



value for money strategy

2020-2023

1: Introduction

1.1 Irwell Valley Homes (IVH) is committed to providing Value for Money for our customers and other stakeholders who benefit from or support our services. This Value for Money (VfM) Strategy covers the period from 2021-24 and has been developed in the context of our strategic priorities and the external operating environment in which we operate.

1.2 For IVH, VfM means delivering high quality services and homes to both existing and new customers using an optimal combination of cost and quality, whilst at the same time ensuring the sustainability of our assets:

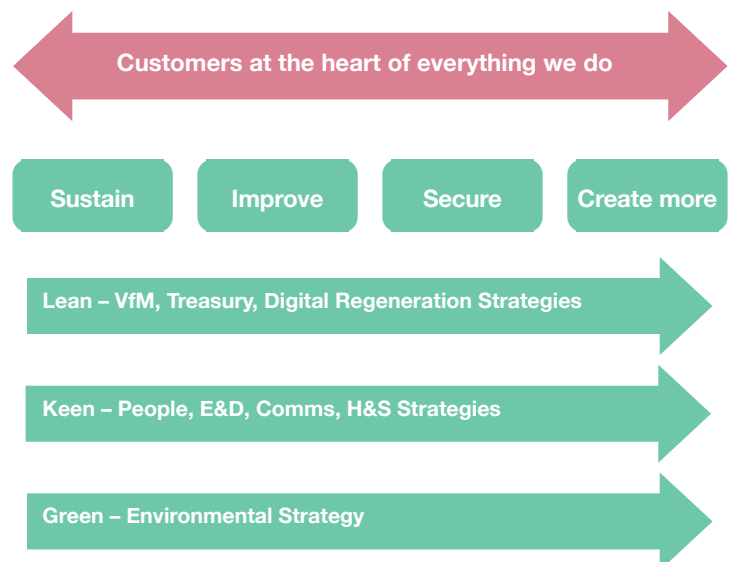
- Cost – consideration of both short term and whole life cycle costs;
- Quality – ensuring we provide services and homes that are fit for purpose and meet our standards, as described in our customer offer, as well delivering added social value;
- Sustainability – consideration of the economic, social and environmental impact of our assets.

1.3 The VfM savings that we achieve help us to maintain our financial strength and to maintain the confidence of external stakeholders. Surplus VfM gains are reinvested in:

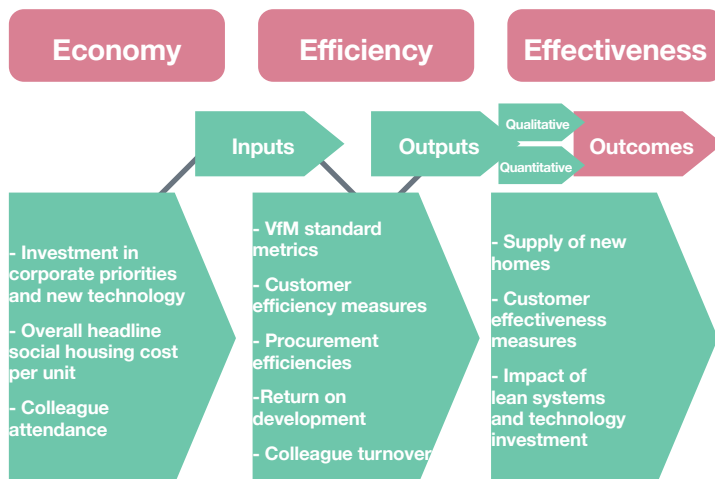
- New or improved services - to meet customer needs and preferences

- Existing homes - where this has an economic or social benefit, we will ensure we help customers live successfully in their homes and community
- New homes - which helps address the shortage of affordable homes as well as improving our asset base to ensure the long-term sustainability of our business.

1.4 The Corporate Plan, Plan 5.3.1. puts customers at the heart of everything we do. The Plan is focused around four key themes, which are underpinned by three enabling cross-cutting themes which also reflect our core behaviours.



- 1.5 Achieving VfM is often described in terms of the '3 E's' – economy, efficiency and effectiveness. IVH monitor the achievement of the 3 E's using the following Lean performance measures.



- Have appropriate targets in place for measuring performance.

- 2.2 In order to measure the performance of the housing association sector in a consistent way, the RSH has set a defined set of VfM performance metrics (known as the "core VfM metrics"). These metrics allow the Regulator and IVH, to compare performance against peer groups and to explain why performance differs from others, in the context of our own organisation and operating environment.

3: How VfM links to our Corporate Plan 5.3.1

- 3.1 The Board of IVH has set its own VfM metrics (shown in pink), which allow them to monitor the achievement of VfM in the delivery of Plan 5.3.1. We report performance against these metrics in addition to the RSH core metrics (shown in blue).
- 3.2 Each set of metrics range across our four key themes as well as our cross-cutting theme, Lean, Keen and Green within the Plan 5.3.1. (next page)

2: VFM Standard

- 2.1 The Regulator of Social Housing (RSH) has a VfM Standard, published in April 2018, which sets out the following requirements for all housing associations:

- A robust approach to decision making and a rigorous appraisal of potential options for improving performance;
- Regular and appropriate consideration by the board of potential VfM gains across their whole business;



SUSTAIN - We will help customers live successfully in their homes and communities

VFM Measure	Type of VfM	Link to our objectives
Investment in Sustain (annual measure)	<i>Economy</i>	Cost of delivering the Sustain objectives compared to Financial Plan target
Proportion of customers in arrears who are engaged	<i>Effectiveness</i>	<p>Percentage of customers in current arrears who are engaged with IVH and responsible for paying all or part of their rent.</p> <p>Engagement includes via a direct debit or arrears agreement, live financial support application, open financial inclusion case or Tenancy Sustainment Team case.</p>
Social value generated for customers	<i>Effectiveness</i>	<p>Number of customers supported into existing and/or new jobs</p> <p>Benefits and grants gained for customers (£)</p>

IMPROVE - We will deliver better services to meet customers preferences and needs

VFM Measure	Type of VfM	Link to our objectives
Investment in Improve (annual measure)	<i>Economy</i>	Cost of delivering the Improve objectives compared to Financial Plan target
Right first fix (RFF)	<i>Efficiency</i>	<p>The repair will considered Right First Fix when:</p> <ul style="list-style-type: none"> • The repair is diagnosed and remedied using van stocks at the first visit • Where multiple trades carried out their element of the repair in a single visit each <p>This is in line with the Housemark definition.</p>
Channel shift	<i>Efficiency</i>	Percentage of all customer-initiated transactions that are digital

SECURE - We will make sure homes remain safe, secure and affordable for customers

VfM Measure	Type of VfM	Link to our objectives
Investment in Secure (annual measure)	<i>Economy</i>	Cost of delivering the Secure objectives compared to Financial Plan target
Reinvestment % in new and existing homes	<i>Efficiency</i>	Includes investment in both existing stock as well as new supply as a percentage of the value of housing properties. Improvements in this indicator demonstrates we are using surpluses generated from day-to-activities, to reinvest in both existing and new homes. This helps to improve the sustainability of our assets as well as providing safe and affordable homes to more customers across the Greater Manchester area.
Ratio of responsive repairs to planned maintenance	<i>Effectiveness</i>	Having a low ratio of responsive repairs to planned maintenance indicates we are doing less reactive repairs because properties are being maintained at an increased level of quality. This also implies that the stock information we hold is up to date as planned maintenance allows for more coordinated and efficient use of resources.

CREATE MORE - We will house more people and reduce homelessness

VfM Measure	Type of VfM	Link to our objectives
Investment in Create More (annual measure)	<i>Economy</i>	Cost of delivering the Create More objectives compared to Financial Plan target
Overall void rent loss as a % rent and service charges due	<i>Efficiency</i>	Achieving a low % indicates we are turning void properties around quickly and meeting housing need
Return on development (annual measure)	<i>Efficiency</i>	The average operating surplus generated per new home (net rent, less management & maintenance, less overhead apportionment, plus surplus on sale)
New supply percentage a) Social housing b) Non-social housing	<i>Effectiveness</i>	The number of new social / non-social housing units that have been acquired or developed in the year as a proportion of total social / non-social housing units owned at period end, Providing safe and affordable homes to more customers across the Greater Manchester area.

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LEAN - Collaborating to review what we do and how we do it, making a difference for customers and driving value for money and effectiveness		
VfM Measure	Type of VfM	Link to our objectives
Gearing	<i>Efficiency</i>	<p>The proportion of our borrowing in relation to the size of our asset base – demonstrates our capacity to fund our plans for growth.</p> <p>Maintaining an appropriate level of borrowing in relation to our asset base ensures we are not over stretching our resources.</p>
EBITDA MRI	<i>Efficiency</i>	<p>The extent to which earnings before interest, tax & depreciation (<u>i.e.</u> cash surplus), cover interest costs. It is a key indicator for liquidity, financial <u>strength</u> and investment capacity</p>
EBITDA MRI – social housing (annual measure)	<i>Efficiency</i>	
Social Housing cost per unit	<i>Economy</i>	<p>Social housing cost includes management, service charge costs, routine & planned maintenance, major & capitalised major repairs, development services and other social housing costs.</p> <p>Provides a measure of how much we spend on our customers, homes, and overheads on a per property basis.</p>
Operating margin – social only	<i>Efficiency</i>	Operating surplus as a percentage of turnover, before exceptional expenses and interest costs.
Operating margin - overall		This metric indicates the profitability of our operating activities. As we become more efficient, this measure improves, and in turn will generate improvements in other metrics.
Return on capital employed	<i>Efficiency</i>	<p>Compares operating surplus to total assets less current liabilities.</p> <p>This measure indicates how efficiently we are using our assets to generate surplus</p>
Investment in technology	<i>Economy</i>	Proportion of IT spend on Business Change and Innovation
Procurement efficiencies	<i>Efficiency</i>	Level of cashable savings we have generated through tender processes to allow for reinvestment in the service or the wider business.



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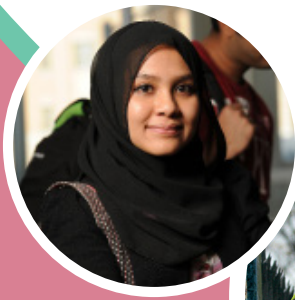
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KEEN - We take responsibility for promoting and protecting wellbeing

VfM Measure	Type of VfM	Link to our objectives
Colleague attendance	<i>Economy</i>	Average number of colleague short-term absence days
Colleague turnover	<i>Efficiency</i>	Percentage of colleague turnover

GREEN - We take responsibility for our environmental impact and consider it in everything we do. We make a difference by reducing our carbon footprint and aim to be carbon neutral by 2043

VfM Measure	Type of VfM	Link to our objectives
Investment in green technology (annual)	<i>Effectiveness</i>	Investment in green technology through Asset Management Programme and Development Programme, including funding through green grants
Improvements to the open environment (annual)	<i>Effectiveness</i>	Tree planting, improvements to green spaces



3.3 In 2021/22 we will start to collate information on the carbon footprint of our suppliers as well as starting to measure carbon reduction based on our new fleet. Once, we have a baseline measure for these, they will be added to our green VfM metrics in future years.

4: Measuring and reporting our VfM performance

- 4.1 The targets for the core VfM metrics are based on the Financial Plan and the targets for the additional metrics are set in the context of our Corporate Plan and three-year Procurement Plan. The targets for 2021/22 are set out in appendix one.
- 4.2 We report on the suite of metrics set out in this VfM Strategy to the Board on a quarterly or annual basis (where indicated), via the Finance Report and the statutory accounts.
- 4.3 The more detailed monitoring of delivery against the VfM Action Plan will be carried out by Leadership Team on a monthly basis via the Finance Report, with scrutiny from the Audit Committee as part of the quarterly VfM & Procurement Update report.
- 4.4 The Finance Business Partners in the Finance team will support individual budget holders in the identification and quantification of potential VfM savings. The VfM impact of all decisions is a key feature in reports to Leadership Team and Board.

5: Understanding our assets

- 5.1 Key to improving the overall performance of our property portfolio is using our asset data to make intelligence-led decisions. We will use our asset grading tool to assist with a range of investment decisions for our social, leasehold and commercial properties.
- 5.2 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 NPVs are classified under a Red-Amber-Green (RAG) rating system which provides an objective basis on which to make decisions on planned investment programmes.
- 5.3 During 2021/22 the tool will be reviewed and updated to ensure the indicators and data inputs are still appropriate, with particular focus on utilising the improved data from QL. The tool will be used to evaluate high value and difficult to let properties, to assess whether those properties should be invested in or as organisation we should look into other possible options such as sale/reclassification. The tool will also be used to evaluate properties that are outside of IVH's core areas.
- 5.4 Currently the asset grading tool indicates that only 5% of our assets have a red rating (negative NPV), which will lead us to conduct more detailed options appraisals for these assets, where applicable.
- 5.5 These appraisals will be carried out in accordance with an agreed strategic approach which considers:
 - Our core operating areas;
 - The varying investment needs of different property types;
 - Wider issues such as demand, neighbourhood issues and distance to services for our assets
 - Emerging investment requirements to achieve EPC C & carbon neutral standards.





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- 5.6 The options appraisals will consider remodelling/ further investment, tenure change or disposal of assets.

4: Responsibilities

- 6.1 The Board is ultimately responsible for setting the VfM Strategy and ensuring we are achieving VfM in all operations across our organisation. They must be satisfied the actions taken to improve our VfM metric performance are adequate and will generate the optimal benefit from our resources and assets.
- 6.2 The Audit Committee is responsible for monitoring and scrutinising the achievement of VfM metrics and the target efficiencies based on the three-year Procurement Plan.
- 6.3 Day to day responsibility for delivering VfM is delegated to the Leadership Team and budget holders.
- 6.4 Delivering our VfM targets requires an organisation-wide approach, that is embedded in the way we do things. VfM needs to be at the forefront of all investment decisions and plays a key part in process improvement. Collaboratively we need to prioritise our resources to deliver the best possible outcomes for customers and other stakeholders.

Regulator of Social Housing Metrics			
Metric	Type of measure	Definition	2021/22 Target
Reinvestment	Efficiency	Includes investment in both existing stock as well as new supply as a percentage of housing properties at cost (NBV)	12.6%
New supply: a) Social housing	Effectiveness	The number of new social / non-social housing units that have been acquired or developed in the year as a proportion of total social / non -social housing units owned at period end.	1.6%
Gearing ¹	Efficiency	Total borrowing less cash in bank, divided by housing properties at cost (NBV)	45%
EBITDA interest cover	Efficiency	The extent to which earnings (surplus) before interest, tax & depreciation, cover interest costs. It is a key indicator for liquidity & investment	120%
Headline social housing cost per unit	Economy	Social housing cost includes management, service charge costs, routine & planned maintenance, major & capitalised major repairs, development services and other social housing costs.	£3,353
Operating margin: a) <u>Social</u> housing b) Overall	Efficiency	Operating surplus as a percentage of turnover. It demonstrates the profitability before exceptional expenses and interest costs are considered.	31% Social 23% Overall (including fire remedial works)
Return on capital employed	Efficiency	Compares the operating surplus to total assets <u>less</u> current liabilities and is a measure used to assess the efficient investment of our capital resources	2.4%

1 - Note the RSH calculation of gearing is different to funders. It is based on net loans as a percentage of NBV housing properties, rather than properties at original cost (gross book value).

IVH Board of Management Metrics			
Metric	Type of measure	Definition	2021/22 Target
Sustain			
Investment in Sustain (Annual measure)	<i>Economy</i>	Total budgeted cost for meeting the corporate priority Sustain	£2.7m
Percentage of customers in arrears who are engaged	<i>Effectiveness</i>	Percentage of customers in current arrears who are engaged with IVH and responsible for paying all or part of their rent (including via a direct debit or arrears agreement, live financial support application, open financial inclusion case or Tenancy Sustainment Team case)	25%
Social value generated for customers (Annual measure)	<i>Effectiveness</i>	Number of customers supported into existing and/or new jobs Benefits and grants gained for customers (£)	50 £130k
Improve			
Investment in Improve (Annual measure)	<i>Economy</i>	Total budgeted cost for meeting the corporate priority Improve	£5.1m
Right First Fix (RFF)	<i>Effectiveness</i>	The repair will be considered Right First Fix when: <ul style="list-style-type: none"> • The repair is diagnosed and remedied using van stocks at the first visit • Where multiple trades carried out their element of the repair in a single visit each RFF repair will be measured as a percentage of all repairs where access was made available.	85%
Channel shift	<i>Efficiency</i>	Percentage of all customer-initiated transactions that are digital. The target of 30% is by the end of the financial year.	30%
Secure			
Investment in Secure (Annual measure)	<i>Economy</i>	Total budgeted cost for meeting the corporate priority Secure	£11.0m
Ratio of responsive to planned maintenance	<i>Efficiency</i>	Total investment in responsive, void and gas, as a percentage of investment in planned revenue compliance work and the capital asset management plan	40%
Create More			
Investment in Create More	<i>Economy</i>	Total budgeted cost for meeting the corporate priority Create More	£32.9m

IVH Board of Management Metrics			
Metric	Type of measure	Definition	2021/22 Target
Rent loss from voids – overall	<i>Efficiency</i>	Void loss as a percentage of total rent & service charges	1.3%
Return on development (annual measure)	<i>Efficiency</i>	The average operating surplus generated per new home (net rent, less management & maintenance & overhead apportionment, plus surplus on sale)	34%
Lean			
Investment in new technology	<i>Economy</i>	Proportion of IT spend on Business Change and Innovation Total IT capital investment budget £225k	18%
Procurement efficiencies	<i>Efficiency</i>	Level of cashable savings we have generated through tender processes to allow for reinvestment in the service or the wider business	£260k
Keen			
Colleague attendance	<i>Effectiveness</i>	Average number of colleague sick days over a year, excluding long term sick	2.5 days
% Colleague turnover	<i>Effectiveness</i>	Number of colleagues who have left Irwell Valley as a percentage of total number of colleagues	20%
Green			
Investment in green technology (annual)	<i>Effectiveness</i>	Investment in green technology through Asset Management Programme and Development Programme, including funding through green grants	£150k
Improvements to the open environment (annual)	<i>Effectiveness</i>	Tree planting, improvements to green spaces	Qualitative measure