**Our value for money self-assessment statement 2018**

**What VfM means to LSHA**

‘Value for Money’ is a term used to assess whether or not an organisation has obtained the maximum benefit from the goods and services it acquires and provides, within the resources available to it. Achieving VFM is often described in terms of the ‘three Es’

• Equity – ensuring services are delivered fairly to a wide range of customers

in line with LSHA’s Values.

• Economy – careful use of resources to save expense, time or effort;

• Efficiency – delivering the same level of service for less cost, time or effort

We are open about how we meet our targets and manage our finances. Each year we publish our annual report so that residents can see how we are performing against agreed standards. Our financial statements explain how we have managed our money.

**Significance**

Maximising the value for money derived from scarce resources is always important for any housing association; never more so than at the present time of severe financial restraint and annual cash reductions in rents over the four year period to March 2020. As a small housing association with limited levels of activity we are constrained in the ways in which we can easily make savings without impacting the quality of our service. The Regulator for Social Housing’s regulatory framework for social housing requires, under the Value for Money standard applicable in 2017/18, that:

“on an annual basis, RPs will publish a robust self assessment which sets out in a way that is transparent and accessible to stakeholders how they are achieving value for money in delivering their purpose and objectives. The assessment shall:

• enable stakeholders to understand the return on assets measured against the organisation’s objectives;

• set out the absolute and comparative costs of delivering specific services;

• evidence the value for money gains that have been and will be made.

**Strategic Approach**

A key objective of LSHA’s Business Plan is to deliver affordable quality in homes and services. Through VFM LSHA aims to ensure

• that resources are available to achieve the association’s Business Plan objectives and key priorities;

• a balance between cost, quality and performance;

• A good level of customer satisfaction.

It is generally accepted that VFM is about:

* doing the right things (what customers want and what the business needs)
* doing things right first time
* at the right price (not necessarily the cheapest)
* and in the right way (the most streamlined way that meets requirements).

Three significant areas of investment: development, community investment and staffing have received particular attention by the Board during the year, with a focus of making the best use of resources to enable further investment, particularly in developing new homes.

We also operate in an environment where staff are encouraged to take ownership of opportunities that could be used to achieve VFM and for business improvement.

**The VFM savings we made in 2017/18**

Practical examples of the ways in which VFM savings have been made include:

* Retendering the external audit function
* Appointment of an in-house surveyor role
* Appointment of a second major repair contractor
* Preparing for the implementation of the NHF Schedule of Rates in October 2018
* Replacement of the company phone system to achieve improved service at a reduced cost
* Use of email to send repair orders not mail.
* Extending use of target texting service
* New no cost abandoned vehicle arrangement
* Monitoring contractor performance

**Projected value for money activities in 2018/19**

* Joint commissioning of new online tenant portal
* Full implementation of Schedule of Rates
* Review of gas servicing contract
* Review of material service charge contracts

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| **Measure****(All measures are based on annual accounts unless otherwise stated)** | **LSHA 2016-17** | **LSHA 2017-18** | **Peer Group****Median 2017-18****(Acuity Benchmarking Group)** | **Peer Group Quartile 2017-18** | **LSHA Target 2018-19** | **Regulator of Social Housing Metric** **(see below for definitions)** |
| **Business Health** |  |  |  |  |  |  |
| Operating margin (social housing) | 16.06 | 11.86 | 22.3 | 3 |  | Metric 6 |
| Operating margin (overall) % | 16.8 | 12.9 | 22.3 | 2 |  | Metric 6 |
| EBITDA MRI Interest Cover | 229 | 253 | 297.5 | 1 | >110 | Metric 4 |
| Headline social cost/unit | 4847 | 5009 | 4258 | 3 | <4000 | Metric 5 |
| **Business Process** |  |  |  |  |  |  |
| Occupancy GN | 99.7 | 99.6 | 99.5 | 2 |  |  |
| Current arrears as % of rent due | 4.3 | 4.4 | 2.6 | 3 | 4.3 |  |
| % of repairs completed within target time. repairs % | 95.5 | 90 | 97 | 3 | 97 |  |
| Cost per property p.a. Housing Management[[1]](#footnote-1) | 358 | 434 | 454 | 1 |  | Metric 7 |
| Cost per property p.a. Responsive repairs & voids[[2]](#footnote-2) | 717 | 590 | 645 | 2 |  | Metric 7 |
| Cost per property p.a. Major & cyclical works[[3]](#footnote-3) | 1095 | 1618 | 838 | 4 |  | Metric 7 |
| **Homes** |  |  |  |  |  |  |
| Return on capital employed % | 1.57 | 1.2 | 3.4 | 3 |  | Metric 7 |
| Average relet time GN (days) | 27 | 21 | 20 | 3 | 20 |  |
| **Services** |  |  |  |  |  |  |
| Satisfaction with overall services GN % | 76 | 76[[4]](#footnote-4) | 92[[5]](#footnote-5) | 3 | 85 |  |
| Satisfaction with responsive repairs % | 70 | 97 | 97 | 2 | 97 |  |
| **Growth & Capacity** |  |  |  |  |  |  |
| New supply % social units | 0 | 0 | 0 | 2 |  | Metric 2 |
| New supply delivered (non-social housing) % | 0 | 0 | 0 | 2 |  | Metric 2 |
| Reinvestment in supply of properties % | 1.2 | 1.2 | 4.1 | 3 |  | Metric 1 |
| Gearing % | 18 | 18 | 19.9 | 2 | <45% | Metric 3 |
| **People** |  |  |  |  |  |  |
| Staff turnover % | 14 | 0 | 12 | 1 | <15 |  |
| Average days lost to sickness | 9 | 3 | 6 | 1 | <6 |  |

|  |  |
| --- | --- |
| 1 | LSHA’s performance is within the first/top quartile compared to the benchmark data available |
|  2 | LSHA’s performance is within the second quartile compared to the benchmark data available |
| 3 | LSHA’s performance is within the third quartile compared to the benchmark data available |
| 4 | LSHA’s performance is within the fourth/bottom quartile compared to the benchmark data available |

**Metric 1**: This metric looks at the investment in properties (existing stock as well as New Supply) as a percentage of the value of total properties held.

**Metric 2**: The new supply metric sets out the number of new social housing and non-social housing units that have been acquired or developed in the year as a proportion of total social housing units and non-social housing units owned at period end.

Registered providers will report on two new supply delivered ratios:

A) New supply delivered (social housing units)

B) New supply delivered (non-social housing units)

**Metric 3**: This metric assesses how much of the adjusted assets are made up of debt and the degree of dependence on debt finance. It is often a key indicator of a registered provider's appetite for growth.

**Metric 4**: The EBITDA MRI interest cover measure is a key indicator for liquidity and investment capacity. It seeks to measure the level of surplus that a registered provider generates compared to interest payable; the measure avoids any distortions stemming from the depreciation charge.

**Metric 5**: The unit cost metric assesses the headline social housing cost per unit as defined by the regulator. The cost measures set out in the metric are unchanged from the metric used in the regulator's 2016 publication. Delivering better value for money. However, the denominator has been changed from units managed to units owned and/or managed.

**Metric 6**: The Operating Margin demonstrates the profitability of operating assets before exceptional expenses are taken into account. Increasing margins are one way to improve the financial efficiency of a business. In assessing this ratio, it is important that consideration is given to registered providers' purpose and objectives (including their social objectives). Further consideration should also be given to specialist providers who tend to have lower margins than average.

**Metric 7**: This metric compares the operating surplus to total assets less current liabilities and is a common measure in the commercial sector to assess the efficient investment of capital resources. The ROCE metric would support registered providers with a wide range of capital investment programmes.

**Progress 2017/18 over 2016/17**

With the new table of metrics it is not always easy to draw direct comparisons between our performance and sector benchmarks. As a small organisation there will always be a tendency to greater extremes in variation than would be the case for larger organisations. Generally, we have performed at a similar level or better in 2017/18 than in the previous year. This is in large part down to having a settled and very able staff team, along with a continuing emphasis on the need to ensure we spend our reducing income wisely.

One matter that we would highlight is the ’Cost per property p.a. major & cyclical works’ (Metric 7). During 2017/18 we were faced with significant, unplanned, works in the form of a complicated roof replacement on a listed Georgian block. With full Board approval we revised our programme for the year to include bringing forward external decoration and window repair works to this block to café the additional cost of re-erecting scaffolding and to minimise the inconvenience to tenants.

**Areas that we performed well in.**

* Staff turnover at lowest level for many years.
* Rent arrears
* Voids

**Areas that require attention**

* Repair satisfaction
* Repair completion time
* Re-investment in the supply of properties.

**Summary**

In summary, this section of the financial statements has outlined:

• How important VFM is in achieving LSHA’s strategic objectives.

• The VFM savings we made in 2017/18 and areas that require attention.

• How our operating costs compare with others.

• Our performance in relation to the VFM metrics and what we expect the projected figures to be.

1. Based on management accounts [↑](#footnote-ref-1)
2. Based on management accounts [↑](#footnote-ref-2)
3. Based on management accounts [↑](#footnote-ref-3)
4. Based on last comprehensive tenant survey 2016 [↑](#footnote-ref-4)
5. London Acuity Benchmark Club has a median of 75% [↑](#footnote-ref-5)