

Value for Money Strategy

Person responsible:	Director of Finance
Business Strategy Objective	Growing, Greening and Transforming
Financial/ Resources	To be delivered from existing budgets
Customer consultation	Value for Money Actions include customer consultation on service design and delivery. This Value for Money Strategy will be consulted with the SLH Tenants Committee at their March 2023 meeting.
Key Strategic Risks addressing	#1 Asset Management: stock condition #2 Asset Management: return on Investment #3 Asset Management: building safety #4 Development: affordable housing #5 Development: market sales / shared ownership #7 Building partnerships / merger #9 Governance: making good decisions #10 Older people: making our sheltered homes fit for purpose #11 Community Investment #12 Climate change: flooding #14 Climate change: gas alternatives #15 Energy Efficiency #16 Energy Efficiency: insufficient resources & partnerships to achieve 'green' aspirations

Key Strategic Risks addressing	#17 Green funding #19 Customer Satisfaction #20 Resources #21 Capacity #22 Smart technology: not making the right investment decisions in homes or not investing in technology to deliver business processes #23 Cyber security: exposure to attack, downtime, recovery costs #24 Value for Money #25B Affordability #27 Compliance: regulation and legislation #28 Pensions #29 Treasury #31 Service Charges and leasehold
EIA required:	No
EIA completed (date):	Not applicable
Approved by:	Board
Approval date:	23 February 2023
Links to other key documents:	Business Strategy: Our Direction to 2025 Customer Experience Strategy Development Strategy Procurement Strategy People Strategy Performance Management Framework Data Strategy Asset Management Strategy IT Strategy Rent and Service Charge Policy
Review date:	April 2025

Document management		
Version	Date amended	Amendments
1		

About South Lakes Housing

South Lakes Housing (SLH) is a Registered Provider (RP) that was formed in 2012, following the large scale voluntary transfer of homes from South Lakeland District Council. We own and manage approximately 3,400 homes across a wide geography in South Cumbria and North Lancashire, providing homes in accordance with our charitable objectives. SLH principally provides homes of social and affordable rented tenure and is developing both new social and affordable rent tenure homes, and Shared Ownership homes to meet housing need in our geographical areas of operation.

Our Business Strategy – Our Direction, 2020-25 has reaffirmed SLH's vision – “Quality homes, a platform for life” and key strategic themes of Growing, Greening, Transforming.

Strategic Context

South Lakes Housing has a requirement to comply with the Regulator of Social Housing's (RSH) Value for Money (VfM) Standard published in 2018, and its associated VfM Code of Practice (Code) that expands upon the Standard (both updated June 2021).

The requirements of the VfM Standard are appended at appendix 2. The required outcomes of the VfM standard are that Registered Providers (RP) 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.

The Code expands upon the above requirements and states Registered Provider's (RP's) must ensure that clear, up-to-date strategic objectives are in place. These objectives must:

- deal with the medium to long-term future of the organisation
- include measurable targets based on outcomes, and
- be demonstrably linked to the aims and purpose of the organisation.

South Lakes Housing Approach

The English Social Housing sector is facing a delicate balancing act between social purpose and financial viability. The challenges of maintaining and investing in the energy efficiency of current homes to achieve Energy Performance Certificate (EPC) Band 'C' by 2030 whilst meeting increasing demand to build new homes at pace, against a backdrop of caps on the 2023/24 rent increase, high inflation affecting operating costs and shortages of labour make the challenge of delivering VfM a critical business requirement. Therefore, SLH recognises every decision it makes must represent VfM for our customers and SLH business sustainability.

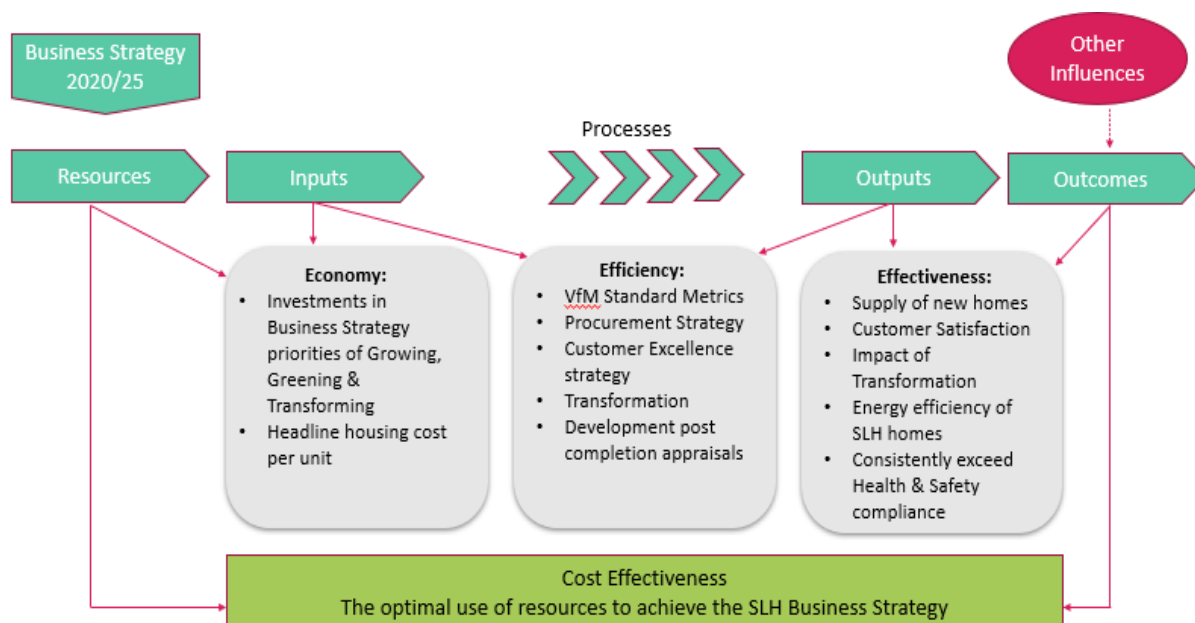
SLH's vision is to deliver "Quality homes, a platform for life" by providing high quality homes. Our overarching VfM objective is to achieve our VFM priorities to provide better services to our tenants and maintain our capacity to invest in delivering the strategic themes of Growing, Greening, Transforming.

VfM is an underpinning strategy of SLH to ensure we are able to achieve our priorities year on year in order to maintain and invest in our existing properties, invest in delivering new social housing, manage our liabilities, improve our operating cash flows, manage upward cost pressures, to not only protect but also add value to the services we deliver to customers.

SLH's VfM strategy therefore cannot be seen in isolation but is an embedded strategic approach that underpins the delivery of our vision and strategic themes and that the delivery of VfM can only be assured through embedding consideration of VfM into decision making and performance measurement across the business.

To ensure transparency, SLH has documented this overarching VfM strategy to set out how SLH embeds achievement of VfM.

Achieving VfM is often described in terms of the '3 E's' – Economy, Efficiency and Effectiveness.



"Value for money" is the term used to assess whether or not an organisation has obtained the maximum cost effectiveness from the goods and services it acquires and/ or provides, within the resources available to it. It not only measures the cost of goods and services, but also

takes account of the mix of quality, cost, suitability and timeliness to judge whether or not, when taken together, they constitute good value. SLH's embeds its strategic approach to VfM to inform decisions about our VfM priorities and align VfM targets to our 2025 Business Strategy. We measure this through our VfM metrics and key performance indicators.

VfM Embedded in SLH Strategic Themes

VfM is incorporated into key strategies including Development, Procurement, Asset Management, Data, IT, Customer Experience and Rent and the Service Charges Policy. Decisions on VfM will always be taken within the context of our vision and strategic themes.

Growing		
VfM Measure	Type of VfM	Link to our Business Strategy
Number of new homes delivered.	Economy	400 additional homes delivered or started by 2025, including 50 affordable homes per year, 80 homes in rural communities and 150 acquisitions
Post scheme completion financial appraisals	Effectiveness	
Investment in delivery of Major Repairs programme (incl. energy efficiency)	Economy	Invest no less than £33m in existing homes
Regulatory judgement	Effectiveness	Maintain G1 judgement and at least V2
Tenant Satisfaction Measures	Effectiveness	Benchmarking as median on Tenant Satisfaction Measures perception surveys

Greening		
VfM Measure	Type of VfM	Link to our Business Strategy
Investment in delivery of energy efficiency improvements	Economy	Invest £5m in energy efficiency
	Economy	Obtain 'green grant' funding
EPC ratings : % of stock band 'C' or above	Effectiveness	No home to be below Band 'C' (except for hard to treat)
Average SAP score of SLH Homes		
New Eco-Homes delivered	Effectiveness	All SLH led developments to meet 'high eco' standard.

Transforming		
VfM Measure	Type of VfM	Link to our Business Strategy
Customer digital transactions, as a percentage of all transactions	Efficiency	Customers accessing services via their 'My Account'
My Account user numbers		
Void relet times	Efficiency	£100k efficiency savings and income generation
Rent collection percentage		
Rent arrears as a percentage of annual rent & service income debit		
Cumulative cashable efficiency savings		
Staff days lost to sickness		

The 2020/25 Journey So Far

SLH has recently undergone organisational redesign, with a new operating model in place, 'right sizing' the employee complement to ensure VfM in the delivery of consistent, quality services across the spectrum of SLH operations. This has included:

- the creation of new posts of Director of Customer Experience, Customer First Manager and Customer Insight Partner, which together with the Customer Engagement Partner will support us to focus on the customer experience, listening to the customer voice and engaging customers in how we continue to improve.
- invested in our Finance Team to enhance our financial forecasting and treasury management capabilities that is delivering significant cost savings on outsourced treasury services and improving the responsiveness of financial forecasting and cashflow efficiency to manage, test and forecast financial resilience.
- Developed and embedded lean process thinking to continuous improvement, and a project management methodology to ensure that VfM gains from improvement are implemented effectively and embedded realising the expected improvements in economy, efficiency and effectiveness.
- Establishing our Transformation, Digital & Data team that has brought together process design, lean thinking and project management methodologies that are driving data management effectiveness gains. In parallel this has enabled development of our capabilities and is reducing the cost of investing in new infrastructure and our reliance on external consultants.

Despite the impact of covid-19 since we launched our Business Strategy in 2020, we have continued to implement VfM actions and priorities, including:

- Completed 148 new social housing homes (to December 2022) since the launch of the Business Strategy, with a further 54 new homes to be completed by March 2023 (expected total of 202 new homes by 31 March 2023). The association has an identified approved programme of a further 159 new homes in its development pipeline to be completed in 2023/24, to 2025/26, with ambition to have completed or be onsite with at least 400 new homes by 2025.
- The 'right sizing' of the SLH staff complement provides the resources to deliver and manage these new homes without additional 'step costs' as SLH's portfolio of homes grow, that will deliver medium and long term VfM gains as fixed costs are allocated over a growing number of homes in management.
- The new homes that have been development led by SLH have all achieved Energy Performance Certificate 'A' in furtherance of our commitment to 'Green' our operations, ensuring VfM in through property life costs by ensuring there are no retrofit costs for these homes on our journey to net zero carbon. Additionally, these EPC 'A' homes from first occupation ameliorate energy usage benefitting our customers and are delivering on the UK's carbon emission targets.
- Implemented a new Performance Management Framework for our key performance indicators, with annual targets set to stretch performance to levels higher than set prudently within our financial plans. Performance is then reviewed and challenged using targeted 'Performance Clinics' to identify and understand the root cause of underperformance and barriers to achievement that can be unblocked. An example being the significant improvement in void performance: SLH void loss in the 9 months ended December 2022 was 0.37% of rental income receivable (2020/21 void loss 1.52%). The impact of this improvement is equivalent to an additional 35 social homes available every year to meet housing need.
- Embedded hybrid working in SLH, providing flexibility for both colleagues and customers, delivering services in our Neighbourhoods that are more local and customer centric whilst delivering savings on office estate costs.
- Expanded our partnering with a neighbouring Registered Provider in the delivery of responsive and void maintenance services, enabling the overhead costs of SLH core services to be apportioned over a broader number of properties and reducing the cost to SLH.
- Renewed our rent collection processes providing significantly greater flexibility to customers to pay their rents and service charges through implementation of a single rent collection provider. The improvements for the customer and SLH are the capability to offer direct debit on any date / any frequency, swipe card payments, payments via the SLH website, recurring debit / credit card payments and the ability to take payment for rechargeable repairs prior to undertaking the works. SLH rent collection performance in 2020/21 achieved 100.33% collection, in 2021/22 achieved 100.29%. In the 9 months to 8th January 2023 performance had reduced to 98.61%, however, after recognising the impact of the cost-of-living crisis on SLH customers (food, transport & energy inflation being significantly greater than headline CPI) then the 2022/23 performance reflects the strength of the collection processes and financial inclusion advice and support, including working with local charities and agencies who provide support for our customers and communities.
- Launched My Account customer portal, making it easier for residents to access and request services digitally reducing SLH transaction costs and enabling 24/7 customer access to manage their account and make service requests.

- Reviewed key processes to improve the customer journey, such as use of texts when booking a repair, a reminder 24 hours before the appointment and when the operative is on their way to reduce aborted operative time and cost.
- Retendered our cleaning contract, revising the specification, to improve the service and value for money for residents.
- Worked with partners to improve Cumbria Choice Based Lettings, streamlining the application process, improving customer control, transparency, communication, and efficiency.
- Launched our 'Let's Make it Happen' Culture Change programme within the business to improve the customer experience, through engendering colleague personal ownership and resolution of customer enquiries at first point of contact and to put things right and learn when they go wrong. The culture change programme is expected to increase customer satisfaction and reduce 'failure demand' upon SLH services redirecting resources to service delivery.
- Implemented workflows within the business, harnessing the capabilities of our existing IT applications to ensure efficiency in our processes and further reducing failure demand and abortive effort, whilst ensuring the accurate and timely maintenance of customer and property data.
- Reviewed and created automated reporting for key business data sets including the data that underpins the annual statistical data return, rent and service charge data, and building safety servicing regimes. This has created data resource savings and improved the quality of key management information.
- Transformed our approach to business reporting via an improved data infrastructure. Key operational systems (Civica Cx, Keystone, and Connect) each have their databases connected to a data warehouse and PowerBI. This has enabled real-time data reporting for Asset Management, Building Safety, Complaints and ASB Management, Rents, and General Management Reporting.

Understanding our Assets

The Board is due to consider a new Asset Management Strategy in May and this has a key part to play in Value for Money by balancing repair, building safety and investment costs with environmental and energy efficiency requirements, listening to and working with customers to shape services and improving customer satisfaction.

We maintain up to date stock condition information on our properties, (20% refreshed annually and externally validated every five years). This will be used to actively manage our properties, maintain standards and make investment decisions that help to sustain our estates as part of wider communities.

We will continue to invest over the next five years in major works and sustainability projects to not only maintain but to improve the quality of our homes and neighbourhoods, meeting or exceeding the quality and service standards that have been set with our customers as part of the 'SLH Homes Standard'. We will keep our residents safe with our programmes of continued investment, regular inspection and servicing.

Key to improving the VfM performance of our property portfolio is using our asset data to make intelligence-led decisions. We utilise our Ark's Strategic Assets Performance Model (ASAP) to assist with a range of investment decisions for our social, leasehold and commercial properties.

The asset grading tool involves extrapolating income and expenditure for our assets over 30 years and discounting it back to arrive at a Net Present Value (NPV). This provides an indication of asset performance. The model also considers performance from a qualitative and quantitative perspective using multiple data sets across four key metrics, these being Property, People, Finance and Marketing to provide a real time profit / loss and NPV assessment. Properties are classified under a Red- Amber-Green (RAG) rating system which provides an objective basis on which to make informed decisions between social benefit and commerciality.

During 2023/24 the model will be reviewed and updated to ensure the indicators and data inputs are still appropriate, with particular focus on utilising the improved data from our combined Housing and Asset Management application, due to go live late in 2023. The tool will be used to evaluate high value and high cost, (including 'hard to treat' in the context of achieving EPC Band 'C') properties, to assess whether those properties should be invested in or whether we should investigate other possible options such as sale, reclassification or regeneration.

As a socially responsible organisation we are committed to helping reduce fuel poverty and carbon emissions and we have set an ambitious target of achieving an energy efficiency rating of EPC Band C for all our homes by 2025, some five years ahead of the government's target for all fuel poor and social homes, where practical, cost effective and affordable. Our new Asset Management and Sustainability Strategies include developing a roadmap through to Net Zero Carbon, in addition to the Energy Efficiency programme. Early modelling will be tested in the ASAP model to help determine the most cost-effective solutions and to assess the impact this work will have on our assets' viability.

Achieving our Aims

VfM is a journey of continuous improvement; challenging the 3 E's in all business decisions to relentlessly improve the effectiveness of our outcomes to deliver the business strategy. The embedding of Project Management methodology and Performance Clinics to deliver continuous improvement are key enablers and controls to deliver on this ambition. SLH recognises there is more to do and the Action Plan set out in Appendix 1 focuses all business streams to drive further VfM efficiency across service delivery.

SLH understands that the nature of its geographical operations (rural dispersed properties, with comparable long travel times between), the age profile of its housing stock (71% of homes pre-1970) and relatively high proportion of homes in National Parks / Conservation areas determining building materials, are all factors that significantly influence the 'Economy' and 'Efficiency' of SLH.

Our Development Strategy recognises that there is a significant, unmet need for more homes to rent at an affordable price and affordable entry to home ownership options. Indeed, the median latest house price/income ratio for South Lakeland stands at 6.9 (the highest in Cumbria and higher than Great Britain average of 6.5). Our primary purpose as a housing association is to assist in meeting this need and this strategy includes delivery of:

- Affordable rent housing - homes to rent at Affordable and Social rents.
- Affordable Home ownership

Measuring Success

Success will be measured by delivery of the VFM action plan appended (appendix 1) and maintaining / improving a range of key performance indicators, including the VfM metrics established by the RSH.

SLH measure the achievement of VfM through specific outcomes each year, including:

- **Strategic Plan** – details our priorities up to 2025, updated annually, with progress monitored at each quarterly Board meeting.
- **VfM Targets** – Performance targets are set for all key operations of the business annually with the respective responsible managers and approved by the Board. Performance is measured monthly and reviewed through Performance Clinics throughout the year, embracing our corporate value of Challenge (Challenge what we do, seek out and test new approaches). Reasons for targets not being met will be understood and explained, with underlying factors influencing performance analysed and evidenced.
- **Annual Strategic Review, incorporating annual VfM report** – A detailed analysis of SLH VfM in accordance with the RSH defined sector VfM indicators is prepared annually and included with the audited Financial Statements, ensuring the publication of these metrics is subject to independent review by SLH's external auditors and published to stakeholders. This analysis includes forecast performance over the business strategy period and comparison to national performance and benchmarking peers. For each metric, the analysis details the reasons and costed factors impacting SLH performance and this highlights the areas where SLH need to continue our focus. The Association's Audit & Risk Committee review this analysis prior to finalisation of the Annual Report & Financial Statements.
- **Post completion appraisal** of new Development Schemes, including a customer satisfaction feedback survey and a financial re-appraisal of the actual costs to complete are prepared and reviewed by the Development Committee. This is to ensure a continuous learning cycle for future developments and appraisals.
- **Benchmarking** – reviewing our service provision with external sources including RSH Global Accounts and through sector recognised benchmarking (HouseMark) to identify performance outliers and target continuous improvement projects and actions.
- **Customer Engagement** – engaging with our customers to involve, assess and obtain feedback on our services and enable our customers to influence decisions and shape services, including the embedding of the Tenant Scrutiny Panel's work.
- **Financial Planning** – annual zero based budgeting, monthly financial reporting to the Executive and quarterly to Board, that include the RSH VfM metrics to benchmark our performance. In addition, the detailed Long Term Financial Plan contains the RSH metrics to enable the Board and Executive to challenge and understand our forward looking financial position to enable us to identify areas for re-investment of operating cash flows to allocate resources to strategic priorities.
- **Employee Expertise** – we recognise our colleagues are essential to the delivery of the above framework and our budget holders are responsible for embedding VfM across all our activities, alignment of our colleague resources to the Business Strategy is essential to embed VfM, and SLH achieve this through its Performance Appraisal process with annual objectives for all employees ensuring there is a 'Golden Thread' through all of colleague activities to the Business Strategy aims.

RSH Metrics

When we compare our results as at December 2022 with the latest available RSH VfM metrics reported for the year ended March 2021 (published by RSH February 2022), SLH performance is:

- better than the sector weighted average in 5 of the metrics (Reinvestment, Gearing, Interest Cover, Operating Margin and Return on Capital Employed);
- worse than the sector weighted average in respect of Cost per Unit overall, Operating Margin and marginally lower on new supply social housing. In respect of new supply, SLH forecast performance for the year is expected to be greater than the sector weighted average, due to completion of two Homes England grant funded developments in quarter 4 of 2022/23.
- SLH Business Strategy is focused on our core purpose and does not identify the development of non-social housing as a priority and thus does not allocate resources to such tenures, being the final VfM metric where SLH performance is below the weighted average.

Roles and Responsibilities

The RSH's VfM Standard determines the responsibility lies with the boards of registered providers to ensure that they meet the regulator's standards. The Board leads on SLH's approach to VfM including preparation of the Group's statement of compliance to the VfM Standard for approval by the Board.

The Board and Executive Leadership Team have overall responsibility for the delivery of VfM activities within the Group.

The Board delivers their responsibilities through the following approach:

- Setting the strategic objectives of the Association, that subsequently drive the allocation of financial resources and human capital.
- Reviewing and approving the VfM strategy.
- Reviewing progress of VfM objectives through monitoring progress against strategic plan objectives
- Considering VfM within relevant board reports, including financial, performance monitoring and benchmarking information
- Reviewing and approving the annual VfM statement of compliance to the VfM standard within the audited financial statements.
- Reviewing and approving the Long Term Financial Plan, including the setting and review of stress testing and financial mitigations.
- Approving key strategies and policies
- Reviewing the long-term efficiency of our assets as part of our asset management strategy to understand the financial, social and environmental returns we can deliver.
- Exploring opportunities for strategic partnerships and mergers is important to us with VFM being an important element in any strategic decisions we make for our future growth. VFM is an important part of our Board consideration as and when such opportunities arise.

The Executive Leadership Team delivers their responsibilities through:

- Leading the setting of performance targets and challenging performance through the Performance Clinics.
- Overseeing the Associations Project Management Framework, delivered through Programme Board, that manages the Associations programme of continuous improvement projects to deliver the Business Strategy.
- Implementation of the VfM action plan (appendix 1).
- Ensuring colleagues engage in achieving the Group's VfM objectives.
- Facilitating customer involvement in decision making to deliver VfM.

Monitoring and Review

Implementation will be monitored by Board and the Executive Leadership Team.

This strategy will be reviewed every three years, or where there have been significant changes to regulation, legislation, operations, best practice or SLH Business Strategy to warrant a further review.

Regulator of Social Housing Value for Money Standard (updated June 2021)

Required outcomes

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.

Specific expectations

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

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.