

WALTHAM FOREST HOUSING ASSOCIATION LIMITED

VALUE FOR MONEY REPORT

FOR YEAR ENDED 31 MARCH 2014

This report is extracted from the Board's Review of the Year in the Association's audited final accounts for the year, which can also be downloaded from the Association website – www.wfha.org.uk

Further information is included in the Association's Annual Report, which can also be downloaded from the website.

WHAT VFM MEANS TO US

Our regulator, the Homes and Communities Agency (HCA), expects us to have a Value for Money (VfM) strategy and systems to ensure delivery. We remain committed to providing an efficient and cost effective service to tenants and other stakeholders. Achieving VfM is essential to how we secure and allocate resources to fulfil that commitment.

Our VfM Strategy was formally approved by the Board in March 2013. Its aims are: -

- To achieve high quality service at the best possible price, recognising that quality is essential
- To secure informed and active commitment from our Board, staff and stakeholders where necessary
- To integrate VfM principles in all we do
- To involve our tenants in pursuing VfM

To achieve VfM we look at: -

- COST – obtaining the most comprehensive rates for quality services/products
- EFFICIENCY - doing things the best way with the least resources
- EFFECTIVENESS - making sure that we get the result that we want

BENCHMARKING

As reported last year, in many instances the data collated by Acuity provides external comparators that are more relevant to the Association than that provided by Housemark. The former offers comparisons with similar smaller specialist RPs in Greater London, while Housemark data is, inevitably, drawn from a much wider range of RPs, including very large providers of general

needs and other types of social housing. The argument also remains that significant economic differences between Greater London and the whole UK could unhelpfully skew results. Regional data are also included.

External comparisons are drawn from the 2013 year-end summary provided by Acuity (then Skills and Projects): the 2014 data was not available for inclusion in this report.

HOW ARE WE DOING?

Understanding our stock

We own 329 units and manage a further 20 units. We currently focus on providing social housing in the London Borough of Waltham Forest and our core services are based around social rents, supporting older people, providing supported accommodation to other adults in partnership with other agencies and providing support to older people in other sheltered accommodation.

Based on stock condition surveys we plan to spend well over £11 million over the next 30 years on investing in our properties. This level of investment means we will meet the Decent Homes Standard with failing and aging components replaced as they fall due. Further information on the year's Maintenance and Planned Works follows.

The Board recognises that getting better VfM from our assets is essential to ensure we can deliver our objectives. This means that there must be a sound business reason for holding any property asset. To ensure that property assets make a positive contribution we regularly appraise our schemes to ensure that:

- a) They meet our tenants' current and future needs; and
- b) They contribute positively over time to the financial viability of the Association.

Going forward, we will extend the appraisals to include projections of longer term rental streams and maintenance costs: this will assist appraising properties which may no longer fit our objectives and whose sale could help finance the development or acquisition of new stock.

Return on Assets

To assess our Return on Assets, we divided our property assets into two categories: General Needs and Sheltered and Supported Housing. It is sensible to class together Sheltered Housing for older people and Supported Housing for adults with other needs because we have relatively few of the latter units,

both types of unit qualify for the same enhanced target rent and their maintenance issues are more complex, given the needs of the tenants.

This is the first year that we have calculated this return and comparative figures for the previous year. The slight improvement in 2013/14 is partly due to central office cost savings after the office move and undoubtedly more affected by our one-off additional spending of nearly £51,000 in 2012/13 to relocate our main office, as reported elsewhere.

Property Type	2012/13	2013/14
General Needs	5.8%	6.0%
Sheltered and Supported Housing	3.3%	3.8%
Overall	4.3%	4.7%

Rental Income

We do not set rent levels within the Affordable Rents regime, but maintain the generally lower target rents specified within the government's rent restructuring regime. This provides the social benefit of enabling tenants to better manage their rent accounts as well as reducing the burden on Housing Benefit paid for eligible tenants.

Within that constraint, we maximise rental income by setting the permitted enhanced target rents wherever possible. New let rents are set at these targets, and annual increases are calculated to achieve the target rents wherever possible.

Improving Rent Collection

During the year we improved our procedures for working with tenants with high arrears; we also began preventive work with tenants with low arrears to minimise their arrears and prevent individual debt levels rising.

In July 2013 the Association introduced rent collection by Direct Debit, in addition to payment by Standing Order. The benefits are twofold: tenants are assisting in managing their money and complying with their tenancy terms and the Association saves staff time by this more efficient collection method. Some tenants later moved to direct debit payment in preparation for the annual rent increase in April 2014. At the year-end, 30 tenants were set up to pay all or part of their rent by direct debit, representing annual income collection of around £100,000. Setup costs were £443 (0.4% of annual collection) and recurring costs £465 a year (0.5% of annual collection). Allpay originates the debits, so, after set up, demands on staff time are minimal: an added benefit is that the process will not be disrupted when we change bankers in summer 2014, resulting from the tender process in May 2014.

Improvements in collection are clear: at March 2014 Net Rent arrears fell to £53,201 from £72,605 at March 2013. The 2013 comparatives presented below are the median values from peer groups collated on the Acuity website, where we contribute data as a member of the Solomon Benchmarking Group.

Rent Arrears as % of Rental Income

2014	2013	Peer Group	Regional	Housemark
2.44%	3.51%	5.59%	5.22%	3.4%

Voids losses

Rent losses through Voids increased a little, to £27,299 from £27,066 at March 2013, compared to the increase in Rent and Service Charge income by over 5.6%. There was a significant anomaly in the year, with one supported unit void for 51 weeks in the year, through persistent problems with nominations, which alone produced a void loss of c.£11,000.

Despite this, the year saw a voids loss decrease to 1.25% of income from 1.31% at March 2013. The 2013 peer group figures, collated as above, all exclude supported housing.

Void Losses as % of Income

2014	2013	Peer Group	Regional	Housemark
1.25%	1.31%	0.6%	1.11%	0.94%

Planned Works

The year saw significant progress in our Planned Works programme, described above in the Maintenance and Capital Works section of the Review of Activities.

A measure of the increased activity is that total maintenance spend, including capital costs, rose to £668,568 in the year to March 2014 from £364,111 in the year to March 2013 - an increase of 83.6%. The year also saw a major increase in planned, cyclical and capital works.

Maintenance Costs

	2014 £	2013 £	Increase
Planned & Cyclical Including Capital	457,344	119,888	281%
Total including Capital	668,568	364,111	83.6%

As a proportion of total maintenance costs, planned and cyclical spending also rose markedly.

Planned and Cyclical Costs as % of Total Maintenance Costs

2014	2013	Peer Group	Regional	Housemark
68.4%	32.9%	61%	52.3%	44.5%

The planned works programme is a major factor in the Association's longer-term planning and we can see the beneficial effects of earlier works as costs move proportionally from responsive to planned works.

Being a small Association brings the disadvantage of not having the capacity for decanting whole schemes, which would have clear advantages for some scheme-wide works. However, to counter this we can be more flexible in juggling priorities and take opportunities to add or combine works elements at schemes as the need arises.

Lease renewal

Towards the end of the year the Association exercised its right to extend the lease on a four unit scheme for a further 99 years at a cost of £205,464. The estimated rental income stream over the lease period has a Net Present Value of over £2.6 million; additionally, the annual ground rent reduces from £15,400 to £200. Retaining the scheme for this further term will keep two one-bed and two two-bed general needs flats within the social housing sector in the borough, as well as strengthening the Association's financial viability in the longer term. As the completion was effected after the financial year end the cost is included within Prepayments on the Balance Sheet.

External lease

Towards the end of the year we had to close a four unit supported scheme: the partnership with the support provider had worked well, but could not be maintained as the partner's financial constraints led to their withdrawal of support and the scheme's closure, with resulting loss of income to the Association and the resource to the borough.

After considering a range of options, the Board approved leasing the scheme for five years to another support provider partner: this will maintain both the Association's' income stream and the provision of four much-needed units of supported accommodation in the borough.

Service Delivery – comparative costs

Many quality aspects of service delivery are described in the Board's Review of Activities in the final accounts and the Annual Report. In every service that we provide, the cost of delivering the service is balanced with the standard and quality of service that tenants need and deserve.

Comparative figures are collated as described above. Housemark data was not available for all categories, and none for Planned / Cyclical Maintenance.

Average Weekly Service Costs per Dwelling

	2014 £	2013 £	Peer Group £	Regional £
Responsive Maintenance	8.09	9.60	9.41	10.88
Planned / Cyclical Maintenance	24.83	6.17	n/a	n/a
Management	38.32	34.30	28.33	27.11

The preceding Review section on Communication describes the introduction of the OKEachday phone service and its benefits. This added nearly £50,000 to Management Costs: excluding this additional cost would have given an average weekly cost of £35.54. While the degree of comparability is unclear across the different groups, we should look closely at what we can learn from these comparisons, and this will be one focus of our VfM work in 2014-15.

Tenant Involvement

The activities of the Tenant Focus Group are already described in that section of the Review of Activities. Going forward, we will also benefit from wider involvement as a number of tenants have expressed willingness to take part in specific projects: three have already assisted with two tendering exercises.

Other Achievements

Staff are encouraged to log examples of VfM, ranging from savings achieved to improved services received and provided. Some significant examples follow.

- **Staff training** – the Review of Activities describes the range of training received. Staff attended a number of free training sessions through the year, run by CiH and the borough, as well as free seminars provided by professional advisors. Some topics were covered by training run inhouse by staff. Staff also attend inexpensive training run locally by the borough, also saving time and travel costs. Training costs are further contained by organising and hosting training provided jointly for our staff and staff from partner organisations.

- Mobile phones - A new two year contract for staff mobile phones was negotiated through our office phone provider, giving a saving over two years of over £2,000.
- Joint procurement with a peer RP resulted in kitchens being purchased direct from the manufacturers: this also entailed tenants being involved in the initial design of the kitchens and choice of the elements of the units. Fitting costs were also reduced as exact drawings and details of units were provided by the manufacturer to contractors.
- Lift Consultancy and Maintenance Contracts - after a competitive tender new service providers were appointed, producing savings of £1,890 for consultancy and over £5,000 for maintenance over the three year contracts

TAKING VFM FORWARD

Aims and Targets

Value for Money is now a basic component of all tender exercises. The tender programme for internal/central services during 2014 and 2015 includes: banking, utilities, insurance, external audit, I T support and internal audit. Beyond the purely financial, all suppliers are asked to evidence "added value" – to the Association or its tenants, depending on the nature of the service offered.

The Board began discussions on organisational targets for staff, while recognising that, particularly for small organisations, economies of scale are not achievable beyond certain points.

Maintenance

Building on the progress reported above, we will look, wherever possible, to combine works and achieve economies in the Planned Major Works Programme. For all general works we aim to agree a schedule of rates with contractors to control costs. We will also pursue joint procurement with partner HAs; we will start this on Voids works, monitor and then look to extend more widely to other suitable works areas.

More Effective Monitoring

The Association regularly reviews its monitoring methods and required reports. The Board accepted an internal audit recommendation during the year and established an annual review of which Key Performance Indicators (KPIs) it will

receive in the year to come. This was implemented for 2014/15 and will be carried out before the start of each new financial year. Alongside this the Solomon Benchmarking Group (peer comparators) recently reviewed the KPIs collected: as a result they are now fewer and better focused.

The Board also aim to improve VfM reporting, both internally and externally and the internal audit programme for 2014/15 has been amended to include VfM reporting, both to validate existing reporting and to seek enhancements.

Managers also regularly review which KPIs are collected, to ensure the continued relevance and effectiveness of reports and recently instituted regular independent checks of data collected to validate and ensure its accuracy.

Social Impact

As reported in the Review of Activities, a range of our services and activities involve members of the community as well as our tenants. Going forward, we will look at how best to collate and present information on the broader social benefits and impact of our services and activities.