

Annual Value for Money Statement

2020-2021



What Value for Money Means

Salix Homes is committed to ensuring that all the services delivered provide Value for Money (VfM).

We have developed and embedded a VfM framework containing four principles:

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

The framework combines VfM metrics set by the Regulator of Social Housing (RSH) and key 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.

Due to the covid-19 pandemic we delayed the launch of our Corporate Plan 'Our Future'¹, we created a suite of key operational performance indicators which were reported to Board during the year and aligned with our VfM principles within this report, corporate performance measures will be reported on going forwards.

The 2020/21 financial year brought some significant changes and challenges, not least from the Covid 19 pandemic but also internal changes like our new Chair taking post and recruitment of our new CEO, resulting in a number of changes at the Executive Management and Senior Management level.

In true Salix Homes style we embraced these changes and challenges. At the start of the pandemic we were quickly able to implement our Covid-safe measures which enabled us to protect our customers and colleagues. This enabled us to continue to deliver the vast majority of our services to customers with limited disruption, whilst

¹ www.salixhomes.co.uk/ourfuture

² www.salixhomes.org/socialvalue

Our Approach

supporting our most vulnerable customers and working with our partners to support our communities. Our colleagues have worked tirelessly during the pandemic to ensure our continued operations and we continue to support our colleagues in these new ways of working. The majority of colleagues are working from home which was quickly mobilised supported by our cloud based IT infrastructure.

During 2020/21 we consulted on our operating model 'Build Back Better' which has since been launched in June 2021. 'Build Back Better' supports our corporate plan and will help to reshape and modernise our services to make better use of resources, meet the changing needs of our customers and support our communities to recover and thrive, it also embraces the Social Housing White Paper, the Building Safety Bill and lessons learned from the Covid pandemic.

We have also launched our customer charter 'Our Promise to You' which has been developed with our customers and sets out our commitment to delivering excellent services.

In June 2020 we maintained our Regulatory Judgement grade of G1/V2 following an In-Depth Assessment by the Regulator of Social Housing. We are pleased that the Regulator confirmed we meet the highest regulatory standard for Governance and the viability assessment reflects our journey as a relatively recent stock transfer organisation.

In addition to our focus on VfM we also place great importance on delivering social value in our communities, we are also involved in the Greater Manchester Housing Providers (GMHP) social value projects, this is captured in our Social Impact report².

As stated above our four principles shape VfM within the organisation and covers each of the Social Housing regulators three 'E's': Economy, Efficiency and Effectiveness.

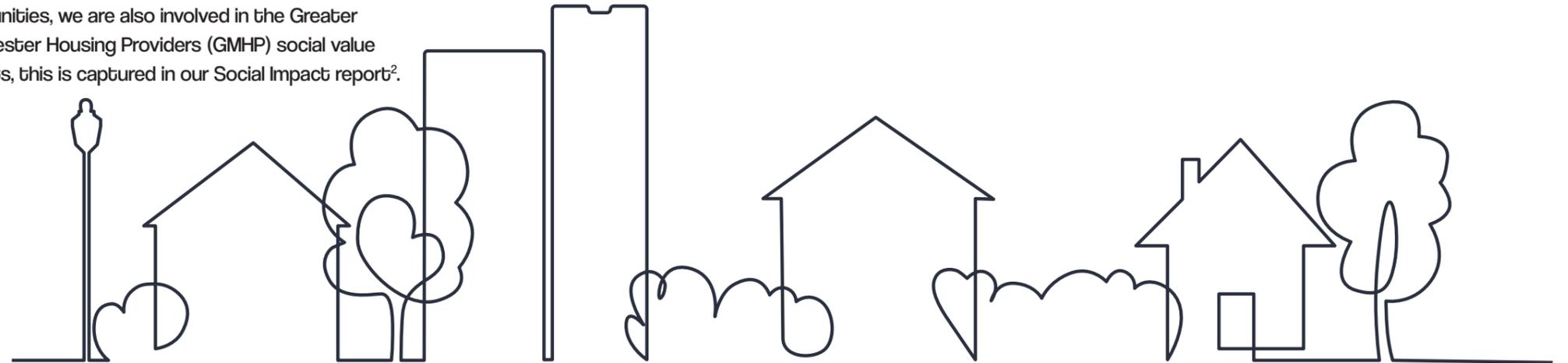


Meeting these principles is a combination of results in achieving VfM. During 2020/21 we have continued to work on each of the principles with key pieces of work listed below:

Providing a high-quality service to our customers and colleagues

The financial year was mainly dominated by covid-19. Salix Homes was able to switch to working from home within a tight timeframe with no impact to our customers.

'Broaden Your Horizon' leadership development programme for managers at Salix Homes was launched during the year, to ensure our managers remain skilled to get the best out of themselves and their teams to support our customers and the business.





Optimising our income and financial return on our assets

Towards the end of 2020/21 we completed our Build Back Better remodel. Undertaken to make the best use of our resources and ensure we can meet the expectations set out in the Social Housing white paper. Customers were also consulted on this via our Salix Homes Customer Committee.

We have also continued to develop our digital offering to customers via the 'MySalix' platform, winning 'Best Digital Transformation' and 'Digital Landlord of the Year' awards at the Northern Housing and UK Housing Awards respectively.

Throughout 2020/21, we have continued to work with the Government's Building Safety Team through its Early Adopter Programme to support the early implementation of both the Fire Safety Bill and the draft Building safety Bill proposals. We have been testing and learning from some of the proposed legislative changes, specifically around Safety Cases, Mandatory Occurrence Reporting and have commenced an organisational building safety culture change programme.

We are currently working with the Shadow Building Safety Regulator, to test a new way of working following the outcome of national building safety consultation with emphasis on major hazard risk identification and risk prioritisation tools. We have also completed the remediation of the failed Aluminium Composite Panel cladding systems on all our high-rise buildings, which had commenced in 2018.

During 2020/21 we continued our investment in the Canon Green Court major refurbishment and development project, to not only refurbish Canon Green Court and its neighbouring block Westminster House, but also construct a new build block of 108 apartments on adjacent land. The scheme handed over in May 2021 and is our first intermediate rents development under Homes England's Rent to Buy initiative.

Our future developments include an ambitious transformation in Seedley/Langworthy providing 157 new environmentally sustainable homes for a broad mix of tenures, 91 properties being developed by Salix Homes for a range of affordable tenures.

The development of 24 x 2 bed apartments for social rent in Partington, Trafford, and the development of our ambitions for a contemporary older persons offer, including obtaining planning permission for our first extra care scheme comprising of 70 apartments plus lifestyle facilities.



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

We have always known the importance of the insight and satisfaction of our customers. We have once again conducted an annual perception survey alongside our transactional surveys. However, we have improved this offering during 2020/21 through a new feedback tool to conduct our transactional surveys. This tool allows us to get live information from our tenants following a transaction. This was undertaken to make the best use of our resources and ensure we can meet the expectations of the Social Housing white paper and Building Safety Bill. We have attached our customer data to this tool via an API (Application Programming Interface) so we can see who is saying what and spot trends adding further insight.

The plan with the data strategy for 2021 and onwards is to better align our data across the company enabling us to compare data and trends to proactively improve transactions and services for customers.

Social value plays an important part in the work that we do in improving quality of life. We have produced our Social Value report once again with some case studies and social value figures from 2020/21 it can be found on our website.

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

Salix Homes has a Customer Committee of 11 customers, two of which are board members. The Customer Committee were recruited in 2019 and have attended intensive training with an optional qualification. The customer committee undertook a shadow mode period from March 2020-July 2020 and have been fully operating since September 2020.

Salix Homes Customer Committee work alongside the Board and Audit Committee to ensure the organisation is compliant with the consumer regulatory standards. The committee work in partnership with existing engaged customers to provide assurance, through monitoring and scrutiny, where appropriate, to provide assurance to the wider customer base, the Board and the Regulator.

The committee have shaped Salix Homes services, including informing our new 'Build Back Better' operating model, our communities' strategy and our customer service strategy. The customer committee have shaped our customer charter, Our Promise to You, launched in June 2021 which centralises Salix Homes' approach to the consumer standards, Together with Tenants, Building a Safer Future Charter and the anticipated changes arising from the Social Housing White Paper.

Customers who applied for a place on the committee but weren't appointed have been offered a place in Salix Homes' Scrutiny Pool. The Scrutiny Pool is used for one off pieces of scrutiny that have been commissioned by Salix Homes Customer Committee on a task and finish basis.

Two scrutiny panels have been formed in the last 12 months, one focussing on the COVID-19 response from the business and the other focussing on further growing the engagement structure in light of the changes arising from the social housing white paper. The recommendations from scrutiny have been approved and are monitored by the customer committee and reported to Board. Further work is now being undertaken to deliver the recommendations.

The RSH value for money standard and code of practice outlines seven key financial metrics to be measured and reported against each year along with comparisons against our peer's performance. The table below shows our actual performance for 2020/21, actuals with peer group comparison for 2019/20 and our business plan targets for the next three years.

VfM Metrics	Actual 2019/20	Peer Group 2019/20	Target 2020/21	Actual 2020/21	Target 2021/22	Target 2022/23	Target 2023/24
% reinvestment	26.72%	19.23%	19.59%	15.18%	11.65%	11.30%	3.7%
% new supply delivered (social)	0.32%	0.64%	1.01%	0.70%	3.36%	0.79%	1.07%
% new supply delivered (non-social)	0.11%	0.00%	0.22%	0.19%	0.25%	0.36%	0.00%
Gearing	41%	41%	43%	44%	43%	44%	39%
% EBITDA – MIRI	-889%	99.8%	-39%	29%	14%	122%	218%
Headline social housing cost per unit	£7,155	£3,583	£4,845	£4,418	£4,334	£3,928	£3,773
Operating margin (social housing lettings)	16.32%	22.19%	14.64%	16.75%	14.21%	19.04%	20.02%
Operating margin (overall)	12.79%	18.4%	15.24%	13.53%	13.84%	14.53%	19.10%
Return on capital employed	3.85%	5.41%	4.08%	3.36%	4.06%	4.24%	4.94%

Table 1 VfM Metrics

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

Overall, the metrics very much reflect the journey of Salix Homes from the completion of the offer document promises in March 2020 and our continued commitment to provide quality homes and services. We continue to provide significant financial investment into our existing properties to maintain the Decent Homes Standard and to ensure our properties maintain the highest level of safety for our customers. In order to demonstrate the impact of this, the projected metrics for 2021/22 to 2023/24, taken from the March 2021 financial business plan, have been included to show a longer-term comparison. 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, Ivin, 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 / investment in properties (existing stock and new supply) reflects our continued investment in our properties to ensure we maintain 100% decency. We invested in our two development projects, Beechfarm and Canon Green Court. In 2020/21 we delivered over £8m of works to our existing properties to meet the Decent Homes programme and completed our replacement cladding and fire safety programme in March 2021. This is the primary reason why the reinvestment percentage is higher than the peer group average. 2020/21 investment is slightly behind target due to Covid delays and realignment of programmes. The targets moving forward reflect the lower level of investment required, given that all homes are now fully decent.

Metric 2A - % new supply delivered (social)

This metric relates to new social housing units and shows we are performing above the peer group average. This highlights our development aspirations and our continued commitment to provide much needed homes in Salford and Greater Manchester. 2020/21 supply is slightly behind target due to Covid delays which will be caught up in 2021.

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 (PSL) arm which continues to grow with conversions and property acquisitions. During 2020/21 we received grant subsidy of £700k from the Ethical Lettings project, this will see further homes becoming available for affordable rent. The extra supply in this area will continue to support our charitable aims and objectives.

Metric 3 – Gearing

Gearing is debt as a proportion of the net book value of total properties. In 2020/21 we drew down funds of £11.5m in order to continue our Decent Homes programme and development programme, gearing at 44% is slightly above the budget of 43%, this is due to a lower opening cash balance than assumed in the business plan. Given the differing circumstances of peers it is difficult to draw comparisons to the peer average, our results are well within the covenant limits expected of traditional loan covenants.

The Metrics 4-7

Metric 4 - % EBITDA – MRI

This metric measures earnings before interest, tax, depreciation, and amortisation including major repair improvement measured against interest costs. This is an indicator of our operating surplus in comparison to interest paid. Following completion of the offer document promises EBITDA-MRI is starting to come more in line with our peers and has increased to a positive position of 29% in 2020/21.

This metric is projected to be at 122% in 2022/23 at which time we are looking to move away from our cash-based covenants into more traditional covenants, this will alleviate the need for the bank’s annual approval of our Business Plan. We are working alongside our funders to ensure a smooth transition to new covenants which supports our long-term investment and development aspirations.

Metric 5 - Headline social housing cost per unit

Following the completion of our stock transfer promises and achieving decency in March 2020 we see a significant reduction in our headline costs per unit as our major repairs investments have reduced. In line with our financial strategy, we are focussing on our costs and performance which will inform priority areas for review in order to improve our cost per unit.

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

This measures profitability of social activities and has improved marginally in 2020/21. We forecast further improvements as a result of our Build Back Better (BBB) programme, further efficiencies resulting from our cost review will be built into future business plans.

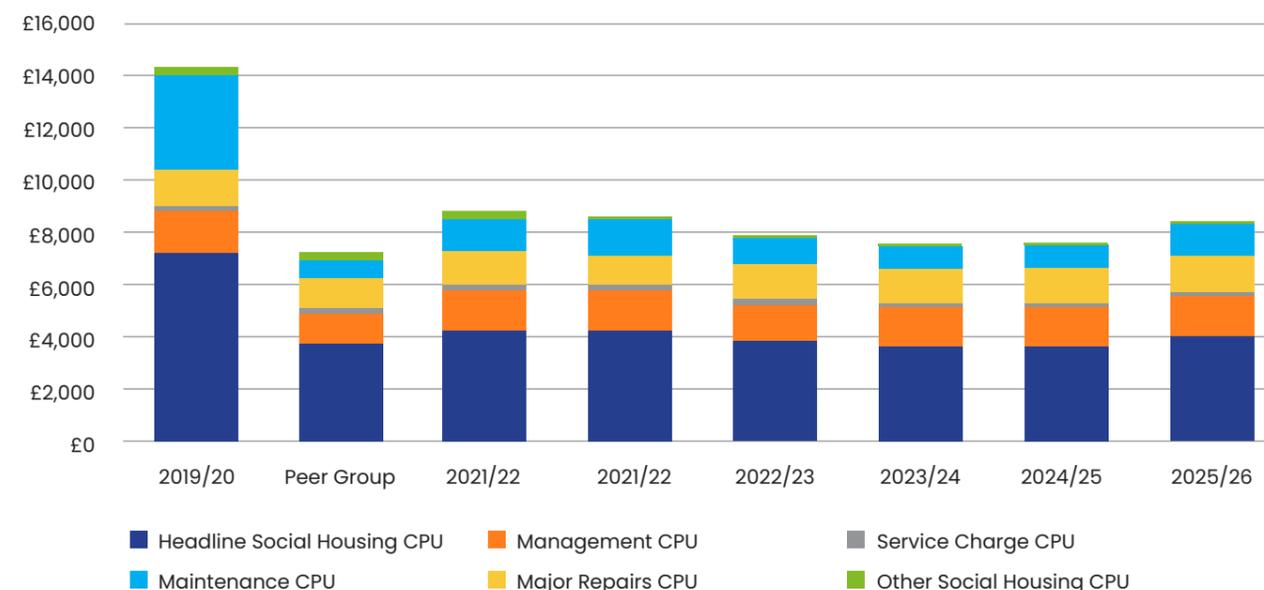
Metric 7 - Return on capital employed

This metric measures operating surplus to total assets less current liabilities. Performance for 2020/21 is behind target as a result of reduced operating surplus due to lower number of Right to Buy sales than budget. Our high cost per unit will also impact on performance in comparison to our peers.

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:

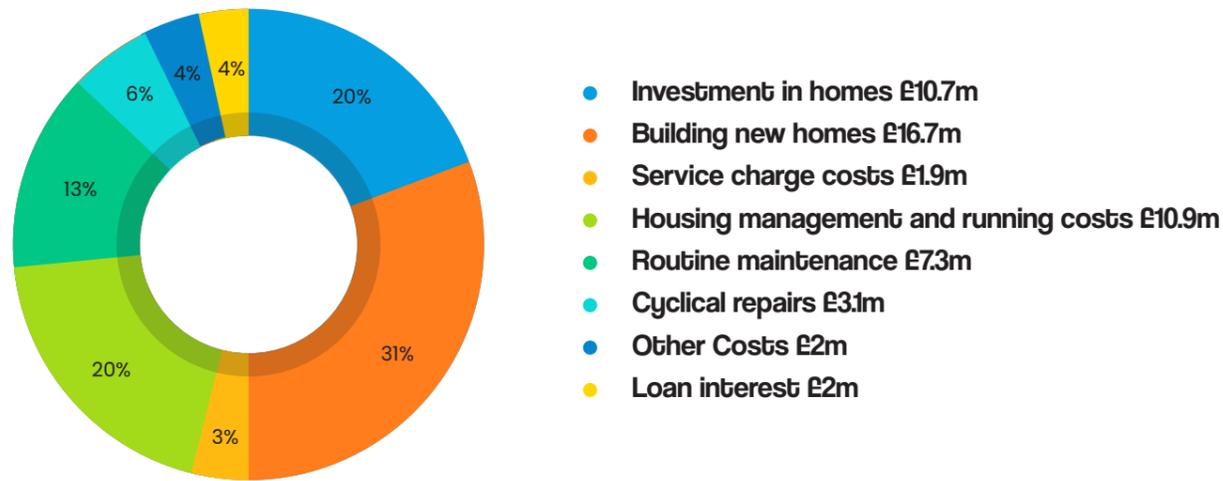
Social Housing CPU								
Cost Per Unit	2019/20 Actual	2019/20 Peer Group	2020/21 Actual	2021/22 budget	2022/23 budget	2023/24 budget	2024/25 budget	2025/26 budget
Social Housing costs	£7,155	£3,835	£4,418	£4,334	£3,928	£3,773	£3,779	£4,208
Management costs	£1,431	£1,023	£1,361	£1,468	£1,393	£1,377	£1,357	£1,392
Service charge costs	£232	£240	£239	£220	£224	£229	£235	£241
Routine maintenance costs	£850	£784	£929	£816	£839	£855	£876	£896
Planned maintenance costs	£502	£252	£397	£373	£384	£391	£401	£416
Major repairs expenditure	£168	£178	£129	£173	£97	£99	£102	£105
Lease costs	£0	£0	£0	£0	£0	£0	£0	£0
Capitalised major repairs expenditure for period	£3,705	£849	£1,094	£1,235	£942	£773	£764	£1,114
Other (social housing letting) costs	£1	£0	£1	£1	£1	£1	£1	£1
Charges for support services (Operating expenditure)	£0	£0	£0	£0	£0	£0	£0	£0
Development services (Operating expenditure)	£50	£0	-£3	£12	£12	£12	£13	£13
Community / neighbourhood services (Operating expenditure)	£19	£0	£19	£18	£18	£18	£19	£19
Other social housing activities: Other (Operating expenditure)	£197	£269	£252	£18	£18	£18	£11	£12

Table 2 Cost per unit breakdown and benchmarking

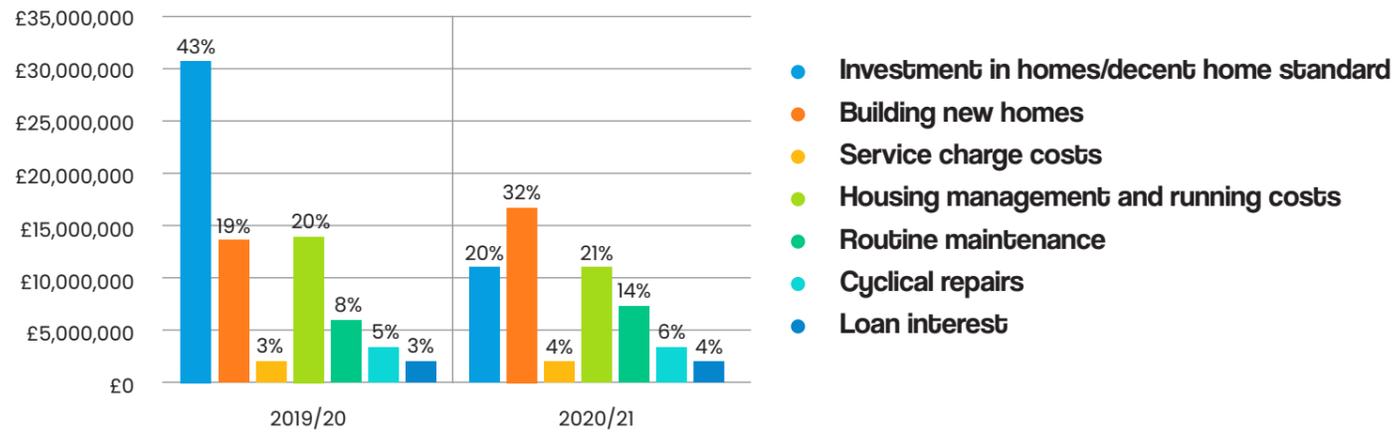


Graph 1 Cost per unit breakdown timeline

Along with the VfM metrics in the previous section we must also understand and monitor our spending. The below graphs show a breakdown of Salix Homes spend during 2020/21 and then the trend of our spend compared to 2019/20.



Graph 2 How we spend our money



Graph 3 Salix Homes spend 2019/20 & 2020/21

The following VfM targets have been included within the 21/22 budget and business plan.

Area	Saving per annum	Duration
BBB colleague and related costs - operations	£414k yr. 1 then £497k	Recurring
Routine maintenance - procurement/reduced use of sub-contractors & Managed Store	£150k	Recurring
Overheads - back-office costs	£100k	Recurring from year 2
Major repairs/investment & Gas Servicing procurement savings	£250k	Yrs. 1 & 2

We utilise the PAVE asset evaluation tool to calculate the return on our asset investment, this is a net present value (NPV) based asset grading system which classifies our properties as red, amber or green (RAG rating), based on stock condition, neighbourhood and other performance and financial data. This helps inform our decisions, with a view to improving performance across all our properties. These results have supported a review of our older persons housing offer which is now an action in our new corporate plan.

We are committed to improving social returns in our communities both directly by supporting our tenants into employment, training and apprenticeship opportunities and by working with our suppliers as part of our procurement process and through our involvement in the Greater Manchester Housing Providers (GMHP) social value projects. Please see our Social Impact report [add weblink link].



Key Operational Performance Indicators



Below are Salix Homes key operational performance indicators alongside the relevant Vfm principle.

VFM Principle	Indicator	Actual 2019/20	Target 2020/21	Actual 2020/21	Target status	Trend
Providing high quality services to our customers and colleagues	% of customers satisfied with their most recent transaction	93.67%	95%	88.62%	✗	↓
Providing high quality services to our customers and colleagues	% of customers satisfied with their overall repair service	n/a	99%	87.3%	✗	N/A
Improving the quality of life of our customers and those who live in our communities	% of customers satisfied with the outcome of their ASB complaint	100%	95%	100%	✓	—
Providing high quality services to our customers and colleagues	% of employees who are happy working for Salix Homes	82%	90%	n/a	N/A	N/A
Improving the quality of life of our customers and those who live in our communities	% of environmental services rated as excellent	72.7%	75%	73.7%	✗	↑
Increasing the efficiency in the delivery of our services and use of resources	% of repairs completed in a single visit	98.9%	90%	91.8%	✓	↓
Increasing the efficiency in the delivery of our services and use of resources	% of repairs appointment kept	99.3%	99%	99.4%	✓	↑
Providing high quality services to our customers and colleagues	% of emergency repairs completed within timescale	100%	100%	100%	✓	—
Optimising our income and financial return on our assets	% of properties that meet the Decent Homes standard	100%	100%	100%	✓	—
Providing high quality services to our customers and colleagues	% of phone calls answered by call centre in 60 seconds	93.8%	90%	71.6%	✗	↓

VFM Principle	Indicator	Actual 2019/20	Target 2020/21	Actual 2020/21	Target status	Trend
Improving the quality of life of our customers and those who live in our communities	Number of Customers supported into work, training or volunteering	255	150	103	✗	↓
Increasing the efficiency in the delivery of our services and use of resources	Average annual days lost per employee due to sickness absence	9.30 days	8.50 days	5.10 days	✓	↑
Increasing the efficiency in the delivery of our services and use of resources	Average managed re-let time	9.5 days	14 days	9.1 days	✓	↓
Increasing the efficiency in the delivery of our services and use of resources	% general needs properties currently tenanted	99.6%	99.5%	99.6%	✓	—
Increasing the efficiency in the delivery of our services and use of resources	% of sheltered properties currently tenanted	100%	98.3%	99%	✓	↓
Optimising our income and financial return on our assets	Rent arrears of current tenants as a percentage of rent due	1.68%	1.68%	1.62%	✓	↑
Optimising our income and financial return on our assets	Current and former rent and service charge collection rate (exc. arrears brought forward)	99.66%	99.66%	99.61%	✓	↓
Increasing the efficiency in the delivery of our services and use of resources	% of self-service transactions	75.04%	85%	80.77%	✗	↑
Optimising our income and financial return on our assets	Number of properties newly built acquired or in development by 2020	342	100	115	✓	↓
N/A	Current Salix Homes regulatory status	G1V2	G1V2	G1V2	✓	—

Table 3 Key Operational performance measures

Benchmark Performance Indicators

At Salix we continuously strive to impact our tenants lives in a positive way and build self-sufficient long-lasting communities. We set ambitious targets to achieve the high standards we aspire to.

Table 3 above shows where we have met our targets or made positive progress towards them, the section below highlights our improvement plans.

- **% of customers satisfied with their most recent transaction** - Performance against this measure is quite good at 88%, the target was based on previous years using telephone surveys, we now conduct surveys via email/SMS. We carried out a benchmarking exercise with GMHP where 80% was deemed a standard target/score across the board this would make our performance above target.
- **% of customers satisfied with their overall repair service** - Like above, we are using a different survey method to capture this satisfaction measure now, a new target has been agreed for the next year based on an average % of previous months.
- **% of environmental services rated as excellent** - This measure has struggled to meet target through the year, we are moving to CX Feedback to help with analysis and ways of spotting trends. Our Salix Homes Customer Committee will review all of our satisfaction surveys to ensure the questions are meaningful to our customers and outputs are actionable.
- **% of phone calls answered by call centre in 60 seconds** - This measure is being removed from the corporate suite as we move away from speed of answering to focus on quality of call handling, this supports the transition to digital services. For 9 months of the year this measure met target but the final 2 months of the year the service has seen reduced staffing, mainly due to Covid.
- **Number of Customers supported into work, training or volunteering** - Performance has been impacted by covid, we have refocussed our work in this area around partnership work with a view to succeed in the medium to long term rather than the year 20/21. This measure will be reported in the Social Value report for 21/22 onwards.
- **% of self-service transactions** - Performance against this measure has increased slightly however, as we progress our digital channel shift we will work with our customers to self-serve more and therefore improve performance in this area.

The benchmarking of performance against peers is a specific requirement of the VFM standard. We benchmark 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
Providing a high quality service to our customers and colleagues	Appointments kept as a percentage of appointments made	99%	99.66%	98.37%	96.33%	91.87%	Q1
Providing a high quality service to our customers and colleagues	% of calls answered	n/a	74.9%	94.7%	90.3%	83.9%	Q4
Providing a high quality service to our customers and colleagues	Average seconds to answer inbound calls	n/a	96s	32s	90.5s	136s	Q3
Optimising our income and financial return on our assets	Rent collected from current and former tenants as a percentage of rent owed (excluding arrears b/f)	99.66%	99.61%	101.32%	100.29%	99.96%	Q4
Optimising our income and financial return on our assets	Current tenant arrears as a percentage of the annual rent debit	1.68%	1.62%	1.86%	3.06%	4.38%	Q1
Optimising our income and financial return on our assets	Former tenant arrears as a percentage of the annual rent debit	n/a	1.03%	0.95%	1.37%	1.93%	Q2
Optimising our income and financial return on our assets	Percentage of rent lost through dwellings being vacant	n/a	0.64%	0.86%	1.1%	1.73%	Q2
Improving the quality of life of our customers and those who live in our communities	Residents supported into employment only	n/a	27	97	46	16	Q3
Improving the quality of life of our customers and those who live in our communities	Number of known Universal Credit claimants	n/a	2,397	670	1,373	2,525	Q3
Increasing the efficiency in the delivery of our services and use of resources	Average re-let time in days Standard Lets - (inc. Q1 which was impacted due to covid-19)	14 days	18.46 days	22.48 days	41.5 days	52 days	Q1
Increasing the efficiency in the delivery of our services and use of resources	Average annual days lost per employee due to sickness absence	8.5 days	5.1 days	5.5 days	8.4 days	9.6 days	Q1
Increasing the efficiency in the delivery of our services and use of resources	Uptime of IT systems throughout the year	n/a	99.9%	99.9%	99.86%	99.45%	Q1

Table 4 benchmarking performance indicators

To achieve the high standards Salix Homes aspires to, improvements and changes are required, for example in terms of call answering and partnership working which are both key areas in 'Our Future' Corporate Plan.

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