

LHP

**Approach to
Value for Money**

1. BACKGROUND

1.1. Lincolnshire Housing Partnership (LHP) exists to provide great homes, in strong communities across Lincolnshire. We have set ourselves six strategic priorities in our 2019-2023 Corporate Plan:

- Deliver quality services
- Invest in existing homes and estates
- Build new and regenerate homes
- Listen to and empower tenants
- Support and develop colleagues
- Ensure strong governance and finance

1.2. Value for Money (VfM) is intrinsic to the delivery of our strategic priorities and this document sets out our approach to ensuring we make the best possible use of our resources in order to maximise the available investment to support each of our priorities and that each pound spent delivers the best outcomes for our tenants in delivery of our corporate plan.

2. REGULATION

2.1. The Regulator of Social Housing published a revised Value for Money Standard in 2018. The standard clearly set out the required outcomes for Registered Providers of which this document seeks to directly address two:

- The requirement to have an approach agreed by the Board to achieving VfM in meeting our strategic objectives and that demonstrates delivery of value for money to our stakeholders.
- We must ensure that optimal benefit is derived from resources and assets and optimise economy, efficiency and effectiveness in the delivery of our strategic priorities.

3. WHAT VfM MEANS AT LHP

3.1. Value for money is the term used to assess whether or not an organisation has obtained the maximum benefit from the goods and services it acquires and/ or provides, within the resources available to it.

3.2. 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.

3.3. Our key objective is to deliver our strategic priorities and achieve low input, high productivity and impactful outcomes (figure 1)

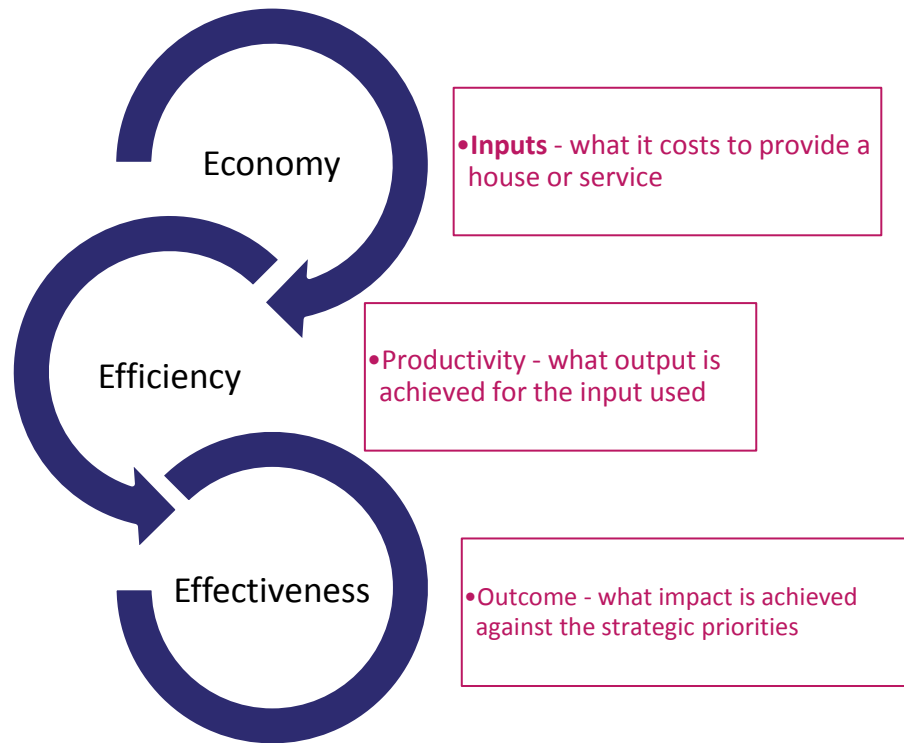


Figure 1

4. OUR APPROACH TO DELIVERING VFM

4.1. Key Principles

4.2. LHP's VfM principles are to:

- Generate and maintain resources to support delivery of the priorities within the corporate plan. Demonstrate our accountability to our customers and stakeholders
- Provide assurance to our Non-Executive Directors that our approach is effective and delivers our organisational objectives
- Ensure we understand the costs of our service provision and direct resources appropriately
- Decisions on VfM will always be taken within the context of the social purpose and business objectives of our organisation.

4.3. Strategies

4.3.1. We believe that VfM should be an integral part of delivery of our strategic priorities and it must be embedded in all activities and decisions.

4.3.2. There are a number of key strategies that help us deliver our value for money objective and these are linked to our Corporate Plan, Business Plan and our Performance Management Framework.

4.3.3. Our Asset Management Strategy and Asset Growth Strategy helps us to deliver key elements of our strategic aim of 'Great Homes in Strong Communities' They provide a framework for LHP to manage our stock proactively; grow in a planned and meaningful way and support business plan objectives. They link the

knowledge of the stock gained to date, the property requirements in response to local demand and customer aspirations and what is affordable in the Business Plan.

4.3.4. The Digital Transformation Strategy will aim to deliver efficiency savings through the effective use of technology. All new technology will be assessed through a Business Case that sets out benefits and improvements and expected return on investment.

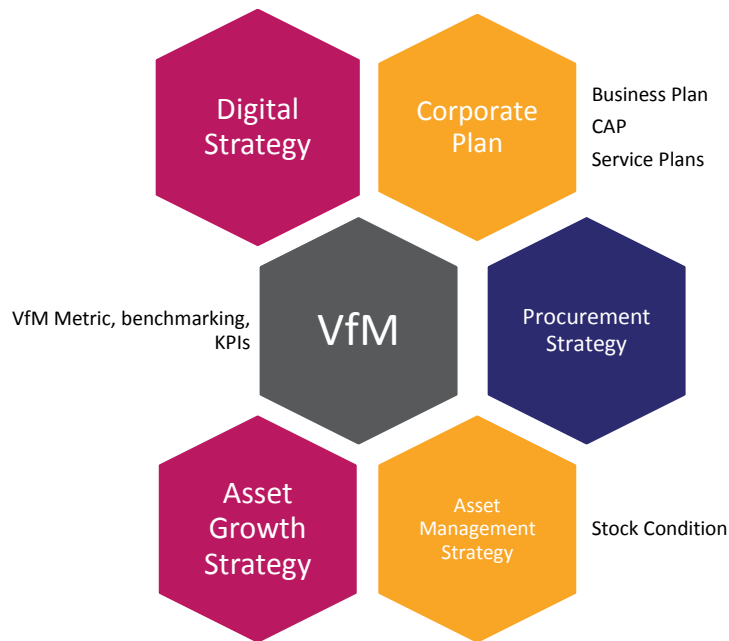


Figure 2

4.4. Procurement

4.4.1. We recognise that if we can maximise VfM from our buying activities, then we can continue to invest in our services. Procurement is managed by a specialist team that supports the business by providing solutions tailored to its needs through developing purchasing frameworks and compliant contracts.

4.4.2. All arrangements are reviewed for efficiency, effectiveness and economy at the point of renewal or placement of new business. The social value of contracts is assessed and considered to see if better processes, services or management information are available to the Group. Where possible, cost reductions are achieved. However some procurement category pricing is dependent on commodity pricing which we have little control over, e.g. utility contracts.

4.5. Customer Involvement

4.5.1. We engage and involve our customers as part of our VfM activities. This includes:

- Involvement within our rent and service charge setting process.
- Input into Board reporting on VfM through Tenants Scrutiny Panel.
- Implementation of actions agreed by the Scrutiny Panel which focus on improving service delivery to tenants.

- A commitment in our Corporate Plan to consult with tenants on 100% of customer facing projects

5. CONTROLS

5.1. To ensure effective use of resources and delivery of VFM we will:

- Understand our costs so there is clarity of cost drivers for our services.
- Set KPI's and monitor performance against agreed corporate priorities
- Manage expenditure through effective budgetary control.
- Ensure that all significant business decisions have a robust option appraisal or business case for new investment which at least meets a target rate of return. Where we do accept a lower financial return to achieve other strategic objectives, we justify this approach. For such decisions outcomes are monitored and reported.

6. PERFORMANCE REPORTING AND BENCHMARKING

- 6.1. We will report against the VfM metrics prescribed by the RSH (appendix A)
- 6.2. We will develop a suite of KPIs that demonstrate delivery of our strategic priorities
- 6.3. We will review our service provision against external sources e.g. RSM Benchmarking Club, Housemark, RSH Global Accounts, and external publications to enable us to assess our position against comparable organisations.
- 6.4. We will engage with our customers to involve and obtain feedback on our VfM progress including through our satisfaction survey process and our tenant forums.
- 6.5. We will incorporate within our financial planning a set of efficiency improvements within our long term financial plans for identified activities. This enables us to identify areas for re-investment of operating cash flows to resource other activities.

7. ROLES & RESPONSIBILITIES

7.1. The Board, through the Executive Leadership Team (ELT):

- Have responsibility for the delivery of VFM activities within the organisation
- Review and approve the Approach to VfM each year
- Review progress of VfM objectives through monitoring progress against corporate priorities and business plan objectives
- Consider VFM within all board reports.
- Review 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.

7.2. We recognise our employees are essential to the delivery of the above framework and we have a central procurement team, budget holder responsibility and senior management lead to embed VFM within the Group.

8. MONITORING & REVIEW

8.1. Our approach to VfM will be reviewed annually by the Board.

8.2. Progress against the key VfM metrics will be reported to the Board 6 monthly

APPENDIX A

VfM Metrics and current performance March 2019

| VfM Metrics | 2018 Budget | 2018 Forecast | 2019 Budget | 2018 Global Accounts |
|---|-------------|---------------|-------------|----------------------|
| Metric 1 – Reinvestment Percentage | 12.00% | 11.50% | 7.60% | 5.00% |
| <i>*Metric 2 – New Supply delivered percentage</i> | | | | |
| New Supply Delivered – Social housing Units | | | | 1.56% |
| New Supply Delivered (Non- Social housing units (Intermediate Rent) | | | | 0.07% |
| Metric 3 - Gearing Percentage | 54.80% | 54.60% | 52.20% | 51.00% |
| Metric 4 – EBITDA MRI Interest Cover Percentage | 142.70% | 147.80% | 127.10% | 169.00% |
| Metric 5 – Headline social housing cost per unit | £3,081.01 | £3,084.03 | £3,545.70 | £3,445.72 |
| <i>Metric 6 – Operating Margin Percentage</i> | | | | |
| Operating Margin – Social Housing Lettings only | 20.00% | 21.80% | 23.60% | 32.00% |
| Operating Margin – Overall | 21.90% | 24.20% | 24.10% | 29.00% |
| Metric 7 – Return on Capital Employed | 4.33% | 4.33% | 4.44% | 3.70% |

*No budget figure has been provided for Metric 2. The value is impacted by the tenure of properties developed, with s. 106 scheme acquisition properties being reported separately from Social Housing units. The analysis will be reported via the Asset & Investment Committee following the completion of schemes.