



Value for Money Strategy

2024-2027

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Our Purpose

Together with our communities, we create affordable homes and great neighbourhoods that people are proud to live in.



Eastlight homes;
and resident
Jeff Spencer

Introduction

We use our approach to Value for Money to help us challenge and make the best use of our resources. Our Value for Money culture, which we continually work hard to embed in a fast-moving organisation, is driven by our core values: ambitious, inclusive and accountable. We ensure that everyone at Eastlight is engaged in ensuring that we balance effort and resources with outcomes.

It also enables us to deliver sustainable and resident-focused services that are rooted in effective and efficient use of our financial resources, through the way we are structured, the talent and capabilities of our colleagues to our third-party suppliers and strategic partners.

Our procurement framework includes setting out a clear requirement from the outset and ensuring adequate KPIs and service levels are included to ensure we get the best value from the contract.

In addition, this strategy sets out our approach to our financial and risk management arrangements.



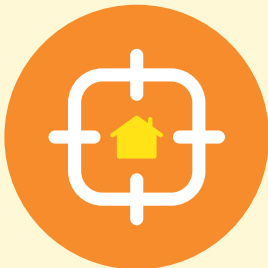
Eastlight resident
Yvonne Warren

Core principles



We are resident-led

Our customers have input at all levels of our organisation. They are treated with fairness and respect, with us listening to what they have to say, acting on their feedback and transforming our services to meet their needs. By creating an effective VFM Strategy, we will be able to deliver more for our customers by reinvesting in existing homes and continuing to build new ones.



We focus on our core purpose

We are a regulatory compliant organisation that ensures our residents live in high quality, safe, decent and well-maintained homes and neighbourhoods. We care about the health and wellbeing of our existing customers, and we deliver new homes – for social rent, affordable rent and shared ownership – for our customers of the future. Our core purpose can be delivered by reinvestment of VFM gains, prioritising our resources and ensuring these provide the best outcomes for our residents in terms of quality of housing.



We are place-based

We are committed to taking a proactive place-based approach that extends beyond our customers' doorsteps, helping to create neighbourhoods and communities where people feel proud to live. The VFM Strategy will ensure the communities our customers live in are sustainable over the long term by continued reinvestment of efficiency gains.



We are sustainable

We care about our environment, and we operate in an increasingly sustainable way. We take positive action to reduce the environmental impact of building, maintaining and living in our homes. Our Asset Management and VFM target to achieve Net Zero Carbon by 2050 and EPC-C by 2030 will reduce the environmental impact for future generations. It will also improve the quality of our homes.



We develop partnerships to grow our business and deliver for customers

We actively seek partnerships that present opportunities for managed growth. We understand we can achieve more and better outcomes for our customers by working with other organisations that share our strategic priorities. By delivering our procurement plans, we will explore frameworks through different partnerships to enhance our ability to provide services at a lower cost whilst still delivering on quality.



We use data and technology to inform our decision making, our investments and to deliver better customer services

Improving our insights will lead to us becoming a more efficient organisation that delivers better value for money. Our work around digital transformation will enable us to provide services that better suit our customers. By investing in our digital offer and reviewing our internal systems, we will be able to work smarter and use colleague time more efficiently by focusing on value-added activities for our customers. This will generate VFM gains by enabling us to operate more effectively.



We are financially resilient

Our dedication to being a financially strong organisation means our customers, team members and partners can be confident in our ongoing ability to meet our financial commitments and deliver our strategy. This includes having a clear VFM Strategy that delivers more for our customers.

Efficiency and effectiveness

We try to ensure we always use the efficiency and effectiveness guidance:

Economic – Is the proposal the best economic choice for Eastlight? This may not necessarily equate to the lowest cost, as other factors such as service quality, professionalism and experience hold significant value

Environmental – Does the proposal aim to reduce our carbon footprint or enhance the sustainability of our resources and operational practices?

Efficient – Does the proposal enhance the efficiency of our business operations? For instance, does it streamline processes, digitise manual tasks, reduce turnaround times, or leverage existing skills and expertise?

Effective – Does the proposal effectively use our capabilities and resources, including our personnel, assets and partnerships, to achieve the best outcomes for us and our residents?

Regulatory Framework – Governance

Our Board:

- Approves the approach to Value for Money and the annual VFM self-assessment statement
- Reviews and oversees our approach to Value for Money and annual return
- Reviews and monitors the external auditor's independence and objectivity and annually appraises the effectiveness and value for money of the external, audit service. This will include a meeting with the auditors at least once each year without staff present
- Ensures our services deliver Value for Money.

Monitoring KPIs and benchmarking

Our aim is to optimise resources to deliver high-quality housing and services efficiently. This will include:

Cost management: Conduct regular audits to identify and eliminate inefficiencies across the business. Implement budget controls and prioritise cost-effective solutions via Business Partnering

Service Quality Improvement: Gather feedback from residents to enhance service delivery. Focus on areas that are important to them, ensuring effective tenant communication and community engagement to ensure services meet their needs

Performance Metrics: Use the established performance indicators such as tenant satisfaction, occupancy rates and turnaround times for repairs. Use data to drive decision-making and continuous improvement at Executive Team, Committees and Board

Sustainability Initiatives: Invest in energy-efficient technologies and sustainable practices to reduce long-term operational costs and environmental impact, aligning with statutory requirements for carbon reduction

Partnership Development: Collaborate with local authorities and other stakeholders to share resources, access funding and enhance community services, thereby improving overall service delivery

Transparency and Accountability: Regularly report VFM outcomes to stakeholders, including the regulator, residents and funders, to build trust and demonstrate effective use of public funds

Staff Training and Development: Invest in staff training to improve service delivery and operational efficiency, ensuring that employees are equipped to meet the evolving needs of residents.

By implementing these strategies, Eastlight can achieve a balance between financial sustainability and high-quality service provision, ultimately benefitting both the organisation and our residents.

In the **short term (within one year by financial year ended 2025)**, we will:

- Collate an active disposals programme based on our poorly performing assets and dispose of these in line with budget and Business Plan targets
- Review all contracts from a procurement lens and challenge the cost and quality of these
- Deliver efficiency savings of £2.1m and work to continue finding areas where costs can be saved, or income generated.

In the **medium term (within three years by financial year ended 2027)**, we will:

- Ensure recurring efficiency savings (or income generation) of £2.8m annually achieved in line with our 2024 Business Plan
- Formally embed our disposals programme in line with our Business Plan targets by identifying poorly performing assets
- Understand the cost of each service area compared to our peers
- Move to a model of full-Service Charge cost recovery by 2027 – maximise our income and cover our costs in line with customer leases
- Explore other procurement frameworks available that may benefit Eastlight and our customers from an efficiency, cost and quality perspective
- Regular review of our internal resources (staffing) to ensure department structures evolve with our growth plans, are fit for purpose and deliver our corporate objectives
- Consider opportunities to in-source/outsource services, linking back the benefits of this to our customers in terms of reinvestment
- Regular review of our liquidity and funding arrangements making sure these are in line with our Treasury Strategy and deliver the most cost-effective sources of funding
- Undertake deep dives into service area overspends, ensuring accountability for costs that are not managed.

The Finance service will analyse costs to pinpoint areas where service delivery is more expensive than our internal targets or the sector average. This cost analysis will be combined with performance statistics and the latest Risk Assurance Framework to determine if there's a significant imbalance between cost, performance and risk that justifies a service review.

We will conduct this analysis annually at budget setting to identify which service areas need reviewing to enhance value for money. This may include evaluating whether Eastlight should continue providing certain services. By doing so, we will prioritise those services considered to be most important for our customers.

Any potential savings and investments will require approval through business cases, which will be incorporated into future budgets. A Value for Money review will be part of each business case and must be approved by the Finance Business Partner and the Director of the relevant service area. The Finance and Procurement teams will also play a key role in monitoring whether the anticipated financial and non-financial benefits are realised.

We benchmark ourselves regularly using Housemark data and RSH's release of global accounts. Our targets are set out below:

| | 2024/25 Budget target (Original) | 2024/25 Budget target (Re-base) | 2025/26 Approved Business Plan |
|--|---|--|---|
| Gearing | 55.6% | 58.3% | 61% |
| EBITDA MRI Interest Cover | 150% | 143.6% | 161% |
| Headline cost per social housing lettings unit | £4,901 | £4,740 | £4,611 |
| Liquidity funding available (months) | 15 months net cash required | 15 months net cash required | 15 months net cash required |
| Operating margin (Social Housing Lettings) | 28.5% | 28.4% | 31.3% |
| Overall operating margin | 25.6% | 25.4% | 29.8% |
| Return on capital employed | 3.3% | 3.3% | 3.5% |

Financial management

Our financial management approach is detailed in our operating rules and financial regulations. These documents outline financial authority levels, our budget-setting processes and procurement thresholds. Each year, the Senior Executive Team develops budget proposals aligned with our 30-year business plan, which the Board must approve. This alignment ensures we meet our objectives, loan covenants and financial “Golden Rules”.

Key investments, such as new developments and capital projects, require a financial appraisal to evaluate the expected return on investment. Budget holders monitor all budgets, examining any variations from planned spending and changes to forecasted figures.

We review our financial regulations and operating rules annually to ensure they support Eastlight’s strategic goals effectively.

Our Management Accounts and Group Performance pack track the following Value for Money metrics:

- Operating Surplus %
- Landlord Operating Margin %
- Net Surplus Margin %
- EBITDA MRI %
- EBITDA MRI % Interest Cover
- Gearing %
- Cost per Unit £

We have established targets or "Golden Rules" for each metric to drive improvements, ensure compliance with our covenants and enhance Eastlight’s performance compared to other Registered Social Housing providers. These metrics also serve as benchmarks for making decisions, such as budget approvals and business planning.

Eastlight focuses on a streamlined reporting approach, primarily using these metrics alongside operational KPIs to evaluate the effectiveness of our Value for Money Strategy. However, for large-scale projects, a Value for Money evaluation is integral to the post-project review.

Risk management

Our Risk Assurance Framework helps the Board and Senior Executive Team to identify the key risks facing the budget and the mitigations in place to reduce the scale of risk.

A fundamental aspect of good risk management is ensuring that we have a strong internal control environment in place. This includes having clear policies and procedures and keeping these up-to-date so that staff know what to do. Additionally, we conduct an Internal Audit to independently assess our controls. When necessary, we engage specialist services for a more detailed examination of our controls.

Supporting policies

- Financial Regulations & Scheme of Delegation
- Treasury Management Policy
- Rent Policy
- Service Charge Policy.

Governance

| | |
|--|-------------------------------|
| Executive Lead: | Executive Director of Finance |
| Leadership of Strategy: | Head of Finance |
| Board: | Annual strategy update |
| Finance & Treasury Committee: | Annual strategy update |
| Customer Influence Committee: | Annual strategy update. |

Eastlight Community Homes

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