Our Value for Money (VFM) Self-assessment Statement 2020

The arrival of COVID 19 has impacted LSHA, along with all housing associations and the wider economy, in way we had not foreseen. LSHA regularly undertakes Business Continuity Planning exercises but nothing could quite plan for the impact of the pandemic. Unlike most housing associations LSHA operates a September year end. One material and unplanned outcome of the pandemic has been the impact on our level of surplus. The difference in the high level of surplus (over previous years) is almost entirely down to the impact of the pandemic on our ability to complete our planned works programme. Works that are being carried over into 2020/21 .

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. In achieving VFM LSHA is looking to consider:

1. **Equity**
   ensuring services are delivered fairly to a wide range of customers
2. **Economy**
   careful use of resources to save expense, time or effort;
3. **Efficiency**
   delivering the same level of service for less cost, time or effort
4. **Effectiveness**
   the degree to which something is successful in producing a desired result

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 hardship as a result of the COVID-19 pandemic. 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, 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 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 VFM and for business improvement.

There is no doubt that the impact of the COVID-19 pandemic has had very significant consequences on the way we operate in the second half of the year. On the positive side the investment we have made in the last few years on technology including in a cloud based server; remote work capability for all staff; and a new phone system have allowed us to migrate to a remote working environment with relative ease. It has not been a perfect process and we have invested in an upgraded phone system as part of our transfer to a new office in December 2020 to provide us with a more robust and flexible remote working functionality.

Lambeth & Southwark
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The VFM savings we made in 2019/20

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

- Fixed price commissioning of thirty new, affordable airspace homes at Antony and Roderick House.
- Review of Treasury Management policy
- Procure a new level access office able to support an increasing staffing level and host Board meetings
- Implementation of a paperless invoicing system
- LSHA recognises that tenants have an important role in helping improve VFM. We are creating a community investment resident group to help identify areas for internal improvement and external investment.

Projected Value for Money activities in 2020/21

- Joint commissioning of new online tenant portal
- Further implementation of community investment strategy
- In improvement in getting things right first time through additional investment in repairs management.
- Additional remote working functionality with upgraded phone system as part of office relocation.
- Investment in staffing resource to ensure improvements in the repairs service and repairs satisfaction amongst residents. A new maintenance and administrator post and extending surveyor role to full time.

Our Value for Money (VFM) Self-assessment Statement 2020 *continued*

Lambeth & Southwark HOUSING ASSOCIATION

Measure (All measures are based on annual accounts unless otherwise stated)	LSHA 2017 -18	LSHA 2018 -19	LSHA 2019 -20	Peer Group Median 2019-20 (Acuity Benchmarking Group)	Peer Group Quartile 2019-20*	Change from last year	LSHA Target 2020 -21	Regulator of Social Housing Metric (see below for definitions)
Business Health								
Operating margin (social housing)	11.8	16.7	17.1	17.5	3	⇔		Metric 6
Operating margin (overall) %	12.9	13.4	30.6	17.5	1	⇧		Metric 6
EBITDA MRI Interest Cover	253	245	485		N/A**		>110	Metric 4
Headline social cost/unit	5009	2937	4376	4577	N/A**		<4000	Metric 5
Business Process								
Occupancy GN	99.6	99.6	98	99.5[1]	4	⇩		
Current arrears as % of rent due	4.4	4.0	3.7	4.3[6]	2	⇧	4.3	
% of repairs completed within target time. repairs %	90	90	93	96	3	⇧	97	
Cost per property p.a. Housing Management[2]	434	454	426	467***	1	⇧		Metric 7
Cost per property p.a. Responsive repairs & voids[3]	590	565	658	977***	1	⇩		Metric 7
Cost per property p.a. Major & cyclical works[4]	1618	1377	1216	1167***	3	⇧		Metric 7
Homes								
Return on capital employed %	1.2	1.6	2.2	2.4	3	⇧		Metric 7

Our Value for Money (VFM) Self-assessment Statement 2020 *continued*

Lambeth & Southwark
HOUSING ASSOCIATION

Measure (All measures are based on annual accounts unless otherwise stated)	LSHA 2017 -18	LSHA 2018 -19	LSHA 2019 -20	Peer Group Median 2019-20 (Acuity Benchmarking Group)	Peer Group Quartile 2019-20*	Change from last year	LSHA Target 2020 -21	Regulator of Social Housing Metric (see below for definitions)
Services								
Satisfaction with overall services GN %	76		76[5]	74.5[6]	2	↔	80	
Satisfaction with responsive repairs %	97	84	88	76[6]	2	↑	95	
Growth & Capacity								
New supply % social units	0	0	0	0	N/A**	↔		Metric 2
New supply delivered (non social housing)	0	3.6	0	0	N/A**	↔		Metric 2
Reinvestment in supply of properties %	1.2	3.1	0.2	3.6	N/A**	↓		Metric 1
Gearing %	18	23	24.5	16.7	N/A**	↑	<45%	Metric 3
People								
Staff turnover %	0	15	0	N/A		↑	<15	
Average days lost to sickness	3	9	2.2	N/A		↑	<6	

[1] Peer group metrics are overwhelmingly from March year end accounts and do not reflect Covid-19 impact

[2] Based on management accounts

[3] Based on management accounts

[4] Based on management accounts

[5] This is an adjusted figure to reflect satisfaction across stock in Lambeth & Southwark. Figure including Lewisham stock, where building is managed by Clarion Housing, is 73%

[6] Based on Acuity London Peer Group

Notes to the table

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.

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.

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Progress 2019/20 over 2018/19

With the 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. The second half of 2020 has been a time of unprecedented disruption for everyone. It is worth noting that the benchmarking metrics are, on the whole, based on accounts for organisations with March year ends. That makes it arguably even more difficult to draw too many comparisons between our out turn performance and that of peer organisations.

Considering the challenging second half of the year it is particularly encouraging that performance has either remained broadly similar or has improved in more areas than it has declined.

The occupancy level has dropped and is due entirely to challenges faced with undertaking void work and letting property for the period from late March onwards.

Both staff turnover and sickness have reduced. With such a low complement of permanent staff any one leaving does tend to skew the figures. We have been fortunate in not having any permanent member of staff leave during 2019/20. We did unfortunately have to let a temporary finance officer go when lockdown 1 was introduced with knock on consequences for remaining staff who have had to divide responsibilities. This post has been recruited to, albeit after the year end.

Areas that we performed well in.

- Staff turnover continues to remain very stable. We have lost only one member of staff in the last three years and this was a colleague returning home to Holland in advance of Brexit.
- Rent arrears. Despite the impact of covid-19 on the economy we have been successful in reducing rent arrears to 3.7%. This is an historic year end low.
- Although our cost per property for repairs and voids has increased on the year we are still significantly below our peer group median.
- Our cost per property on housing management remains strong although this is likely to worsen next year as we have created one and a half new posts. We expect this to pay off in terms of improvement in repairs performance and satisfaction.
- Our most recent STAR tenant survey presented a mixed picture (see below) we were however pleased to note that performed above average in the Net Promotor Score compared to peer organisations.

Lambeth & Southwark HOUSING ASSOCIATION

Net Promotor Score

Net promoter	All residents
LSHA	4
Upper quartile	10
Median	3
Lower Quartile	-11
No. of Orgs	14

Causes for Concern:

Areas that require attention

The area that has let us down the most and which happens to be of most importance to tenants is in repair satisfaction and completion times. This applies not just to day to day repairs but our perceived performance in programmed works. This was a clear outcome of the 2019/20 STAR survey. We have invested significantly in our relationship and contract management of contractors which has borne some success, especially in the management of gas safety work. Nevertheless there is still work to be done.

This has been considered by the Board who have agreed to an increase in staffing levels to help mange the peaks and troughs which exist when providing services in a small organisation. A housing officer on leave for two weeks is essentially half our housing management team absent. To address this the Board have approved the creation of a full-time team administrator and increase from part to full time the Surveyor role.

Alongside this we are working with tenants on our Community Investment Strategy to identify local priorities and to better understand tenant perception of repair challenges.

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 2019/20 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.
- LSHA operates an October to September financial year. Most registered providers operate to March to April financial year. The impact of the COVIOD-19 pandemic has impacted our metrics for the second half of our financial year which needs to be considered when benchmarking year end outcomes.