salix homes

Annual Value for Money Statement

2021 - 2022

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Executive Summary & Our Achievements 2021/22

Salix Homes is committed to delivering our value for money (VfM) vision, to achieve and demonstrate VfM in all our activities, addressing cost and quality together, which underpins the delivery of our corporate plan and financial strategy. We recognise that our financial strength is key to achieving our corporate vision and meeting the challenges we face as a sector and organisation moving forwards.

As a relatively new stock transfer organisation, we launched our financial strategy in 2021 with an emphasis on improving our financial strength, building resilience, and creating headroom within the business plan. To support this we strengthened our support service functions including a focus on procurement and VfM.

Our corporate plan is set around three key themes accompanied by actions and measures for how we will succeed:

Our Homes – Providing high quality homes for our customers
Our Business – Fit for today and prepared for tomorrow
Our Services – Delivering first class services to support people and places.

Each theme contains targets and measures of achievement – these are underpinned by maximising VfM in our activities to ensure we can realise our ambitions. We have developed and embedded a VfM framework based on four principles:

Our VfM framework: Four principles

The framework combines VfM metrics set by the Regulator of Social Housing (RSH), a suite of Salix Homes key operational performance indicators, our performance against our VfM targets for 2021/22 and how we intend to deliver VfM in the future. We closely monitor and report to our board of directors on how we perform against the framework to ensure we are providing VfM in achieving our objectives. We are confident that we have met the requirements within the VfM Standard 2018.

Ensuring Value for Money in 2021/22

Delivering Value for Money (VfM) is a key component of running an effective social business. This statement focuses on VfM achievements in 2021/22. Our social impact report highlights the difference we're making and the positive impact we have on our customers and communities in Salford. The past year has been particularly challenging, with the recovery from Covid-19 taking its toll on many of our customers. The challenges facing our communities are growing, making it more important than ever that social value plays a crucial part of our business activity, ensuring we can make a significant impact on our communities in Salford. Our annual review, explains how we've responded to the challenges we've faced and sets out our key priorities for the future. In addition, our financial accounts detail our financial and operating performance during 2021/22.

This year, we have reviewed and updated our VfM and procurement strategies to strengthen our culture and focus on these key areas to maximise VfM to deliver our strategic aims. We consider our value for money strategy as a golden thread throughout all our strategies linked to the corporate plan.

During 2021-22, we have:

- Focused our overall strategic direction and culture
- Developed action plans and set up working groups to ensure we progress with VfM and procurement
- Reviewed major business proposals including, cost/benefit and risk analysis and VfM
- Included VfM targets within the Business Plan and reporting performance against targets to Audit Committee
- Strengthened our procurement team during the year to ensure that we are generating maximum benefit from the resources we have available
- Set challenging operational performance targets with regular reporting to senior management team and board of directors
- Benchmarked our costs against peers and reviewed priority areas to identify efficiencies
- Invested £7.5m in existing homes maintaining 100% decency
- Spent £10.2m developing new homes. We handed over the remaining properties at our Beechfarm regeneration scheme which delivered 120 new homes for social rent and 40 homes for outright sale. Plus 108 rent to buy properties were delivered at the Artifex development in Salford.
- We developed our Build Back Better operating model to provide more effective and efficient services to customers - to ensure our tenants voices are heard and that we are accountable for our services and performance
- Launched our wellbeing strategy, supporting our customers, communities and tenancy sustainment
- Introduced our 'Gateway Support Model' with our key stakeholders
- Further supported the Social Housing White Paper, the Building Safety Act and lessons using the lessons learned from the Covid pandemic we developed our Build Back Better operating model to provide more effective and efficient services to customers - ensuring our tenants have a voice and that we are accountable for our services and performance.

Value for Money Metrics

Whilst we are proud of what we have achieved in VfM against a backdrop of great uncertainty and unprecedented challenges, we will be reviewing our corporate priorities during 2022/23. We want to ensure we are still on the right track to build back better and fairer and ensure we are focusing on the right things to support our customers, communities and colleagues to weather this ‘perfect storm’. In April 2023, we will publish version 2.0 of our corporate plan, Our Future, setting out our key priorities for 2023/25 including targets to improve VfM.

Our plan will incorporate:

1. Our determination to help tackle the housing crisis
2. Place building safety and the customer at the heart of our business
3. The development of a carbon neutral plan
4. Tailored, data-informed services for customers
5. The wellbeing of our customers (no leading caps)
6. Ensuring our continued financial viability.

Meeting the principles set out above, is a combination of results in achieving VfM. During 2021/22, we have continued to work on each of the principles with key pieces of work listed above.

As we transition from a stock transfer organisation, we have developed our financial strategy to focus on our costs and performance over the next three years. A key priority is to improve our financial strength, building resilience and creating headroom within the business plan. This ensures we have choices to address the challenges of the economic downturn, and likely further austerity, supporting our tenants and investing in our existing homes. We continue to meet for building safety standards and planning for carbon reduction and energy efficiency in our existing and new stock, and increase the number of affordable homes we offer. We use benchmarking results to gain a deeper understanding of our costs and inform priority areas for review in order to improve our cost per unit.

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 performance for 2021/22 including last year’s performance compared to our peers, and our business plan targets for the next five years.

	Actual 2020/21	Peer Group 2020/21	Target 2021/22	Actual 2021/22	Target 2022/23	Target 2023/24	Target 2024/25	Target 2025/26	Target 2026/27
Metric 1 - % reinvestement	15.18%	9.03%	11.65%	9.75%	17.15%	10.25%	3.84%	4.34%	4.51%
Metric 2A – % new supply delivered (social)	0.70%	0.79%	3.36%	1.71%	0.57%	3.65%	0.05%	0.00%	0.00%
Metric 2B - % new supply delivered (non-social)	0.19%	0.00%	0.25%	0.24%	0.36%	0.00%	0.00%	0.00%	0.00%
Metric 3 – Gearing	44%	40%	43%	37%	43%	42%	40%	38%	35%
Metric 4 - % EBITDA – MRI	29%	279%	14%	23%	114%	138%	121%	109%	120%
Metric 5 – Headline social housing cost per unit	£4,418	£3,510	£4,334	£4,310	£4,059	£4,171	£4,260	£4,622	£4.782
Metric 6A and 6B – Operating margin (profitability of social housing activities and overall)	16.75%	21.19%	14.21%	11.60%	14.88%	16.73%	20.36%	20.99%	21.73%
	13.5%	17.88%	13.84%	8.09%	12.18%	16.76%	20.60%	20.52%	21.54%
Metric 7 Return on capital employed	3.36%	4.46%	4.00%	2.68%	3.60%	4.30%	4.92%	5.01%	5.36%

The comparator peer group of 11 housing associations 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 the journey of Salix Homes from the completion of the offer document promises in March 2020 and our continued commitment to provide significant financial investment into existing properties to maintain Decent Homes and to ensure our properties meet the highest level of safety for our customers. In order to demonstrate the impact of this, the projected metrics for 2022/23 to 2026/27, taken from the March 2022 financial business plan, have been included to show a longer-term trajectory. The following paragraphs consider the performance against each metric.

***Housemark Peer benchmarking group** Bolton At Home, Community Gateway Association, Johnnie Johnson Housing Trust, Livv Housing Group, Magenta Living, One Vision Housing, Regenda Group, Rochdale Boroughwide Housing, Six Town Housing, Southway Housing Trust, Weaver Vale Housing Trust.

The Metrics 1-4

Metric 1 - % reinvestment

Investment in properties (existing stock and new supply) as a percentage of the net book value of total properties held.

The metric for reinvestment reflects our continued investment in our properties to ensure we maintain 100% decency and safe homes. In 2021/22 we completed two major development projects, Beechfarm and our first affordable rent to buy development, the Artifex, as referred to in more detail on page 10. We delivered £7.3m of works to our existing properties to meet the Decent Homes programme, spend was behind target due to site delays, and issues with material and labour supply. 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 in earlier years due to investment in our high-rise blocks and ongoing development of new homes.

Metric 2A – % new supply delivered (social) as a proportion of total social properties owned.

The metric relating to new social housing units shows we are performing above the peer group average. This highlights our development aspirations and our continued commitment to provide much needed affordable homes in Salford and Greater Manchester.

Metric 2B - % new supply delivered (non-social) as a proportion of total social properties owned.

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 and property acquisitions. The extra supply in this area will continue to support our charitable aims and objectives through cross subsidy.

Metric 3 – Gearing

Gearing is the debt as a proportion of the net book value of total properties held.

In 2021/22 gearing at 37% is below budget due to delayed investment and therefore lower loan drawdowns. It is difficult to draw comparisons to the peer average, but our results are well within the covenant limits expected of traditional loan covenants.

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 stock transfer and investment in properties to meet the Decent Homes Standard our EBITDA-MRI is improving towards our peers and is reporting a positive position of 23%, this is slightly down from 29% in 2020/21 due to one off write offs. From 2022/23 we move to a traditional funders covenant of 110%.

The Metrics 5-7

Metric 5 – Headline social housing cost per unit

We are reporting a reduction in our headline costs per unit in 2021/22 due to lower levels of planned investment. We forecast a reduction in costs from 2022/23 as we continue to review costs in line with our financial strategy and move to operating in line with more traditional housing associations.

Metric 6A and 6B – Operating margin (profitability of social housing activities and overall)

This metric has reduced in 2021/22 due to higher management and maintenance costs. FRS pension service costs also increased by £1m. During the year we experienced the great resignation which impacted colleague turnover and pay costs. In addition our maintenance costs increased due to investment in external wall surveys further embedding our commitment to building safety. We developed a task and finish financial strategy group focused on understanding and benchmarking our costs and reviewing our action plan for the year.

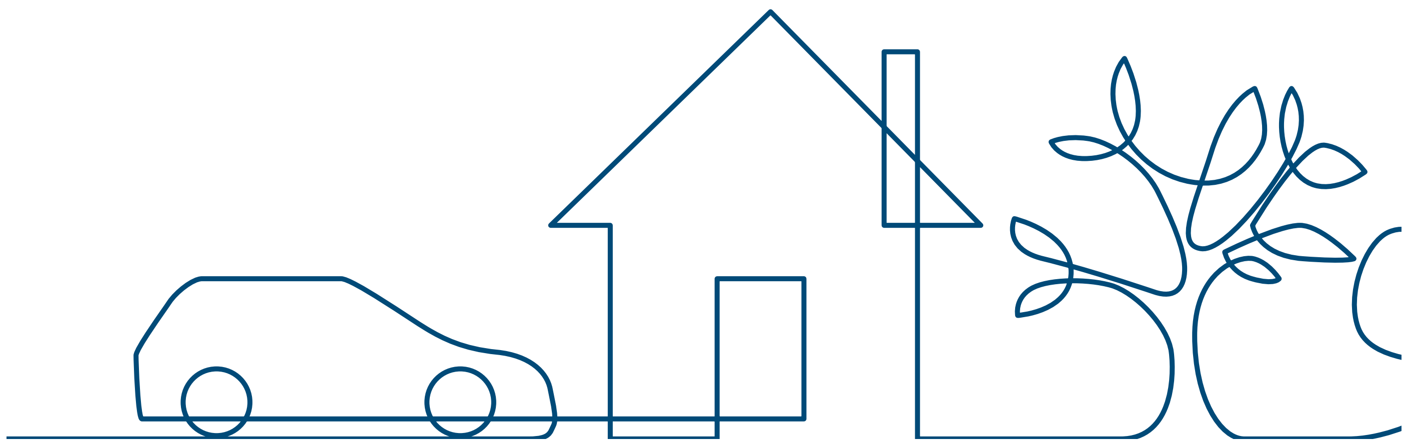
Metric 7 Return on capital employed operating surplus to total assets less current liabilities.

The reduced investment in assets has led to a slight under performance against target. This is due to delayed development spend and planned reduced investment works during the year as we review schemes in light of our fabric first approach. Performance is forecast to improve in future years. Although homes are 100% decent, there is a long-term debtor within the accounts to reflect the remaining 8 years of the VAT shelter agreement with the Salford Council and as this starts to reduce in future years, the liabilities and the measure increase.

In addition to the above metrics, we have implemented additional improvements to ensure we continually provide value for money and deliver the best services within available resources. Some examples of these and which principle they link to are:

- V1 – Supported 568 customers in 2021/22 with switching to Universal Credit now totalling 2,932 customers
- V1 - We have reviewed our approach to complaints and introduced a new approach to learning from the complaint we receive. This will ensure that our services become more efficient and effective
- V2 - Reduced our cost of customer service centre by £138,000 in 21/22. This was achieved through a reduction in call centre operatives and significantly increasing our push to digital services. As a result we also significantly increased the number of transactions through MySalix, our online customer accounts service, increasing digital transaction to 17% of all transactions in 21/22 from 0.5% in 20/21. The average cost to serve per transaction fell from £4.29 in 20/21 to £3.84 in 21/22
- V2 – continued use of our asset evaluation model that demonstrates the net present value of our property assets, this was reported to board of directors in February 2022 and supported the ongoing review of our sheltered accommodation and our longer term aims for our housing offer for older people.

- V2 - Carried out a review of our voids service which led to a £679k reduction in subcontractor costs and changes in working practices that has made the service more efficient and effective, some of the savings were reinvested in supporting disrepair claims management and damp and mould awareness
- V2 - Carried out a review of our responsive repairs service. This has led to a number of changes to working practices and changes to how our repairs management and reporting software is used to make the service more efficient and effective. The review has also led to a business case for a restructure of asset management and customer service teams to create a greater focus on property and further reduce over reliance on subcontractors. The impact on costs per units (CPU) of this review will start to be felt in 22/23
- V3 - Started to develop our approach to decarbonisation both for our business and for housing stock and recruited a sustainability manager
- V3 - Implemented the 'Salix Gateway' model aimed at improving our partnership working with and referral pathways to other organisations to ensure our customers are able to access the support they need to maintain their tenancies and improve their wellbeing
- V3 – We launched our wellbeing strategy and have carried out a consultation with our customers to determine the areas that have the biggest influence on improving their wellbeing. Going forward, this will help us focus our resources to where they have the greatest impact
- V4 - Implemented build back better including changes to how we delivered our frontline housing management services to customers to ensure services are more effective and more customers focussed.



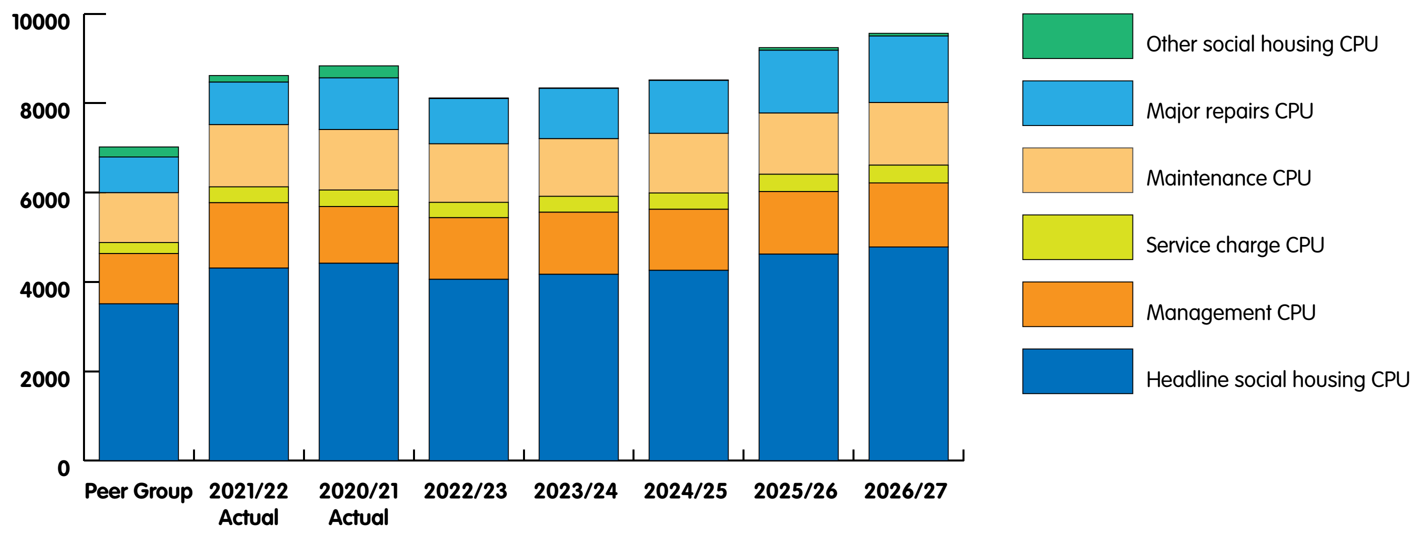
The code of practice that supports the VfM standard states that registered providers must understand absolute costs, how these have moved over time and how these compare. Utilising global account data, we can understand the breakdown of the overall cost per unit and compare our position to our peer group,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

Social Housing Costs Per Units (CPU)

Cost Per Unit	2021/22 Actual	Peer Group	2020/21 Actual	2022/23	2023/24	2024/25	2025/26	2026/27
Headline social housing CPU	£4,310	£3,510	£4,418	£4,059	£4,171	£4,260	£4,622	£4,782
Management CPU	£1,463	£1,125	£1,269	£1,379	£1,389	£1,366	£1,400	£1,434
Service charge CPU	£355	£246	£370	£343	£356	£365	£388	£398
Maintenance CPU	£1,392	£1,116	£1,354	£1,310	£1,290	£1,334	£1,372	£1,402
Major repairs CPU	£952	£799	£1,156	£1,013	£1,126	£1,185	£1,403	£1,488
Other social housing CPU	£147	£225	£269	£13	£10	£10	£59	£60
Operating margin (overall)	13.84%	17.88%	13.53%	12.18%	16.76%	20.60%	20.52%	21.54%

20/21 CPU have been restated between categories, overall SH CPU remains the same as published in prior reports and have been reviewed by our external audit process as published in 2021/22 financial statements

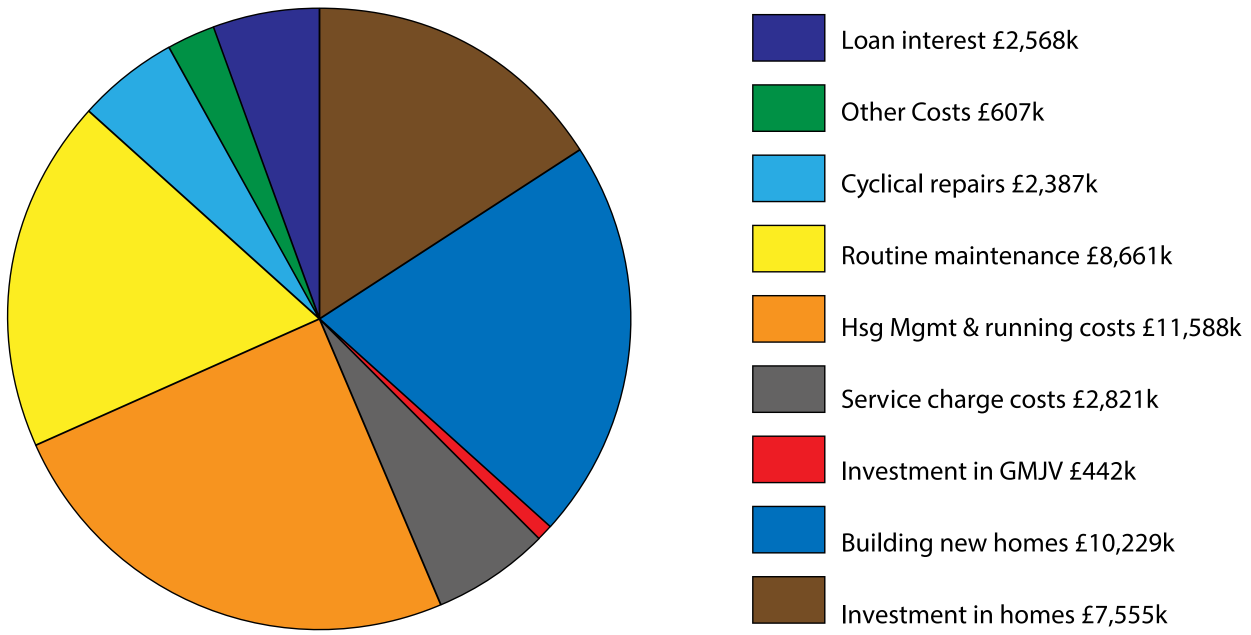
Table 2 Cost per unit breakdown and benchmarking



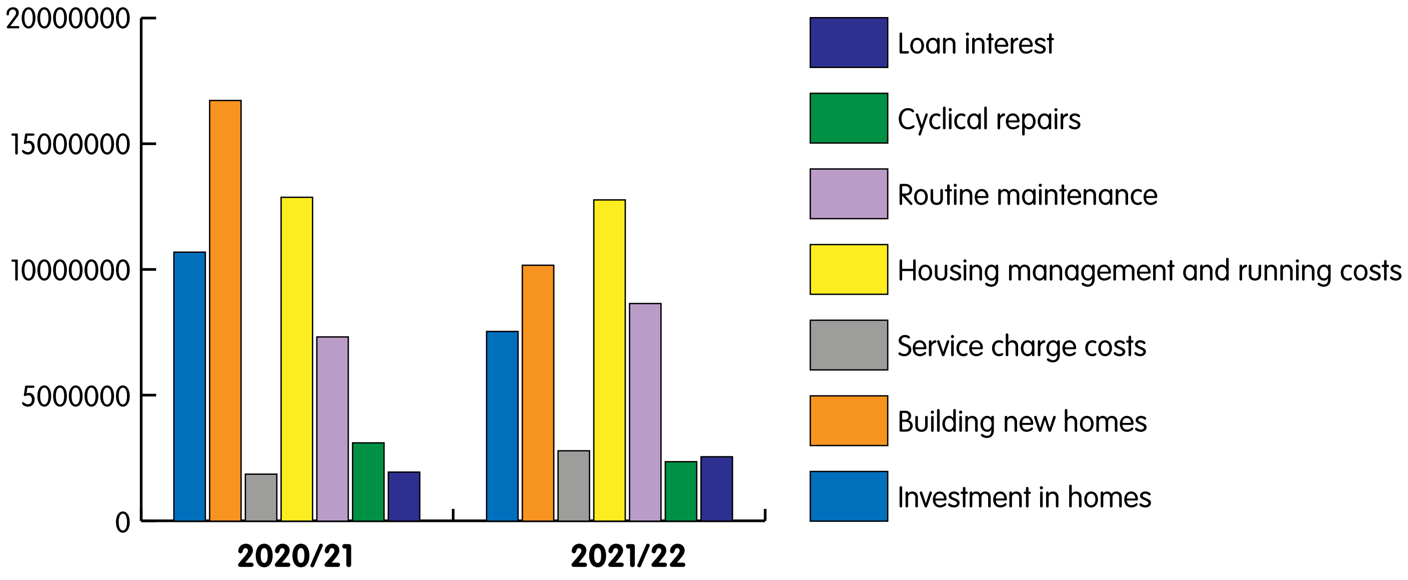
Graph 1 Cost per unit breakdown timeline

Our Spending

Along with the VfM metrics in the previous section we must also understand and monitor our spending. The below graphs show a breakdown of Salix Homes spend during 2021/22 and then the trend of our spend compared to 2020/21.



Graph 2 How we spend our money



Graph 3 Salix Homes spend 2020/21 & 2021/22

Value for Money Targets

The March 2022 approved Business Plan includes VFM efficiencies, in years 1 to 5, of £3.7m mainly generated via service improvements and procurement and £3.4m in maximising social rent at re-let (many rents are below target rent levels) and full recovery of service charges. The table below highlights key savings achieved during 2021-22.

Project Description	Start Date	End Date	Savings Per Annum	Savings Contract Life
BBB colleague and related costs - operations	May-21	Ongoing	£364k	£405kpa
Diamond House Rent	Apr-21	Mar-27	£170k	£345k
Responsive Repairs- Subcontractors	Jun-22	May-24	£168k	£337k
Air conditioning servicing & repair	Apr-21	Mar-23	£35k	£70k
CO Alarms	Mar-22	Mar-22	£19k	£19k
Domestic Gas Servicing	Mar-22	Feb-27	£10k	£50k
Communal Utilities - Gas & Electric	Apr-22	Oct-22	£12k	£12k
Lone Working Devices	Jan-22	Dec-24	£10k	£30k
Office Cleaning Contract	Jun-21	May-23	£5k	£10k
Northgate - Housing Management IT	Apr-21	Mar-26	£3k	£3k
Treasury & Business Planning Services	Apr-21	Mar-24	£1k	£5k
Cashable Savings			£847k	£1,389k

Repairs IT system	Apr-22	Mar-23	£1.5k	£1.5k
Communal Utilities - Gas & Electric	Apr-22	Mar-23	£226k	£226k
Domestic Gas Servicing	Mar-22	Feb-27	£150k	£751k
Cost Avoidance			£378k	£979k

Operational Performance 2021/22

In line with our financial strategy we will monitor and report on performance, against our VfM targets and how this impacts on our cost per unit & operating margin ensuring compliance with the Regulator of Social Housing's (RSH) VfM Standard.

We utilise our 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, energy performance (EPC) and other performance and financial data. This helps inform our decisions, with a view to improving performance across all our properties.

In light of the current cost of living crisis we are in the process of reviewing and stress testing our business plan ahead of expected changes to the rent settlement for 2023/24. It is likely that our priorities and VfM targets will change as a result if the current economic climate.

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

Our performance is monitored and reported weekly and monthly to our senior management team and every board meeting. The tables below show our operational performance during the year compared to previous year and target indicators, including commentary on our areas for improvement.

Indicator	VfM Principle	20-21 Actual	21-22 Target	21-22 Actual	On Target	Trend
% of customers satisfied with their most recent transaction	1	88.6%	85%	87.3%	🟢	▼
% of customers satisfied with their overall repair service	1	87.3%	87%	90%	🟢	△
% of customers satisfied with the outcome of their ASB complaint	3	100%	95%	63%	🔴	▼
% of employees who are happy working for Salix Homes	1	82% *	90%	86%	🟡	△
% of environmental services rated as excellent	3	73.7%	75%	90.8%	🟢	△
% of repairs completed in a single visit	4	91.8%	90%	91.9%	🟢	△
% of repairs appointment kept	4	99.4%	99%	99.6%	🟢	△
% of emergency repairs completed within timescale	1	100%	100%	100%	🟢	-
% of properties that meet the Decent Homes standard	2	100%	100%	100%	🟢	-
% of customer service officers with Satisfactory or above call quality monitoring score.	1	New Measure	90%	93.9%		-
Average annual days lost per employee due to sickness absence	4	5.1 days	6 days	8.7 days	🔴	▼
Average managed re-let time (inc major voids)	4	New measure	17 days	20.1 days	🔴	-
% general needs properties currently tenanted	4	99.6%	99.5%	99.7%	🟢	△
% of sheltered properties currently tenanted	4	99%	98.3%	96.9%	🔴	▼
Rent arrears of current tenants as a percentage of rent due	2	1.62%	1.62%	1.34%	🟢	△

Indicator	VFM Principle	20-21 Actual	21-22	Savings Contract Life		
Current and former rent and service charge collection rate (exc. arrears brought forward)	2	99.61%	99.61%	99.85%	🟢	△
Universal credit current and former collection rate (exc. arrears brought forward)	2	98.46%	95.68%	99.73%	🟢	△
% of self-service transactions	4	80.8%	74%	81.7%	🟢	△
% of digital transactions via MySalix	4	New	14%	17%	🟢	?
Number of properties newly built acquired or in development by 2020	2	115	100	103	🟢	▼
Current Salix Homes regulatory status	All	G1V2	G1V2	G1V2	🟢	-
Average cost of a void property	4	New	£4,312	£3,486	🟢	?
Average cost of a void property (Including capital costs)	4	New	£5,238	£4,125	🟢	?
Average void rent loss	2	0.64%	0.60%	0.50%	🟢	△

🟢	Performance at or above expected level
🔴	Performance below expected level
🟡	Performance slightly below expected level
△	Performance improving
▼	Performance deteriorating
-	Performance maintained
?	Data not available for trend

Our performance overall is strong, but we always strive to improve. There are five measures where we have missed target, the table below details these indicators and what we are doing to improve going forwards.

Indicator	**How we will improve**	**2022/23 Target**
% Of customers satisfied with the outcome of their ASB complaint	Performance is based on the results of 19 surveys, of which 12 customers were satisfied. Customers said that they were satisfied with the way we handled their ASB complaint but were not satisfied with an outcome that is outside our control. To address the low response rate, we have made changes to how we carry out the satisfaction surveys moving to a hybrid approach of phone calls and text messages. We have also introduced a new measure to differentiate between satisfaction with how we handled an ASB complaint and satisfaction with the outcome of the complaint.	85%
% Of employees who are happy working for Salix Homes	This year we received 161 responses (54% response rate), of which 138 colleagues (86%) are satisfied working for Salix Homes. This is the highest score that we have reported at Salix to date. Notably only 7% of respondents said they were 'Unsatisfied' with Salix as their employer. We shared the survey results with colleagues and asked for volunteers to join an Inclusion group. This group held their first meeting in December 2021 and consulted with colleagues at the colleague event in March 22 to understand priorities in this area to inform their action plan for the year.	87%
Average annual days lost per employee due to sickness absence	The main reasons for absence are stress and mental health related issues. We continue to work with managers and colleagues supporting them at the various stages of the absence procedures. This includes offering early interventions such as Mental Health First Aiders, Occupational Health (OHU) referrals, counselling, and Health Shield. We are also assessing any key trends in reasons for absences and targeting these with focussed initiatives such as resilience training and coping mechanisms.	8.6 days
Average managed re-let time	A rise in the number of tenancy terminations for a variety of reasons including relinquished properties, deceased customers, moves to residential care and management moves, shows performance below target. Also an increase in the number of void properties requiring significant works to bring them to a lettable standard has impacted, this can be attributed mainly to no access during Covid and tenant damage / property being left in poor condition. The team are prioritising essential work to combat the increase in re-let times and pre terminations visits to identify any condition issues ahead of properties becoming void.	20 days*
% of sheltered properties currently tenanted	This year has seen a reduction in performance on previous year/s due to more properties becoming vacant and needing more work to bring them to a lettable standard as detailed above in the average managed re-let time commentary.	98.3%

Benchmark Performance Indicators

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 and to support key operational reviews going forwards.

Indicator	VFM Principle	21-22 Target	"21-22 Actual"	Q1	M	Q3	Quartile
% of customers satisfied with their most recent transaction	Providing a high-quality service to our customers and colleagues	85%	87.30%	90.38%	85.00%	80.97%	Q2
% of customers satisfied with their overall repair service	Providing a high-quality service to our customers and colleagues	87%	90%	86.10%	79.35%	72.80%	Q1
% of customers satisfied with the outcome of their ASB complaint	Improving the quality of life of our customers and those who live in our communities	95%	63%	96%	85%	76%	Q4
% of employees who are happy working for Salix Homes	Providing a high-quality service to our customers and colleagues	90%	86%	94%	91%	88%	Q4
% of repairs completed in a single visit	Increasing efficiency in the delivery of our services and use of resources	90%	91.90%	95.00%	91.57%	83.30%	Q2
% of repairs appointment kept	Increasing efficiency in the delivery of our services and use of resources	99%	99.60%	99.04%	96.48%	95.61%	Q1
Average annual days lost per employee due to sickness absence	Increasing efficiency in the delivery of our services and use of resources	6	8	5.5	7.6	8.9	Q3
Average managed re-let time (inc major voids)	Increasing efficiency in the delivery of our services and use of resources	17	20.1	35.49	50.53	59.88	Q1
% Overall properties currently tenanted	Increasing efficiency in the delivery of our services and use of resources	"99.5% GN 98.3% Sheltered"	99.6%	99.6%	99.5%	99.0%	Q1
Rent arrears of current tenants as a percentage of rent due	Optimising our income and financial return on our assets	1.62%	1.34%	1.68%	2.77%	4.35%	Q1
Current and former rent and service charge collection rate (exc. arrears brought forward)	Optimising our income and financial return on our assets	99.61%	99.85%	101.52%	100.26%	100.04%	Q4
Number of properties newly built acquired or in development by 2020 [2021]	Optimising our income and financial return on our assets	100	103	104	60	44	Q2

Average cost of a void property (Including capital costs)	Increasing efficiency in the delivery of our services and use of resources	£5,238	£4,125	£3,870	£4,896	£6,212	Q2
Average void rent loss	Optimising our income and financial return on our assets	0.60%	0.50%	0.94%	1.23%	1.56%	Q1

salix homes

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