



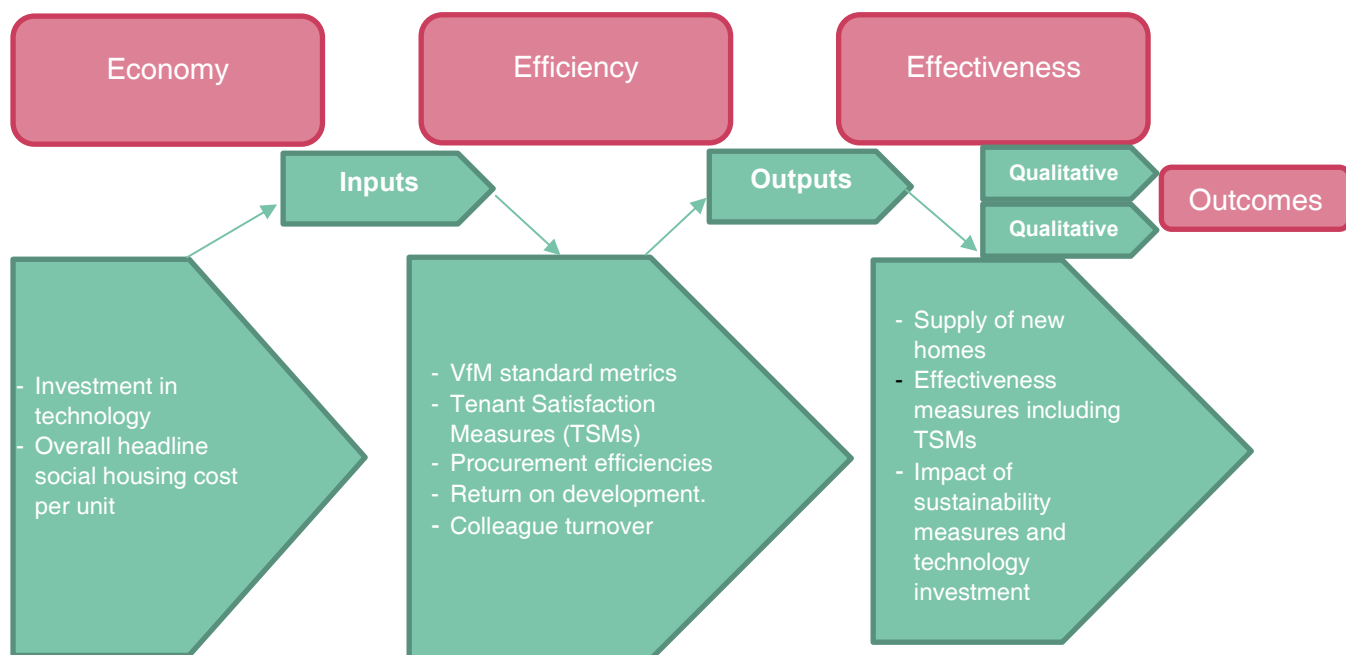
Irwell Valley Homes Value for Money Strategy

2023-26

1.0 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 2023-2026 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 efficiencies 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 Irwell Valley Homes' mission is *to ensure people live well in their homes and communities*. IVH are all about people. The people who live in our homes, the people living in the communities we serve, and the people we work with. They are at the heart of what we do. Each financial decision, operating decision and corporate decision IVH make is to ensure our mission is achieved.
- 1.5 Our mission is incorporated into the Corporate Plan through the following corporate priorities:
 - Providing safe and good quality homes and services
 - Making a difference in the communities we serve
 - Providing more affordable homes
 - Supporting colleagues to enjoy work, learn and grow.
- 1.6 The way we reinvest our VfM gains ensures we are working towards achieving our corporate priorities. Achieving VfM is often described in terms of the '3 E's' – economy, efficiency and effectiveness.

1.7 IVH monitor the achievement of the 3 E's using the following performance measures:



2.0 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.
- 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.

3.0 How VfM links to our corporate plan

- 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 Corporate Plan. We report performance against these metrics in addition to the RSH core metrics (shown in green).
- 3.2 Each set of metrics range across our four priorities to help achieve our overall corporate mission.

Providing safe and good quality homes and services		
VfM Measure	Type of VfM	Link to our corporate plan
Right first fix (RFF)	<i>Efficiency</i>	The repair will be considered Right First Fix when: <ul style="list-style-type: none"> • The repair is diagnosed and fixed using van stocks at the first visit. • Where multiple trades carried out their element of the repair in a single visit • Repairs completed within target timescales. This is in line with the TSM definition.
Channel shift	<i>Efficiency</i>	Percentage of all customer transactions that are digital
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 these indicators demonstrate 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. This indicates 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.

Making a difference in the communities we serve		
VfM Measure	Type of VfM	Link to our corporate plan
Proportion 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. Engagement includes via a direct debit or arrears agreement, live financial support application, open financial inclusion case or Tenancy Sustainment Team case.
Social value generated for customers	<i>Effectiveness</i>	Number of customers supported into existing and/or new jobs. Benefits and grants gained for customers (£)

Providing more affordable homes		
VfM Measure	Type of VfM	Link to our corporate plan
New Supply percentage - Social housing - Non-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. Providing safe and affordable homes to more customers across the Greater Manchester area.
Void rent loss as a % rent due – social housing	Efficiency	Achieving a low % indicates we are turning void properties around quickly and meeting housing need
Return on development (annual measure)	Efficiency	The average operating surplus generated per new home (net rent, less management & maintenance, less overhead apportionment, plus surplus on sale)

Supporting colleagues to enjoy work, learn and grow.		
VfM Measure	Type of VfM	Link to our corporate plan
Investment in technology	Economy	Proportion of IT spend on Business Change and Innovation
Colleague attendance	Economy	Average number of colleague short-term absence days
Colleague turnover	Efficiency	Percentage of colleague turnover

Financial Metrics		
VfM Measure	Type of VfM	Link to our corporate plan
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 social housing (annual measure)	<i>Efficiency</i>	<p>The extent to which earnings before interest, tax & depreciation (i.e., cash surplus), cover interest costs. It is a key indicator for liquidity, financial strength, and investment capacity</p>
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 Operating margin - overall	<i>Efficiency</i>	<p>Operating surplus as a percentage of turnover, before exceptional expenses and interest costs.</p> <p>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.</p>
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>
Procurement efficiencies	<i>Efficiency</i>	<p>Level of cashable savings we have generated through tender processes to allow for reinvestment in the service or the wider business.</p>

4.0 Measuring and reporting our VfM performance.

- 4.1 The targets for the core VfM metrics are based on figures generated within 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 2023/24 are set out in appendix one.
- 4.2 We report on the suite of RSH 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 & Risk 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 efficiencies. The VfM impact of all decisions is a key feature in reports to Leadership Team and Board.

5.0 Understanding our Properties Assets

- 5.1 In 2022/23, IVH commissioned a 40% stock condition survey of its social housing to enhance the data we hold in relation to our homes. This survey data has enabled us to extrapolate the 30-year cost requirements across all of our stock, as well as providing valuable data in relation to health & safety (including damp & mould) and energy performance data.
- 5.2 The asset management team will use this information to develop a new 30-year Asset Management Plan, which takes into account Board priorities around improving thermal efficiency of our homes, our own investment standards, and required smoothing of programmes to ensure they can be delivered in the most cost-effective way and can be accommodated within the Financial Plan.
- 5.3 To supplement the external survey data and to facilitate long term asset planning and knowledge in-house, we also recruited a new stock condition surveyor, with the aim of completing 100% surveys on a rolling 5-year programme, approximately c2,000 per annum.
- 5.4 We will continue to collect component data, refresh and update our asset database on an ongoing basis to ensure a holistic view of our property datasets for current and future requirements is obtained and maintained, both in relation to condition and overall performance as an asset.
- 5.5 An additional set of SAP, EPC and carbon measurements will be incorporated into the survey, mirroring the external survey forms, to inform planning. Along with the data from the external stock condition surveys, this rolling EPC data will feed into our energy performance DREam software to ensure we are able to secure appropriate funding opportunities as they emerge. This will also help us to meet our sustainability targets of becoming carbon zero by 2050 and enable us to take long term viability reviews to ensure our existing stock can continue to meet the needs of customers in a cost-effective way.
- 5.6 Using the data set above, we can analyse the performance of our properties and initiate a detailed option appraisals where applicable, where considerations of remodelling/further investment, tenure change, or disposal of assets will be assessed.

6.0 Environmental, Social and Governance

- 6.1 As well as monitoring against the VfM metrics noted above, IVH have also set out our approach to delivering social purpose, having a positive impact on the environment and remaining a well-managed organisation within our Sustainability Framework. Within the framework we have a number of future targets to increase the impact we make to our community and environment every year.
- 6.2 Within the IVH VfM metrics we have included specific measures to monitor our carbon footprint and impact on the environment.

VfM Measure	Type of VfM	Link to our objectives
Investment in green technology (annual)	Effectiveness	Investment in green technology through Asset Management Programme and Development Programme, including funding through green grants
Improvements to the open environment (annual)	Effectiveness	Tree planting, improvements to green spaces
Properties reaching EPC level C	Efficiency	Percentage of properties reaching Energy Performance Certificate Level C

7.0 Responsibilities

- 7.1 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.
- 7.2 The Audit & Risk Committee is responsible for monitoring and scrutinising the achievement of VfM metrics and the target efficiencies based on the Procurement Plan. Day to day responsibility for delivering VfM is delegated to the Leadership Team and budget holders.
- 7.3 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.

8.0 Links to other strategies and policies

8.1 This strategy is linked to:

- Asset Management Strategy
- Three-year Procurement Plan
- Procurement Strategy
- Sustainability Framework
- Financial Regulations
- Environmental Strategy
- Development Strategy

Metric	Type of measure	Definition	2023/24 Target
RSH Metrics			
Reinvestment	Efficiency	Includes investment in both existing stock as well as new supply as a percentage of housing properties at cost (NBV).	8.77%
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.	0.43%
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 & deprecation, cover interest costs. It is a key indicator for liquidity & investment <i>*(NB Variance to financial plan as includes interest receivable and sale of S/O properties)</i>	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.	£3,745
Operating margin: a) Social housing b) Overall	Efficiency	Operating surplus as a percentage of turnover. It demonstrates the profitability before exceptional expenses and interest costs are considered.	28% 28%
Return on capital employed	Efficiency	Compares the operating surplus to total assets less current liabilities and is a measure used to assess the efficient investment of our capital resources	2.85%

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	22/23 Target	2023/24 Target
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)	45%	43%
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	200 £150k
Right First Fix (RFF)	<i>Effectiveness</i>	The repair will 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%	85%
Channel shift	<i>Efficiency</i>	Percentage of all transactions with customers that are digital.	30%	30%
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	42%	40%

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Metric	Type of measure	Definition	22/23 Target	2023/24 Target
Rent loss from voids – social	<i>Efficiency</i>	Void loss as a percentage of total social housing rents	1.1%	1.14%
Investment in new technology	<i>Economy</i>	Proportion of IT spend on Business Change and Innovation. Total IT capital investment budget £261k, exclude capitalised salaries (Total for calculation includes both Capital and Revenue Spend)	25%	25%
Procurement efficiencies	<i>Efficiency</i>	Level of cashable savings we have generated through tender processes of the contracts procured within the financial year, to allow for reinvestment in the service or the wider business (excluding cost avoidance). The efficiencies have been achieved through the re-procurement of services, supplies and materials through consolidation of spend, supplier relationships, re-engineering, manufacturer reviews, market knowledge and benchmarking.	£460k	£360k
Colleague attendance	<i>Effectiveness</i>	Average number of colleague sick days over a year, excluding long term sick	2.5 days	4 days
% Colleague turnover	<i>Effectiveness</i>	Number of colleagues who have left Irwell Valley as a percentage of total number of colleagues	20%	20%
Investment in green measures (annual)	<i>Effectiveness</i>	Investment in green measures through Asset Management Programme and Development Programme, including funding through green grants	£100k	£1.5m
Improvements to the open environment (annual)	<i>Effectiveness</i>	Tree planting, improvements to green spaces	Qualitative measure	Qualitative measure

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EPC C or above	<i>Effectiveness</i>	Additional properties at EPC C or above by 2024/25 (Year 2)	100	200
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)	57%	70%