



# Value for Money Strategy 2020 - 2025



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Accompanying Document - VFM Delivery Plan to March 2022

## 1. Introduction

### 1.1 Value for Money Strategy 2020-2025

The Value for Money Strategy 2020-2025 sets the principles and approaches for the Group (which comprises Southway Housing Trust, Southway Plus and Southway DevCo) over the next five years. The VFM Strategy sits alongside and informs all of Southway's other strategies and plans.

Achieving Value for Money is a core aim in everything we do.

The VFM Strategy has two parts:

- This overarching strategic aims and objectives document, which sets out Southway's current position in relation to efficiency and VFM objectives, considers the Regulators requirements, including reporting metrics, and sets efficiency targets.
- An accompanying delivery plan covering the period up to March 2022. This sets out what we will do to deliver VFM improvements including corporate themes and approaches, priorities for action in specific services and the customer experience.

How we manage our assets, balance cost, quality and tenant satisfaction, assess the social return on investment, derive value from the development programme and deliver profits from commercial activities are key factors which aid Southway's decision making processes when determining how to deploy resources for optimal benefit.

This Strategy has been written during the Covid period. This has a particular impact on the medium term delivery plan up to March 2022.

### 1.2 VFM Regulatory Standard

The Regulator's current VFM Standard was issued in 2018:

[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/919929/VfM\\_Standard\\_April\\_2018.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/919929/VfM_Standard_April_2018.pdf)

The Standard requires Registered Providers (RPs) to:

- clearly articulate the strategic objectives set by the Board;
- demonstrate delivery of value for money to stakeholders;
- ensure that optimal benefit is derived from resources, including returns from non-social housing activities;
- set targets for measuring performance in achieving value for money in delivering our strategic objectives;
- monitor delivery against these targets, including the assessment of VFM metrics and other indicators comparing performance to peers;

- outline measurable plans where improvements are required.

To supplement the VFM Standard the Regulator also issued a Code of Practice to aid RP's understanding of how compliance with the Standard would be assessed:

[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/686960/Decision\\_Instrument\\_16\\_VfM\\_Standard\\_-\\_FINAL.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/686960/Decision_Instrument_16_VfM_Standard_-_FINAL.pdf)

Compliance with the VFM Standard is assessed by officers annually and reported to the Parent Board in June.

Southway's statutory accounts and report of the Board incorporate the Annual VFM report. This sets out for stakeholders the information required in the VFM Standard and is published each year following the AGM in September.

### 1.3 Futures Strategy 2020-2025

Southway's vision is of "Thriving Communities". What this means and how we will achieve it are set out in the Futures Strategy 2020-2025.

Our strategic priorities are grouped into four themes, as summarised in the table below. There are VFM considerations in each area.

<b>People</b>	<b>Homes</b>	<b>Neighbourhoods</b>
We will provide homes that are affordable for the people who most need them.	We will maintain and improve our homes so that they are safe, secure and meet up to date standards	We will work with partners and the community to make sure our neighbourhoods are desirable and safe places to live with accessible and integrated services.
Our tenants and other customers will be at the heart of our services. We will be flexible, treat people as individuals and communicate effectively.	We will deliver our Carbon Reduction Strategy and make sure our homes are zero carbon by 2038	We will make the most of the unique selling points of our neighbourhoods, including our green spaces.
We will invest in people and their communities to tackle poverty and promote opportunity and provide support and advice when it is needed.	We will build 750 new affordable homes and generate cross subsidy from 150 private rent and sale homes delivered by Southway Plus.	We will make sure our neighbourhoods are age friendly, and that we tackle loneliness and isolation

### **A Social Business**

We are well managed and financially strong.

Our staff feel valued, are motivated by our shared vision, and are trusted to do the right thing.

Critical success factors have been set to track Southway's performance in delivering the objectives of its Futures Strategy. These are monitored by the Parent Board and for aspects directly affecting our tenants by the People and Places Committee.

The Value for Money Strategy contributes to the 'well managed and financially strong' theme. This means, as set out in the Futures Strategy 2020-2025, that:

"We are efficient, and productive, and our cost and performance benchmarking compares well with similar organisations in the sector. We are committed to retaining our high standing the with regulator of Social Housing, and making sure our tenants and other stakeholders have independent verification of our strong governance and delivery of value for money.

As a social business we want to make sure we focus our resources on the right things. The Board have a strong commitment to our communities, and set clear priorities. They lead and hold officers to account and oversee a corporate management framework that aligns financial, strategic, service and performance objectives."

Southway will:

- Comply with the Value for Money Regulatory Standard and maintain our G1 and V1 Regulatory Gradings.
- Continue to improve VFM, and monitor performance in comparison with peers using the Regulator's VFM Metrics and additional Sector Scorecard indicators.
- Set and achieve efficiency targets each year.
- Be accountable to our tenants and other stakeholders for the way we utilise our resources.

The accompanying VFM Delivery Plan sets out the areas we will focus on to achieve the aims of the VFM Strategy in the short to medium term

#### **1.4 Tenants' Voice**

Southway puts customers at the heart of everything it does. We want to make sure that our tenants and other stakeholders have a voice, that they support us to make the right decisions and deliver the right services in the right way.

Our governance structure is significantly strengthened by having tenant members as part of our Board and Committees. Our tenants bring local knowledge and an understanding of what is important in our neighbourhoods.

Through mechanisms identified in the Customer Involvement Strategy, there are also roles for the Customer Voice Panel, the Tenant Scrutiny Panel and hot topic groups to:

- influence the decisions taken by the Board and People and Places Committee about how we deliver our services
- scrutinise and challenge Southway's objectives and performance.

The role of the People and Places Committee will be strengthened as part of implementing the VFM Strategy 2020-2025. This will mean there is a greater focus and accountability on VFM when assessing service delivery policy and performance, as well making sure our tenants are able to question, challenge and inform the way resources are allocated and spent.

### Other expectations

The NHF has published an updated Code of Governance, which responds to themes identified in the Social Housing Green Paper. RPs adopting the Code will have to demonstrate that "The views and needs of their residents and other customers are at the heart of strategic decision-making." with a recognition that accountability to stakeholders is at the core of good governance.

Southway is committed to meeting this expectation.

At the time of writing this Strategy the Government had just published their long awaited Social Housing White Paper.

Those aspects of the White Paper which relate to VFM will be considered to determine if any further update is required to this Strategy.

## **2. Our Current Position**

### **2.1. Financially Strong and Efficient**

Southway is a financially strong and efficient organisation, as shown in the Regulators metrics and Sector Scorecard indicators, detailed below.

Previous VFM Strategies have set objectives and challenging targets to make sure that VFM is embedded into corporate planning processes and can be demonstrated to be improving over time

The previous 2018 to 2020 VFM Strategy has driven delivery of three high level improvement targets:

- Cost reductions of £550k pa were achieved, equivalent to c2.5% of operating costs.
- Development activity is on track to exceed the target of 1,000 new homes by 2026.

- The ICT Plan was successfully delivered with new office infrastructure, telephony, website and system improvements to support efficiency in service delivery.

Southway's cost base, the existing surplus generated from our homes, combined with the strength of the Business Plan, means the organisation is well placed to deliver the level of future investment needed to achieve the objectives of the Futures Strategy 2020-2025.

## **2.2. Regulator's VFM Metrics**

Annex 1 presents Southway's VFM metrics results for the 2 years 2018/19 and 2019/20 covered by the previous VFM Strategy. Southway's VFM metrics are all at or better than the North West median. The results show:

- Southway has a strong financial position evidenced by top quartile results for gearing, interest cover and return on capital employed.
- Reinvestment and new social housing supply are not yet at the higher levels projected in the 2018 Business Plan. This is due to delays in development scheme starts and completions. Improvement in these metrics will come as the development programme gathers pace. Higher gearing will also result from the planned levels of investment.
- A reduction was expected in the social housing lettings operating margin from 2018/19 to 2019/20 related to the final year of the -1% rent reductions. The outturn exceeded the 2018 projection due to good performance, unused contingencies set aside for the management of risk and improved rent collection performance which reduced bad debts.
- The overall operating margin increased in 2019/20, this reflects significant levels of surplus from shared ownership sales being delivered for the first time.
- The 2019/20 headline social housing result is similar to 2018/19 with only limited growth in operating costs due to the delivery of efficiency targets. Southway's social housing costs per unit is noticeably lower than most RPs. This relates to having fewer properties with support or service charges, and completion of the post transfer Home Improvement Programme. Detailed benchmarking in previous years has informed control of costs in Southway's core landlord services.

## **2.3. Sector Scorecard Indicators**

Southway also defines and tracks additional indicators by participating in the Sector Scorecard, a benchmarking tool which the majority of providers use. The results for 2019/20 and 2018/19, presented at Annex 2, show:

- Southway is reasonably well placed.

- The outcome of the 2018 STAR tenant satisfaction survey indicated 82% of respondents were satisfied/very satisfied. This was 6% below the sector median and a reduction compared to 86% in 2016. This was directly linked to performance issues in Property Services during 2018.
- Southway's investment in our communities continues to be more than three times the sector average on a per property basis, reflecting our strong commitment as a community based housing provider.
- Southway's overheads percentage was lower than the 2018/19 sector median.
- Very high occupancy rates at the end of March 2019, but a lower result in 2020 due in part to some delays in lettings arising during the early stages of Covid-19.
- Improvement in rent collection performance in 2019/20, a result which is within 0.2% of the top quartile for 2018/19.

For the bi-annual STAR survey, due in late 2020, we will be reviewing our approach to improve the response rate. In 2018 the majority of responses were received by post (90%). Survey results gained from a broader range of response mechanisms tend to be statistically more positive and may represent a broader demographic of customers.

#### **2.4. Economic Context**

The onset of Covid-19 has introduced significant challenges which affect the global and national economic position, as well as impacting directly on Southway and our tenants. Evaluation of sector performance information for 2020/21 and dialogue with other local RPs indicates Southway is affected to a similar degree to other organisations.

In this context it is even more important for Southway to deliver services efficiently, achieving the best possible outcomes with the resources available to us.

Southway has reassessed its financial strategy, including an updated Group Business Plan and a revised Budget to March 2022 which reflects the recovery plans which have been adopted in response to Covid-19. These were approved by the Parent Board in September 2020.

The Board has been clear that this is a time for the Trust to use its financial strength to protect services and to support our staff and tenants through a difficult time. This means that the VFM targets and approach over the first 2 years of this 5-year strategy will have a different focus to previous strategies where efficiency targets have been set to reduce costs.

The Business Plan includes adequate and appropriate allocations and provisions to mitigate further risk, balancing prudence and the need for strong financial management, whilst making sure we have the resources in place to deliver our vision and strategic priorities. Specifically, it:

- identifies the key business planning assumptions for the Group, and the changes in assumptions arising from the impact of Covid-19;
- examines the levels of prudence within assumptions;

- considers the key financial risks faced by Southway via stress testing;
- highlights the forecast cash position and timing of new borrowings;
- considers when the approach to the funding market should take place.

In summary, Southway's underlying financial position remains sound. The Group has an excellent basis upon which to deliver its core landlord services and community investment priorities, continue to grow and expand activities through development, whilst still delivering an adequate degree of prudence against risks.

### 3. Value for Money Targets

#### 3.1 VFM Metrics to 2024/25

Projections for the Regulator's VFM metrics have been drawn from the updated Business Plan adopted in September 2020. These are presented in Annex 3, excluding the contingencies and provisions which are included in the Business Plan to manage the risks which Southway faces.

The projections are shown by way of averages for the two years to March 2022 to reflect the recovery period and the following three years to March 2025.

To indicate the expected direction of travel an indicative quartile position has also been identified for each metric. This is based on the latest sector wide results for 2018/19 reported in Annex 1.

The results show:

- Significant reinvestment in property development and improvement of existing properties (ref. no. 1), and increasing levels of new stock in terms of both social (2A) and commercial property (2B). These three indicators are intended to be the top quartile at the end of the five years. As a consequence of this investment Southway's level of gearing increases to be above the current sector median (3).
- Interest cover remains very strong, in the top quartile for the sector throughout (4). Headline social housing costs are controlled effectively, moving into the second quartile when significant amounts are spent on home improvement works (5).
- Operating margins for social housing (6A) and overall (6B) are likely to remain in the third quartile given the mix of activities undertaken across the business. Return on capital is also strong, only moving to the second quartile when home improvement works increase combined with no RTB sales assumed after three years (7).

### **3.2. Sector Scorecard Indicators**

The targets for the Sector Scorecard Indicators are defined by quartile, set out in Annex 2.

### **3.3 Efficiency Targets**

Southway's original efficiency target for the current financial year was to deliver a 2% reduction on non-maintenance expenditure. The impact of Covid-19 meant that this objective was superseded by the revised budgets adopted for 2020/21 and 2021/22.

During the period to March 2022 the emphasis will be on constraining costs and delivering Southway's Covid 19 recovery plans. Engaging staff throughout the organisation and providing a focus on improvements achieved via Southway's Voyagers Programme will ensure the organisation is able to achieve efficiency gains to offset in part the budgetary pressures arising from the virus.

After the recovery period the position will be reassessed to assess how Southway can best get back on track with other objectives from the Futures Strategy. Targets will be reset. It would be expected the 2% pa efficiency target will be reintroduced from 2022/23 upon completion of the Covid-19 recovery plan.

### **3.4 Key Business Areas**

The Delivery Plan to March 2022 identifies improvements to be made across a range of key business areas. Targets include:

#### Corporate themes

- reviewing the Pay Policy and structure during 2021
- savings from the Voyagers efficiency programme, £100k during 2021/22
- delivering the ICT Plan to March 2022, supporting improvement in systems
- operating robust budgeting and financial control processes
- analysis of service area cost benchmarking results in January 2021
- securing access to additional amounts of loan finance at low interest rates

#### People, Homes and Neighbourhoods themes

- Our core landlord services and community investment activities are designed to help us achieve our vision of "Thriving Communities".
- We will listen and learn from our tenants and other customers about how services should be shaped during and after Covid. This includes the bi annual STAR survey.
- People and Places Committee will play a key role in assessing VFM, and setting meaningful measures and targets in the following service areas - considering cost, performance, satisfaction and outcomes in response to Covid-19.

### Rent Collection

- managing our response to Covid, including assessing resources vs performance
- tracking additional income from our Debt and Benefits advice service vs cost
- successful outcomes supporting tenants to achieve more sustainable finances

### Housing Management

- delivering Digital Access Strategy, lower cost collecting customer service request
- reviewing and developing measures of productivity
- assessing updated telephony requirements

### Community Investment and Age Friendly Living

- delivering the Community Investment Strategy
- achieving a minimum annual social value return of £3.1m for every £1m invested.
- benchmarking performance with other Greater Manchester Housing Providers
- developing an indicator that shows how our work positively reduces poverty

### Property Services:

- respond to the impact of Covid maintaining performance and efficiency
- measure and drive productivity, understand quality and levels of cost
- invest in managerial development - skills, knowledge and experience
- improve back office processes - consistency, efficiency and timeliness
- invest in electric vehicles and future proof infrastructure for the fleet

### Asset Management and Environment:

- carry out stock condition survey in 2021 and develop new asset strategy
- develop a procurement approach to future programmes of works
- adopt investment plans to reflect zero carbon objectives and available funds
- continue to deliver and promote our local environment Green Strategy

### Development Programme

- build the remaining 450 properties of the existing development programme
- implement our strategy to deliver a further 750 affordable homes by 2025
- deliver an additional 150 market rent and outright sales homes
- review procurement processes to ensure we maximise value for money
- design and build homes which are able to meet carbon reduction targets
- develop framework of indicators to benchmark performance

### Commercial Activities

- begin the delivery of Southway Plus objectives, by 2026:
  - o £3.5m profits to be returned by gift aid to the Trust
  - o 250 homes, comprising c140 market rent and c110 outright sale
  - o an asset base and track record that will enable independent borrowing
- improve the performance reporting arrangements of commercial activities
- review staffing, operational and Board arrangements
- design an annual review process to assess the optimal use of market rent stock.



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