



2019/20

Annual Value for Money Statement





What Value for Money means

Salix Homes is committed to ensuring that all the services delivered provide Value for Money (VfM) and is very much linked to the delivery of our Corporate Plan objectives; providing a high quality service to our customers and colleagues; optimising our income and financial return on our assets; improving the quality of life of our customers and those who live in our communities and increasing efficiency in the delivery of our services and use of resources, as detailed in our 'Rethinking Housing'¹ document.

Salix Homes has developed and embedded a VfM framework containing 4 principles which constitutes VfM:

- V1 - Providing a high quality service to our customers and colleagues
- V2 - Optimising our income and financial return on our assets
- V3 - Improving the quality of life of our customers and those who live in our communities
- V4 - Increasing the efficiency in the delivery of our services and use of resources

The framework combines VfM metrics set by the Regulator of Social Housing (RSH), Corporate Plan indicators and Operational indicators. Salix Homes closely monitors how we perform against the framework to assist in assessing how we are providing VfM in achieving our objectives.

The 2019/20 financial year was the final year to complete our transfer commitment of achieving 100% decent homes by 2020. This explains why current costs, seen in this report, are relatively high compared to peers.

This year also marked the next stage in our journey in becoming a forward-thinking housing

association of the future – enabling us to implement our digital ambitions and improve our services.

Substantial savings have already been delivered through Salix Homes relatively short lifespan, particularly through the 'Shaping Our Future' initiative following the rent cuts in 2015.

2019/20 was also the final year of the Corporate Plan 'Let's grow together'. Salix Homes performed well against some very ambitious targets. Placing the company in a strong position for our next Corporate Plan 'Our Future'. We continue to perform well against Operational performance indicators and regularly benchmark these against peers. However, there are areas where we are not meeting our targets, and we have plans in place to deliver improvement. We remain well placed to deal with the impact of Universal Credit and Housing Compliance in Salford and have continued to monitor and develop actions to mitigate against these.

A key tool we have utilised to deliver VfM is the PAVE asset evaluation tool. We used this model to inform our asset investment in sheltered housing. We continue to develop the latest update to which, utilising 2019/20 costs, will be presented to Board in November 2020. This will enable Board to once again consider options around our lower performing and less sustainable properties.

Social value remains important to Salix Homes, both through our involvement in the Greater Manchester Housing Providers (GMHP) social value projects and through our Social Impact report².

¹ www.salixhomes.org/2020-plan

² www.salixhomes.org/socialvalue

Value for Money Metrics

The RSH detailed nine financial metrics to be measured and reported as part of the VfM Standard. Targets for 2019/20 were approved by Board in March 2019 based on the 2019/20 financial business plan and the table below shows the actual performance compared to the target. The table also shows the actual performance for 2018/19, expected performance for 2020/21, 2021/22 and 2022/23 and actuals for our peer group for 2018/19. The metrics for ease of reference are:

- 1 = % reinvestment
- 2A = % new supply delivered (social)
- 2B = % new supply delivered (non-social)
- 3 = gearing
- 4 = % EBITDA – MRI
- 5 = headline social housing cost per unit
- 6A = operating margin (social housing lettings)
- 6B = operating margin (overall)
- 7 = return on capital employed

VfM Metrics	Actual 2018/19	Peer Group 2018/19	Target 2019/20	Actual 2019/20	Target 2020/21	Target 2021/22	Target 2022/23
1	23%	8.09%	27.99%	26.72%	19.59%	13.37%	4.28%
2A	0.05%	0.52%	0.69%	0.32%	1.01%	0.69%	3.59%
2B	0.11%	0.00%	0.00%	0.11%	0.22%	0.20%	0.00%
3	28%	35%	43%	41%	43%	45%	41%
4	-788%	148.3%	-850%	-889%	-39%	37%	96%
5	£6,264	£3,510	£6,902	£7,155	£4,845	£4,383	£4,198
6A	17%	25.4%	16.66%	16.32%	14.64%	16.13%	18.26%
6B	15%	23.8%	16.84%	12.79%	15.24%	16.72%	18.41%
7	4.12%	5.14%	3.96%	3.85%	4.08%	5.06%	5.36%

Table 1 VfM Metrics

The comparator peer group of 12 housing associations³ has been selected from more recent stock transfer organisations, also taking account of stock numbers and location to reflect similar social demographics.

Overall, the metrics very much reflect that Salix Homes has just completed the final year of delivery of the offer document promises and continued significant financial investment into our existing properties to meet the Decent Homes standard, 2019/20 being the final year of significantly high investment spend. In order to demonstrate the impact of this, the projected metrics for 2020/21 to 2022/23, taken from the March 20 financial business plan, have been included to show a longer term comparison. The business plan and these metrics will be regularly reviewed in light of Covid-19. The following paragraphs consider the performance against each metric.

³ Peer Group for Housemark Bolton at Home, Cobalt Housing, Community Gateway Association, Great Places Housing Group, livin, Magenta Living, Northwards Housing, One Vision Housing, Regenda Group, Rochdale Boroughwide Housing, West Lancashire Borough Council, Wythenshawe Community Housing Group

Metric 1 - % reinvestment

The metric for reinvestment reflects the final stage of the Decent Homes investment programme which has resulted in us achieving 100% decency as at 31 March 2020. We are continuing our two development projects, Beechfarm and Canon Green Court, as referred to in more detail in the overview of the business on page 5 and 6. In 2019/20 we delivered over £29m of works to our existing properties to deliver the Decent Homes programme and also continued with our replacement cladding and fire safety programme which is due to complete in 2020/21. This is the primary reason why the reinvestment percentage is higher than the peer group average. The targets moving forward reflect the lower level of investment required looking ahead, given that all homes are now fully decent, but remains higher than the peer average due to the development schemes and cladding mentioned above. In late March 2020 we acquired 20 properties from Great Places Group. We were also successful with two bids for land acquisitions which are projected to take place and start on site in 2020/21. When the development schemes and cladding are completed the metric drops to 4% by 2022/23.

Metric 2A - % new supply delivered (social)

The trends above are broadly reflected in metric 2A, relating to new social housing units delivered, subject to the slight lag in terms of the actual completion of new units versus the spend profile, our development programme is currently modelled until 2022/23.

Metric 3 – Gearing

In 2019/20 we drew down funds of £26.5m in order to complete our decent homes programme and continue with our development programme, the gearing at 41% is slightly below the budget of 43%, this is due to a higher opening cash balance than expected. Given the differing circumstances of peers it is difficult to draw comparisons to the peer average, but it is reasonable to say that our results are well within the covenant limits expected of traditional loan covenants.

Metric 5 - Headline social housing cost per unit

The major investment in properties to achieve the Decent Homes target by March 2020 and cladding works on some of our high rise blocks is the primary reason why the headline social housing cost per unit is high at £7,155 in 2019/20, when compared to the peer average. The major investment and cladding works contribute approximately 54% of the overall cost per unit in 2019/20 with the other social element being 3%. This other social element relates to the Trafford homelessness service which we manage on behalf of the council. This contract has now been retained in 2020/21 to continue for another year, although this was not assumed in the budget. The lower level of investment required and the assumed hand back of the homeless service results in a reduced 2020/21 target cost of £4,845 per unit, this is now coming more on par with the peer average.

Metric 7 - Return on capital employed

The high investment in our assets to achieve decency and the replacement cladding programme is providing a positive result in this area and shows we are performing better than the peer average. Although homes are 100% decent as at March 2020, there is a long term debtor within the accounts to reflect the remaining 10 years of the VAT shelter agreement with the Council and as this starts to reduce in future years, and the operating surplus increases through then the table above demonstrates the target increasing.

Metric 2B - % new supply delivered (non-social)

This trend is in line with 2A and relates to the completion of properties for outright sale, this metric also includes our private sector letting arm which continues to grow with conversions and property acquisitions. The extra supply in this area will continue to support our charitable aims and objectives through cross subsidy. No post 2020 assumptions have been set for our PSL portfolio.

Metric 4 - % EBITDA – MRI

Although EBITDA-MRI at -889% is slightly behind the expected performance of -850%, this is mainly due to the operating surplus being lower than expected following the re-measurement of the pension scheme under FRS17. The level of this metric reflects the final stage of our Decent Homes investment journey and our completion of the cladding programme in 2020/21. This metric returns to a positive position in 2021/22.

This metric is projected to be at 96% in 2022/23 which is moving in the direction of being more comparable to the peer group average. It should be noted that as a Large Scale Voluntary Transfer organisation, financial covenants are based on a cashflow deficit basis, rather than interest cover, but as EBITDA-MRI moves towards a positive figure then we will work with our funders to move to more traditional covenants. This supports our long term development aspirations.

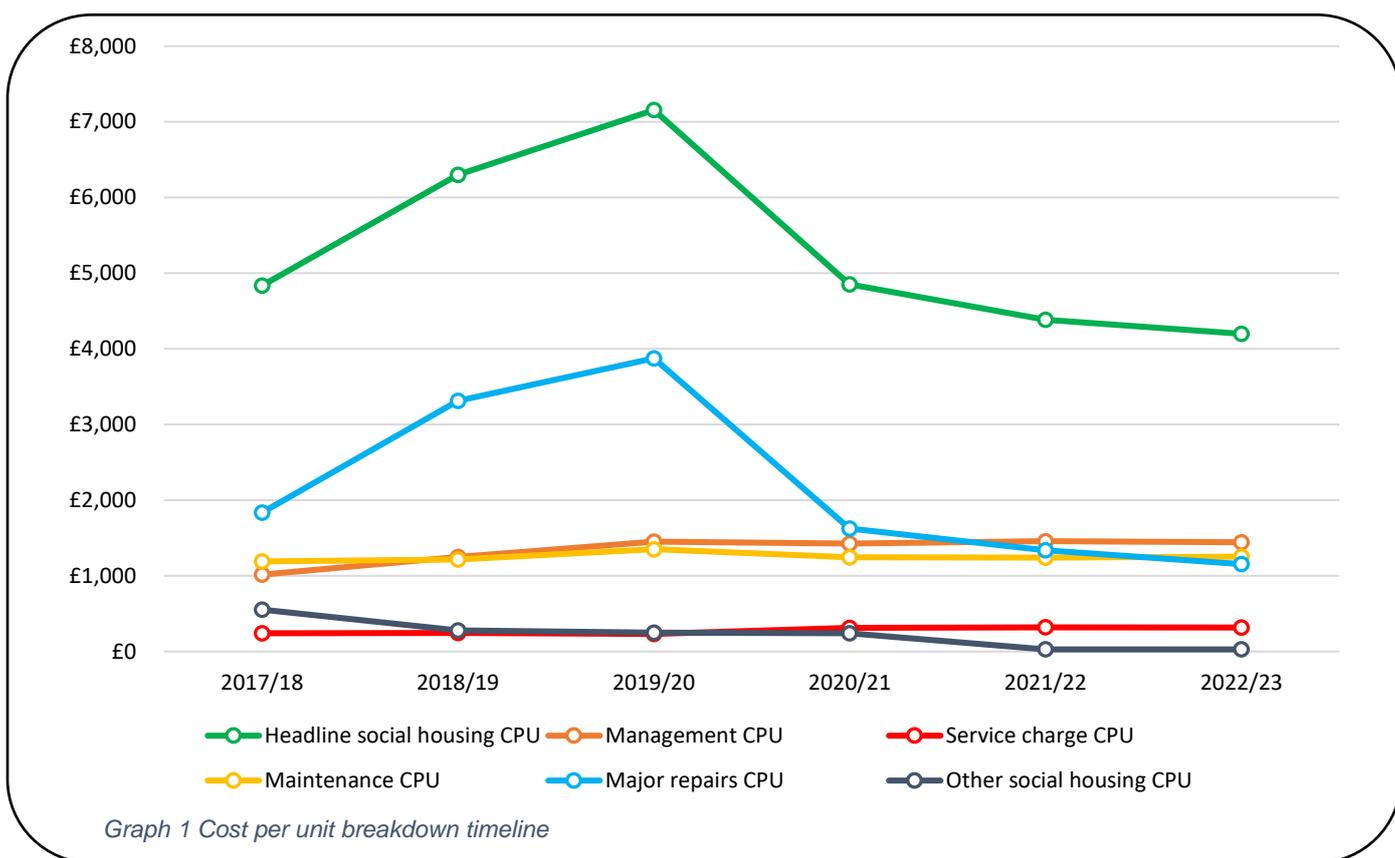
Metric 6A & 6B - Operating margin (social housing lettings and overall)

The overall operating margin in 2019/20 at 12.79% is in below the target of 16.84%, this is primarily due to the re-measurement of the pension scheme under FRS17. If the pension deficit movement is excluded (which is non-cash) the operating margin would increase to approximately 16.65%. Our targets moving forward show an expected increase in this margin and we are working to understand those areas of expenditure that significantly differ in our respective organisations and the reasons for these. We will consider these as part of annual budget setting and financial business planning processes, to inform future VfM metric targets.

The code of practice that supports the VfM standard states that registered providers must understand absolute costs, how these have moved over time and how these compare. Utilising global account data, we can understand the breakdown of the overall cost per unit and compare our position to our peer group, as below:

Cost Per Unit	2017/18	2018/19	2018/19 Peer Group	2019/20	2020/21	2021/22	2022/23
Headline social housing CPU	£4,836	£6,301	£3,510	£7,155	£4,854	£4,384	£4,198
Management CPU	£1,016	£1,249	£1,062	£1,450	£1,426	£1,458	£1,444
Service charge CPU	£242	£246	£246	£232	£311	£319	£317
Maintenance CPU	£1,191	£1,214	£978	£1,352	£1,245	£1,240	£1,254
Major repairs CPU	£1,835	£3,313	£910	£3,874	£1,623	£1,339	£1,155
Other social housing CPU	£553	£279	£157	£248	£240	£28	£28

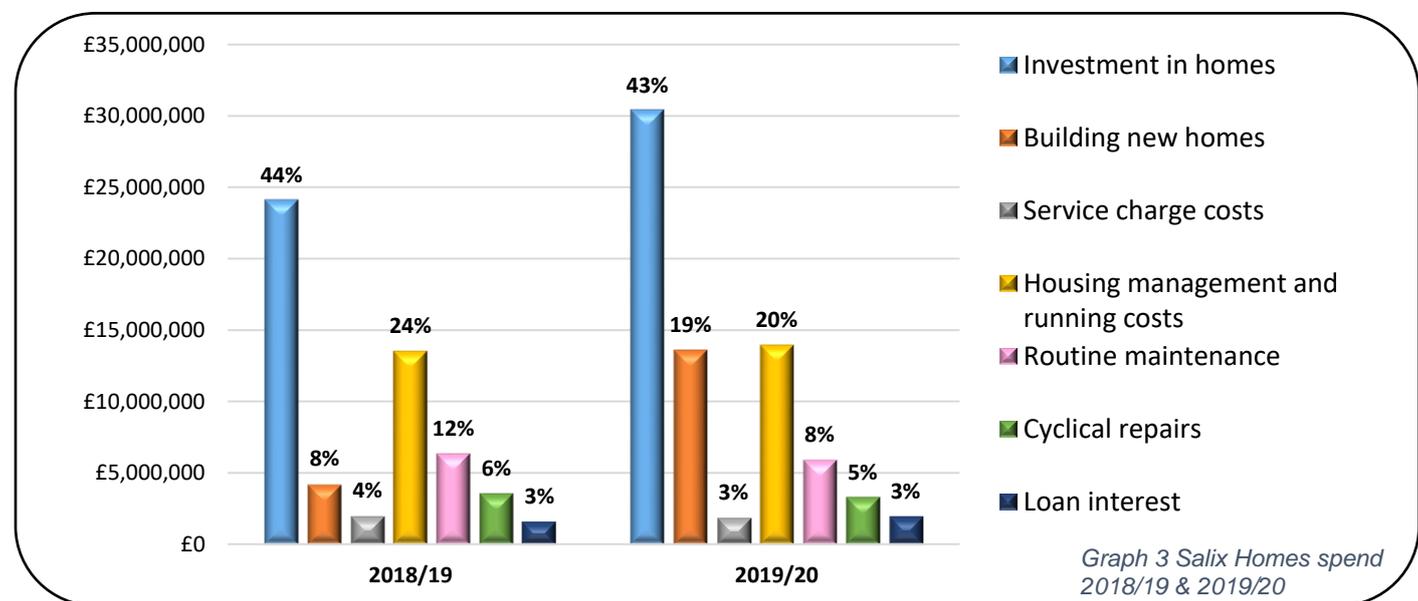
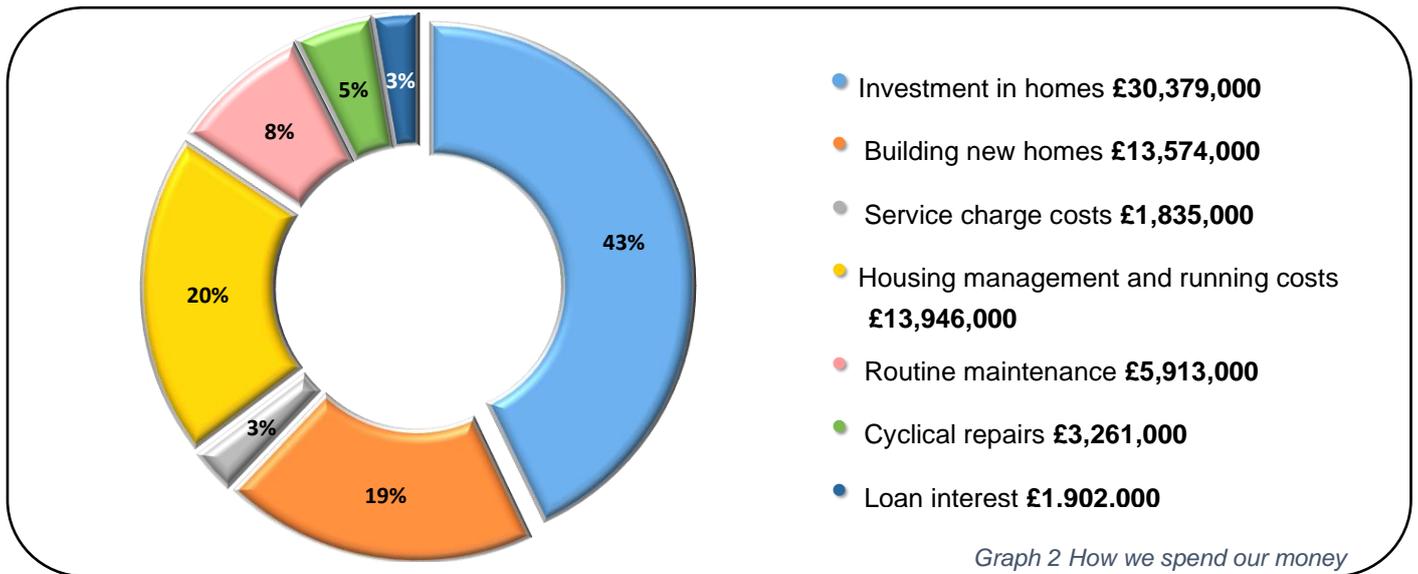
Table 2 Cost per unit breakdown and benchmarking



Graph 1 Cost per unit breakdown timeline

Our Spending

Along with the VfM metrics in the previous section we must also understand and monitor our spending. Substantial savings have been achieved through Salix Homes' relatively short existence. For example, the Shaping our Future initiative brought about by the rent cuts shortly after transfer. The below graph shows a breakdown of Salix Homes spend during 2019/20 and then the trend of our spend compared to 2018/19.



Following the rent cuts in 2016 we have removed £5m per annum from our business plan whilst still maintaining high quality services. However, no specific additional savings targets were identified for 2019/20, as highlighted in earlier comments around our focus on delivery of Decent Homes and setting a foundation for obtaining future efficiencies through the investment in ICT.

Corporate Plan Performance Indicators

Below are Salix Homes 12 Corporate Plan performance indicators alongside the relevant Vfm principle.

VFM	Corporate Plan Indicator	Actual 2018/19	Target 2019/20	Actual 2019/20	Target status	Trend
V1	% of customers satisfied with their most recent transaction	95%	95%	93.67%	✓	↓
V1	Institute of Customer Service – service mark accreditation	Accredited	Accredited	Accredited	✓	–
V1	% of colleagues satisfied with Salix Homes as an employer	85%	90%	82.19%	✗	↓
V2	Number of homes built, acquired or in development	319	400	342	✗	↑
V2	Annual financial performance improvement	Exceeding loan covenants	Exceed loan covenants	Exceeding loan covenants	✓	–
V2	To maintain highest standard of governance awarded by HCA and a high standard of financial viability	G1V2	G1V2	G1V2	✓	–
V3	% of customers satisfied with their place to live	69%	90%	73%	✗	↑
V3	No. of customers supported into work & training	267	250	255	✓	↓
V3	Achieve HouseMark ASB Accreditation & Keep Britain tidy Platinum Neighbourhood Award	Achieved	Achieved	Achieved	✓	–
V4	% of self-serve transactions	72%	85%	75.05%	✗	↑
V4	Average annual days lost due to sickness	10.33 days	7 days	9.30 days	✗	↑
V4	To be recognised as an employer who values its employees	Achieved	Achieved	Achieved	✓	–

Table 3 Corporate Plan measures

At Salix we strive to continuously impact our tenants lives in a positive manner and build self-sufficient long lasting communities. We set ourselves ambitious targets to push us to achieve the high standards Salix Homes aspires to. In table 3 above shows where we have met our targets or made positive progress towards them however, we will continue to work towards meeting all our ambitious targets going forward. A number of these measures will feature in the next Corporate Plan as they now form as core measures for Salix Homes.

- *% of colleagues satisfied with Salix Homes as an employer* – Remains an important measure, at the beginning of Salix Homes satisfaction was 79% showing we have seen improvements but not met the ambitious target of 90% satisfaction. This target is remaining in the next Corporate Plan demonstrating our desire to improve performance in this area.
- *Satisfaction with their place to live* – Analysis shows the primary factors affecting this continue to be tidiness of estates and dealing effectively with ASB. We have purchased a street sweeper to assist with this and to also add a visual presence in our communities to improve

our environments. We are also developing a new Supporting Communities Strategy, which we are creating with support from our new Salix Homes Customer Committee ensure it meets our customer's needs.

- *% self-service* - We wanted 85% of transactions to be completed via self-service by 2020. This was a hugely ambitious target which we have not yet met. We have assessed where we can improve and built this into the next Corporate Plan and customer services strategy.
- *Average annual days lost due to sickness* – The attendance management policy and procedure was implemented during 2019/20 and has supported a vast improvement in performance. Sickness levels had previously been in excess of 11 days. This measure remains in the new Corporate Plan as we continue to reduce our days lost due to sickness.
- *Number of homes built, acquired or in development* - This target was increased from the original Corporate Plan target of 250, to be more ambitious and to combat the effects of the Housing Crisis and Right to Acquire/Right to Buy on our stock profile. Although we missed the new target this was not for the want of trying, putting in bids on multiple large plots but unfortunately, the bids were not successful. Looking forward this remains a key objective for us as we continue to look for new developments.

Benchmarking Performance Indicators

The benchmarking of performance against peers is a specific requirement of the VfM standard. Salix Homes benchmarks Corporate and Operational performance across a wide range of activities such as repairs and customer services to demonstrate that we provide VfM services.

VFM	Performance Indicator	Target	Salix	Q1	M	Q4	Quartile
V1	Appointments kept as a percentage of appointments made	99%	99.21%	98.46%	96.87%	94.54%	Q1
V1	Percentage of repairs completed at first visit	95%	98.89%	93.86%	90.68%	85.1%	Q1
V1	Average number of calendar days taken to complete repairs	10 days	13.23 days	8.16 days	11.23 days	13.8 days	Q3
V1	Percentage of staff satisfied with your organisation as an employer	90%	82%	89.02%	83.15%	82.08%	Q3
V2	Rent collected from current and former tenants as a percentage of rent owed (excluding arrears b/f)	99.65%	99.66%	101.48%	101.02%	99.75%	Q4
V2	Current tenant arrears as a percentage of the annual rent debit	1.90%	1.68%	1.72%	2.97%	4.21%	Q1
V2	Former tenant arrears as a percentage of the annual rent debit	n/a	1.28%	1.29%	1.67%	2.03%	Q1
V2	Percentage of rent lost through dwellings being vacant	n/a	0.6%	0.64%	0.87%	1.52%	Q1
V3	Satisfaction with ASB case outcome	95%	100%	98.52%	91.95%	84.92%	Q1
V3	Satisfaction with ASB case handling	n/a	100%	96.6%	90.5%	83.45%	Q1
V4	Average re-let time in days (standard relets)	14 days	14.14 days	16.43 days	26.68 days	28.9 days	Q1
V4	Average annual days lost per employee due to sickness absence	8.5 days	10.1 days	8.57 days	9.2 days	10.95 days	Q3
V4	Uptime of IT systems throughout the year	n/a	99.9%	99.9%	99.9%	99.82%	Q1

Table 4 benchmarking performance indicators

To achieve the high standards Salix Homes aspires to, improvements are occasionally required, for example in terms of employee satisfaction and sickness absence as explained in the Corporate Plan section. The other areas where benchmarking shows areas for improvement are:

- *Average number of calendar days taken to complete repairs* – we have had some sizeable changes in working processes for our repairs service during 2019/20. To make us more productive but also more importantly to keep improving on the service we provide for our customers. This is clearly demonstrated in the above table where we are within the top quartile for repairs completed in the first visit and repairs appointments being made and kept.
- *Rent collected from current and former tenants as a percentage of rent owed (exc. arrears b/f)* – we are very proud of our rent collection rate meeting our yearend target. Looking at our peers we perform better with arrears in the top quartile for both current and former arrears. We do however write off more than our peers (in the bottom quartile) which has a knock on impact to the collection.



VfM Principles

Providing a high quality service to our customers and colleagues

This is a fundamental part of Salix Homes and one of which we are proud of. During 2019/20 we digitalised the repairs service and environmental services, giving our tenants more control over how we complete transactions with them and enables tenants to receive updates on jobs quickly and easily.

During 2019/20 we launched our Salix Homes Customer Committee to give our tenants a greater voice. This flagship committee has already been heavily involved in the creation of the Customer Services Strategy and the Communities Strategy. It has also gained interest from other Housing Associations wanting to follow our blueprint.

Various learning and development courses were launched during 2019/20 to ensure our colleagues are properly equipped to provide high quality services. Mainly the 'Difference You Make' sessions for all the workforce to understand the impacts of collaboration between teams and reiterate the importance of customer service in our approach to work. This has then been carried into the 'Broaden Your Horizon' leadership development programme, ensuring our managers are equipped to get the best out of their teams and peers. This Learning and Development effort will continue into 2020/21 focussing on collaboration across the organisation to aim to improve satisfaction in the organisation. The target of 90% employee satisfaction is within top quartile of our peers which shows the ambition of the organisation.

Optimising our income and financial return on our assets

The VfM standard requires registered providers to ensure that optimal benefit is derived from resources and assets. At the end of 2019/20 Salix Homes had built, acquired or in development 342 homes. This missed our Corporate Plan target but was mainly impacted by factors out of our hands in the shape of unsuccessful bids. The measure remains in our new Corporate Plan as we aim to build, acquire or have in development 100 homes per year.

The main reason that Salix Homes was created as part of the stock transfer was to deliver compliance with the Decent Homes Standard. We managed to successfully fulfil this commitment during 2019/20, helping to ensure strong demand for good quality properties, thus generating a sustainable income stream. To ensure continued delivery of VfM, in what is the largest area of annual spend, we have now completed stock condition surveys for all our properties where we have managed to gain access, ensuring we can seek to minimise spend on components whilst meeting the Decent Homes targets as we now look to maintain this level in 2020/21.

Currently 84% of Salix Homes income comes from social housing. Therefore, the optimisation of rental income and its collection is crucial to financial viability. Key measures that are monitored and benchmarked to help ensure continued good performance in this area are detailed below:

The level of current arrears at the end of 2019/20 was the best ever at 1.68% (equating to c.£562k). This continues to place the organisation in a stronger position for the ongoing roll out of Universal Credit (UC) and the impacts of Covid-19.

Other sources of income in 2019/20 related to our Housing Choice contract with Trafford (retained for its final year in 2020/21) and our expanding Business Development arm, Salix Living. The private sector leasing division continued to expand its portfolio (250 properties currently). During 2019/20 we also brought in the GM ethical lettings 'Let Us' initiative which will help to drive up standards in the private rented sector.

We also further developed the asset evaluation model that demonstrated the net present value of the property assets through the PAVE model. This was reported to Board at the away day in October 2019 and resulted in an ongoing review of a provision of housing for older people along with some lower performing estate based schemes. The 2019/20 position will be sent to Board away day again in November 2020 to review the current position along with proposals for the review of housing for older people schemes.

Following the Hackett Review and the early adopters work we have undertaken, we decided to change the way in which we manager our 18 high rise blocks. We have identified the unique needs of a High Rise tenant and have therefore created a team who will specialise in providing services to tenants within our high rise blocks introducing property safety officers for high risk residential buildings who will conduct several jobs such as:

- Home Safety Check on an annual basis to ensure tenants properties are the safest they can be for themselves and other occupants;
- Respond to fire alarm activations and complete investigations where necessary;
- Cyclical fire protection audits to communal areas;
- Audit fire stopping installations and door maintenance by both Salix operatives and 3rd party contractor;
- Assist in the completion of actions raised through fire risk assessments.

Improving the quality of life of our customers and those who live in our communities

Salix Homes continues to be a part of the GMHP social value group that works to maximise social value within the members as well as influence those working with the organisations through their supply chains, the combined work is demonstrated in an annual infographic located on the [GM Housing website](#). We also produced our very first Social Impact report which can be found via our website - www.salixhomes.org/socialvalue.

As mentioned earlier we continue to work at keeping our communities tidy as we know this is important to our tenants, one of the main ways we aim to achieve this is through our new road sweeper. We will also continue to run 'Catch the Culprit' campaigns which was a success during 2019/20 and worked as an educational campaign as well as a deterrent for fly-tippers. Educating communities on tidiness issues is a fundamental of the new Communities Strategy to help improve satisfaction and maintain tidy communities.

During 2019/20 Salix Homes launched the furniture recycling scheme following a trial in 2018/19. This scheme has been a huge success assisting people with a real need for support. From July 2019 until May 2020 we delivered 803 items of furniture to tenants. We have saved 101.5 tonnes of furniture from disposal at landfill at a saving of £23k tipping fees. The scheme has also helped us rehouse customers quickly in cases of emergency allowing them to move into a furnished property whilst safety work is conducted.

Increasing the efficiency in the delivery of our services and use of resources

As mentioned throughout this report we have made headway with our digital ambitions removing the shackles of legacy systems and 'the way we've always done things'. Due to this movement we have been shortlisted for the Digital Landlord of the Year award at the prestigious UK Housing

Awards. Our innovative online services platform 'MySalix' which was launched in October 2019 is a new cutting-edge online facility to meet the expectations of a digital world.

We also launched the new digital system into the environmental service allowing us to monitor workflow more effectively to ensure we are efficiently assigning our resources. We can quickly re-assign tasks and add additional emergency and ad-hoc tasks as issues arise. We can evenly distribute workloads and identify peaks and troughs in work and hot spot areas. The teams can take photographs and upload them against the work site sending them instantly back to the office and storing the record. All daily and weekly task lists and inspections are held against individual sites and can be readily downloaded and reported on enabling us to constantly review and further drive up efficiencies.

In addition, moving from paper-based workbook and inspection sheets onto a digitalised platform has helped reduce our carbon footprint and make us more environmentally friendly with a significant reduction in paperwork. We have much more accurate record keeping and health and safety inspection information is easily accessible.

salix h:mes



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