

Family Housing Association (Birkenhead & Wirral) Limited

Value for Money Self-Assessment - Year Ended December 2020

1. Introduction

- 1.1 This Value for Money Self-Assessment provides a detailed analysis of our strategy, our performance, and our achievements during 2020.
- 1.2 Family Housing Association is a small Registered Provider based on the Wirral Peninsula. All of our housing stock is situated within 5 miles of our office. We employ seven full time Staff and own 383 properties.
- 1.3 This self-assessment includes a summary of our overall approach, in order to give our stakeholders an understanding of our strategy to continuously improve Value for Money and our performance during the year.
- 1.4 This self-assessment is intended to meet the requirements of the Regulatory Framework in a manner that is proportionate to a small Housing Association with 383 homes.

2. Value for Money Strategy

2.1 Aims and Objectives.

When we assess our performance in terms of Value for Money, we consider it in conjunction with our Mission, Aims and Objectives, which are set out in our Business Plan.

Our Business Plan is reviewed annually. In 2020, the relevant mission, aims and objectives in the Business Plan are summarised as follows.

Mission: 'To provide high quality homes and excellent services, at genuinely affordable rents to those in housing need in Wirral'

Aims, Corporate Goals & Objectives:

- To provide homes, at reasonable below market rents, to help those on low incomes who are in housing need in Wirral.
- To maintain its properties to a good standard.
- To carefully manage risk to protect the Association's Assets.
- To provide excellent services to our tenants.
- To achieve steady growth, to help more people in housing need.
- Providing caring and courteous services to all existing and potential residents that are customer focussed and respond to our customers' needs and aspirations.
- Maintaining our properties to a good standard that exceeds the Decent Homes Standard.
- Provide a good standard of housing which offers value for money to Tenants.
- Embrace new initiatives that are in keeping with the tradition and skills of the Association.
- Ensuring equality of opportunity in the allocation of housing, employment of Staff and appointment of Board Members.
- Plan and control all aspects of business activity to maintain the Association's financial strength and viability.
- Retaining a well-motivated professional workforce.

2.2 Our Value for Money strategy is intended to ensure that we:

- Deliver high quality services to our stakeholders.
- Work to reduce costs without reducing quality.
- Focus on outcomes for the Association and our stakeholders when considering investment decisions.
- Understand the right balance between cost and quality when delivering our Business Plan objectives.
- Meeting the expectations of the Social Housing Regulator by providing a high standard of service to tenants, ensuring long term viability, effectively managing risk and achieving long term growth.

3. Processes to Support our Value for Money Strategy

3.1 Budgetary Constraints

Each year the Board agrees an updated Business Plan that is then subject to Stress Testing. The Board then agrees a Budget for the year to meet Business Plan objectives. The Senior Management Team monitors expenditure to ensure it is in line with the Budget on a weekly basis. The External Accountant reports directly to the Board each quarter and provides Management Accounts. As well as providing information in respect of expenditure and variances during the year, the Management Accounts also include information on Loan Covenant Compliance and Financial Performance Indicators.

3.2 Resident Involvement

Family Housing Association Board has two members who are tenants, ensuring that tenants views and perspective are part of the decision-making process. In addition, the Association has a Customer Panel that is involved in all aspects of our work including reviewing our approach to achieving Value for Money and our Business Plan. They review our performance and policies and provide feedback to the Board. During 2020 the Association committed to working towards the ‘Together with Tenants’ initiative introduced by the National Housing Federation.

3.3 Performance Monitoring – Bi-Monthly

During 2020, officers completed performance information on a monthly basis and at the Bi-Board meetings, members received regular updates on performance relevant to Value for Money. Reports to each Board meeting included information on void expenditure, rent arrears performance, repairs expenditure, lettings performance, gas safety and electrical compliance.

3.4 Performance Monitoring - Six Monthly

Our Board and Customer Panel receive an in-depth report on performance every six months. This report includes information on the previous three years performance for comparative purposes and allows the Board and Customer Panel to assess our performance. The report includes information on: Rent Arrears performance, Re-let performance, Levels of Anti-Social behaviour including cases resolved, Repair Customer Satisfaction Questionnaire results, Repair Customer Satisfaction Questionnaire response rate, New Tenant Satisfaction Questionnaire results, Repairs performance against targets, amount spent on repairs per property per week, number of outstanding repairs, repairs expenditure by each category, repairs expenditure by contractor, total repairs expenditure over the last 3 years, gas servicing performance and electrical testing performance.

3.5 Keeping Tenants Informed

Family Housing Association produces an Annual Report to Tenants that contains important information on our performance. The Association shared details of our performance on its website and produces regular Newsletters to tenants.

3.6 Value for Money Service Standards

Our Value for Money Service Standards were developed with our Customer Panel and are intended to ensure that we give due consideration to cost, quality, social and economic factors. As a small association, there is risk that our efforts to make efficiency savings could cost more than any savings they could generate. It is therefore important that we focus our efforts in appropriate areas. Three key areas have been identified:

- Repairs & Maintenance
- Procurement of Goods and Services
- Investment of Assets

A range of targets were agreed, performance against which is reported to the Board and Customer Panel every six months and to all tenants in our Annual Report.

3.7 Benchmarking Our Performance

We are a member of the Community Housing Associations North West (CHANW) Benchmarking Club. Each member of the club shares performance and VFM information with Acuity (part of HouseMark, National Housing Federation) who compile statistics and graphs to allow us to analyse our performance compared to our peers.

The Regulator's Value for Money Metrics are also benchmarked against our Peers and are included in section 6.

4. Understanding the Performance of Association Assets & Liabilities

4.1 Cash Assets

At the end of 2020, the Association had cash reserves of £2,127,687. Our policy is to re-invest our reserves in our homes or in new homes rather than allowing significant cash reserves to build up.

During 2020, Family Housing Association sought a suitable development opportunity or property acquisition with a plan to invest £658k in additional stock but was unable to identify anything appropriate. The £300k allocated for 2021 was combined with the £658k rolled over from 2020, to give a combined development budget of £958k. Our cash assets continued to offer very limited returns due the low base rate. The average rate of return during the year was 0.41%, this being achieved through utilisation of a 95-day notice deposit account with Nationwide.

4.2 Summary of Debt

Family Housing Association had a total mortgage debt of £821,989 at the end of 2020. A review of our borrowing and investment rates is carried out annually.

At the end of 2020 we had debts from two lenders. One debt has significant redemption penalties that make it uneconomical to re-finance. The remaining debt is on a LIBOR + 0.6% rate, which averaged at 5.55% during the year. A decision on overpaying or re-financing this debt has been regularly reviewed by the Board.

4.3 Property Assets

The estimated open market value of our housing stock at the end of 2020 was £35,070,200. The estimated Existing Use Value (Social Housing) of our housing stock is £16,321,948.

We have had a comprehensive Asset Management Strategy in place since 2004. All of our homes are inspected every five years and the condition of property components is recorded. All of our homes have been fully compliant with the Decent Homes Standard since 2009.

Our Asset Management Programme is fully integrated with our Component Accounting System to help us get the maximum possible lifespan for each of our property components to minimise the amount of value written off when components such as kitchens and bathrooms are replaced.

External contractors carry out all of our Planned Maintenance through competitive tendering of the contracts. New contractors are asked to tender each year to ensure we receive the best possible value for money through the programme.

4.4 Financial Performance of Property Assets

We monitor the financial performance of our housing stock. Each property is included in a 'Performance Group' of similar properties in similar localities. There were 23 Performance Groups in total. For each group we look at the rental income received and compare with the total expenditure including management costs, cyclical maintenance, void costs, planned maintenance and service charges. By comparing the income generated by each group with the expenditure, we were able to calculate the cash generated by each property and the rate of return for each group. It is important to note that Family Housing Association charges 'Social Rents' for all our homes, as we believe they are genuinely affordable for tenants. The Association does not charge the higher 'Affordable Rents' used by some other social landlords that would increase our rates of return.

Our best performing General Needs Housing Stock during 2020 was the development of 8 homes in Leighton Road, Tranmere. Low response repairs costs combined with low Planned Maintenance costs and no voids during the year have allowed these homes to generate a cash surplus of £3,070 per property, a return of 6.23% on EUV-SH.

Our worst performing housing stock during 2020 was the 9 houses in Paterson and Craven Street, Birkenhead. A succession of expensive voids in recent years has pushed up the reactive repairs costs, combined with 2 voids in the last 12 months. These properties generated a surplus of £269.43 per property during the year, a return on EUV-SH of 0.79%.

For all our Housing Stock, the average rate of return in 2020 based on cost was 3.31%, up from 3.12% last year. The rate of return based on the EUV-SH was 3.88%, up from 3.65% last year. An increase was anticipated based on the delay to the Planned Maintenance Programme as a result of the Coronavirus Pandemic.

5. Overall Value for Money Performance During 2020

5.1 Return on Public Investment

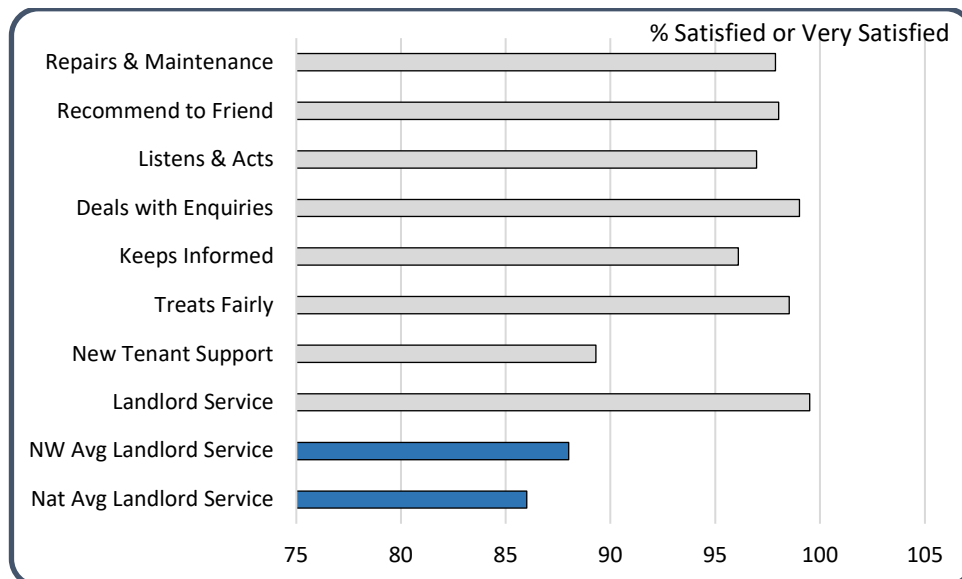
The total amount of public money invested in Family Housing Association to date is £8,709,004. This means the Association, based on the current open market value of its housing stock in 2020 and allowing for outstanding debt, generated an additional £26,361,196 worth of housing assets from this public investment.

5.2 Savings in Housing related Benefits

The Association provides homes at 'Social Rent' to many tenants that claim Housing Benefit or the Housing Element of Universal Credit that would otherwise be renting in the private sector. As our rents are significantly lower than the equivalent Local Housing Allowance, Family Housing Association saved the taxpayer an estimated £289,810 in Benefits during 2020, compared to those tenants receiving the Local Housing Allowance in the private rented sector. Over the last five years the saving to the taxpayer is almost £1.3m.

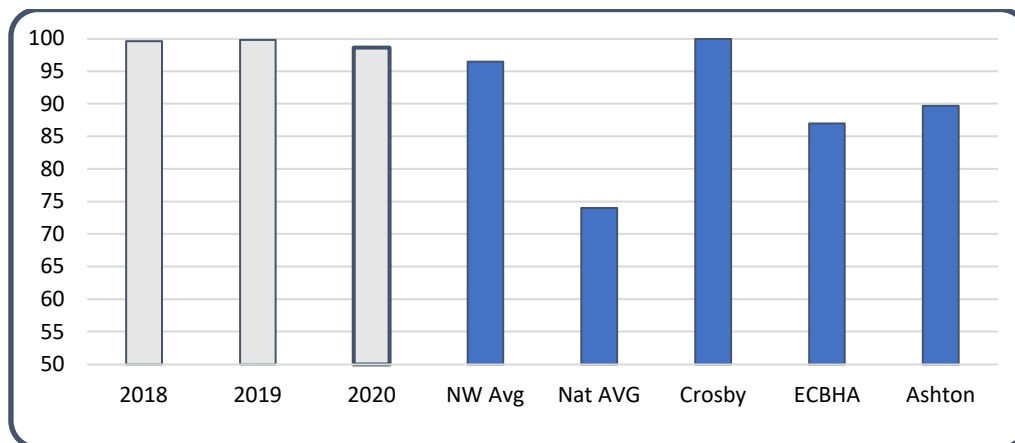
5.3 Tenant Satisfaction

The Association carries out a Customer Satisfaction Survey based on the STAR survey every 3 years, most recently in 2018/19. The results were encouraging and showed that the Association continued to be a top quartile performer in many categories. The graph below shows our performance in some of the key areas. The next survey is due to be carried out in 2021.



5.4 Response Repairs

Our tenants report their repairs to our office where the majority know the Staff on first name basis. We provide a friendly, professional service and tailor our service to our tenants' individual needs. Repairs are mostly carried out by small local contractors. The various work types are subject to competitive quotes at regular intervals to ensure contractors are providing value for money. Customer Satisfaction with individual contractors is monitored internally and results checked by the auditors. The percentage of repairs where tenants were satisfied with the repair was 98.36% in 2020.



5.5 Property Demand

Demand for our properties remains strong. We have no properties that we have been unable to let, despite the fact that we own properties in areas with significant social and economic problems. We help to create demand for those homes which are harder to let than others by maintaining the properties at a high standard of repair and decoration and providing a high-quality service. We also let all our homes at 'Social Rent' helping attract those on low incomes. We have 65 properties that have proved 'Hard to Let' historically and are identified as such in our Asset and Liabilities Register.

5.6 VFM Standards Performance

Our Value for Money Standard was developed with our Customer Panel and all Tenants were consulted prior to its introduction. The Panel felt that our work to achieve Value for Money must have regard to cost, quality, customer satisfaction, timeliness and the impact on the local economy and communities. The Panel felt strongly that we should utilise local contractors and suppliers where possible and this is reflected in the Standard agreed and the targets set. Performance dropped below target for use of local suppliers this year due to the successful contractor for our Planned Maintenance Programme registered office being in Stoke on Trent, although the works were coordinated via their local office in Liverpool.

	Target	Performance
Inspection of Repairs that are of a good standard and offer VFM	90%	99.4%
Customer Satisfaction with Repairs	90%	98.4%
Use local contractors for carrying out Repairs	70% Wirral 90% NW	70.4% Wirral 85.9% NW
Use local suppliers for goods and services	70% Wirral 80% NW	82.5% Wirral 98.1% NW

5.7 Environmental Returns

The work that we do during the year can have a beneficial impact on the environment, either through a reduction in carbon emissions or through positive social benefits. During 2020 we invested £50k in replacing 22 aging boilers (6.2% of centrally heated housing stock) with A rated condensing boilers. This figure includes over 10k to convert tank-based systems to combination boilers. These changes are expected to save our tenants in excess of £3k per annum in reduced fuel bills and reduce carbon emissions by over 28 tonnes. We also invested £9k in improving the insulation of solid brick walls.

In addition, our Policy to invest time and resources letting properties in hard to let areas such as our 8 homes in Harrowby Road in Birkenhead has social and economic benefits for that locality. A number of landlords have chosen to dispose of houses in this area but in our view, this only accelerates the decline and has a negative social impact. Wirral Borough Council's selective licensing scheme of private landlords has begun to have a positive impact with a noticeable reduction in tenancy turnover.

5.8 Aids and Adaptations

Carrying out work to enable people to remain in their homes provided social and economic benefits for our tenants and us. The costs involved in re-letting a property are considerable. Tenants can only request adaptations when they are already struggling at home and in need of the work. Any unnecessary delay puts the tenant at risk and could also lead to them giving up their tenancy. In accordance with our caring ethos, our strategy is to carry out the majority of adaptations at our own expense and to deliver them with minimal delay. Minor adaptations are normally delivered within a few days and more significant works in under a month. We only resort to Disabled Facilities Grant funding when the works are expected to cost many thousands of pounds. During 2020 we invested £7,705 in aids and adaptations work. This investment has prevented potentially very significant costs within the NHS and social care agencies through prevention of falls and accidents and their resulting treatment and rehabilitation costs.

5.9 Information Technology

We employ staff with strong IT skills that has enabled us to develop our own bespoke Housing Management Software that meets the requirements of the business. We build and maintain all of our own computer hardware. The savings this has delivered are estimated to be in excess of £8,000 every year.

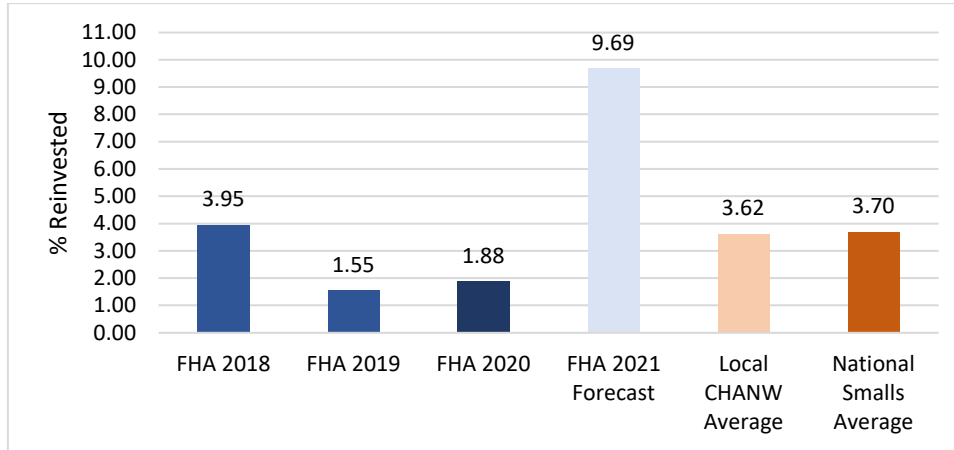
5.10 Social Value

We encourage our Staff to take time to talk to our tenants to get to know them and build better relationships. Any of our tenants can call the office and can speak to any member of Staff, including our Management Team. Our 2018 Tenant Satisfaction Survey asked tenants if it was easy to speak to the right person at Family Housing and 99.5% said it was easy or very easy. Our small size gives us a distinct advantage over large Associations as most of our tenants know us on a first name basis and feel they can talk to us about the issues that affect them. We believe that the strong relationship we enjoy with our tenants is what sets us apart from other Associations and it helps us to minimise rent arrears, reduce evictions and minimise property turnover and the associated costs. We also asked our tenants in our 2018 Survey how we compared to other social landlords and 98.7% who had experience of other social landlords felt we were better or much better.

6. Regulator Value for Money Metrics

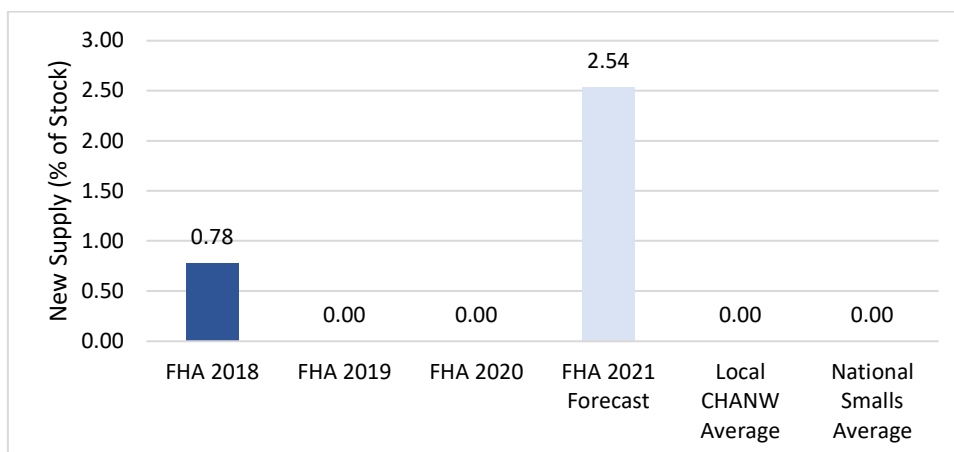
This section will outline our performance in terms of the Regulator’s Value for Money Metrics. Comparative data is included, for the North West Small Housing Association Benchmarking Club and the National Small Provider Average from Housemark. Most Association’s accounts run from April to March, whereas Family Housing’s run from January to December. Comparative data relates to the period from April 2019 to March 2020, as this is the most recent data available.

6.1 Reinvestment



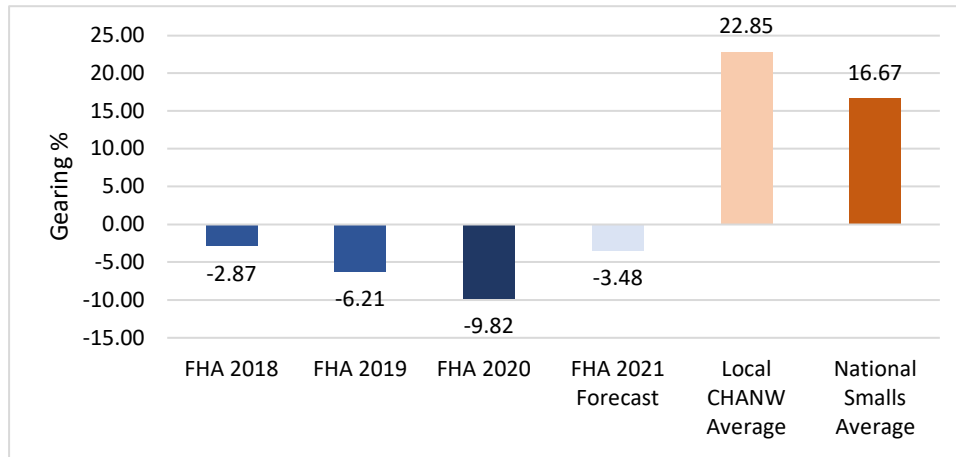
During 2020, Family Housing Association was budgeting for a reinvestment metric of 7.97, which included expenditure on new units of around £658K, expenditure on capital works for existing properties of around £300K, plus £170K for energy efficiency improvements. No suitable housing units or development opportunity was found during the year, and due to the Covid-19 restrictions, the Planned Maintenance Programme was delayed, resulting in some of this work falling into 2021. Although there has been minimal expenditure on energy efficiency, mainly due to lockdown restrictions, there is an aspiration to invest in a new improved heating system at a scheme housing 16 units. All of this underspend has meant that the actual metric was lower than budget at 1.88. The budget for 2021 has set aside £958K for additional properties, £255K on capital works into existing properties, plus £170K on energy efficiency improvements. This would result in an increased metric of 9.69 if these projects can be delivered.

6.2 New Supply Delivered (Social Housing Units)



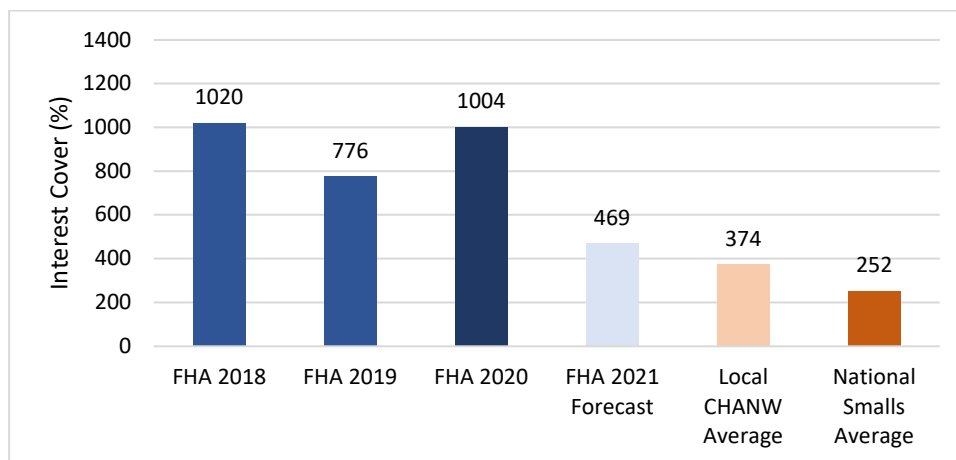
Although no suitable developments were identified during 2020, Family Housing Association is budgeting to add new units if the right development opportunity is found. The Chief Executive continues to promote the Association’s interest in development opportunities with various organisations in the local area.

6.3 Gearing



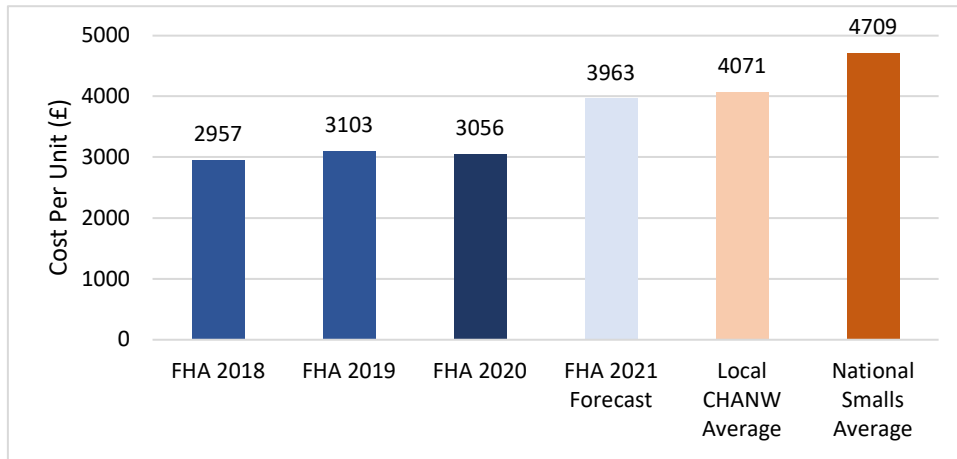
The budgeted gearing metric for 2020 was -1.99 due to prudent spending to reflect the continued impact of welfare reforms and the uncertainty of both Voluntary Right to Buy and The Social Housing Green Paper. The actual gearing metric was -9.82 due to higher bank balances throughout the year due to the underspend detailed in 6.1 above. The Association is planning to invest around £1.3M in 2021 through acquisition of additional units, its Planned Maintenance Programme and energy efficiency improvements. This would reduce the Gearing metric to around -3.48. The Association has continued to repay its borrowings and has not required any further finance. The plan is to continue to use cash reserves, but if a development opportunity does become available, then any costings would be modelled into the business plan to consider affordability.

6.4 Interest Cover (EBITDA MRI)



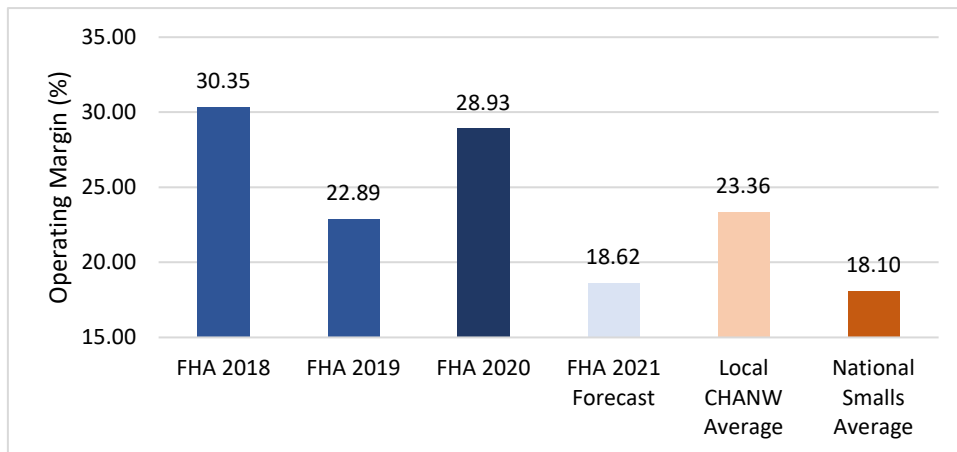
During 2020, budgeted interest cover was 404, which was much lower than the previous year, mainly due to the plan to spend on energy efficiency improvement work and to replace around 30 kitchens in the Planned Maintenance Programme. The actual cover was 1004, as the operating surplus was higher than expected, mainly due to the Covid restrictions delaying the planned maintenance and energy efficiency work. The Association is expecting the interest cover in 2021 to fall to around 469 which will include the completion of the 2020 planned maintenance work, the 2021 planned maintenance work and spend on the energy efficiency improvement programme.

6.5 Headline Social Housing Cost per unit



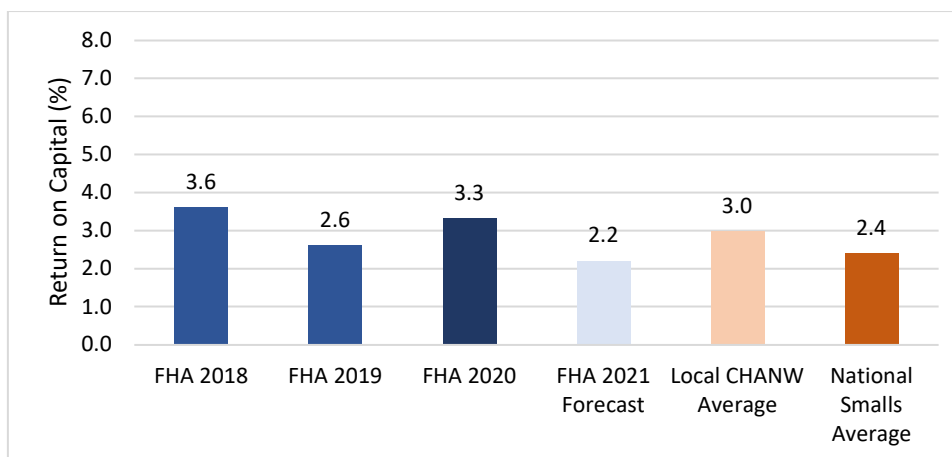
Family Housing Association was expecting a headline social housing cost per unit during 2020 of £3,936 due to a budgeted increase in capital investment (mainly being the energy efficiency work). The actual cost per unit was lower at £3,056. This was partly due to the delay in the planned maintenance work, no new units being purchased, lower than budgeted housing depreciation and a reversal of bad debt provision. The 2021 expected unit cost will be £3,963 as there are plans to continue to invest money into our existing properties including the money set aside for units needing energy efficiency work.

6.6 Operating Margin



Family Housing Association was expecting an operating margin of 21.29, but the actual result was 28.93 after the delay to the planned maintenance work due to Covid. During 2021 a reduced margin of 18.62 is expected, which includes the remaining planned maintenance work carried over from 2020. Family Housing Association's Operating Margin is impacted by the Association's commitment to charge exclusively 'Social Rents' and not to convert properties to more lucrative 'Affordable Rents'.

6.7 Return on Capital Employed



This metric was budgeted to be 2.47 but the final results were 3.33 due to the increase in surplus and higher bank balances. We expect the 2021 results to be around 2.20. The increase was due to a higher surplus than budgeted and higher bank balances through budget savings and the difficulties identifying a suitable development opportunity. This metric is also directly affected by our use of ‘Social Rents’ as discussed in 6.6 above. Many Associations have chosen to convert homes from ‘Social Rents’ to higher ‘Affordable Rents’ as part of their development strategy. These higher rents help to generate additional income. However, as they are close to market rents, they are unaffordable for many on low incomes. They also result in greater expense to the taxpayer as many of these tenants will be in receipt of Housing Benefit or the Housing Element of Universal Credit. Family Housing Association remains committed to charging ‘Social Rents’.

7. Reporting Progress of 2020 Value for Money Projects

7.1 Home Energy Efficiency Project

The Association has embarked on an ambitious project to improve the energy efficiency of all our homes to EPC band C or better. The aim of this project is to complete the improvement of homes over a ten-year period, from 2020 to 2029. A yearly budget of £170k has been established, providing £1.7M of funding to achieve this objective. Progress during the first year has been slow due to the coronavirus pandemic and a lack of suitable void properties, with a spend of around £9k. Some progress has been made with the project to improve the heating systems at the 16 flats in The Firs where conversion to gas central heating has been explored but sadly was found not to offer value for money. The project will be reviewed and extended should there be any unspent amount by 2029.

7.2 Boiler Improvement Programme

The boiler improvement programme managed to improve the heating in 22 properties despite the impact of the pandemic, spending over £50k of the £70k budget. Ten properties were converted from tank based hot water systems to combination boilers to improve the energy efficiency of the hot water aspect of the heating systems.

7.3 Improving Energy Efficiency of Lighting in our Homes.

LED lighting was installed in all rooms in every void property, with 22 properties benefitting from meeting this new standard during the year. LED lighting reduces energy usage by up to 90% compared to traditional light bulbs and they also last up to 10 times longer. We also replaced any fluorescent tubes in kitchens and bathrooms with LED equivalents as part of our Responsive Repairs service.

7.4 Home Working Trial

The trial planned for 2020 was intended to explore staff working from home for one day a week where appropriate. The impact of Covid-19 resulted in home working for 4 days most weeks with some staff shielding needing to fully work from home. Working from home has brought about significant environmental benefits. During 2020, it is estimated that home working has reduced carbon emissions by 8.5 tonnes due to reduced travel. To put this into perspective, planting a typical tree would absorb around 1 tonne of carbon dioxide in 100 years. We would need to plant 850 trees to have the same environmental impact during the year. In addition to the carbon reduction benefits, home working has improved the work / life balance of employees, reduced congestion, and improved air quality.

The Coronavirus Pandemic has also required meetings to be held via video conferencing. This has applied to Family Housing Association Board, Audit Committee Meetings, Customer Panel Meetings and also meetings with other landlords and partner agencies. The reduction of travel to meetings has further reduced carbon emissions and improved air quality.

8. Value for Money Projects Planned for 2021

8.1 Home Energy Efficiency Project

The Association has embarked on an ambitious project to improve the energy efficiency of all our homes to EPC band C or better. The aim of this project is to complete the improvement of homes over a ten-year period, from 2020 to 2029. A yearly budget of £170k has been established, providing £1.7M of funding to achieve this objective. The project benefits the Association, through higher quality homes that are easier to let, benefits tenants through lower fuel bills and benefits the environment by reducing carbon emissions and their impact on Climate Change. Work in 2021 will continue to focus on properties as they become void and to complete the project to improve the inefficient heating systems in the 16 flats at The Firs in Birkenhead.

8.2 Boiler Improvement Programme

We will continue to invest in our homes to improve living standards, particularly older properties where we will look to install the latest 'A' rated energy efficient boilers. The budget for boiler improvements is £70,000 during 2021.

8.3 Improving Energy Efficiency of Lighting in our Homes.

To improve the energy efficiency of our homes, we plan to install LED lighting in all rooms in every void property. LED lighting will see energy savings of up to 90%

8.4 Home Working Trial

The initial Home Working trial in 2020 was a great success, bringing about significant environmental, social and economic benefits. However, the extent of home working was dictated by the Coronavirus Pandemic. During 2021, the Association will look to adapt home working to sustainable levels for the longer term once the Coronavirus Pandemic allows a return to more normal ways of working. The target will be to maintain service levels whilst reducing carbon emission by 5 tonnes based on comparison to full time office-based working.

8.5 Electric Fires

The Association installed electric fires as a secondary form of heating for a number of years as gas fires have reached the end of their useful lives. Electric fires have a negative impact on the energy efficiency of a property, reducing a typical EPC rating by around 2 points. During 2021, a pilot will be undertaken where electric fires will be removed from void properties, whilst ensuring that there is still an adequate primary source of heating. Additional temporary heaters will be made available to the out of hours response contractor. The target is to reduce the spend on electric fires by £5,000 during the year and to improve the energy efficiency of a minimum of 10 properties.