24
(1) Reinvestment %	4.07%	8.54%	7.94%	7.38%
(2a) New supply % (SH)	1.87%	3.00%	3.11%	3.21%
(2b) New supply % (NSH)	0%	0%	0%	0%
(3) Gearing at cost %	30.58%	28%	29%	31%
(4) EBITDA-MRI %	281%	221%	231%	262%
(5) SH cost per unit	£3,428	£3,764	£3,873	£3,907
(6a) Op Margin (SH) %	23.09%	17.49%	19.59%	20.76%
(6b) Op Margin (overall) %	24.55%	22.5%	22.4%	24.4%
(7) ROCE %	3.44%	2.98%	3.57%	3.43%

9 Concluding Statement

This document provides a review of Leeds Federated Housing Association's activities over the course of the 2020/21 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.