



Value for Money Assessment 2016-17

Registered office: 99 Maple Road, Penge, London SE20 8LN

Registration: Registered Society number: 19080R

Homes & Communities Agency registered number: L1243

Member of the National Housing Federation

1. Introduction

It is important that Penge Churches (PCHA) is able to demonstrate that it delivers Value for Money in its delivery of housing and associated services to its residents and other stakeholders. In doing so we should compare ourselves to others in the sector as far as is possible and weigh up the cost of the services provided against the perceived quality/value from the perspective of our residents and other stakeholders/partners, including our Regulator. It is important to note that cost cutting is not the primary driver of our Value for Money Strategy but a desire to understand our costs and ensure we get the maximum return on our investment.

PCHA exists to provide good quality homes and housing services in the local community by making the best use of the resources available to us. For us, value for money (VFM) is about offering high quality services to our tenants and being efficient and effective in how we plan, manage and operate our business.

This VFM self-assessment is aimed at our tenants, stakeholders, Board members and staff. It sets out our approach to achieving VFM and describes how we have performed during the past year in providing an efficient service to our customers. It is important that we can be held to account for the VFM of our services by our tenants, the local authority, other partners in the community, the Homes and Communities Agency (HCA) and our funders.

Each year we produce a VFM self-assessment in line with the requirements of the HCA's VFM standard. We have continued to achieve some good results over the past year, and will be working to further improve our performance during 2017-18.

Our self-assessment and our VFM Strategy are available on our website or from our registered office.

2. Why do we need to report on value for money?

Our regulator, the HCA, expects us to produce a clear VFM self-assessment annually. This should cover all aspects PCHA's work and resources, including our operational services and assets. The assessment is required to:

- enable stakeholders to understand the return on assets measured against the organisation's objectives
- set out the absolute and comparative costs of delivering specific services
- evidence the VFM gains that have been and will be made and how these have and will be realised over time

Our tenants and other stakeholders quite rightly expect that we examine our costs, find ways to make savings and plan future service delivery in the most efficient way possible.

However, we are working in a challenging environment where we are expected to deliver increases in our operating efficiency over the next three years as we continue to absorb the 1% rent cuts until 2020. Alongside our reducing rental income we are seeing increasing rent arrears as residents find their incomes squeezed through welfare benefits changes and the difficulty of finding secure well paid employment. Increasing debt is having an impact on both our tenants and indeed our cash flow so the provision of debt management advice is an area where we are likely to be investing in to ensure tenancies are sustainable and the business remains viable in the future.

Additionally, changes in London's housing market make it more difficult for us to acquire or develop new homes although it remains a key objective for us to make the most of our financial capacity and to develop new homes in our community.

These factors cannot be ignored in terms of understanding and evaluating VFM.

There is an increasing pressure for housing associations to look at their purpose and future and it is vital that housing association boards are proactive in reviewing organisational structures, including the opportunities of merger. The primary considerations in assessing any such opportunity will be the quality of services to our existing tenants as well as our ability to meet local housing needs by using potentially increased financial capacity to provide more homes.

PCHA's Board is actively considering the potential strategic options by way of a Strategic Review during 2017/18. The outcome of this review will shape the future based on decisions about how best to achieve value for money and deliver excellent housing services for our residents and local community in the future.

3. What do we mean by 'value for money'?

Our definition of VFM is the production of the best value possible from the income and assets we have available. This includes several types of value: financial, social and environmental. These must be in line with our objectives as an organisation as well as the expectations of our tenants. As a non-profit making, charitable housing association, we aim to make best use of the rental income received from tenants to provide high quality services and homes to people who would otherwise be unable to meet their housing needs in the private sector. Any additional resources we have are invested in the long term maintenance of the properties we own and in increasing the number of homes we can provide.

We continually seek tenants' feedback, in order to understand their priorities and shape our services to meet these. Tenant feedback, together with our management information and benchmarking data, enables us to judge how well we are performing and whether we are achieving VFM. Each year in developing our plans and budgets we consider what is required to deliver our services and any new development, against the

background of our own performance in previous years and that of our peers, in terms of both cost and quality.

4. Business Objectives and links to our VFM Strategy

Our VFM Strategy helps us to:

- Ensure that the Board is driving VFM in all aspects of running the Association and delivering services
- Give impetus to VFM in achieving our business objectives
- Deliver VFM in a consistent and effective way
- Explain our approach to VFM to our people and stakeholders

Our financial business plan is a tool for delivering value from our resources and this is reviewed annually by the Board. When making decisions – for example about the planned maintenance programme for the year ahead, or whether to buy a particular property - we make an assessment of the value for money of our decisions. We take into account the social and environmental value as well as the finances.

Our strategic objectives have a strong element of ‘achieving VFM’ built in to them. In all our objectives our aim is to deliver good quality services whilst being efficient and effective.

5. Governance and scrutiny in achieving value for money

To ensure that VFM remains at the heart of all that we do, PCHA’s Board has a number of governance arrangements in place:

- The Finance & Audit Committee’s terms of reference include a responsibility to consider the Association’s VFM performance and to recommend to the Board an annual self-assessment on VFM
- A ‘balanced scorecard’ containing key financial and management performance indicators is reported to each of our Operations Committee and Board meetings
- The Board approves an annual budget and the Finance & Audit Committee carries out regular monitoring of quarterly management accounts to assess performance against that budget
- The Board receives annual benchmarking data comparing our performance and costs with those of peer organisations in the Acuity BM320 benchmarking group (see section 9)
- Tenant satisfaction feedback provides information, including views on value for money of services, which the Board and staff can use to drive performance improvement. In 2015 our tenants’ satisfaction survey asked whether tenants felt that our services offer good value for money in light of the rents they pay and we achieved 92% satisfaction, higher than the benchmark comparators locally and nationally.

6. Our financial performance in 2016/17

PCHA has had a successful year financially with a surplus for the year of £466,014 (£208,809 in 2016), representing a substantial increase compared with the previous year.

The Association has set financial targets with regard to the level of reserves that are maintained. We comfortably exceed all of these recommended targets. Reserves above target are held for investment in our existing homes and developing new homes, and as such are placed on deposit to obtain maximum return as part of our treasury management policy.

Income management is a key element of financial performance. During 2016-17 we have seen an increase in the number of tenants who are struggling financially as a result of welfare benefits reductions although the impact of Universal Credit has not yet fully hit and so we have seen a decrease in arrears over the year. Our arrears at the 31st March 2017 were 2.36% of our rent roll (compared with 2.77% in 2015/6) which reflects an increased focus on managing rent arrears during the year. However, there were 20 tenants with rent arrears in excess of £1,000 which is higher than last year and demonstrates the increasing problem with debt amongst our tenants; debt management is an area will be focussing on in the year ahead. We continued to offer support and budgeting advice to all tenants who are in arrears and during the year we agreed to pilot a new debt and welfare advice service run by the LB Croydon. For the majority of our tenants we are managing to avoid arrears building up by proactive work and this is an area we will be strengthening in 2017-18.

For those with enduring arrears where legal action has been necessary, the courts have been reluctant to give possession orders and therefore there have been no evictions for arrears in the year; as a result we have reviewed our arrears policy to use Ground 8.

Our Operations Committee scrutinises performance on arrears quarterly.

The return on assets was 2.6% in 2016 and 4.3% for 2017 (based on operating surplus generated from the carrying value of our housing properties reported in the financial statements).

7. The performance of our assets

An essential part of achieving VFM lies in the management of our assets, i.e. the properties we own. PCHA's Development Strategy and Asset Management Strategy set out our approach to developing new homes, and to managing and maintaining existing homes.

As at the 31st March 2017 we owned and managed 265 homes. When vacancies occur, we act promptly to re-let them, minimising any income lost; our average turnaround was 22 days.

Apart from a small number of sub-market rent properties, the majority of our homes are let at social rents with average rents of £119.60 per week.

We continue to use the results of the recent stock condition survey to plan affordable investment in our homes over the coming few years. During 2017-18 we will be implementing a boiler replacement programme to ensure all boilers are safe and fit for purpose; from 2018 this programme will be tendered out to ensure value for money.

We continually ask ourselves a number of questions about whether we are holding and investing in the right assets, such as do the homes we own generate more money than they cost to run. During 2017-18 we will be implementing a new yield model to assess this more accurately. Our approach includes the following:

- We only own homes within a three mile radius of our offices, ensuring that staff can get to tenants' homes quickly, thus keeping management and maintenance costs low, and enabling tenants to visit our office easily
- Our income exceeds costs across the PCHA property portfolio
- The majority of our properties are refurbished Victorian street properties which means that maintenance costs can be high - we are increasing our scrutiny of these costs to ensure that we do not overspend our budgets
- If any property proves to be more expensive to repair than we assess as good VFM we will consider disposal or redevelopment
- We have invested in a small number of sub-market rent properties, which have increased in value since purchase

The Association's Development Strategy sets out our aim to use financial capacity to acquire and improve or develop new homes. This includes the use of reserves and new borrowing. Through a partnership with a larger association, in May 2017, we took handover of a 6 unit scheme in providing new 2-bed flats in Bromley. PCHA invested approximately £200k of its reserves in these new homes, with additional borrowing of £800,000. This development represented good value for money at approximately £160k per unit in a high value area where sales of equivalent units are in the region of £320k.

We also commissioned a firm of local surveyors to carry out a review of our existing sites and properties to see whether there is development potential on land already in the association's ownership and we are currently looking at progressing these to planning stage. When we improve or develop properties we take into account environmental and sustainability issues, aiming to minimise the energy costs for tenants and reduce environmental impact.

We have an ongoing programme of reinvestment in our homes, carrying out a 7 yearly cycle of redecoration and repairs to external and communal parts of all our buildings. In

addition we replace kitchens, bathrooms, roofs, doors and windows in line with a programme drawn from our stock condition survey.

During 2016/17 we invested significant sums in our properties with over £261,574 spent on major repairs and cyclical works compared including installing 7 new kitchens and 7 new bathrooms. We also carried out some major works to improve accessibility at our active elderly scheme, Garden Walk.

The kitchen and bathroom works have been held at 2014/15 prices over the last 2 years, representing some significant savings to the Association.

8. Good value services

PCHA's vision is to enhance the lives of our residents by providing excellent homes and services. We are proud of our strong community roots and strive to be a positive voice within, and make a positive impact on, the local community. We pride ourselves on being accessible and responsive to tenants' needs. We have a set of Customer Service Standards, agreed with tenants, which set out what they can expect by way of housing management services. Our aim is to meet tenant expectations whilst managing budgets carefully. We operate in the Penge area and currently only work with one local authority; all our properties are in relatively close proximity to our office. This enables our housing management service to be efficient, responsive and accessible. Tenants tell us that they value the personal and responsive service we are able to offer as a small community based association.

In 2016/17 tenants benefitted from the 1% rent cut in line with Government policy. However, our policy is also to maximise our service charge income to ensure that we recover all legitimate expenditure as part of maintaining our financial viability.

Our staff are an important asset and we aim to recruit high calibre people, pay well and offer training and development. This means that our tenants and partners will receive a professional, knowledgeable service at all times in line with our objectives and service standards. Staff are involved in regular meetings which include discussion on the ways in which we can improve services and achieve VFM in our service delivery.

Our core housing management service helps individual tenants and communities in a number of ways, including:

- Tackling anti-social behaviour which can blight communities and cause people to want to move home unless dealt with promptly and effectively. We work closely

in partnership with Bromley council's public protection and safety team and the local police.

- Actively supporting tenants in arrears to prevent evictions and create sustainable communities. We have a range of services to support tenants financially, for example through our welfare reform action plan and support to access credit union banking services. Unfortunately, the free debt advice service provided by qualified volunteer advisers ceased due to lack of funding so we are currently piloting a debt and welfare advice service run by the LB Croydon for tenants with complex debt or circumstances.

We are committed to working in partnership with other organisations in the local community, and we are able to offer a number of services to our tenants which extend beyond the provision of a home and basic landlord services.

In 2016/17 these added-value services included:

- A personalised service and access to support from other community partners, for example from Community Options (supporting people with mental health needs)¹, Latch (supporting young homeless people), and Bromley Women's Aid (supporting victims of domestic violence). PCHA receives referrals from Latch and Women's Aid.
- Small grants for household goods or to support access to employment or training – from our own Friends Fund or from other local groups such as the Penge & Anerley Trust
- Support to tenants seeking employment, for example through access to internet facilities at our offices for job seeking²

When service contracts are reviewed or new services commissioned, we always follow financial procedures and seek to make savings where possible. We aim to use local contractors and suppliers, keeping economic benefit in the local community, so long as standards of work and costs represent good value for money.

It is a key priority for us and for our tenants that we maintain our homes in good condition through planned and responsive maintenance. We have contracts in place as follows to ensure the delivery of a value for money service:

- Another association manages all our day to day and the majority of our cyclical and planned repairs programmes and we work closely with them to bear down on costs and improve performance, at the same time as encouraging our tenants to fulfil their responsibilities for minor repairs to their homes.

¹ G320 research into Social Value indicates that the cost of inpatient care for a mental health patient is £429 per day – our supportive services help numerous vulnerable tenants stay living in the community

² G320 research into Social Value indicates that the provision of regular internet access to an adult living in London is worth an estimated £3000 per year

- Gas servicing and installation services are undertaken by our contractor and this work is independently checked for quality and price.

Regular liaison meetings take place to monitor performance and expenditure on both these contracts to check that the service is of a high quality for tenants, but that costs are contained.

9. Comparing our performance and costs with others

PCHA is a member of the BM320 small housing Associations' benchmarking club for London run by Acuity. This enables us to compare our costs and performance with other similar organisations.

During 2016/17 our performance overall compared well. Some of the key results are shown in the table below. In particular, we should highlight:

- Our rent arrears decreased slightly in 2016/17 which is a result of the proactive and supportive approach to all tenants who get behind with rent payments; this is comparable with our peers. However we have seen an increasing financial pressures on many tenants, in part due to the impact of welfare benefits changes but we have not yet seen the full impact of Universal Credit. In anticipation of the roll out of Universal Credit we are taking a more proactive and robust approach to income collection.
- Our weekly operating costs, operating costs as a % of the turnover and housing management costs per property are all favourable compared to our peers and we are in the top quartile for these indicators. This is a real indicator of our operational efficiency.
- Our cyclical maintenance costs are high but these reflect the quality of the homes we provide and the level of investment in them. It also reflects the nature of our stock which is largely Victorian terraces and conversions.
- The area where the benchmarking data is less favourable is in terms of the performance delivered by our current provider on our repairs and this is subject of ongoing monitoring and discussions. However, it should be recognised that despite the ranking the overall performance is still reasonably good. We will be reviewing the arrangement with our current provider during 2017-18.

During the year we agreed to take part in the sector scorecard pilot. The Sector Scorecard is the name for a set of 15 indicators that the sector is proposing to use to benchmark efficiency across the sector. Our aim is for these indicators to become the mainstream way that efficiency and effectiveness are measured.

VFM Assessment 2016-17

Below are some of the key benchmarking results for PCHA compared with peer organisations for the year ended 31 March 2017:

BM320 VFM Report 2016-17					
	PCHA	Rank	Quartile	HA SPBM quartile	HA HouseMark quartile
Stock managed	265				
Turnover 000	173.1				
Satisfaction - overall services - GN	92	2	1	2	1
Satisfaction - quality of home - GN	90	3	1	2	1
Satisfaction - VFM rent - GN	92	2	1	1	1
Satisfaction - VFM service charges - GN		N/A	N/A	N/A	N/A
Satisfaction - repairs and maintenance - GN	86	4	2	2	1
Satisfaction - listens to views and acts - GN	85	4	2	2	1
Ave re-let time - GN	22	6	2	3	1
Ave days lost due to sickness absence	6	8	3	3	1
Current tenant arrears - GN & HOP	2.36	4	2	3	4
Weekly Operating Cost per unit	83	2	1	2	N/A
Operating Cost as % of Turnover	68	3	1	2	N/A
Ave weekly management cost per dwelling	17	4	2	3	N/A
Average GN weekly gross rent	117	N/A	N/A	N/A	N/A
% repairs completed within target time	95.3	8	3	3	N/A
% emergency repairs completed within target	100	1	1	1	N/A
% urgent repairs completed within target	97	6	3	3	N/A
% routine repairs completed within target	92	9	4	4	N/A
% dwellings with a valid gas safety cert	100	1	1	1	1
Cost per property of Housing Management	302	1	1	1	1
Cost per property of responsive repairs and void works	844	4	2	3	4
Cost per property - Major and cyclical works	1263	4	2	3	1
Overhead costs as a percentage of turnover	15.7	3	2	3	4
Cyclical maintenance spend per property per week	12.4	8	3	4	N/A
Major works spend per property per week	10.2	4	2	2	N/A
Void works spend per property per week	2.04	4	2	2	N/A

10. Communicating with Stakeholders on VFM

It is important that we can be held to account for the VFM of our services by all our key stakeholders, including residents, the local authority and other partners in the community, our regulator and funders.

We will publish a summary of our VFM strategy and assessment in our published annual report and accounts, and will send a copy of our annual VFM self-assessment to key stakeholders as well as publicising it in our residents' newsletter and making it available on our website.