

2020/2021 VALUE FOR MONEY STATEMENT

Value for money is important to the Board and the concept is embedded in everything the Society does. This approach is enshrined in the Society's Value For Money (VFM) Policy which commits the Society to the full adoption of the Value for Money Standards and Codes of Practice issued by the Regulator for Social Housing.

The Society's general approach to value for money is to:

- Consider value for money as part of our decision making process.
- Understand the return on our assets.
- Have a performance management and scrutiny function in place that drive and deliver improved value for money performance.
- Understand the costs and outcomes of delivering specific services.
- Consider wider benefits provided from any decision e.g. social, environmental, quality etc. Assessing the outcomes will help refine decision making processes in the future.

Specific actions supporting this approach include:

- Key projects and tasks from the 2021/22 Business Plan have been mapped against the Society's corporate objectives and then their individual impact on each of the VFM metrics has been assessed.
- The Regulator for Social Housing's six VFM metrics are reported in the monthly Management Accounts to the Executive Team. This information is also reported to the Board.

The Society reviews all its expenditure to ensure that scarce resources are being used to best effect. Savings are generally re-invested.

A statement of key activities and the expected impact on the VFM metrics over the coming five years, is set out in the tables overleaf:

South Western Housing Society

Corporate Objectives and Key Actions in 2020/21

Estimated Impact on Value for Money Metrics across next five years

	Reinvestment	New Supply Delivered	Gearing	EBITDA ¹ Major Repairs included Interest Cover	Operating Margin	Return on Capital Employed
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Corporate Objective from 1 June 2020: Increase capacity to build more

Build new properties for rent	Improve	Improve	Worsen if borrowing increased	Improve	Improve	Improve once properties tenanted
Build new properties for shared ownership	Improve	Improve	Worsen if borrowing increased	Improve	Improve	Improve once properties tenanted
Reviewed the borrowings of SWHS and Tamar Housing Society and devised a treasury strategy that enables both partners optimise their potential for growth.			Worsen if borrowing increased	Depends on terms		Depends on terms

Corporate Objective from 1 June 2020: Build business resilience for the long term.

Consolidate the management of corporate support teams to provide a whole Partnership service to support resident services (part of single Executive Team)				Improve if costs reduced	Improve if costs reduced	Improve if costs reduced
Implement an organisational structure that is efficient and effective and fit for purpose (single Executive Team)				Improve if costs reduced	Improve if costs reduced	Improve if costs reduced
Use increased scale to drive value from the services that we buy from others (Partnership procurement with costs separated for partners). Examples of successes include procurement of internal audit, external audit and insurance services.				Improve if costs reduced	Improve if costs reduced	Improve if costs reduced
Enhance corporate knowledge of each organisation to place us in a strong position to merge	No immediate impact on VFM metrics, but enhanced knowledge could lead to efficiency gains / economies later on.					

Corporate Objectives and Key Actions in 2020/21	Estimated Impact on Value for Money Metrics across next five years					
	Reinvestment	New Supply Delivered	Gearing	EBITDA ¹ Major Repairs included Interest Cover	Operating Margin	Return on Capital Employed
Deliver savings through changes to senior management staff structures (single Executive team across the Partnership)				Improve	Improve	Improve
Deliver savings through sharing costs we would not have been able to as separate organisations				Improve	Improve	Improve
Corporate Objective from 1 June 2020: Maintain or enhance tenant satisfaction						
Achieve financial efficiencies that redirect resource to the services that matter to residents most, such as repairs and planned maintenance (contract reviews)				Improve if costs reduce	Improve if costs reduce	Improve if costs reduce
Refine areas of management to make key staff more accessible	No immediate impact on VFM metrics, but enhanced knowledge could lead to efficiency gains / economies later on. However, this would lead to enhanced tenant satisfaction.					
Use Partnership increased stock numbers to renegotiate service costs, which can be passed on to residents (Joint procurement which costs segregated between the partners)				Improve if costs reduce	Improve if costs reduce	Improve if costs reduce
Conduct a resident survey aiming to achieve a positive increase in the service we provide together rather than apart.	No immediate impact on VFM metrics, but seeks to improve services to tenants and/or focus existing services more effectively.					
Build a resident involvement platform that is seen as exemplary within the smaller housing association sector (planned for 2020/21 but could not be implemented due to Covid. Now expected 2021/22)	No immediate impact on VFM metrics, but enhanced knowledge and interaction with tenants could lead to efficiency gains / economies in tenant customer service processes later on, leading to enhanced tenant satisfaction.					
Undertake component replacement programmes, keeping homes maintained to an excellent standard. £217K invested in these activities during 2020/21.			Worsen if borrowing increased	Worsen	Worsen if depreciation increased	Could worsen. Depends on cost of components.

Corporate Objectives and Key Actions in 2020/21	Estimated Impact on Value for Money Metrics across next five years					
	Reinvestment	New Supply Delivered	Gearing	EBITDA ¹ Major Repairs included Interest Cover	Operating Margin	Return on Capital Employed
Deliver a digital communication offer that makes it easier for residents to engage with us (Common housing management and finance system being implemented with appropriately segregated costs for each partner).				Improve if costs reduce	Improve if costs reduce	Improve if costs reduce
Corporate Objective from 1 June 2020: Achieve efficiencies that enable resources to be redirected into the overall development of the organisations.						
Review the entire cost platform and generate savings through designing out duplicate processes				Improve	Improve	Improve
Introduce a new housing management database that drives effective data management, freeing up staff time to focus on supporting our residents better				Improve if costs reduce	Improve if costs reduce	Improve if costs reduce
Review overhead costs and be innovative in how and where we work without compromising our ability to deliver quality services.				Improve if costs reduce	Improve if costs reduce	Improve if costs reduce
Benchmark performance against organisations of a similar size and profile and aim to be above the median for all value for money metrics.	No immediate impact on VFM metrics, but benchmarking could reveal new areas of focus in terms of operating costs etc. Action to review such areas could lead to cost savings and / or other efficiencies which eventually feed through to the metrics.					

Note 1: Earnings Before Interest, Tax, Depreciation, Amortisation.

In line with the Regulator for Social Housing's requirement for Registered Providers to report their performance against seven value for money metrics, these indicators are included in the following table below:

Value for Money Metrics	SWHS 2021	SWHS 2020	Benchmark
Reinvestment %	7.41%	2.94%	3.62%
New supply delivered %	2.73%	-	-
Gearing %	27.6%	23.54%	16.67%
Earnings before interest, tax, depreciation, amortisation, major repairs included (EBITDA MRI) interest cover %	216.0%	248.9%	250.5%
Headline social housing cost per unit £K	4.5	4.3	4.6
Operating margin %			
▪ Social housing lettings only	34.5%	33.2%	18.1%
▪ Overall	26.6%	25.9%	17.5%
Return on capital employed (ROCE) %	1.96%	2.86%	2.35%

Note that these metrics are prepared in line with the definitions required by the Regulator for Social Housing, for this purpose.

The Society is a member of the South West Benchmarking (SWBM) group, facilitated by Acuity and regularly takes part in related benchmarking exercises.

The data shown in the table under the heading 'Benchmark' is the latest available benchmarking data from Acuity for 'Smaller Providers' (median values) across its network of 140 housing associations each managing up to 1,000 units. This report was published on 2 November 2020 (relating to data for the period April 2019 to March 2020).