

# KINGSTON CHURCHES HOUSING ASSOCIATION VALUE FOR MONEY STATEMENT 2018

## INTRODUCTION

### Regulatory Framework

Housing associations are regulated by the Regulator of Social Housing (RSH) and are required to conduct a value for money self-assessment each year showing how they are performing. The Value for Money Standard is set out in the RSHs Accounting Direction 2015. The Board Report within the annual audited accounts must now include a VFM statement.

### Overview

Kingston Churches Housing Association (KCHA) is a locally based housing association operating mainly in the Royal Borough of Kingston upon Thames. Our mission is to remain an independent Registered Social Landlord providing high quality permanent social housing at affordable rents, and associated services, through a staff and Board of Management dedicated to serving the needs of our tenants.

Getting value for money is very important to us and our tenants since it determines our ability to re-invest in our properties for the benefit of our tenants.

Good value for money may not always mean finding the cheapest option. We are also focused on obtaining good quality, efficient and effective services. As a small housing association we are able to develop close working relationships with our tenants and principle stakeholders. The commitment and stability of our staff team means we have the benefit of high levels of continuity in maintaining and developing these relationships.

### Objectives of our Value for Money Strategy

In addition to looking at opportunities for controlled growth over the next few years one of our main objectives is to provide our existing tenants with a caring and professional service which seeks to improve and modernise both their homes and the services they receive. This objective can be broken down as follows:

Our key priorities in relation to pursuing Value for Money are:

- Maintaining and improving the quality and value of our housing stock
- Effective and efficient delivery of tenant services
- Tenant satisfaction and good tenant communications
- Benchmarking our performance over time and with other similar RPs
- Good governance and regulatory compliance
- Invest in staff development to improve our service
- Partnerships with other organisations

A key aim of our strategy is to ensure that VFM is part of the culture of the Association by using key performance indicators and individual targets to measure performance and hence ensure that appropriate action can be taken to maintain efficiency and effectiveness.

### Asset Management Strategy

We have in place a detailed Asset Management Strategy, the aims of which are fivefold:

- To maintain the Association's properties to a high standard
- To meet tenants' and prospective tenants' needs and aspirations both now and in the future
- To obtain value for money and minimise cost in use
- To at least meet, and wherever possible exceed, the Government's Decent Homes Standards
- To optimise properties to reflect current priority housing need.

The Association's homes vary in age and date of acquisition. We have devoted much time and energy in recent years to the question of longer-term planned maintenance, and particularly the improvement of our older properties. We are acutely aware that in the future we will need not only to continue to provide a first rate responsive maintenance service, but also to look to meeting increasing aspirations from tenants for the modernisation of their homes. The Association has taken major steps to deal with a number of properties that were 'past their useful lives' and are about to re-develop the last of our part shared bedsits.

In addition to re-modelling a number of bedsits at our Torrington scheme as they became available, in 2014 we disposed of 462 Kingston Road which comprised 7 bedsits for young homeless people. These were managed on our behalf by Kingston Action on Homelessness and were badly suited to this purpose and could not be brought up to a good standard. Mindful of the need for accommodation for the homeless however, the Association now sponsors ten rooms for young homeless people by run by Centrepont, a specialist London based organisation.

Over the years we have moved towards allocating a far higher proportion of repairs expenditure to planned as opposed to reactive maintenance. The position has been complicated in recent years by the requirement to capitalise some repairs expenditure. Using this as the basis of comparison 75% of our repairs in 2018 were planned which is a high ratio and recommended as best practice by the HCA and others.

We maintain a stock condition database based on a full stock survey which is used to predict expenditure on a cycle of up to 30 years, as well as providing a detailed record for each of our homes of what improvements have been made and when they took place.

#### **Older Persons Activities**

The merger in 2011 with Wilberforce Housing Association significantly increased our stock of sheltered housing for older persons. We have upgraded these lounges including furniture and equipment using funds from a tenant legacy. After consultation on the possibility of using the communal facilities in the schemes for a programme of additional activities we have introduced a regular and very popular quiz night.

We have also installed computers with internet access for residents' use in all the communal lounges, including at the sheltered scheme at Torrington in Long Ditton. We will revisit this initiative if any new areas of interest emerge.

#### **Development**

In addition to investment in our existing housing we are completing a development of three new build houses comprising an in fill development at one of our existing properties. We are continuing to keep other opportunities for development under review.

#### **Costs and Performance**

In 2018 the Association's turnover suffered a small decrease of £10,000 due to the implementation of the 1% rent cuts, which was mitigated by an improvement in rent losses from void properties.

The operating expenditure increased by £30,000 from 2017 to 2018 which is an increase of 2.3% and includes the £51k additional employment costs in 2018 relating to the adjustment of the pension creditor.

As regards gearing, the Association will first use its existing funds generated from property sales and operating activities to invest in its existing properties and new developments before this is increased.

	KCHA 2018	KCHA 2017	Peer Group Median 2017- 18	Peer Group Quartile 2017- 18	National Small London Median 2017-18	National Small London Quartile 2017-18	KCHA Target 2019
<b>Business Health</b>							
Operating Margin (social housing lettings only) % - RSH metric	24%	26%	23%	2	20%	2	-
Operating Margin (overall) % - RSH metric	24%	27%	22%	2	16%	1	-
EBITDA MRI Interest Cover % - RSH metric	1145%	1205%	412%	N/A	273%	N/A	-
Headline Social Housing Cost Per Unit - RSH metric	£4,176	£4,129	£4,348	2	£5,103	1	-
Overheads costs as % of turnover	17%	17%	17%	2	15%	3	-
Cost per property of Housing Management	£429	£454	£420	3	£583	2	-
<b>Development Capacity and Supply</b>							
New Supply Delivered (Social Housing Units) % - RSH metric	0%	0%	0%	-	0%	-	1.1%
New Supply Delivered (Non-Social Housing Units) % - RSH metric	0%	0%	0%	-	0%	-	0%
Reinvestment in Property % - RSH metric	5.2%	6.1%	5.2%	2	3%	2	9%
Gearing (net debt / tangible housing assets) % - RSH metric	(12)%	(11)%	16%	N/A	18%	N/A	-
<b>Service Delivery</b>							
Satisfaction - overall services - GN & HfOP	84%	84%	89%	4	86%	3	90%
Satisfaction - overall services - GN	80%	80%	91%	4	85%	3	90%
Satisfaction - overall services - HfOP	92%	92%	-	-	-	-	90%
<b>Asset Management</b>							
Return on Capital Employed (ROCE) % - RSH metric	2.9%	3.2%	3.6%	2	2%	2	-
Occupancy at year end	100.0%	100.0%	99.8%	1	99.6%	1	99.6%
Ratio of reactive to planned repairs	53%	45%	47%	2	59%	1	60%
Void works spend per property	£0.87	£2.46	£2.38	3	£2.35	3	-
Rent collected as % of rent owed (excl arrears b/f) - GN & OP	102.5	104.7	100	1	100.0	1	-
Repairs completed on time	99.5%	99.7%	97.6%	1	96.9%	1	95%
Average re-let days - GN	18	27	26	3	25	3	18
Average re-let days - HfOP	41	67	59	3	31	4	28
<b>Staff</b>							
Staff turnover	2.4%	1.2%	-	-	-	-	-
Average days lost to sickness	5.8	3.1	4.0	2	6.7	2	5

**KEY:** The following show Kingston Churches Housing Associations performance when compared to the benchmarking group shown

1	Within the top quartile
2	Within the second quartile
3	Within the third quartile
4	Within the bottom quartile

### **Stakeholders & Partnerships**

We consider that collaborative working with stakeholders and partners is crucial in achieving the aims of the Association. We value, and wish to maintain, our independence as a way of providing a caring and focused service to our tenants. However, as a relatively small organisation we are aware that we cannot work effectively in isolation, and we are always looking for opportunities to work with others, particularly housing associations, where ad hoc partnerships can bring mutual benefit.

### **What's Going Well**

The Association is maintaining good control of overheads and these are in line with the median for our peer group, resulting in higher than median operating margins and lower than median headline social housing costs per unit.

We have maintained high occupancy rates and high rent collection levels. In 2018 we increased our focus on our arrears procedure and undertook training to prepare for the roll out of Universal Credit in our area. We re-invested in our existing properties, exceeded our repairs completion on time targets and began the development of 3 new houses.

In 2018, following the retirement of the Chief Executive, the Association experienced some disruption due to internal promotions and other recruitment leading to a large proportion of staff being new in post. This had the positive effect however of retaining good continuity of experience within the organisation.

### **Where We Can Improve**

In 2019 the Association will be commissioning a tenant satisfaction survey, which is undertaken every three years.

In response to disappointing overall satisfaction in 2016 we set up a working group to try to understand where we needed to improve. Detailed review of the data underlined that a key area for improvement was listening to our tenants' views and acting upon them. Significant steps have been taken to improve our contact with our tenants. Where we were able to we have acted on the suggestions of tenants to make improvements.

### **The Year Ahead**

We expect to complete our three new build houses in the first half of 2019.

We have no expectation of any material increases in running costs over the next year and there are no other substantive changes planned. We expect the Association to continue to perform well and hope to continue to make improvements in the areas of arrears and voids control, despite the difficult economic environment, as well as investment in and maintenance of our property.

In 2012 we embarked on a program of window replacement as part of our cyclical repairs and improvements program which contributes to the heating efficiency of our homes. In 2016 we commenced a five year program to replace all our bathrooms since this was a preference expressed by our tenants during our 2016 tenant satisfaction survey. We look forward to finding out where our tenants feel we should address our attention to improve their homes in the future.

### **Public Benefit Entity**

As a public benefit entity, KCHA has applied the public benefit entity 'PBE' prefixed paragraphs of FRS 102.