

Value for Money Strategy 2025-2028

This strategy outlines Peabody's core principles and overarching approach to delivering Value for Money (VfM). It serves as a high-level framework to support consistent, transparent, and effective decision-making across the organisation.

As a long-term business, Peabody is committed to maintaining strong financial and organisational resilience. This ensures we are able to withstand financial shocks and respond effectively to a changing external environment.

Over the next three years, we will focus on strengthening our foundations through strategic financial planning and the prudent management of resources. A strong emphasis on value for money is embedded throughout this strategy and underpins all the activities we deliver.

1. Introduction

1.1 Housing associations face increasing expectations from residents and regulators, requiring us to be efficient, effective, and transparent in how we deliver services. The purpose of this strategy is to clarify what value for money means at Peabody, how we define it, and how we measure our performance and impact. This strategy is a key enabler of our Group Strategy 2025–2028 and reflects our commitment to delivering better services for residents, supporting colleagues, and ensuring long-term stewardship of our homes and places.

2. Scope

2.1 Peabody's mission is to provide quality homes, work with communities to strengthen neighbourhoods, and support people when they need it most. Our Group Strategy 2025–2028 sets out three strategic priorities:

- 2.1.1. Better services for residents
- 2.1.2. Better together for colleagues
- 2.1.3. Better homes and places for the long-term

2.2 Everything we do is underpinned by our continued focus on financial resilience in everything we do. Our VfM strategy sets out how we make the best possible use of our resources and ensure that every pound spent achieves meaningful outcomes.

3. Why Value for Money is Important

3.1 VfM is both a regulatory requirement and a fundamental principle of good business practice. The Regulator of Social Housing (RSH) requires that registered providers have a strategic and board-led approach to achieving VfM, balancing economy, efficiency effectiveness, equity and environment.

3.2 Organisations must:

- Clearly articulate strategic objectives and demonstrate how VfM supports their achievement.
- Adopt a board-led, strategic approach to achieving VfM.
- Have a robust approach to achieving VfM in line with those objectives.
- Understand the return on assets and have a strategy for optimising future returns.
- Monitor and report performance against VfM metrics.
- Ensure strategic decision-making reflects VfM principles.

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- 3.3 Our VfM approach supports these requirements while aligning with our mission to deliver meaningful impact for residents and communities.
- 3.4 VfM at Peabody is integral to achieving our Group Strategy 2025–2028 and is embedded throughout our operations, investment choices, and service design. It enables us to make the best use of our resources to maximise social value, improve resident outcomes, and ensure long-term organisational resilience.

4. Strategic Alignment: Integrating Value for Money with Values and Corporate Direction



5. Understanding Value for Money

5.1 At its core, VfM means achieving the most beneficial outcomes with the resources available. It is not just about saving money, but about making informed, evidence-based decisions that deliver sustainable value.

5.2 Defining Value: The Five E's we assess VfM across five dimensions:

- **Economy:** Using resources efficiently to avoid unnecessary cost.
- **Efficiency:** Streamlining processes to deliver services with less input.
- **Effectiveness:** Achieving desired outcomes and improvements.
- **Equity:** Ensuring fairness and inclusivity in our services.
- **Environment:** Reducing environmental impact and improving sustainability.

5.3 VfM is an often misunderstood term because of its association with complex economic calculations and tools. While these can be useful in some contexts, at its core VfM is actually a much broader and simpler idea: When we invest time, resources and energy into an activity or programme we need to ensure we...

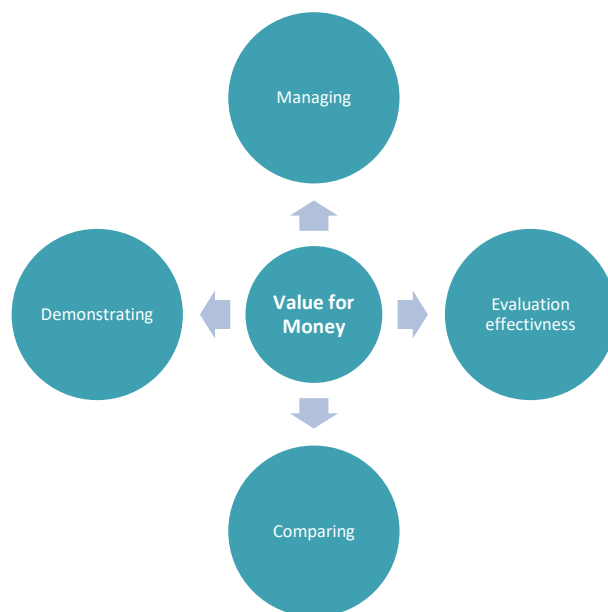
weigh up the costs (what is being put in) **and the benefits** (what is being achieved) of all different options ...**and make the case** for why the chosen approach is the best use of resources and delivers the most value both financially and to our people.

First and foremost, it's about doing the right thing.

- 5.4 A good way of understanding VfM is to think of it as putting forward a defensible case in which an organisation clearly articulates and explains the choices it has made. Crucially, making a defensible case relies on robust evidence, and the quality of the data used is fundamental. The more explicit, transparent and specific a business is in providing evidence that others can review, the stronger the case will be.
- 5.5 Lastly, the approaches and methods used for VfM purposes need to be appropriate to the intervention, the context and the resources of the business.

6. The Peabody Value for Money Framework

- 6.1 Our Value for Money (VfM) framework fosters a culture of VfM throughout the organisation, supported by the Better Together programme which was launched in October 2024. It ensures that VfM is embedded in all decision-making processes and is supported by clear performance metrics aligned with our strategic goals. The framework is built around four key pillars: management, evaluation, comparison, and demonstrating value. Strong governance and oversight are provided by the Executive and Board Committees to maintain accountability and drive continuous improvement.



6.2 Managing Value for Money

- 6.2.1. The foundation of good VfM is having good practices in place. It is crucial to consider the costs and potential results at the outset and in decision making, just as it is to monitor and evaluate them at the conclusion. It means having effective procurement practices, good financial systems, and a standard approach to implementing programmes. These are fundamental to delivering a balance in VfM.
- 6.2.2. At Peabody, we understand that Value for Money (VfM) must be part of everyday thinking, something every employee is responsible for, and built into how we make decisions. To make this happen, we take practical steps, including:

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- Encouraging a VfM culture and helping colleagues spot opportunities to improve.
- Including VfM in all proposals, business cases, and operational plans.
- Keeping track of performance across all five E's.
- Comparing our performance with peers and meeting regulatory standards.

6.3 Comparing Value for Money

6.3.1. We also benchmark our VfM performance against sector peers, including G15 housing associations, using publicly available data and benchmarking clubs such as, for example, Gartner. This allows us to assess relative efficiency, cost per unit, satisfaction levels, and returns on investment to support transparent and evidence-based decision-making.

6.3.2. To assess value for money, we track progress against our operational plans and value for money goals. We also benchmark our performance against regulatory standards and internal targets. Additionally, we carry out comparative analysis to evaluate different approaches to service delivery.

6.4 Demonstrating Value for Money

6.4.1. We currently assess VfM where possible using social value methodologies, including Social Return on Investment (SROI) and ESG-aligned frameworks. These approaches support our understanding of long-term, qualitative benefits such as community wellbeing, resident empowerment, and sustainability outcomes. Our current activity includes:

- Use both qualitative and quantitative evaluation methods,
- Define clear indicators for each of the five E's,
- Applying VfM monitoring tools across relevant projects and programmes, and
- Aligning VfM evidence with Group objectives and strategic outcomes.

6.4.2. Social Value is monitored and reported to the Peabody Community Foundation Board, and a deep dive into Race, Equality, and Cohesion (REC) is planned for 2025/26. A Social Value Impact Report is also scheduled for publication in 2025/26.

6.4.3. To enhance our impact and strengthen delivery, we are progressing with further developments, including the pending launch of a dedicated Social Value toolkit and the recent introduction of the *Match My Project* social value platform.

6.5 Evaluation and Reporting Value for Money

6.5.1. The Group Board sets the tone for our approach to VfM and agrees an annual VfM action plan including specific targets. Annually, the Board publishes a robust VfM self-assessment setting out how we are achieving VfM whilst delivering our values and objectives, and this is available to all residents and other stakeholders. The assessment sets out absolute and comparative costs of delivering specific services. It also evidences the VfM gains that have been made and how these will be realised over time.

6.5.2. A suite of performance indicators relating to VfM will be developed in addition to our monthly financial reports. The Executive Committee and Board monitors progress against targets and benchmarking data. As part of the performance framework, they will be also published in our performance scorecard.

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6.5.3. All papers that are presented to Boards, Committees or Executive Team have a specific section where VfM is commented on and therefore it should feature in every decision that we make.

6.5.4. The Executive Team undertakes monitoring of operational plans and the progress against our targets. They will be guardians of the forward VfM action plan and have a vital role in three key activities related to VfM:

- Sense checking our working practices by making sure that VfM is actively managed and integrated into our day-to-day operational decision making.
- Evaluating the effectiveness of VfM measures to inform the Board committees and ensure the framework adapts where needed, and the organisation continuously improves its approach.
- Identifying any areas for improving working practices that will result in greater value creation.

7. Value for Money Goals Aligned with Group Strategy 2025–2028

A forward-looking view of key VfM metrics over the next three years, based on the most recent Long-Term Financial Plan (LTFP), is provided in **Appendix 1**. This table sets out forecast performance against a number of core indicators and helps to clearly align the VfM Strategy with the financial planning framework. **Appendix 2** provides key outcome measures as contained within the Group Strategy, these demonstrate that VfM is fully embedded within the Group Strategy.

7.1 Better services for residents

7.1.1. Peabody is committed to transforming the resident experience by making services simpler, faster, and more reliable. Key projects include strengthening the local repairs service, co-designing service standards with residents, launching a homeowner services improvement programme, and enhancing complaints management. A strong emphasis is placed on resident engagement, with multiple channels for feedback and participation being expanded.

7.1.2. The measurable outcomes (Appendix 2) for this priority include the following targets for the Year 3 (Financial Year 2028) a 7% increase in overall resident satisfaction, a 19% improvement in repairs completed within target times, a 10% improvement in communication feedback scores, and a 10% reduction in complaints. These targets are supported by detailed KPIs that benchmark Peabody's performance against sector standards and best practices.

7.1.3. Value for money alignment enhancements:

- Economy: Introduce cost-benefit analysis for service improvements (e.g., digital self-service tools vs. call centre expansion).
- Efficiency: Track and publish unit cost per service (e.g., average cost per repair) and benchmark against peers.
- Effectiveness: Link satisfaction improvements directly to cost savings from reduced complaints and failure demand.
- Equity: Ensure service improvements are inclusive, tailor services for vulnerable groups and monitor access disparities.
- Environment: Embed sustainability into service delivery (e.g., green repairs, digital-first communication to reduce paper use).

7.2 Better together for colleagues

7.2.1. Recognising that excellent resident services depend on a motivated and well-supported workforce, Peabody's strategy includes a comprehensive plan to empower its 4,000 colleagues.

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This includes modernising business tools and systems, improving data quality, and expanding professional development through the Peabody Academy. The “Better Together” programme continues to drive cultural change by promoting simplicity, safety, and smarter working practices.

7.2.2. Headline outcomes (Appendix 2) for this area include a Year 3 (Financial Year 2028) 12% increase in employee engagement, a 12% improvement in satisfaction with tools and technology, and progress towards greater diversity in leadership and governance. The strategy also includes initiatives to streamline processes, enhance governance, and ensure that Peabody remains an inclusive and equitable workplace.

7.2.3. Value for money alignment enhancements:

- Economy: Evaluate return on investment (ROI) for training and tech upgrades, prioritise high-impact tools.
- Efficiency: Automate repetitive tasks and measure time saved per role to justify system investments.
- Effectiveness: Link colleague engagement and productivity metrics to resident satisfaction and service KPIs.
- Equity: Monitor and report on internal pay equity, progression opportunities, and diversity outcomes.
- Environment: Supporting our Local Peabody vision by finding smarter, more sustainable ways of working.

7.3 Better Homes and places for the long term

7.3.1. Peabody’s long-term vision for its housing stock and neighbourhoods is being developed through the “Peabody 200” investment strategy, which is intended to guide investment decisions through to the organisation’s bicentenary in 2062, subject to Board approval later in the year. The focus is on maintaining and improving existing homes, delivering new housing, and enhancing the quality of public spaces and community infrastructure. Sustainability and climate resilience are central themes, with plans to reduce environmental impact and improve energy efficiency.

7.3.2. Key targets (Appendix 2) include maintaining 100% compliance with Decent Homes standards, increasing resident satisfaction with home safety by 10%, and delivering over 5,000 new homes by Year 3 (Financial Year 2028). The strategy also includes the development of local portfolio plans to ensure that investment decisions reflect the specific needs of each community. A new Sustainable Places panel will support innovation in place management and stewardship.

7.3.3. Value for money alignment enhancements:

- Economy: Use whole-life costing and procurement frameworks to reduce capital and maintenance costs.
- Efficiency: Prioritise investment in homes with highest maintenance costs or lowest energy performance.
- Effectiveness: Track impact of investment on resident satisfaction, energy bills, and asset value.
- Equity: Ensure investment is fairly distributed across regions and tenure types.
- Environment: Accelerate decarbonisation plans and measure carbon savings per £1 invested.

7.4 Financial performance

7.4.1. To support these strategic goals, Peabody is committed to maintaining strong financial health. This includes setting ambitious but achievable budgets, managing debt responsibly, and

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ensuring that all assets deliver sustainable returns. Our Group Strategy outlines plans to maintain financial resilience through improving operational efficiency, reducing void losses, and generating surpluses through property sales and commercial activities.

7.4.2. Financial KPIs (Appendix 2) for Year 3 (Financial Year 2028) include increasing the operating margin to 20.9%, reducing rent and service charge arrears to 5.4%, and maintaining liquidity levels above 18 months. These measures are designed to ensure that Peabody can continue to invest in its homes, services, and people, even in a challenging economic environment.

7.4.3. Value for money alignment enhancements:

- **Economy:** Enhance procurement strategy to ensure all departments tender to multiple suppliers, optimising VfM through rigorous evaluation of quality and costs. Promote best practices in procurement to drive down costs and improve service delivery.
- **Efficiency:** Introduce VfM dashboards for real-time monitoring of spend vs. outcomes.
- **Effectiveness:** Link financial KPIs to social impact metrics (e.g., cost per outcome in community investment).
- **Equity:** Ensure financial decisions do not disproportionately affect lower-income residents.
- **Environment:** Include environmental risk and opportunity assessments in all investment appraisals.

8. Looking ahead

8.1 Our three-year strategy focuses on delivering measurable improvements in service reliability, communication, and resident satisfaction. We will prioritise repairs and transparency, including clearer service standards and more understandable service charge bills to enhance trust and accountability. Investment in colleague training, upgraded technology, and streamlined processes will improve operational efficiency and reduce costs.

8.2 A key element is the integration of a new Investment Directorate to oversee a coordinated asset management and development approach, culminating in the Peabody 200 asset investment strategy. This long-term plan ensures balanced, sustainable investment in our homes and communal spaces, safeguarding quality and safety.

8.3 Finally, embedding a localised approach through place-based pilots will enable tailored, effective service delivery that meets community needs while maintaining a focus on financial prudence. These steps collectively will strengthen value for money by improving outcomes for residents and optimising resources.

9. Equality, Diversity and Inclusion

9.1 Equity is a core VfM principle. We commit to applying this strategy in a fair and inclusive manner, supporting our equality, diversity, and inclusion objectives.

10. Legislation and Regulation

10.1 This strategy complies with the Regulator of Social Housing's Value for Money Standard and associated Code of Practice. We meet the requirement to:

- Articulate and deliver a strategic approach to VfM
- Monitor performance and report against key metrics
- Ensure transparent and effective decision-making in line with strategic goals

11. Responsibilities

11.1 The Chief Financial Officer is responsible for this strategy, with oversight of VfM metrics by the Finance Director, Financial Control and Operations.

Approval Approved by the Peabody Trust Board Effective from: August 2025

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Appendix 1 - Regulator of Social Housing – Summary of Value for Money Metrics

Metric	Description	Purpose
1. Reinvestment %	Measures investment in new and existing housing properties as a percentage of total housing assets.	Assesses the provider's commitment to maintaining and expanding housing stock.
2. New Supply Delivered %	Indicates the number of new social housing units delivered as a percentage of total units owned.	Evaluates the provider's contribution to increasing housing supply.
3. Gearing %	Calculates net debt as a percentage of the net book value of housing properties.	Assesses the provider's financial leverage and capacity to invest.
4. EBITDA MRI Interest Cover %	Earnings Before Interest, Tax, Depreciation, and Amortisation (EBITDA) plus Major Repairs Included ¹ (MRI), divided by interest payable.	Measures the provider's ability to cover interest payments from operating surplus.
5. Headline Social Housing Cost per Unit	Total social housing costs divided by the number of social housing units owned/managed.	Evaluates cost efficiency in managing social housing.
6. Operating Margin %	Operating surplus as a percentage of turnover, both for social housing lettings and overall operations.	Indicates the profitability and operational efficiency of the provider.
7. Return on Capital Employed (ROCE) %	Operating surplus divided by total assets less current liabilities.	Assesses how effectively the provider is using its capital to generate profits.

Metric based on LTFP 2026	FY 2024/25 Unaudited	Year 1 FY 2026	Year 3 FY 2028
Gearing	43.3%	39.7%	37%
EBITDA MRI Interest Cover	35.3%	78.2%	96.1%
Operating Margin	14.1%	18.6%	18.6%
Return on Capital Employed	1.7%	2.8%	2.9%

¹ Where applicable, capitalised major repairs grant received should be recognised when calculating the EBITDA MRI Interest Cover metric (source: Value for Money metrics – Technical note guidance 2025).

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Appendix 2 Group Strategy: Key Strategic Outcome Measures

Theme	Strategic Outcome KPI	FY 2024/25 unaudited ²	Yr 1 Target	Yr 3 Target
Residents	Overall resident satisfaction – Tenants	58%	60%	65%
	Overall resident satisfaction – Homeowners	24%	24%	27%
	Satisfaction that Peabody listens – Tenants	51%	53%	62%
	Satisfaction that Peabody listens – Homeowners	17%	19%	25%
	Satisfaction with repairs service (Tenants)	64%	65%	70%
	Repairs completed in target (incl. Awaab's Law)	70%	75%	90%
	Complaints per 1,000 units – Stage 1	60	69.5	64.0
	Complaints per 1,000 units – Stage 2	14.1	11.6	10.4
Colleagues	Overall Employee Engagement	60%	62%	72%
	Satisfaction with tools/tech	61%	64%	73%
	Data quality score – Critical Resident Data	New	Baseline	95%
	Data quality score – Critical Asset Data	New	Baseline	95%
Homes & Places	Satisfaction that home is safe	67%	68%	78%
	Satisfaction that home is well-maintained	63%	64%	68%
	% Decent Homes	99.86%	100%	100%
	SAP rating (energy efficiency)	74.5	75	76.5
	Compliance rates (Gas, Electrical, FRA, Water, Lifts, Asbestos)	98%	100%	100%
	No. of New homes delivered	1,010	1,968	5,398
	No. of Homes unlocked via alternative funding	New	250	2,000
	Void loss %	1.7%	1.2%	1.1%
Financial	No. of ASB cases per 1,000 homes	18.9	22.8	22.8
	EBITDA MRI (Cash Interest Cover)	35%	74%	95.8%
	Rent & Service Charge arrears %	6.17%	6.0%	5.4%
	Liquidity – months (cash and undrawn funds)	>18 months	>18 months	>18 months
	Operating margin (delivered from core activities excl sales)	14%	18%	20.9%
	Surplus from development sales (£m)	£15m	£27.1m	£15m
Proceeds from non-core asset sales (£m)	£48m	£77.2m	£20.1m	

² The financial figures presented are based on draft unaudited data. Final audited figures will be updated and disclosed once the audit process is complete.

