Value for Money Self-Assessment

Introduction and Foreword

In its drive to secure better performance for Housing Associations, the Homes and Communities Agency (HCA) now requires that all Housing Associations publish an annual Value for Money self-assessment statement. Although all Housing Associations are subject to HCA standards, smaller associations such as Westfield with less than 1,000 properties are not subject to the same level of regulatory control, scrutiny, and engagement as larger associations. This regulatory approach by the HCA accords well with Westfield's own approach to Value for Money, which is that the guiding principles of securing added value should be embedded in everything we do, in our approach to our work, and in our relationships with stakeholders. This means that, if we are successful in this approach, little additional work is required to demonstrate that we do deliver value for money as a matter of course.

This does not, of course, mean that we can afford to be complacent. Indeed, the fundamental principle behind the VFM self Assessment is to provide a level of rigour to the measurement of our own performance against targets, and to stimulate the achievement of even more 'bangs for our bucks'.

Westfield Housing Association published its first annual self assessment in September 2014. This, the September 2015 update, confirms our commitment and approach, and provides up to date figures for comparison and analysis, reports on whether we achieved our targets from last year, and sets new targets for the forthcoming year.

What does the HCA require?

The HCA states that the Board is required to make an annual self assessment covering the following areas:-

- the cost of delivery of services and how these costs relate to relevant benchmarks
- if we have achieved our targeted gains for the year, and our future targets
- how decisions over resources are made
- the return we get on the use of our assets
- how we evidence our improved performance
- how we assess our value for money options
- how our Board gains reassurance over these areas

This is an outline of what the HCA expects from Housing Associations, and should if implemented properly lead to measurable improvements in performance and outcomes over time. Whilst Westfield supports this approach, for us there is a potential problem in terms of the timescales of meaningful measurable outcomes. This is because our focus is in the long term prosperity of our customers. The following paragraphs explain this further.

What does WESTFIELD mean by Value for Money?

Traditional approaches to securing Value for Money have considered the 3 E's

- Economy – getting the goods and services that we use for the best price (but having regard to quality)
- Efficiency – using these goods and services in the best possible way
- Effectiveness – using these goods and services to achieve what we want and making sure that we do this effectively

However in our opinion that only tells half the story. At Westfield our baseline is the provision of good quality well maintained affordable housing to those in need. But our **ambition** continues to be to make a lasting and positive difference to the lives of our tenants and to the community around us. And that means so much more than simply counting the pennies and using them well.

What do WE want to do, and what is our ethos?

Unlike many larger organisations who seek to achieve economies by aggregating and streamlining processes, we pride ourselves on looking at the 'smaller' picture. So, for example, instead of looking for the lowest common denominators to categorise our tenants and their needs, we seek to treat every person as an individual – responding to their particular requirements rather than delivering a standard service to all.

And because we want to make a lasting difference to their lives, we look at what we can do to help our tenants to improve their circumstances and life chances from the cradle to the grave. By providing support for families that starts before birth, and lasts well into old age, we aim to improve the potential of all our tenants and their families. Further on in this document you can see the types of initiatives and help that we provide.

In order for us to achieve effective targeted support, we need to have a clear idea of what is needed, and we get this through our tenant feedback, and through our Board. Because the Board has a strong, lasting and engaged representation from tenant and community members, we are successful in securing the trust of our communities and we have an excellent knowledge of what will really make a difference to their lives. Our close working relationships with other local organisations means that we are able to utilise partnership working to help make a difference to our communities.

And looking at that wider local community, we want to make sure that every action we take secures benefits. So, our spend of around £2m a year on goods and services, is spent locally wherever possible. This means that we are putting money directly into pockets of local people and local firms, so that our local economy is strengthened. Again, more detail of how we do this is provided further on in this document.

For us, therefore, achieving VFM is about making a bigger difference not only in terms of delivering our core business of quality homes and good management, but by achieving long term improvements to our customers, our communities, and our economic and social environment. We do this mindful of the legitimate and sometimes competing interests of our key stakeholders: tenants, local communities, local partner organisations, taxpayers and funders.

Our Approach to Value for Money and the use of Measurements

To date our approach to Value for Money has been to concentrate on doing the right things as economically as possible at a service delivery level, and then to utilise the surpluses that we generate to further increase our stock of homes, and also to provide the, (to our mind at least as important), ongoing support initiatives to help our tenants and our communities.

Our approach can be summarised as:-

- In the delivery of our core business, seeking to reduce wasteful activity in everything that we do, in order to generate spare cash to
- provide targeted support to our tenants and their communities, and
- to maximise the economic and environmental benefits as we do so

In doing this, we have to date concentrated more on our own performance than comparisons with other organisations. So, for example,

- we don't belong to a benchmarking/best value group, because our low staffing levels mean that attending meetings would compromise our service delivery, and we are not convinced that we would see much benefit from this
- locally, we have not joined the Choice Based Lettings scheme, because for us it seems a cumbersome and inefficient way of enabling tenant choice. Other local associations are now also questioning this approach
- although we seek to achieve efficiencies in our transactional costs (how we process data and transactions), we have not tried to do this through standardisation where that clearly does not accord with our values which are to treat every person as an individual
- we believe that the benefits of doing it right first time for each tenant outweighs the potential cost of getting it wrong, and suffering a downturn in reputation.

But we are clear about the need to

- know what our purpose, objectives and values are
- recognise the operating environment in which we work, and the influences it places upon us
- make sure that we are doing the right things, we have a clear business plan aligned to our corporate objectives
- make sure we have the right assets in place to deliver our objectives
- make sure we do it right!

Our underlying principles are:-

- to achieve economy, efficiency, and effectiveness in everything we do
- to treat everyone as an individual
- to secure long term life improvements for our tenants
- to maximise the returns across a wide range of indicators.

These are key to Westfield's ethos, and we don't usually talk about it, we just do it.

BUT we are not complacent. This document, (our second annual self assessment), reflects our commitment to identifying areas for improvement and to ensuring that these improvements happen.

Our Performance

At Westfield we monitor a number of key activities on a quarterly and annual basis. These activities are summarised into easy to read graphs which are presented to our Board at each meeting. They serve to show our performance over time, and deal with the key activities of the organisation.

We also monitor what our tenants think of us. Every two years we send out questionnaires about our performance, and we report on the results to Board and use them to improve our service.

The tables below show some of these indicators, together with, where possible, a comparison taken from the SPBM 2014 Annual Report for Smaller Housing Providers. This provides information on how our performance is improving over the past 3 years, and, for the middle year, 2013-14, how our performance compares to that of an aggregate of all social housing providers and also smaller providers (those with fewer than 1000 units). Although we don't belong to a benchmarking club, we do watch the press and use other sources to find comparative data. We use this data to check that our performance is reasonably in line with, or better than, other Housing Associations.

1. The Costs of Our Services

Compared to Other Providers

	WHA				HM 2013-14		
	2014-15	2013-14	2012-13	Our Perf	All	<1000	Comp
Operating cost as % turnover	66.73	66.73	63.00	–	NA	70.00	√
Av weekly cost/dwelling on management	£8.77	£9.49	£9.19	↑	NA	18.09	√
Routine/emergency /cyclical repairs as % rent	9.02	11.48	11.55	↑	NA	NA	–
Routine/emergency /cyclical repairs per property	£398	£490	£446	↑	NA	NA	–
Staff Costs per property	£723	£747	£670	↑	£1,300	NA	√

(The arrows show our performance year on year; Ticks show that we perform well against others)

These figures are taken from the final accounts and management accounts, from the SPBM 2014 Annual Report for Smaller Housing Providers and other data sources. They show that Westfield's costs compare very favourably with those of other small providers. Although costs increased significantly over the three year period to 31 March 2014, in 2014-15 Westfield’s costs have dropped as a result of changes to our staffing structure and costs, and a reduced spend on repairs. The continued impact of additional pension costs, benefit changes, and depreciation combined with the budget changes to rental income and sales mean that we can not afford to be complacent, and our autumn planning cycle will contain a detailed consideration by Board and management staff about how we can best use our resources to support our tenants and staff through these changes, and to ensure stability over the longer term.

Our own Targets

	2014-15	**2013-14**	**2012-13**	**Target**	**P**	**T**
Operating surplus at % net rent	39%	28%	32%	20/22%	↑	Y

(The arrows show our performance year on year, Y shows that we have met our target)

This shows for us that for us in 2014-15 we secured a saving on our operational costs and continue to comfortably outperform our target. Included in those targets are spend on our projects which deliver added value to our communities. (See below).

2. How Efficient Are We?

Compared to Other Providers

	WHA				**HM 2013-14**		
	2014-15	**2013-14**	**2012-13**	**Our Perf**	**All**	**<1000**	**Comp**
Ave number of working days lost due to illness	2.03	7.75	10.35	↑	8.22	5.34	√

Our own Targets

	2014-15	2013-14	2012-13	Target	P	T
Arrears as % of rent roll	0.94%	1.87%	1.50%	3% *	↑	Y
% voids loss	0.33%	0.85%	0.31%	<0.30%	↑	N
Ave days to relet	9.26	6.23	6.36	<14	↓	Y
Staff costs as % net rent receivable	17%	18%	17%	<20%	↑	Y
Tenant satisfaction repairs response time	97%	98%	98%	>95%	↓	Y
Rental surplus as % net rent receivable	26%	28%	39%	>25%	↓	Y
Turnover as % of stock	10%	10%	10%	<10%	–	Y
Bad debt loss as % rent roll	0.81%	1.82%	0.78%	<1.82%	↑	Y

What these figures show us is that, with the exception of void loss, we consistently exceed our own targets. Last year was the first time that we publically reported these figures and, as can be seen from the trends shown above, in four areas performance has improved and in three areas performance has declined. The increase in average days to relet was due to two difficult to let properties, and the significant decrease in rental surplus from 2012-13 is a result of the increasing costs of interest repayable on a bond secured in order to enable the Association to invest in more properties.

Last year, also for the first time, we set targets for our performance in key areas. These were to:-

- improve our void loss from 0.85% of the rental and service charge income to 0.75% **√ MET**
- reduce our staff sickness absence from 7.75 days to 6.5 days **√ MET**
- in recognition of the impact that the roll out of universal credit will have on our tenants, to hold our bad debts loss at 1.82% **√ MET**

We use these figures to review our working practices and challenge ourselves to do better in the future. In 2014-15 we met all of our targets and you can see how the information above feeds through to our new targets for 2015-16 and beyond below.

We believe that our approach of dealing with each tenant as an individual pays dividends in terms of the demand for our properties. Our normally low levels of void loss and re-let times show how popular our properties are amongst local residents.

How Effective are We?

Compared to Other Providers

	WHA				HM 2013-14		Comp
	2014-15	2013-14	2012-13	Our Perf	ALL	<1000	
% of tenants satisfied with overall service	NA	95%	NA	–	85%	91%	√
% tenants satisfied that the landlord listens to their views (opportunity to participate)	NA	95%	NA	-	69%	76%	√
% satisfied with the value for money of their rent	NA	98%	NA	-	81%	88%	√
% satisfied with repairs and maintenance	99%	99%	100%	-	80%	88%	√

Our own Targets

	2014-15	2013-14	2012-13	Target	P	T
% tenants satisfied with repairs efficiency	98%	99%	99%	95%	↓	Y
% tenants satisfied with repairs quality	99%	99%	100%	95%	–	Y
% repairs carried out on time	97%	98%	98%	95%	↓	Y
% lettings to first offer	78%	80%	67%	66%	↓	Y
% tenants satisfied with repairs response time	97%	98%	98%	95%	↓	Y
Housing and Admin staff retention - number of leavers	-	-	-	NA	–	–
Number of formal complaints	3	4	1	-	↑	–

These indicators show that in terms of our core business, we continue to perform well and are able to provide speedy feedback to our contractors. Our stable staffing levels allow us to achieve efficiencies through knowledge and improvements in performance, and last year we carried out restructuring to strengthen areas where performance had previously dipped. Although indicators show that performance has slightly decreased this is against a backdrop of all of our targets being comfortably achieved.

Our repairs service in particular shows an outstanding performance. We believe that this is due to our policy of providing a service using local contractors who work with us closely to ensure that our tenants receive an excellent and low cost service. This helps us to retain tenants, and also helps to support small businesses locally.

Financial Performance - Return on Assets

	31 March 2015	31 March 2014	31 March 2013	Improved?
Total Assets (cost less SHG)	£15,384K	£13,939K	£12,287K	↑
Surplus before financing costs	£1,385K	£970K	£723K	↑
Return on Assets	9.0%	7.0%	5.9%	↑
Cost of Capital	5.3%	5.3%	5.2%	–
Number of properties	551	537	520	↑
Surplus per property	£251.36	£180.63	£139.04	↑

This measurement shows how much we generate through our activities, how much our housing assets cost (to us), what the percentage return on these housing assets is, and how much the capital that we have borrowed in order to invest costs us.

What we are looking for is a constant improvement if possible on our surplus, and an increasing return on our assets. We also need to ensure that the return on our assets is at least the equivalent of the cost of capital to us. As the table shows, in every year the return on assets has outstripped the cost of capital, and the actual surplus (which is affected by all housing and other costs excluding the replacement of components), has increased.

Our financial performance is strong, and is getting stronger, and this should, (subject to the potential negative impact of recent government initiatives), enable us to provide more houses (our core business), and to extend our support to our communities in other areas. However, the very strong performance in 2014-15 does reflect an unusual low spend on routine and day to day repairs and maintenance which, being to some extent demand led, may not feed through into future years.

The paragraphs below detail some of the improvements we have made and the projects which we are currently supporting. The final paragraphs show our ambitions for the following years.

Improvements to VFM made in 2014-15

(i) Bond Issue

In October 2013 we secured an additional £6M of low cost finance to invest in new houses through a successful bond issue. This increased our balance sheet borrowings by 150%, and the intention was to increase our housing stock by an estimated 11% (60 houses) over the next 2-3 years.

As can be seen from the stock numbers, we have actually secured an additional (net) 31 houses in the two years to March 2015. The bond represented a significant saving on traditional bank rates when it was secured, and we have ensured that bond finance has been used to achieve value for money on new house purchases. Going forward the picture is less certain as the political and economical environment throws up real challenges to our sector, and to our investment plans.

(ii) Increased our Stockholding

We continued to work with local builders to increase our stock as noted above. These new properties are built to a high standard, are energy efficient, and are located on popular development sites. They are providing much needed additional quality housing, and, as a condition of our purchase is that any development must be sustainable in the longer term, will provide additional funds in later years.

(iii) Increased Support for our Social Activities

We continue to grow our local nursery provision by increasing the amount of space available within the building, and the level of support that we are able to offer. Improved management processes and support have meant that the nursery has managed to turn around what was a very challenging position given the recent increase in grant funded provision which reduced the fee paying hours. We continue to support the nursery's activities through management input, providing back office functions, cash flow support and Board input. Our nursery is one of our best success stories, securing 'outstanding' ratings from Ofsted, and being utilised by Cumbria County Council as a provider of both specialist and free nursery places.

Whilst it is difficult to place a monetary value on the contribution that the nursery makes towards our longer term goals, good primary care at an early age is a known precursor of enhanced life chances. In financial terms, we seek to ensure that the nursery is financially viable in the longer term, and as part of our commitment to the local community we provide a level of security for the cash flow and profitability forecasts.

We are in the process of signing a 30 year agreement with the Council to provide facilities for their Children's Centre service, and continue to support the activities of West House, a local facility for those with learning difficulties.

(iv) Restructure to provide a better service

In 2013-14 we began a process of restructuring, and this was continued in 2014-15. The results of this restructure can be seen in the improved statistics, with voids and debt levels significantly reduced, and tight control over repairs expenditure.

(v) Secure improved terms through procurement practices

We continue to challenge costs through rigorous procurement practices. All our costs are closely monitored although we are keen to balance the competing benefits of cash cost reduction with supporting the local economy. Our list of procurement savings is contained in the VFM log which is reported to Board as part of the management accounts report every quarter.

(vi) Staff savings through reduced hours and working at home initiatives

The programmed reduction in Director hours continues, and this April the Director reduced his working week by one more day. Efficiencies gained through changes to working practices mean that increasingly the Director is able to concentrate on 'higher value' work thus reducing his hours of attendance and salary costs to the organisation with no reduction in quality. Also resulting from this are increases in staff skills, as the management of the organisation and of the nursery pass from his hands to staff, through a managed programme of change. As the Association has implemented efficiencies in the recording and control of routine transactions and reports, staff time has been reallocated enabling them to take on a bigger percentage of the Director's workload, whilst also increase their skills, capabilities and job satisfaction.

The efficiencies introduced in 2013-14 continue to secure savings in the use of office space and resources.

(vii) IT Strategy

We recently carried out a review of our IT strategy, and our IT procurement practices. This review has resulted in a number of recommendations for the medium to longer term to secure additional cost savings in terms of increased efficiency and effectiveness.

(vii) Numerous Ad Hoc VFM savings

As part of our culture, staff are always seeking ways to be more cost effective in what they do. We can point to many small improvements which, taken together, help to ensure that our service provides good Value for Money.

Value for Money initiatives continued from previous years:

We have continued with a number of VFM initiatives that were introduced in previous years. These include:-

- the energy efficiency project which delivers savings and income from PV tiles and other retrofit projects to both the Association (via installations at the Minto Centre), and for our tenants through home installations
- the healthy child project which works with our tenants to educate and support families in good nutritional and other advice
- the 50% nursery support offered by the Housing Association for our tenants and staff using the nursery
- the neighbourhood investment fund support for local organisations, additional support to cover funding lost through government savings on support for vulnerable people, activities for older people to promote social inclusion, etc. etc.
- ongoing savings through renegotiated contracts for cyclical painting contracts
- staff savings through changed roles and posts deleted on the maintenance structure
- significant reductions in debt write off through new debt management procedures on the nursery provision
- savings on the pension provisions through renegotiated terms and the closure of the DB scheme
- the provision of financial support to our tenants through a funded initiative with the Cumbria Money Advice Centre
- ongoing procurement savings on uniforms, stationery, refreshments, telephone, etc. etc.
- support for the community via a renewed lease with West House
- continued improvements to back office processing.

VFM Plans for the Future

Although we can demonstrate a continuing drive to secure Value for Money through our normal ongoing activities, we are mindful of the need to formalise our approach as required by the HCA. The following details how we will continue to do this in the future, and also identifies our plans and targets for the coming year.

Our Approach in 2015-16

Last year we introduced a requirement for staff to identify and quantify their plans and achievements to secure Value for Money through a VFM log. The updated log (to June 2015) records cash savings in 2014-15 of £407,877, many of which continue in 2015-16 giving a current whole year projection of £360,560 with ongoing savings of £370,705. In addition to these we continue to:-

- support our local economy and tradespersons through local purchasing power
- provide assistance and support to our tenants through our investment fund, projects, and infrastructure
- expand our excellent nursery and pre-school provision
- grow the number of properties that we have to provide good housing to more local people
- and strive for further efficiency savings.

Our targets for 2015-16

Looking at our performance over the past 3 years, and taking into account the social and environmental changes that affect our work, we have set the following targets for 2015-16.

- improve our void loss from 0.33% (last year 0.85%) of the rental and service charge income to 0.30%
- reduce our overall relet days from 9.26 to 8.00 days
- maintain our current rental surplus as a percentage of net rents at 26%
- hold our bad debt loss at below 1%

Conclusion

We believe that at Westfield we can demonstrate that we provide Value for Money in the way that we carry out our business. However we do not see the process of securing Value for Money as an end in itself. Rather, we seek to use the savings that we can achieve to help us to provide a long term improvement in the lives of our tenants and their communities. By ensuring that tenants see our houses and estates as good places to live, we are able to ensure that our lost costs (bad debts, void costs, re-let times) are kept to a minimum. This, together with the efficiencies and savings that we can achieve through Value for Money initiatives means that we have more resources to use to secure our long term ambitions. And by spending our money wisely and, wherever possible, locally, we can do our part in helping to build a sustainable future for our locality.