

**Value for Money Self Assessment**

**Year Ended December 2018**

**1. Introduction**

- 1.1 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.
- 1.2 This Value for Money Self Assessment provides a detailed analysis of our strategy, our performance and our achievements during 2018.
- 1.3 It includes a summary of our overall approach 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 consider our performance in terms of Value for Money we consider it in conjunction with our Aims and Objectives. Our Aims & Objectives are set out in our Business Plan. Our Business Plan is reviewed annually. In summary, the relevant aims and objectives in the Business Plan are;

- Help those on low incomes in Housing Need.
- Maintain properties to a good standard.
- Ensure prudent financial practices.
- Provide a caring and courteous service.
- Provide a good standard of housing that provides VFM for tenants.
- Plan and control the business to maintain our financial strength.
- Deliver a quality service through professional, well-motivated Staff.
- Deliver an ongoing Asset Management Programme.
- Explore opportunities for growth.
- Achieve an operating surplus to enable effective re-investment.

**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**

The Association has tenant representation on the Board to ensure tenants' views are heard. 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.

#### **3.3 Performance Monitoring - Monthly**

Our Board receives regular updates on performance relevant to Value for Money. Our monthly Board Meeting includes information on void expenditure, rent arrears performance, repairs expenditure, lettings performance and gas safety 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 previous three years performance to allow 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.
- Results of independent surveyor inspections of repairs for VFM and quality of workmanship.
- Amount spent on repairs per property per week.
- The number of outstanding repairs.
- Repairs expenditure by each category.
- Repairs expenditure by contractor.
- Total repairs expenditure over the last 3 years.
- Gas servicing performance.
- Electrical testing performance.

### 3.5 Keeping Tenants Informed

We produce an Annual Report to Tenants that contains all the information on our performance that is included in the Key Performance Information detailed in section 3.4 as well as covering our performance against our Service Standards. In 2018 it included six pages of information regarding Value for Money and showed our performance in key areas benchmarked against other local small housing associations.

### 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 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. Last year this also included the Regulator's Value for Money Metrics which are included in section 6.

## **4. Understanding the Performance of Association Assets & Liabilities**

### 4.1 Cash Assets

At the end of 2018 we had cash reserves of £1,354,980. 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 the year the Association invested £268,559 in 3 new homes in Wallasey that are let at 'Social Rents' that are genuinely affordable for tenants. Our cash assets continued to offer very limited returns due to the low base rate and limited cash reserves available for investment. The average rate of return during the year was 0.33%, this increased from the previous year due to opening a 95 day notice deposit account part way through the year which had a rate of interest of 1.1%.

### 4.2 Summary of Debt

We had a total mortgage debt of £965,615 at the end of 2018. A review of our borrowing and investment rates is carried out annually. At the end of 2018 we had two remaining debts. One debt has significant redemption penalties that make it uneconomical to re-finance. The remaining debt is on a LIBOR + 0.6% rate. A decision on overpaying or re-financing this debt has been deferred due to the potential impact of Voluntary Right to Buy.

#### 4.2.1 Property Assets

The estimated open market value of our housing stock at the end of 2018 was £33,200,800. 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, with the exception of one where the tenant declined to have the work carried out. During 2018 this final property was also fully improved with the support of the tenant and her family. 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 have calculated the rental income received, as well as response repairs expenditure during the year. In addition, management costs, cyclical maintenance, void costs and service charge costs were taken into consideration. We have also calculated the average planned maintenance expenditure for each group since the start of the programme in 2004. By comparing the income generated by each group with the expenditure, we were able to calculate the rate of return they were generating. It is important to note that the 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.

Our best performing General Needs Housing Stock during 2018 is the development of 8 homes in Leighton Road, Tranmere. Low response repairs costs in 2018 combined with low Planned Maintenance costs have allowed these homes to generate a cash surplus of £2,827 per property, a return of 5.74% on EUV-SH whilst charging Social Rents.

Our worst performing housing stock during 2018 is the 23 converted flats in Birkenhead. High response repairs costs during 2018 meant these properties only generated a surplus of £787 per property during the year, a return on EUV-SH of 1.99%.

For all our Housing Stock, the average rate of return based on cost was 3.46%, down from 3.64% last year. The rate of return based on the EUV-SH was 3.97% down from 4.08% last year. This is not unexpected, with rents reducing by 1% and inflation (RPI) running at 3.3% at the end of 2018, pushing up costs.

## 5. Overall Value for Money Performance During 2018

### 5.1 Return on Public Investment

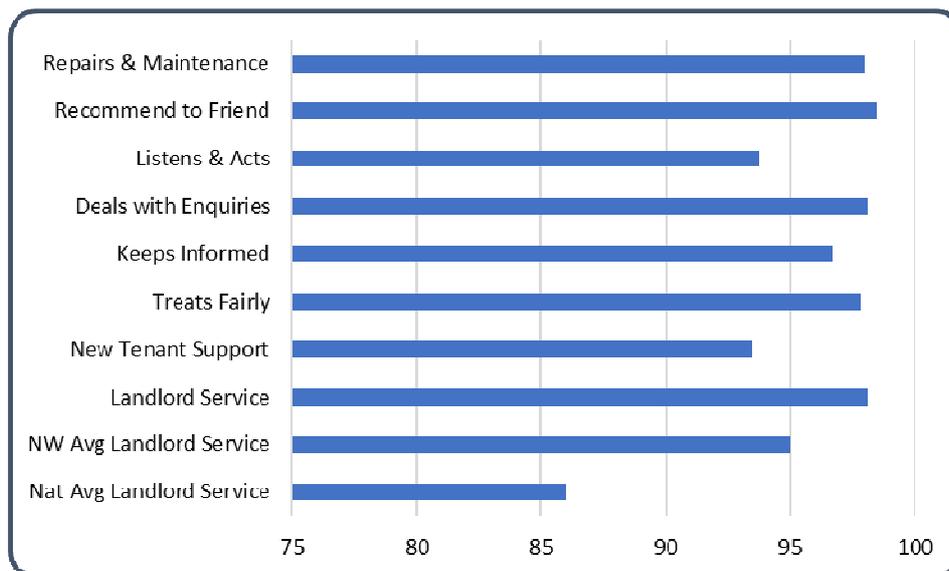
The total amount of public money invested in Family Housing Association to date is £8,709,004. This means the Association, based on the current open market value of its housing stock in 2018 and allowing for outstanding debt, generated an additional £23,455,901 worth of housing assets from this public 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, the Association saved the taxpayer an estimated £263,461 in Benefits during 2018, compared to those tenants receiving the Local Housing Allowance in the private rented sector.

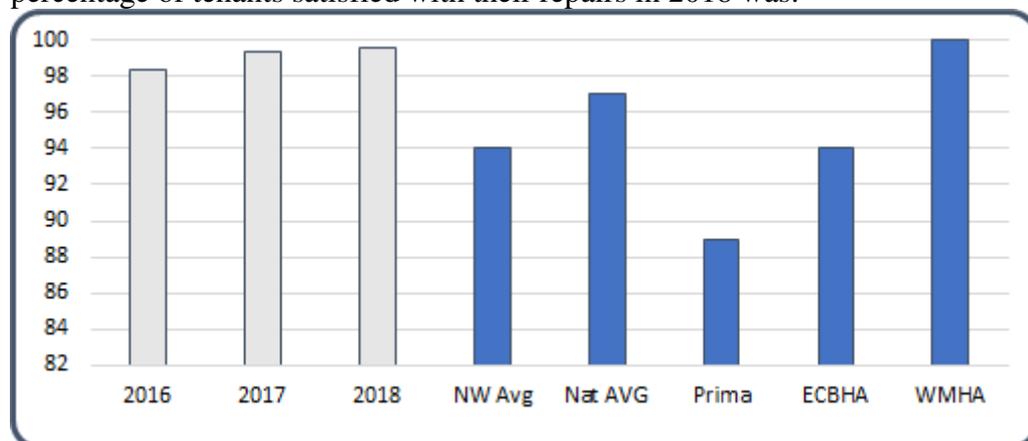
### 5.3 Tenant Satisfaction

During 2015 the Association carried out a Customer Satisfaction Survey based on the STAR survey. The results were encouraging and showed that the Association continues to be a top quartile performer in many categories. The graph below shows our performance in some of the key areas. A new survey was commenced in 2018 and the results will be available during 2019.



#### 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 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. The percentage of tenants satisfied with their repairs in 2018 was:



#### 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 hard to let homes 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.

	Target	Performance
Inspection of Repairs that are of a good standard and offer VFM	90%	99%
Customer Satisfaction with Repairs	90%	99%
Use local contractors for carrying our Repairs	70% Wirral 90% NW	79% Wirral 99% NW
Use local suppliers for goods and services	70% Wirral 80% NW	74% Wirral 95% 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 2018 we replaced 27 boilers with A rated condensing boilers that are expected to save our tenants in excess of £3,700 in reduced fuel bills and reduce annual carbon emissions by over 34 tonnes. We also invested £6,463 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 is now beginning to have an 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 2018 we invested £13,129 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.

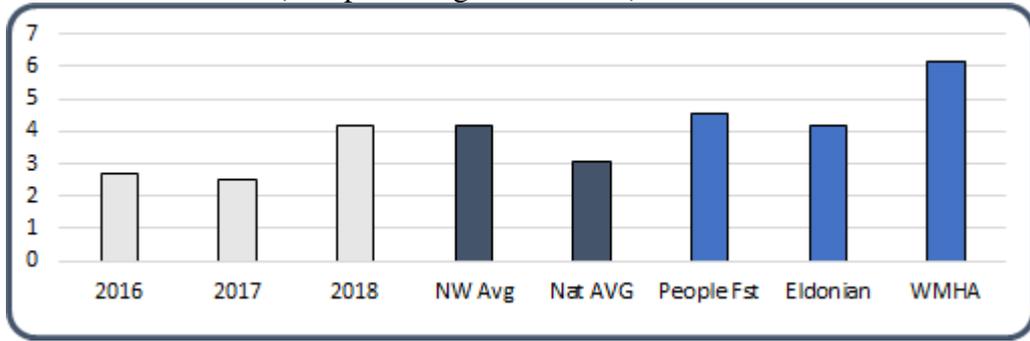
## 5.9 Information Technology

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.

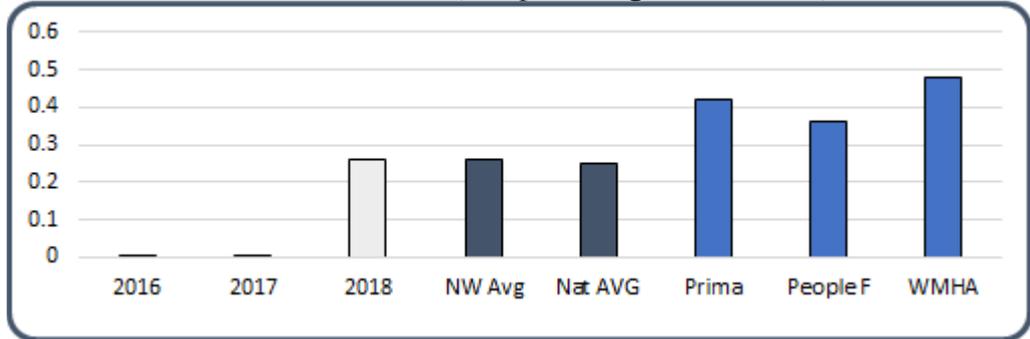
## 5.10 Social Value Generating Financial Savings

We encourage our Staff to take time to talk to our tenants to get to know them and build better relationships. All of our members of Staff are accessible and any of our tenants can call the office and can speak to any member of Staff, including our Management Team. 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 helps us to minimise rent arrears, reduce evictions and minimise property turnover and the associated costs. The graphs on the following pages show our performance benchmarked against other small associations that helps to demonstrate our success with this strategy.

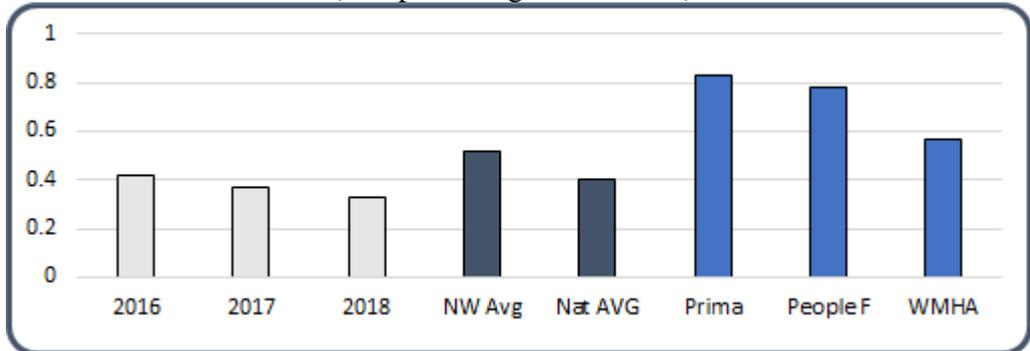
5.10.1 Rent Arrears (as a percentage of rent roll)



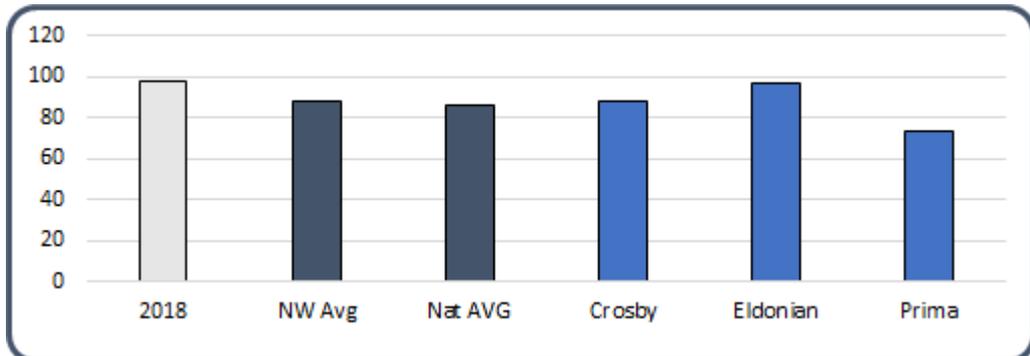
5.10.2 Evictions for Rent Arrears (as a percentage of tenancies)



5.10.3 Rent Written Off (as a percentage of rent roll)



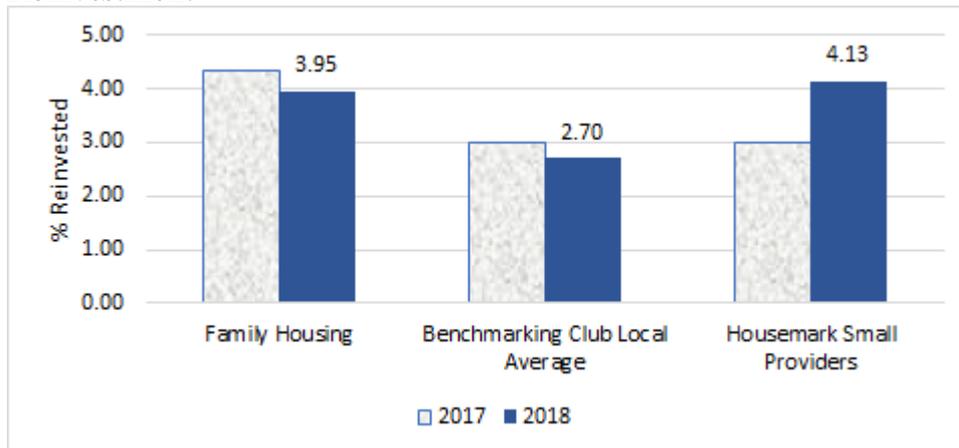
5.10.4 Satisfaction with landlord service



## 6. Regulator Value for Money Metrics

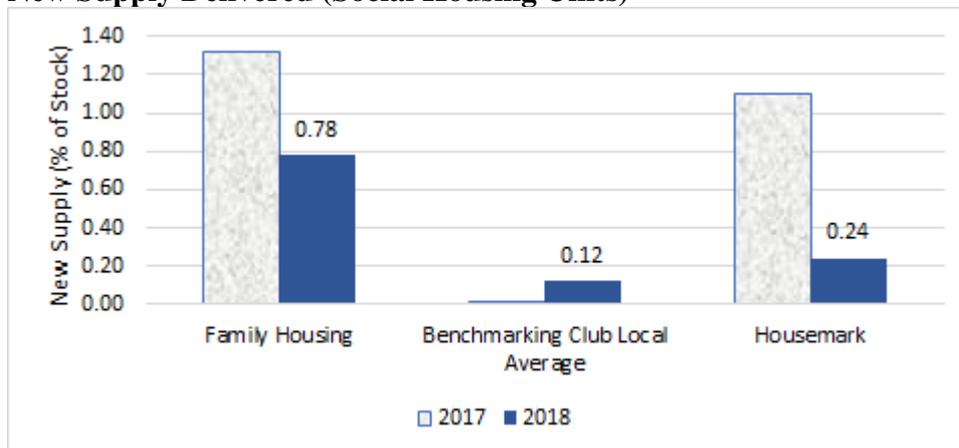
This section will outline our performance in terms of the Regulator's Value for Money Metrics. Comparative data is included, where it is available, for the North West Small Housing Association Benchmarking Club and the National Average from Housemark. Most Association's accounts run from April to March, whereas Family Housing's run from January to December. Comparative data for 2018 relates to the period from April 2017 to March 2018.

### 6.1 Reinvestment



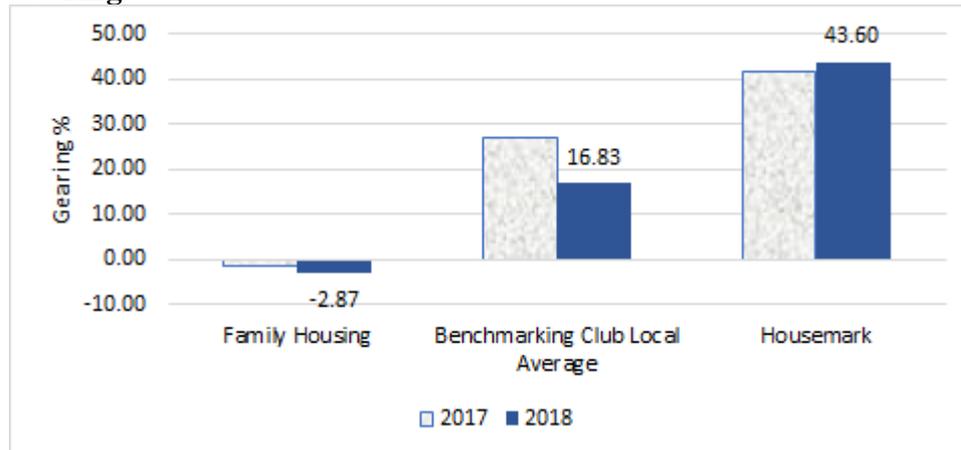
This metric shows that the Association is reinvesting more in additional homes and on improving its housing stock than our peers but somewhat lower than the Housemark national average.

### 6.2 New Supply Delivered (Social Housing Units)



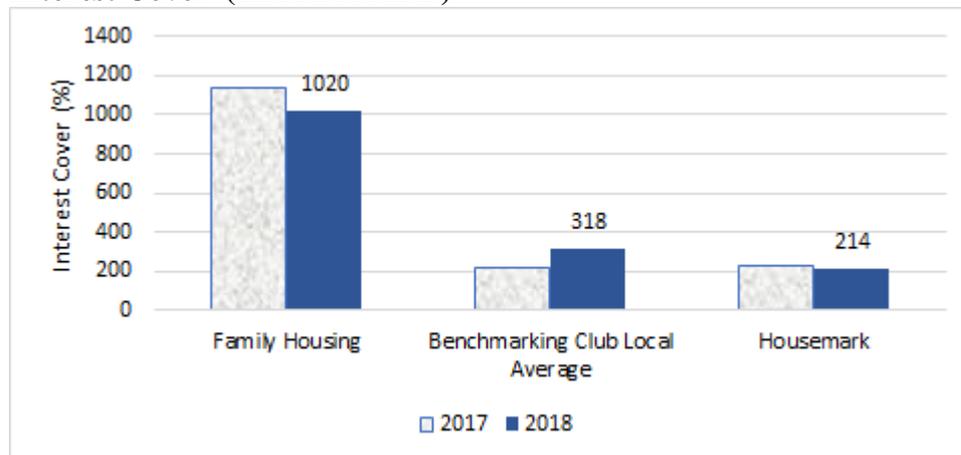
Over the last 2 years the Association has added some recently constructed homes to its housing stock to re-invest some of its cash reserves, all these homes are let at 'social rents' and financed without grant funding. This metric shows that the Association has delivered more homes than other small Associations locally but somewhat under the national average during 2018. The Association has budgeted a further £300,000 for acquisition of new homes during 2019.

### 6.3 Gearing



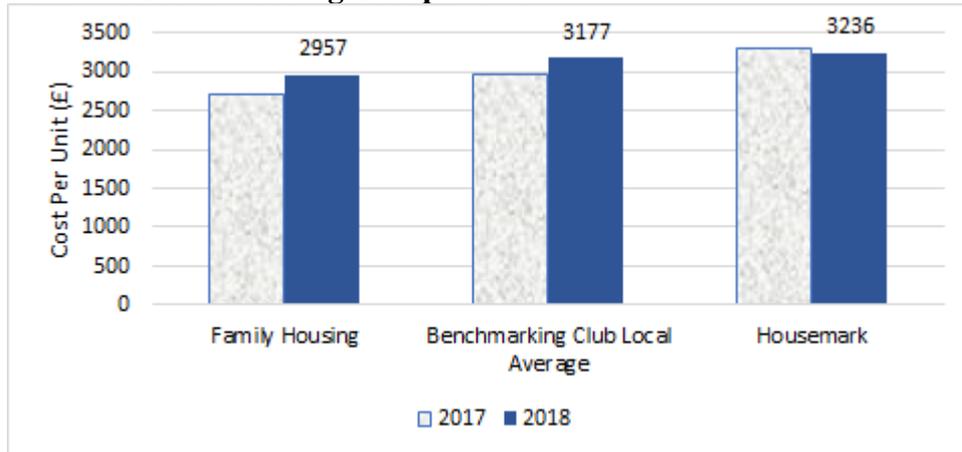
The Gearing metric is influenced by our modest cash reserves exceeding our loans. The Association has adopted an extremely prudent approach to growth in recent years due to the risks associated with the Voluntary Right to Buy, the rent reduction, the welfare reforms and the Social Housing Green Paper. The Association owns a significant number of older properties with solid brick walls and there is concern that potential changes to the Decent Homes Standard could require significant investment in these properties to improve their thermal insulation. With so many potential challenges ahead, the Association has been reluctant to increase borrowing and commit funds to new development projects. There is, however, a growing appetite for development once the extent of these risks are fully understood.

### 6.4 Interest Cover (EBITDA MRI)



The Interest Cover metric is a clear indicator of our financial strength due to our low level of debt. As discussed in 6.3 above, the Association has adopted an extremely prudent approach to borrowing in recent years due to the risks associated with the Voluntary Right to Buy, the rent reduction, the welfare reforms and the Social Housing Green Paper.

## 6.5 Headline Social Housing Cost per unit



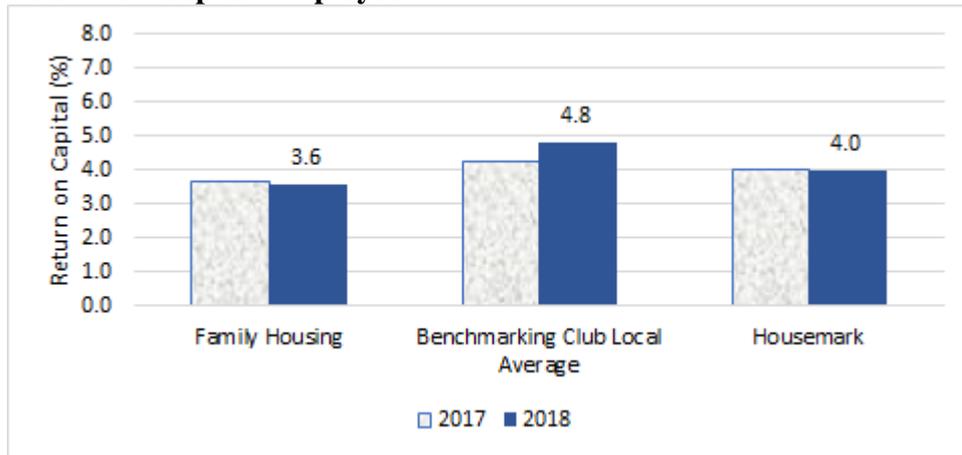
This metric helps to demonstrate that Family Housing is delivering social housing at a lower cost per unit than many others, both locally and nationally. It is notable that the Housemark average includes large providers. This helps to reassure us that our small size doesn't prevent us from providing good value for money.

## 6.6 Operating Margin



Our Operating Margin metric shows performance very similar to our peers locally, but slightly lower than the Housemark national average. This metric is impacted by our decision to charge only 'Social Rents' and not the higher 'Affordable Rents' that many other Associations choose to implement. In addition, the Association remains focussed on its core business, providing homes, at low rents, to those in housing need and has not focussed resources on profit making enterprises to support this.

## 6.7 Return on Capital Employed



This metric shows performance similar to the Housemark national average but slightly lower than our peers locally. Our return on capital employed metric is 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.

## **7. Reporting Progress of 2018 Value for Money Projects**

### **7.1 Investment in Homes**

We spent over £58,492 on replacing old inefficient boilers during 2018, improving the heating in 27 homes. We also spent £6,463 in improving the insulation of solid brick walls, which was below our £10k target. We also switched boiler manufacturer during the year from Vaillant to Worcester Bosch, as they have been the most reliable in independent surveys by the Consumers Association. This should result in lower maintenance costs during the lifecycle of each boiler.

### **7.2 Improving Energy Efficiency of Lighting in our Homes**

During the year we installed over 100 low energy LED light bulbs in our homes, saving in excess of 3942 kw/h of energy compared to traditional bulbs, saving our tenants £512 on their electricity bills. We purchase the bulbs in bulk through Procurement for Housing to keep costs down.

### **7.3 Improving the Energy Efficiency of Lighting in our Office**

This project has made good progress during the year with approximately 50% of our old fluorescent tubes now replaced with LED. The savings so far are expected to save the Association 1,750 kw/h every year.

### **7.4 Plumbing Materials Project**

During 2018 we set up Procurement for Housing accounts with Plumb Centre but additional software development is required before we can pilot the scheme to assess whether it is cost effective.

### **7.5 Out of Hours Repairs Service**

During the year we transferred to a new Out of Hours call centre. Feedback from tenants has been positive and performance is an improvement over the previous provider. Cost savings have also been achieved by combining the Out of Hours Repairs Service with the facility to report Anti-Social Behaviour Out of Hours.

### **7.6 Tenant Satisfaction Survey**

During 2018 we carried out a Customer Satisfaction Survey based upon the 'STAR' survey standard. The survey was supervised by our Internal Auditor, Harvey Guinan LLP to ensure tenants can remain anonymous. The capture of survey data as analysis of results will be overseen by Harvey Guinan during 2019. The final cost is expected to deliver savings in excess of £3,000 compared to outsourcing the survey.

## **8. Value for Money Projects Planned for 2019**

### **8.1 Investment in Homes**

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 has been increased by £10k to £70,000 during 2019. In addition, we will continue to invest to improve the insulation of solid brick walls in our older homes. Our target is to invest at least £10,000 during the year.

### **8.2 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% compared to traditional light bulbs and they also last up to 10 times longer. We will also replace any fluorescent tubes in kitchens and bathrooms with LED equivalents as part of our Responsive Repairs service. These energy savings will also lead to a reduction in carbon emissions. We purchase LED bulbs in bulk through PfH to minimise procurement costs. Our target is to install LED lighting in at least 30 properties during 2019.

### **8.3 Improving the Energy Efficiency of Lighting in our Office**

To improve the energy efficiency of lighting in our office, we will replace the remaining 75watt fluorescent tubes with 26watt LED equivalents. Once all the bulbs are replaced, running the office lighting will have reduced by over 2 kilowatts per hour, equating to ongoing savings of 3,500 kw/h per year and a reduction in carbon dioxide of over 5 tonnes in the next ten years.

### **8.4 Plumbing Materials Project**

During 2019 we will carry out the software development necessary to pilot the supply of plumbing materials through Procurement for Housing to ascertain whether the savings generated justify the additional administrative burden in running the project. The target will be for a reduction in materials costs of 10% compared to contractors supplying materials.

### **8.5 Tenant Satisfaction Survey**

During 2019 we will complete the Customer Satisfaction Survey started in 2018, by capturing and analysing the survey data. Our Internal Auditor, Harvey Guinan LLP will oversee the data capture and test the survey statistics to ensure they are accurate. We will ensure survey responses can remain anonymous and to check that data capture and calculation of statistics is accurate. The survey is vital for us to understand our level of performance, which is a critical component of ensuring Value for Money. The final cost is expected to deliver savings in excess of £3,000 compared to outsourcing the survey. The results of the survey will be published in our Annual Report to Tenants.