

## **Value For Money (VFM) Statement**

Each year we prepare a report to let you our key stakeholders know how we feel we are performing against our Value For Money objectives. We have an obligation to full report our success and areas for improvement with you. We hope that you find this report useful and would welcome any feedback that you may have.

## **Why Value For Money is Important to the Board**

The Association has a Value for Money strategy in place. We have defined our approach across three key areas;

Economy - minimising the costs to obtain the inputs required

Efficiency – obtaining the best outputs given the inputs

Effectiveness – maximising the outcomes both in terms of quality and quantity from the outputs

We have also developed a balanced scorecard approach to measuring the outcomes we achieve and the indicators we used to demonstrate their delivery. This has split our strategic objectives into Business, People, Customer and Community to ensure that we take into account a full range of factors when coming to a decision on investments and setting priorities. We exist as an organisation to deliver the best possible service to tenants using all resources in the most efficient and effective manner possible.

Our business planning process includes a clear link to our overall objectives and a fully costed 30 year plan. Budgets are linked to budget holders who are responsible for delivering targets. Using Housemark benchmarking data the Board has agreed that improving the performance, cost and satisfaction ratings are a key priority for the forthcoming 3 years.

Our aim is to expand the number of new build properties over the forthcoming five years and being able to deliver improvements in VFM is key to achieving this goal.

We use the Housemark benchmarking system to compare our costs and performance with other Housing Associations within the Eastern Region reporting the results to our Board. Each quarter the Board receives performance reports which chart progress against targets and a comparison against top performing benchmark.

## VFM Statement (Cont'd)

### Indicators of Operating Performance

We report key Performance Indicators to our Board on a quarterly basis with performance against target and year-on year performance being examined.

| KPI   | Performance 2011/12 | Performance 2012/13 | Performance 2013/14 | Target 2013/14     | HouseMark Upper Quartile |
|---|---------------------|---------------------|---------------------|--------------------|--------------------------|
| Percentage of rental income collected                                     | 99.26%              | <b>99.86%</b>       | <b>97.7%</b>        | <b>100%</b>        | <b>100.7%</b>            |
| Arrears as a percentage of rent roll (excluding HB)                       | 2.63%               | <b>2.94%</b>        | <b>3.4%</b>         | <b>&lt;3%</b>      | <b>1.95%</b>             |
| Percentage of rent loss due to voids                                      | 1%                  | <b>0.84%</b>        | <b>1.02%</b>        | <b>1%</b>          | <b>0.74%</b>             |
| Percentage of all stock empty   | 1.93%               | <b>1.24%</b>        | <b>1.16%</b>        | <b>2%</b>          | <b>0.67%</b>             |
| Average relet time for all properties                                     | 32.6 days           | <b>28.6 days</b>    | <b>35 days</b>      | <b>&lt;30 days</b> | <b>20days</b>            |
| Emergency repairs completed on time                                       | 96.23%              | <b>94.11%</b>       | <b>93.9%</b>        | <b>97%</b>         | <b>100%</b>              |
| Percentage of all repairs completed on time                               | 93.1%               | <b>91.46%</b>       | <b>93.14%</b>       | <b>97%</b>         | <b>99.23%</b>            |
| Homes meeting the Decent Homes Standard                                   | 97.5%               | <b>96.9%</b>        | <b>100%</b>         | <b>100%</b>        | <b>100%</b>              |
| Properties with a valid gas certificate                                   | 100%                | <b>99.95%</b>       | <b>99.83%</b>       | <b>100%</b>        | <b>100%</b>              |
| Customer Services calls answered within SLA                               | 91.4%               | <b>90.76%</b>       | <b>83.7%</b>        | <b>90%</b>         | <b>N/A</b>               |
| Tenant satisfaction with overall service provided by the association STAR | 83%                 | <b>87%</b>          | <b>87%</b>          | <b>85%</b>         | <b>90%</b>               |

Some key messages from the operating Performance Indicators this year include:

Arrears are slightly above 3% target. However, given the additional pressures of welfare reform, and in particular the reduction in benefit for those deemed to be under occupying, this has been a relatively good result and will remain a key focus for 2014/15

Our level of voids continues to be relatively low despite the need to decant a number of tenants due to major refurbishment works.

We appointed a new contractor this year. The number of repairs completed on time is below target and we are working with our contractor to ensure that we improve this area next year.

## VFM Statement (Cont'd)

### Financial Highlights and Key Financial Ratios

In order to provide a comparison with the wider Housing Association sector we have taken the 2013 HCA published Global Accounts to provide a comparison with other Associations. Some of our key financial ratios are compared below:

| <u>Measure</u>                          | <u>2012</u>            | <u>2013</u>            | <u>2014</u>            | <u>HCA Global Accounts 2012-13 (LSVT)</u> |
|---|------------------------|------------------------|------------------------|---|
|   | <u>£ per unit or %</u> | <u>£ per unit or %</u> | <u>£ per unit or %</u> | <u>£ per unit or %</u>                    |
| Operating margin as % of turnover       | 27.39%                 | 35.52%                 | 20.39%                 | 26.7%                                     |
| EBITDA Interest Cover                   | 710.84%                | 723.98%                | 416.31%                | 118.3%                                    |
| Growth in Turnover                      | -                      | 4.87%                  | 6.29%                  | 8.00%                                     |
| Gearing                                 | 40%                    | 24.7%                  | 29.5%                  | 86.8%                                     |
| Debt per unit                           | £5,324                 | £5,924                 | £7,514                 | £15,417                                   |
| Management Cost per unit                | £893                   | £861                   | £988                   | £876                                      |
| Responsive and planned repairs per unit | £805                   | £637                   | £995                   | £1,041                                    |
| Average Property Value                  | £11,984                | £22,999                | £24,892                | N/A                                       |
| Current Tenant Arrears                  | 2.63%                  | 2.94%                  | 3.40%                  | 4.80%                                     |

The fluctuations year on year on responsive and planned repairs have been brought about due to the write back of £420k upon the resolution of a creditor dispute. We have also increased the element of major repairs classified under revenue expenditure by £818k.

Our gearing has increased year-on year as we increase borrowing to complete our major refurbishment works and current new build programme.

The increase in management cost has been impacted this year by one-off employment costs outlined at note 7 and an increase in repairs costs. Plans for 2014/15 are in place to reduce both of these costs.

## VFM Statement (Cont'd)

### Absolute and Comparative Costs of Services

We have used benchmark information from Housemark to compare our costs and performance against some key performance measures. The peer group used for the purpose of the assessment are LSVTs in the central region covering the Eastern, West and East Midlands and includes 32 organisations in the peer group.

| Efficiency Summary for Wellingborough Homes |   |                                  |                                  |  |                                  |                                  |
|---|---|----------------------------------|----------------------------------|--|----------------------------------|----------------------------------|
| Business Activity                           | Cost KPI  | Cost KPI Quartile                |                                  | Quality KPI  | Quality KPI Quartile             |                                  |
|   |   | Wellingborough Homes (2013/2014) | Wellingborough Homes (2012/2013) |  | Wellingborough Homes (2013/2014) | Wellingborough Homes (2012/2013) |
| Overheads                                   | Overhead costs as % adjusted turnover           |                                  |                                  | Overhead costs as % direct revenue costs   |                                  |                                  |
| Major Works & Cyclical Maintenance          | Total CPP of Major Works & Cyclical Maintenance |                                  |                                  | Percentage of tenants satisfied with overall quality of home (GN & HfOP)                               |                                  |                                  |
|   |   |                                  |                                  | Percentage of dwellings failing to meet the Decent Homes Standard                                      |                                  |                                  |
| Responsive Repairs & Void Works             | Total CPP of Responsive Repairs & Void Works    |                                  |                                  | Percentage of tenants satisfied with the repairs and maintenance service (GN & HfOP)                   |                                  |                                  |
|   |   |                                  |                                  | Average number of calendar days taken to complete repairs  |                                  |                                  |
|   |   |                                  |                                  | Average time in days to re-let empty properties  |                                  |                                  |
| Housing Management                          | Total CPP of Housing Management                 |                                  |                                  | Percentage of tenants satisfied with overall services provided (GN & HfOP)                             |                                  |                                  |
|   |   |                                  |                                  | Total number of tenancies terminated during the year as a percentage of properties managed (GN & HfOP) |                                  |                                  |

| Quartile Key  |                |              |        |              |                |     |         |
|---------------|----------------|--------------|--------|--------------|----------------|-----|---------|
|               | Upper Quartile | Middle Upper | Median | Middle Lower | Lower Quartile | N/A | No Data |
| Valid dataset |                |              |        |              |                |     |         |
| Small dataset |                |              |        |              |                |     |         |

CPP = Cost per property, GN= General Needs, HfoP = Housing for Older People

## **VFM Statement (Cont'd)**

### **Overheads**

We have actively tried to reduce our overheads and managed to make savings to office costs, consultancy and court costs. We will be monitoring overheads going forward and trying to reduce these costs further if possible.

### **Major and Cyclical Works**

Our investment in major works has remained at a high level to ensure all our homes now meet the decent homes standard. Improving the condition of our homes was a pre-requisite of the transfer and we believe the high level of investment will ensure major and responsive repairs will reduce further and ensure greater satisfaction for our tenants. The budgeted costs in this area for 2014-15 are £557k lower than previous year representing a 26% decrease.

### **Responsive Repairs**

Responsive and Void repairs costs are higher than last year due to previous year's costs being lowered due to a significant write-back of a previous year's creditor in this area. With the completion of the decent homes programme and additional efficiencies we can reduce responsive repair costs going forward. We will be working with contractors and customer panels to ensure we can reduce costs and improve performance. The budgeted works in this area are for 2014-15 are £512k lower than previous year representing 15% decrease.

### **Housing Management**

Housing Management costs have increased due to an increase in investment for rent arrears and collection and resident involvement. For rent arrears and collection, this represents additional expenditure due to welfare reform and to maximise the income for Wellingborough Homes which will justify the high expenditure in this area. Resident involvement costs remain high due to our commitment to get buy in from customers and maintain the emphasis in this area. We have commenced a review of Housing Management services this year to improve efficiencies and tenant satisfaction.

### **Quality and Customers Satisfaction**

The tenant's scrutiny panel carried out a review of the repairs service and reported back with recommendations which were taken up. They use benchmarking data and have access to all members of staff and information required. They also commenced a scrutiny of the arrears process and will report their findings in July 2014. We monitor our performance on a monthly basis against targets and against Housemark benchmarks. Some of the key performance measures are shown below: Our latest score in the Status Customer Satisfaction survey is 89% satisfaction; we shall carry out a new Status Survey this year.

### **How our Assets Perform**

We have reviewed our asset holdings to ensure that we are making best use of the assets which we hold. We are updating our asset management strategy to remain confident that we are making best use of our assets. This includes the use of mobile technology to carryout on-going surveys of our properties.

## **VFM Statement (Cont'd)**

Working with Savills we completed an asset review of all our properties which included a 30 year NPV investment assessment. Completion of a stock condition survey to enable us to plan and maintain our properties in the most cost efficient manner. This review has allowed

us to reduce future assumed expenditure by £20m across a 30 year period. We have planned a rolling programme of surveys within our stock covering 20% of homes each year. This will enable us to plan future improvement expenditure more efficiently.

Our flat enveloping works have continued this year and will increase the long-term demand for these properties whilst offering improved energy efficiency. The Board approved extensive works to blocks of flats at Diana and Sylvanus house after a detailed assessment which not only looked at costs of refurbishment or demolition but also took into account the longer-term demand and the impact upon the immediate area. The decision to demolish our sheltered living scheme at Meadowlands and to re-provision with mainly general needs homes was taken after a review of demand for this type of housing in that area.

With the agreement of the Borough Council of Wellingborough we will explore alternative tenure types, including Private Sector Leasing (PSL) arrangements to make best use of all our housing stock

We do not have a significant proportion of our stock which is classed as non-traditional build, similarly we do not have significant numbers of homes which have a high market value or have very low demand. Our asset management strategy has not therefore planned for significant disposal of existing stock, this is however being kept under review especially in relation to our three bedroom properties.

Investment in our stock through the decent homes programme has seen our average property values rise from £11,984 in 2011 to £24,892 in 2014. This increase in value coupled with our cash flow from operating activities will allow us to secure additional loan finance to continue to develop new housing units. We aim to add approximately one hundred units to our stock per year over the next five years.

## **Social and Environmental Impact**

We have funded the FISH (Free Impartial Support and Help) shop, partnering with others to deliver services more effectively, for example our work with the Community Law Service who provide independent debt and benefits advice thereby enabling our tenants to better sustain their tenancies. We have, with partners helped 3,054 FISH customers with £1.9m worth of debt being managed during 2013/14. Advice was also delivered on benefit entitlements, career advice, housing and other support related issues.

From surveys carried out, 83% of FISH shop customers felt that they had little or no confidence in their understanding of their situation when they first came to see us. However, after receiving advice 84% felt confident or very confident of dealing with their situation.

We have installed Solar panels at five of our sheltered schemes which provide electricity for communal areas whilst providing an income stream to the Association. This investment is expected to repay within 12 years.

## **VFM Statement (Cont'd)**

Our latest Corporate Plan aims to reinvest at least 2% of our annual turnover into community based support services focused on tenancy sustainment, fuel poverty, individual employability and community and individual empowerment. We achieved this target in 2014.

### **Some of Our Other Successes to Date**

We have redesigned our Supported Living Service in anticipation of the removal of funding of approximately £230k from the Supporting People income stream. This has involved offering a three tier service to tenants which will allow them to choose the service which best suits their needs and to allow the service to become self-financing.

We have redesigned our estates management services by taking landscaping works in house and extending service charges to include communal cleaning in our flats. We estimate that these changes will reduce our costs by £50k over three years whilst improving the service offered to customers.

We have secured a National Lottery grant of £300k over three years which will fund: neighbourhood cohesion; advice on energy efficiency; and help to build overall neighbourhood resilience. The social return from this project will have a positive impact on our tenants and others within the community.

We have made improvements to our management information reports to allow for a better response to the challenges posed by welfare reform.

We have redesigned our arrears processes to ensure they are as effective as possible in preparation for welfare reform.

We have introduced a new complaints procedure with the help of our tenants' feedback panel.

We have secured an extension to our loan facilities which has enabled us to retain favourable loan terms, whilst we plan to secure additional long-term funding.

### **Plans for Next Year**

The Board recognises that an improvement in our overall VFM position is needed. We will continue to review our performance, working with customers to bring about long-term improvements.

Some of our new initiatives include introducing a project for mobile working which will allow our front line staff to spend more time dealing directly with tenants.

We will review and evaluate our "*supported living in your own home*" product in order to determine the future of this product offer within the BCW area, and potential within other neighbouring areas.

We will develop and embed service level agreements between back office services and service delivery teams with an emphasis on increasing efficiency.

We will review and evaluate existing, and new, potential suppliers, through an invitation to tender process, for our stakeholder, external communications and PR activities.

## **VFM Statement (Cont'd)**

We will further develop our business performance assessment framework using the balanced score card at strategic, operational and tactical levels, to secure the best return on investment in the "Clearview desktop" product.

We will also refinance this year to allow us to continue to develop new housing and improve our existing stock. This will involve a continued emphasis on obtaining best value for money.

## **Feedback**

If you have any feedback please do not hesitate to contact us at [customer.services@whomes.org](mailto:customer.services@whomes.org)