**LSHA VALUE FOR MONEY STATEMENT 2019**

**Summary**

This self-assessment sets out LSHA’s approach to achieving value for money in the way it operates. It is a regulatory requirement to include a summary of this self-assessment in LSHA’s Financial Statements

**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 limited in the

**VALUE FOR MONEY (continued)**

ways in which we can easily make savings. 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’s aims to ensure:

• 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 on 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 value for money and for business improvement.

**The VfM savings we made in 2018/19**

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

* Implementation of the NHF Schedule of Rates October 2018
* Retendering of grounds maintenance contract
* Retender of estate cleaning contract
* Retendering of gas servicing contract
* Retendering of electrical works contract
* Review of Treasury Management policy

**Projected value for money activities in 2019/20**

* Joint commissioning of new online tenant portal
* Office relocation

Implementation of community investment strategy

**REPORT OF THE BOARD**

**LAMBETH AND SOUTHWARK HOUSING ASSOCIATION LIMITED**

**FOR THE YEAR ENDED 30 SEPTEMBER 2019**

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Measure****(All measures are based on annual accounts unless otherwise stated)** | **LSHA 2016-17** | **LSHA 2017-18** | **LSHA****2018-19** | **Peer Group****Median 2018-19\*****(Acuity London Benchmarking Group)** | **Peer Group Quartile 2018-19\*** | **Change from last year** | **LSHA Target 2019-20** | **Regulator of Social Housing Metric** **(see below for definitions)** |
| **Business Health** |  |  |  |  |  |  |  |  |
| Operating margin (social housing) % | 16.06 | 11.86 | 16.7 | 17.4 | 3 |  |  | Metric 6 |
| Operating margin (overall) % | 16.8 | 12.9 | 18.7 | 15.5 | 2 |  |  | Metric 6 |
| EBITDA MRI Interest Cover % | 229 | 253 | 400 | 222 | N/A\*\* |  | >110 | Metric 4 |
| Headline social cost/unit £ | 4,847 | 5,009 | 4,797 | 5,808 | 1 |  | <5000 | Metric 5 |
| **Business Process** |  |  |  |  |  |  |  |  |
| Current arrears as % of rent due | 4.3 | 4.4 | 4.0 | 4.0 | 2 |  | 4.3 |  |
| % of repairs completed within target time. repairs % | 95.5 | 90 | 90 | 96 | 3 |  | 97 |  |
| Cost per property p.a. Housing Management [[1]](#footnote-1) £ | 358 | 434 | 347 | 466\*\*\* | 1 |  |  |  |
| Cost per property p.a. Responsive repairs & voids £1 | 717 | 590 | 942 | 741\*\*\* | 4 |  |  |  |
| Cost per property p.a. Major & cyclical works £1 | 1,095 | 1,618 | 1,140 | 926\*\*\* | 3 |  |  |  |

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Homes** |  |  |  |  |  |  |  |  |
| Return on capital employed % | 1.57 | 1.2 | 1.6 | 2.3 | 3 |  |  | Metric 7 |
| Average relet time GN (days) | 27 | 21 | 17 | 27 | 1 |  | 20 |  |
| **Services** |  |  |  |  |  |  |  |  |
| Satisfaction with overall services GN % | 76 | 76 | 76[[2]](#footnote-2) | 79.5 | 3 |  |  |  |
| Satisfaction with responsive repairs % | 70 | 97 | 84 | 75 | 1 |  |  |  |
| **Growth & Capacity** |  |  |  |  |  |  |  |  |
| New supply % social units | 0 | 0 | 0 | 0 | N/A |  |  | Metric 2 |
| New supply delivered (non social housing) % | 0 | 0 | 3.6 | 0 | 1 |  |  | Metric 2 |
| Reinvestment in supply of properties % | 1.2 | 1.2 | 12.3 | 2.7 | N/A |  |  | Metric 1 |
| Gearing % | 18 | 18 | 24.6 | 18 | N/A |  | <45% | Metric 3 |
| **People** |  |  |  |  |  |  |  |  |
| Staff turnover % | 14 | 0 | 15 | N/A | N/A |  | <15 |  |
| Average days lost to sickness | 9 | 3 | 9 | 4 (or 9 for all RPs) | 3 |  | <6 |  |

**REPORT OF THE BOARD**

**LAMBETH AND SOUTHWARK HOUSING ASSOCIATION LIMITED**

**FOR THE YEAR ENDED 30 SEPTEMBER 2019**

\* Based on Acuity Smaller Housing Association National Report for 2018-19
\*\* N/A is used when the metric does not have polarity ie is not appropriate for peer group benchmarking.

\*\*\* Based on Region Medium

|  |  |
| --- | --- |
| 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 |

 = No change = Improvement  = Worse

**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.

**Comment:** LSHA have invested in new supply for the first time since 2015. In this regard our performance is in the upper quartile of our peer group RPs.

**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)

**Comment:** LSHA has increased its supply of units owned and manged with the acquisition of 11 S106 Key Worker homes. This puts us in the higher quartile of our peer group RPs.

**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.

**Comment:** The increase in gearingis a recognition of the Board’s commitment to continue to deliver affordable accommodation in areas of high demand and high development costs in London.

**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.

**Comment:** The level of EBITDA MRI interest cover is in the upper quartile of peer group RPs. This is a further consequence of LSHA’s aspirations to deliver new homes.

**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.

**Comment:** LSHA’s unit cost of £4,797 is within the upper quartile of peer group RPs and reflects the ongoing drive to maintain good quality services in an area of high cost.

**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.

**Comment:** LSHA’s operating margin has declined in the last year but still remains within the upper two quartiles of peer group RPs. 2018/19 was a period of exceptional activity with improved management of our programmed and major works enabling us to invest underspend within the financial year, thereby helping maintain the value of our major assets, our tenants homes.

**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.

**Comment:** LSHA’s return on capital employed %has improved since 2017/18 but remains a 3rd quartile performance compared to our regional peer group.

**Progress 2018/19 over 2017/18**

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 2018/19 than in the previous year. This is in large part down to having a generally settled and very capable staff team, along with a continuing emphasis on the need to ensure we spend our reducing income wisely.

Staff turnover and sickness have been higher. This is as a result of one member of staff leaving and a second member of staff needing to take extended leave following an operation. All other staff sickness records have been within target.

Comment on the Regulatory metrics are addressed above. For those PI’s out with the & metrics LSHA has generally performed well.

Areas that we performed well in.

* Our cost per property is lower than our peer group median. This is offset by higher than median figures for cost per property p.a. responsive repairs & voids.
* Staff turnover continues to remain very stable. We lost one member of staff who had been with us for six years.
* Rent arrears. Between January and June 2019, we experienced a month on month reduction in rent arrears.
* Voids. The turnaround time for non-management voids have reduced from 20 to 17 days.

**Areas that require attention**

* Repair satisfaction
* Repair completion time
* Cost per property p.a. Responsive repairs & voids is high but when considered alongside the cost per property p.a. Housing Management the total of £1,289 is only 6.7% above the Acuity benchmark median. The responsive repair and void figure have been distorted by some major void costs during the year. Cost per property p.a. Major & cyclical works. LSHA has maintained relatively high levels of major and cyclical repair costs for a number of years. This in part reflects an eight year programme of major reinvestment added to the older age profile of much of our housing stock.

**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 2018/19 and areas that require attention.

• How our operating costs compare with others.

• Our performance in relation to the VFM metrics.

1. Based on management accounts [↑](#footnote-ref-1)
2. Based on last comprehensive tenant survey 2016. A STAR survey is currently being undertaken but results will unfortunately not be available before the publication of the Financial Statements. [↑](#footnote-ref-2)