Value for Money Statement for the year ended 31 March 2024

Value for Money (VFM)

Introduction

Our VFM Strategy supports our core mission, “to be a good trusted social landlord and employer with a strong sense of place” and we aim to optimise the use of our assets and resources to invest in our people and our communities to deliver this.

The Board has an approved approach to VFM, as detailed in its Value for Money Strategy, reflecting the requirements of the Value for Money Standard issued by the Regulator of Social Housing.

The VFM Strategy covers everything we do both at an operational and strategic level, focusing on outcomes against our strategic objectives.

VFM is about being effective in how we plan, manage and operate our business. It means making the best use of the resources available to us to provide quality homes in our communities backed by high quality services and support.

In simple terms we aim to make the best use of every pound we spend to;

- Provide better services for our tenants
- Invest in our existing housing stock
- Invest in our staff and key relationships
- Contribute to the delivery of much needed new affordable rented homes

Considering our current position, the VFM objectives are as follow:

- Efficiency gains through increased compliance/resource capacity
- Growth of developments/acquisitions pipeline
- Improved performance in repairs service for customers
- Reduced turnover of tenancies
- Ensure value of assets and data management system are well understood and that decisions for investment takes account of both
- Development of partnership and collaborations
- Further embed VFM within the culture and be an outstanding organisation
- Secure long-term refinancing
- Benchmark effectively with top of class Associations

Performance Metrics

Our Board monitors performance against the key metrics directed by the Regulatory Standard on a quarterly basis and recognises these as a consistent base from which to build an indicative financial view of the organisation and those that we compare ourselves against.

In addition to the mandatory metrics taken from the VFM Standard our Board also monitors a small number of bespoke metrics to form part of its performance oversight. The following table demonstrates how we have performed on these metrics during 2023/24 compared with targets and prior year results and against our peers within the sector.

	2023/24 EHA Actual	2023/24 EHA Target	2022/23 EHA Actual	2021/22 EHA Actual	2020/21 EHA Actual	2022/23 RSH Median
RSH Metrics						
Metric 1 - Reinvestment %	**3.05%**	**3.66%**	2.60%	2.07%	1.79%	6.73%
* Metric 1b – Major Repairs %	**2.80%**	**2.35%**	2.23%	1.91%	1.43%	n/a
Metric 2a - New Supply SH %	**0.27%**	**0.12%**	0.12%	0.00%	0.44%	1.28%
Metric 2a - New Supply SH-units	**5**	**4**	2	0	8	n/a
Metric 3 - Gearing	**40.26%**	**40.30%**	44.95%	47.18%	51.8%	45.28%
Metric 4 - EBITDA MRI	**134.45%**	**160.00%**	128.54%	160.51%	196.7%	128.40%
Metric 5 - Headline Social Housing Cost Per Unit	**£4,403**	**£4,225**	£3,822	£3,461	£2,861	£4,586
Metric 6a - OP Margin (SHL)	**32.90%**	**28.40%**	32.98%	35.04%	42.0%	19.78%
Metric 6b - OP Margin (Total)	**33.78%**	**28.60%**	30.23%	33.89%	40.2%	18.20%
Metric 7 - ROCE	**4.84%**	**3.90%**	4.09%	4.4%	5.4%	2.84%
EHA Metrics						
Metric 8 - Management Cost per Unit	**£1,474**	**£1,469**	£1,311	£1,219	£1,114	n/a
** Metric 9 – Arrears as % of Rent Debit	**1.67%**	**1.40%**	1.27%	1.12%	1.12%	n/a
Metric 10a- % of Void Rent Loss	**1.17%**	**1.21%**	0.89%	1.04%	1.12%	n/a
Metric 10b – Out of Management Voids	**0**	**2**	2	2	3	n/a
*** Metric 11 - % of tenants satisfied with the overall service provided	**88%**	**90%**	92%	90%	98%	n/a
Metric 12 - Bad Debt Indicator	**£290,000**	**£230,000**	£215,647	£165,170	£177,148	n/a

*** methodology changed April 2023 to TSM Q.TP01

Our metrics like many similar organisations, reflect a snapshot of where we are in our own journey whilst the backward look trend is helpful to provide context.

Further explanation of performance against our VFM metrics follows;

Metrics 1a – Reinvestment and 1b Major Repairs %:
Reinvestment metric considers investment in properties (existing stock as well as new supply) as a % of total properties. *(This helps to demonstrate that EHA are is putting its finances to good use by maintaining and improving stock as well as adding to the asset base)*

The result shows an improvement on last year and slightly higher than target.

Metric 2 – New Supply of Social Housing (SH):
The Association delivered five new units this financial year. This was slightly higher than target and is due to where we are in the development cycle.

Metric 3 – Gearing:
Gearing measures, the proportion of borrowing in relation to the size of the asset base*. (It is similar to mortgage lenders loan to value ratio)* This metric is materially in line with target.

Metric 4 – Earnings Before Interest, Tax and Depreciation Amortization – Major Repairs Included
This measures financial performance before factoring financing cost, depreciation or accounting policies on major repairs. *(It approximates cash generated to cover interest payments and is a key indicator for liquidity and investment capacity).*

Slightly improved performance this year with additional income and control of costs.

Metric 5 – Headline Social Housing Cost Per Unit:
This uses costs within the accounts and divides the total costs by the number of properties to provide a cost per unit.

With slightly higher costs than budget, the cost per unit figure is higher than target and increased when compared to the previous year due to more activity in 2023/24 with increased maintenance costs.

Metric 6a – Operating Margin (Social Housing Lettings only) and 6b Operating Margin (Total)
Operating Margin measures the profitability of operating assets before any interest and exceptional expenses are considered. *(It is a key indicator for the efficiency of an organisation)*

The Operating Margin (Social Housing Lettings Only) was slightly higher than target.

The Operating Margin (all operations) for the period was slightly higher than target.

Metric 7 – Return on Capital Employed:
Return on Capital Employed compares the operating surplus to total assets less current liabilities. *(It is a common measure in the commercial sector to assess the efficient investment of capital resources)*

The ROCE for the year is improved due to the increased surplus.

Metric 8 - Management Cost per Unit:
At £1,661 management costs were above the targeted level. A general increase in most areas of management expenses.

Metric 9 – Arrears as % of Rent Debit:

We are experiencing a rising arrears trend, which seems to be typical across the sector and is likely impacted by both the general economic climate and the ongoing migration of working age people to universal credit from legacy benefits which now includes income support, income related JSA and ESA and tax credits. (This migration results in a move from passported housing benefit which is paid partly in advance, to the housing element of universal credit which is paid at least 5 weeks in arrears).

Metric 10a - % of Void Rent Loss and 10b Out of Management Voids:
Void rent loss over the year was within our target. We have no properties out of management. Two properties from last year were let during the year.

Metric 11 - % of tenants satisfied with overall service provided
The basis of calculation changed in April 2023. We moved from a monthly in-house survey to an externally delivered quarterly tracker survey of the TSM Perception Survey questions and the basis of Metric 11 changed to match TSM. Q.TP01 Taking everything into account, how satisfied or dissatisfied are you with the service provided by EHA. The trend information to 2022/23 was based on the previous monthly survey question 'would you recommend EHA to family and friends.

Metric 12 - Bad Debt Indicator:
Our bad debts are currently above target and work is continuing to reduce the overall arrears and ageing of the debt. This is being closely monitored and will improve during 2024 due to a large debt on hold due to negotiations for the transfer of 10 properties to Eden HA.

Benchmarking
The Regulator for Social Housing published its annual Global Accounts 2023 in the year ended March 2024. These accounts are a rich data source for benchmarking purposes, though of course they need to be approached with caution, the accounts reported on one year only, with results potentially affected by many unknown factors. We have used the Global Accounts data to provide context for our work, to aid us to look in closer detail at our performance against the upper / lower quartile and against some local and out of county rural operators.

The following table highlights the results for the Association compared with data published in the Regulator for Social Housing published 2023 Global Accounts;

Registered Provider & (no. of units)	Financial Year End	Re-Invest. %	New Supply (Social) %	Gearing %	EBITDA MRI Interest Rate Cover %	Headline Social Housing Cost per unit, £k	Op Margin (SHL) %	Op Margin (Overall) %	ROCE %
Broadacres HA Ltd (6,656)	31/03/2023	5.5%	1.7%	47.1%	136.0%	4.62	21.1%	16.7%	2.0%
uCastles & Coasts HA Ltd (6,795)	31/03/2023	6.2%	1.2%	28.6%	77.4%	4.51	11.4%	13.7%	2.1%
Eden HA Ltd (1,824)	**31/03/2024**	3.05%	0.3%	40.3%	134.5%	4.40	32.9%	33.7%	4.8%
North Devon Homes (3,332)	31/03/2023	3.2%	0.3%	56.5%	90.0%	4.30	18.8%	23.7%	3.0%
nitsSouth Lakes Housing (3,300)	31/03/2023	10.2%	2.4%	33.4%	152.2%	4.61	19.1%	22.2%	3.2%
Providers with less than 2,500 units (50)	31/03/2023	3.6%	0.6%	34.4%	133.6%	5.36	19.8%	16.5%	2.1%

Lower Quartile	**Global Accounts 2023**	**4.3%**	**0.6%**	**33.4%**	**88.7%**	**4.08**	**14.4%**	**12.0%**	**2.2%**
Median		**6.7%**	**1.3%**	**45.3%**	**128.4%**	**4.59**	**19.8%**	**18.2%**	**2.8%**
Upper Quartile		**9.4%**	**2.2%**	**53.7%**	**169.3%**	**5.85**	**25.5%**	**23.0%**	**3.6%**

Direct comparisons are difficult and should be treated with caution.

The association is geared higher compared to most of this comparison group, however, our gearing is coming down, in line with our strategic objective. Our headline cost per unit, operating margin and return on investment are all better than the median. Taken in the round these value for money metrics indicate a reasonable performance for the year despite the continuing impact of the pandemic for most of the year.

Global Accounts 'Best in Class'

Our Board wished to see greater dialogue and exchange of learning take place with our identified 'best in class' associations. However, given the critical need to respond to the pandemic, we were unable to progress this as we would have liked to. Lots of effective engagement, sharing and learning did take place with various organisations in our pandemic response which is threaded through our outturn results for the year.

We will look to secure efficient and effective learning from our identified 'best in class' organisations in the year ahead.

Value for money gains over the last year

An important fundamental element of our VFM strategy has been developing a culture of controlling costs within our business whilst achieving effective outcomes.

Below are examples of the value for money gains achieved over the last 12 months. Project 'gains' are based around the '4Es' (economy, efficiency, effectiveness and equity). This identifies both the financial savings, as well as the value and benefit we achieve through system enhancements, resource savings and service improvements.

Project	Outcome - Economy, Efficiency, Effectiveness
Cloud CCTV for flats with high incident levels To install cloud-based CCTV at 2 flat sites with high levels of ASB and issues. An initial trial of Verkada cloud CCTV was promising, but proved expensive with vendor lock-in to their subscription platform. An alternate system was trialled and configured in-house using Video loft cloud service, HIK vision network cameras, 4G routers and network switches. This delivered the same performance as Verkada at a much lower cost.	1. Economy - significantly reduced cost with no lock-in to one supplier. This consists of 9x Camera costs, 2x sites - (Exc network, 4G and install cost which applies to both regardless of chosen solution) Verkada quote EHA designed using Videoloft, HIK vision and 4G networking kit. Camera - £1013, 1-year license per camera £168 Camera - £134, 1-year license per camera £72 Year 1 Cost - £10,629 Year 1 Cost - £1,854 = Year 1 saving £8,775 Year 2 Cost - £1,512 Year 2 Cost - £648 = Year 2 Saving £864 Total saving over 5 years = £12,087 - 114% 2. Efficiency - Remote access for staff and partners. Secure cloud storage with 30 days retention 3. Effectiveness - Reduced staff and partner time to investigate incidents. 4G utilised to reduce cost and complexity of installing a fixed internet connection 4. Equity - Improved security for all our tenants and allows us to deliver a more efficient service.
Heysham Gardens WAN Connection Upgrade of site connectivity to a shared leased line to replace 2x separate slow FTTC connections. This includes secure segregation of services still but enables tenant Wi-Fi, Disaster Recovery (DR) and office networks to all benefit from a much faster and more reliable dedicated WAN connection.	2. Efficiency - Sufficient bandwidth for DR use and quicker backup times. 3. Effectiveness - Improved reliability and latency for scheme office IT 4. Equity - Improved Wi-Fi connectivity for our tenants.
Installation of Smart Meters Fit smart meters where we supply communal electricity (58 meters). (Project remains ongoing and forms part of business-as-usual in the Caretaker Service role)	1. Economy - an example at 2x sites where real readings saved £14,000. More improvement on bills is anticipated as the project continues overtime. 2. Efficiency and 3. Effectiveness - the meter reading process becomes more efficient through more accurate meter readings
Heater & Dehumidifiers Improved process for managing	1. Economy - previous loss of approx. £2,500 worth of equipment through unreturned items

heaters/dehumidifiers being disseminated to tenants, to ensure all items are returned.	2. Efficiency - the new process now includes improved management of incoming and outgoing equipment 3. Effectiveness - previous process resulted in several items not being returned. This has now been mitigated using the revised monitoring procedure 4. Equity - all tenants now have an improved option for being provided a heater/dehumidifier where warranted
<u>Internal IT System Amendments</u> A data fix was required to one of our software packages to regarding correct VAT charges to garages. This was going to be completed by the software provider.	1. Economy - the software provider was aiming to charge a minimum of £2,650, based on 17 hours work and expenses. By completing the data fix internally, this only took 3 hours to complete = £2,650 saving 2. Efficiency - the work was completed internally in a far quicker time 3. Effectiveness - the software was able to able to be fixed expeditiously and enable us to continue with correct VAT charges quickly
<u>Using Email Instead of Posting Correspondence</u> We currently have the ability to email and text information to our customers where applicable, but this function is not being used to its full potential. This could be utilised for EHA, Mitre and Lyvennet properties. It is recommended that staff reduce the amount of postage being sent out where possible and make more use of the email function.	1. Economy - saving in postage costs via our franking machine (1st class = 90p, 2nd class = 59p). Additional savings in the cost of paper, envelopes and printing 2. Efficiency - saving in staff resource required to print, envelope and frank documents 3. Effectiveness - the process is simple and correspondence reaches the recipient instantly 4. Equity - this is used across all our customers where possible and, to date, there has been a solid decrease in the amount being sent by post
<u>Install Gutter Brush Guards</u> Fix gutter brush guards on the gutters at Wasdale, to stop them filling with leaves and over-running. This will assist in preventing damage to the facing and the paintwork.	1. Economy: prevent damage and subsequent costs of fixing the facing or paintwork 2. Efficiency: better use and saving of staff time 3. Effectiveness: rubber filters have now been fitted and are working well. This should lead to a reduction in the number of times gutters need cleaning out. It is anticipated that more will now be purchased to extend this benefit.
<u>Window Cleaning Reduction</u> Reduce the communal window cleaning at the schemes to once every 2 months, instead of once every month. Saving resident service charge	1. Economy - saving residents' money on their service charges by reducing window cleaning to every 2 months 2. Efficiency - less window cleaning services required 3. Effectiveness - project involved tenant consultation at the relevant schemes to encompass tenants' views 4. Equity - service charge savings across our schemes, where applicable

<u>Changing Provider for Clearing out Void Properties</u> To change provider for clearing our voids, in order to support environmental and cost-of-living improvements	1. Economy - this reduces cost for EHA, but in turn, the tenant and recharges are reduced. It further helps future tenants with cost of living concerns 2. Efficiency - where cleared items are identified as very good condition, they can be stored and used for future tenants who need them 3. Effectiveness - this is also better for the environment, as the new provider recycles a lot of items, or EHA can request he relocates them to tenants who need them
Deliver an improved asset management system to drive improvements in future investment in existing stock whilst also considering the carbon neutral requirements.	2. Efficiency – links with existing principal housing management system, reducing administration. Out of the box modules offer opportunity to move some areas of work from spreadsheet into database, with task management system able to drive work. 3. Effectiveness – Improved reporting and modelling capabilities for capital investment work. Most property compliance work historically managed on spreadsheets and standalone databases can now be managed through principal database. More compliance work system driven reducing potential for human error. Reporting more straightforward requiring less staff time.
Improve the right first time performance across the repairs service and on all customer contact across the business.	2. Efficiency - reducing the number of follow up 'failure' calls and contact increases the availability of staff and contractor time to work on 'value' work. 3.Effectiveness - customer experience is improved and customer confidence grows in our service delivery as we get more right first time 4.Equity – equity for all customers will increase as we improve processes.
Implementation of modules within the housing management system to improve process and customer journey.	1.Economy – roll out of new 'mobile' module applications from the principal software provider will reduce licensing costs with third-party providers 2/3.Efficiency & effectiveness – using principal software provider mobile applications will improve processing times and reduce time lost to managing incidents relating to current software. 4.Equity for all customers will increase as we improve processes.
Introduce rolling service reviews to look at process and services to identify VFM efficiencies and effectiveness.	1.Economy – the reviews are looking at process and costs for opportunities to spend less. 2.Efficiency – the reviews are looking at current return on resources to ensure we are spending well. 3. Effectiveness – the reviews are looking at what we deliver against our objectives to ensure we are achieving outcomes and spending wisely. 4. Equity – equity for all customers will increase as we improve processes for every tenant.

Increased lengths of tenancy leading to reduced property churn and reduced costs	1.Economy – reducing the volume of tenancy turnover will reduce spend on voids. 2. Efficiency & Effectiveness – reducing the volume of tenancy turnover will reduce the time spent on managing voids.
Treasury strategy/long-term loan facility review to strengthen financial viability	1.Economy – the funding review is looking at the cost of borrowing with a view to secure competitive rates. 2.Efficiency – the funding review is looking to ensure we achieve a good return from the exercise and the outcome will be for a better opportunity to deliver greater investment in the homes and community. 3. Effectiveness – the funding review is looking to ensure we have funding in place to deliver and spend wisely and achieve our strategic objectives for all stakeholders. 4. Equity – equity for all customers will increase as we increase investment in homes and community.
Tenant Engagement Suggestion (21) Improve the layout of rent and service charge statements in order to avoid confusion and influx of enquiries. Tenants requested that the schedules show the breakdown of the charge for each service cost (gas, electric, cleaning etc) rather than per facility (bathroom, lounge, kitchen etc)	Outcome Following consultation with scheme residents, the rent notices now include service charges in a new lay-out. This revised layout of information is more effective, as it provides more clarity on the items listed. This will prove a more efficient process, as it should reduce queries from customers and thus save staff time. In addition, it will also make it easier for staff to explain changes in costs moving forward.
Tenant Engagement Suggestion (23) Consider re-wilding some areas which are costly to maintain	Outcome Economically, this results in a reduction in ground maintenance costs. This suggestion formed part of our contractor tender pack and is now part of business-as-usual. It is anticipated that this implementation will support the green agenda across our locations.
Tenant Engagement Suggestion (19) Regular internal and external property inspections to keep on top of repairs and maintenance works	Outcome More inspections continue to be carried out. Housing Officers are routinely reminded to actively look for repairs or property concerns when they conduct visits. Any repairs are reported through to the Property Team and we ensure that the Housing Team and Property Team maintain a close working relationship. Additionally, we will work alongside partner agencies where specific issues are raised.
Tenant Engagement Suggestion (4) Where possible, providing tenants with regular communication, and ample notice of the approximate tenancy start date	Outcome In the tender process for our new contractor, we ensured a dedicated quality question regarding time management of void properties. We now have ongoing communication with our contractor regarding the importance of timely dates for void completions, and these are then managed in our weekly meetings. This

	helps EHA to achieve economic and efficiency savings wherever feasible. Housing Officers will keep customers updated on a regular basis.
Tenant Engagement Suggestion (3) Improved communication around bid progress	Outcome We have ensured that the Cumbria Choice Based Lettings (CBL) website is up-to-date, and that the application policy (for the bidding process) is clearly identified. In addition, we have ensured that on our EHA website, there is a dedicated link to the CBL website, to make it clear and easy for our customers. Internally, officers within the organisation work a shortlist in a timely manner, to ensure minimal void loss. This also gives instant feedback to our customers. We anticipate that the above actions ensure a clear, efficient and effective process.
Tenant Engagement Suggestion (2) Improve advert detail - better images, room sizes and property location/ local area	Outcome Internally, we ensure that good quality pictures are provided on adverts by our team, and that these provide as much detail as possible. We have also discussed this with our partners and requested that they provide as much information on their adverts as well. We understand that room sizes are often difficult, as the property may be advertised before the officer has visited. However, plenty of opportunity can be given to measure up at the viewing process and before keys are received.
Tenant Engagement Suggestion (20) All rent/charges to be paid by direct debit	Outcome Having reviewed this suggestion, our Financial Accountants confirmed that we cannot enforce any tenant to pay by direct debit and that this would only be applicable to certain tenants. However, in support of this idea and the economies and efficiencies that it provides, our finance team emailed this option to all tenants not currently using this payment method. This has since been progressed with tenants opting into this payment method.

VFM Future Plans

Our future areas of VFM focus for 2024/25 linked to the strategy include:

- Continue to improve the right first time performance across the repairs service and on all customer contact across the business.
- Continue implementation of modules within the housing management system to improve process and customer journey.
- Continue the rolling service reviews to look at process and services to identify VFM efficiencies and effectiveness.
- Increased lengths of tenancy leading to reduced property churn and reduced costs.
- Finish the treasury loan facility review to strengthen financial viability.

Our VFM metrics looking forward are as follows:

	2024/25	2025/26	2026/27	2027/28	2028/29
Reinvestment %	5.33%	4.17%	4.09%	4.06%	4.03%
New Supply SH %	0.6%	0.5%	1.2%	0.6%	0.6%
Gearing	39.3%	38.8%	38.4%	38.0%	37.6%
EBITDA MRI	132.6%	136.9%	140.0%	149.6%	149.0%
Headline SH CPU	£4,803	£4,526	£4,632	£4,738	£4,868
OP Margin (SHL)	28.0%	26.0%	24.5%	24.0%	22.8%
OP Margin (Total)	29.0%	27.3%	26.0%	25.5%	24.3%
ROCE	4.3%	4.0%	3.8%	3.7%	3.6%