

Teachers' Housing Association

Value for Money Statement 2016

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Mission Statement: To house people in need, particularly those associated with education.

Registered with the Homes and Communities Agency as a Registered Provider (Registration No. LH0426); affiliated to the National Housing Federation; registered with the Financial Services Authority as a registered society under the Co-operative and Community Benefit Societies Act 2014 (Registration No. 17955R); and registered with the Charity Commission under the Charities Act 1960 (Registration No. 255199).

www.teachershousing.org.uk

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1. Why a Value for Money Statement?

The Homes and Communities Agency (HCA), which regulates all housing associations, requires that an annual self-assessment of VFM is produced and published by all registered providers. The HCA seek assurance that housing associations have a clear and strategic approach to VFM. The Regulatory Framework published in 2012 introduced the VFM Standard which requires registered providers to deliver a comprehensive and strategic approach to VFM in meeting the organisation's objectives.

The annual review of VFM should be carried out across all of the Association's activities and it should include operational matters and assets. It should reflect:

- The association's social mission and the interests of stakeholders
- How the standard is being met
- Financial, social and environmental performance.

Teachers' Housing Association (THA) has adopted a VFM Strategy that focuses on ensuring that we are providing beneficial services to our tenants that fit within our VFM Strategy and that are also of value to other stakeholders. We ensure that we take the priorities and expectations of both tenants and stakeholders in to account whilst ensuring that we continue to make the best use of our assets.

This statement demonstrates how THA approaches VFM strategically and operationally and sets out the key principles of the VFM Strategy. The Strategy and Annual Statement are available on our website www.teachershousing.org.uk and is publicised in our newsletters.

VFM has been embedded across the Association via Board meetings and its reports, staff meetings, policy reviews and resident consultation meetings.

The Board has established Asset Management and Development Strategies to ensure VFM and effective return on assets. Our Tenant Reading Panel reviewed the Asset Management Strategy in 2014 and had no additional comments regarding its VFM content. It is next due for review by the Reading Panel in 2017.

VFM is a standard item for discussion at our Annual Consultation Meetings held with tenants where we focus on the various service contracts paid for through Service Charges. We use these meetings to ensure that tenants feel that the contracts they pay for e.g. gardening, window cleaning etc. represent good value and we use feedback provided to challenge and improve the services provided, changing contractors if appropriate.

Our last Tenant Satisfaction Survey carried out in 2013 indicated lower levels of satisfaction amongst some tenants with VFM of Service Charges. THA conducted a full analysis of these results and found that satisfaction was lower in street based properties where any expenditure is split between smaller numbers of people and can have a significant impact on the overall charge. A further survey is to be undertaken in 2016 and we will review the results when they are published and explore areas for improvement.

2. Our Definition of VFM

THA's strategy aims to ensure a co-ordinated approach is taken and provides a focus to embed VFM and good practice throughout the association. The Board has defined VFM as:

- Achieving maximum benefit within the resources available in respect of service provision and obtaining goods and services.
- VFM involves ensuring that assets are used as effectively as possible to achieve the Association's aims.
- VFM is about achieving the right balance between economy, efficiency and effectiveness.
- VFM is not just about cost. It is also about determining whether THA provides services that benefit its tenants and that take into account and manage tenants' priorities and expectations.
- VFM ensures that tenants receive a service that is considered to be of value to them.

3. How does Teachers' Housing Association achieve the best VFM?

THA is a small, charitable housing association with a unique objective to house those associated with education. Because of our size and the geographical spread of our properties it is vital that we maximise the value and use of all of our assets to achieve more homes, provide better services and in turn, help to improve the lives of people who approach us for housing.

At THA we are clear about what we want to achieve as an organisation and by ensuring we deliver VFM in our day to day activities we are able to meet our objectives and deliver a good quality, professional service of which we are proud.

We undertake sustainability reviews of all our housing assets on a periodic basis to ensure that they are achieving the best return on assets and value for money.

Our housing stock is widely spread from Hull to Devon and the property portfolio ranges from new build estates and street properties to Grade II listed buildings.

Our client group includes key workers working in education and older people with support needs. We have properties in high value areas where schools have difficulties in recruiting and retaining staff due to high property costs.

Our development strategy is to provide low cost homes to those working in education in Greater London. We believe that the provision of low cost home ownership does not currently provide best value for us but this will be kept under review.

THA provides a quality tenant centred service by:

- having small patches managed by generic housing management staff
- having dedicated scheme managers for its sheltered housing schemes and local caretakers for its general needs housing
- offering tenants direct access to senior staff
- providing various ways in which tenants can influence the services that we provide

THA is committed to maximising its resources by:

- ensuring we have competitive major repair contracts
- completing rigorous reviews of service contracts
- following our Asset Management Strategy which uses sustainability reviews to appraise each scheme/area for stock viability
- completing reviews of void properties prior to letting to see if they can be reconfigured to make better use of the space
- considering if major repairs and improvements add overall value
- researching the availability of grants
- use of small, local contractors who are able to provide a flexible and responsive service

4. VFM Principles

- **Financial Value:** At THA we maximise returns on our assets with a view to our social aims and objectives, reduce the cost of operational activity, make procurement savings and carry out sustainability reviews. We recognise that our Operating Costs per unit are higher than others in our benchmarking group. However the geographical spread of our properties means that we are unable to benefit from the economies of scale that other providers are able to benefit from as we rely on smaller, local contractors to carry out works for us. We continue to review costs and explore ways in which we can make savings.
- **Social Value and Economic value:** At THA we measure social value by undertaking tenant satisfaction surveys, monitoring the level and content of complaints, monitoring tenant satisfaction with our repairs service, holding a tenant phone in day and regular scheme "walkabouts" with tenants. Our tenants benefit from having a generic housing management service and dedicated patch officers who are fully involved in the service delivery on the estates they manage. This is reflected in the high level of tenant satisfaction.
- Tenants of our sheltered housing schemes benefit from the provision of dedicated scheme managers which is reflected in the monitoring of outcomes from support planning. This outcome focused approach ensures tenants can live independently for longer and avoid costs to the NHS and care industry.
- THA offers employment opportunities in several areas, often for part time roles and maintains comprehensive training plans for all its employees.
- We are members of the G320 group of smaller housing associations in London. The Group has developed a Toolkit to enable members to describe and think about the social value of the work we do. In our 2015 report we stated that we would develop our social value work using this tool kit. Unfortunately due to staff changes within the

organisation this has not been progressed as we had planned. It is our intention to progress this area of work in the coming year and we will report on progress in the 2017 report.

- The Association has an Approved Contractor Panel and works primarily with smaller sized companies with whom we have built up-a good relationship over a long period of time. Working in partnership with these companies is of mutual benefit to both the contractor and the Association. We recognise the financial difficulties which can face companies of this size and our internal procedures try to ensure that payment is made as speedily and efficiently as possible after receipt of an invoice.
- Our Estimates and Tender Policy directs how work is procured. We obtain tenders for larger scale works and seek estimates in the case of smaller jobs. In all cases we aim to provide an excellent service at a competitive rate. In 2015/16 the returned tenders for New Park Gardens heating replacement confirmed the good value of the local electrical engineers with whom we have worked for many years. The tender was the most competitive received and the excellent service received during the installation process was confirmed in the tenant satisfaction responses received from tenants at the scheme following completion of the works.
- We are cost conscious in all spheres of maintenance and obtain savings where possible on all levels of works. For example, when possible we negotiate further savings against quotations received and this year made a saving of £141.00 plus VAT for specialist damp proof works. Additionally, we have obtained a saving of £130.00 plus VAT for consultancy work arising from compliance with the Heat Network Regulations.
- THA is a member of Procurement for Housing which we have used to obtain competitively priced quotes for various works to be completed in previous years. This year we used Procurement for Housing to obtain quotes for the boiler works at New Park Gardens however we found a cheaper alternative through a local contractor.
- **Environmental impact:** The Board approved an Energy Efficiency Strategy in 2014 under which one of the main priorities was to improve the heating in those properties which do not have a gas supply. These properties have older style storage heaters which are costly for tenants to run and in the general needs properties this is compounded by the building construction being solid brick rather than cavity and therefore being harder to insulate. Moreover many of these properties are within Conservation areas which limits the external works permitted.
- Whilst we were unable to install gas fired central heating systems due to financial constraints we have upgraded the old electric night storage heaters within our Brent Area properties and tenants now benefit from efficient, controllable electric heating. In addition to the new heating systems, tenants at some Brent properties have also had

improved insulation and it is believed that the combination of efficient heating and better insulation will result in real savings for tenants.

- We have continued to make improvements to the energy efficiency within our properties by renewing the communal boilers within the sheltered housing schemes. Three schemes are already benefitting from modern fuel efficient boilers and two further schemes will be upgraded in 2016. Across the general needs properties we continue to install SEDBUK A rated energy efficient boilers when the existing boilers need replacing. In 2015/16 we installed 7 such boilers.

How do we achieve VFM Principles in our day to day operations?

- VFM is embedded throughout the association via, staff review meetings, team meetings, staff meetings, appraisals and performance management.
- There is emphasis on VFM in our business planning, budgeting, policy reviews and asset management.
- Service Offers and our Tenant Service Charter are agreed with tenants following consultation.
- VFM principles are measured by monitoring performance indicators and challenged by benchmarking with other providers.

5. Development and Asset Management

THA has a programme of asset and sustainability reviews (Asset Management Strategy) incorporating all or some of the above techniques to ensure we achieve VFM from the Association's property assets.

As part of our Asset Management Strategy all our properties are subject to a programme of sustainability reviews designed to ensure best use of assets.

Strategic decisions regarding our stock are based on whether to:

- -retain stock
- -invest to improve stock
- -dispose, demolish, swap or rationalise stock
- -change the use or tenure of the stock

This year we completed sustainability reviews on the following properties:

- The Dene
- Queen Mother Court
- Romaleyn Gardens

As part of our Asset Management Strategy we have reviewed opportunities to increase the number of homes we provide using our existing assets. This is particularly relevant when flats become void and we consider opportunities to create

more or larger units. However sometimes it is not cost effective to do this so all opportunities are subject to a financial appraisal.

This year we were able to convert one of our last studio flats at Dunham Gardens (Hull) into a small one bedroom flat at a cost of £1,038. These conversions have been a long term programme ensuring that we provide more attractive homes for people at the most effective cost.

We are continuing our programme of sustainability reviews and as part of this are reviewing garden land available within our properties which may be suitable for additional development. Building more homes without incurring land costs is an effective way of achieving more development and maximising the use of our assets.

In addition we continue to operate a subsidiary company to deliver our development activities achieving cost savings for THA. In addition, by processing all financial accounts and returns in house for the subsidiary we achieve further savings. This year we have started on site for our development at Holmesdale Road in Selhurst, Croydon, using our subsidiary.

Establishing the return on our assets includes:

- having an understanding of the profile of the housing stock and differences and risks within, such as age, location, build quality, building status (whether listed), and insurance claims records
- undertaking investment appraisals using Net Present Value (NPV) calculations and returns on capital investment
- social and environmental value, including housing demand from our specific client groups and stakeholders

Our turnover has increased from £3.16m in 2010 to £4.09m in 2016, an average annual increase of 4.5% in six years.

Our reserves have increased from £7.56m in 2010 to £9.76m in 2016, an average annual increase of 4.3% in six years.

At the end of March 2016 our loan gearing ratio was 22% providing scope for obtaining further loan funding for new developments, in addition to funds of £1.4m already allocated for the Holmesdale Road development. The Board has adopted a Development Strategy and ensures Value for Money by appraising development proposals financially using NPV after thoroughly researching all aspects of each proposed scheme.

6. Operating Costs

Operating costs are in essence the total costs incurred in delivering the Association's objectives. Included are costs of every sort including "exceptional" and one off costs, and is a one line entry in the income and expenditure statement of the annual financial statements. The profile of the Association requires us to incur a number of fixed or semi fixed costs which can be difficult to reduce or control. Operating costs also include costs of services to tenants which are recovered by way of tenant service charges.

THA measures operating costs as reported in the annual Financial Statements but also seeks to analyse costs and identify "one off" costs to focus on those costs where it is considered that the Association can obtain greater VFM than at present. Operating costs are reviewed on a regular basis.

Our total operating costs were stable with only minor fluctuations between 2011 - 2015 with the exception of 2013 which saw slightly higher operating costs. Our statutory accounts for the year ended 31 March 2016 have been produced in accordance with the new accounting standard FRS102 and the accounts for 2015 restated for comparative purposes. Our total operating cost per unit per week in 2016 was £135.55, an increase from £129.50 in 2015. The net operating cost per unit per week excluding major repair and cyclical maintenance costs increased from £94.21 (2015) to £97.82 (2016).

We have detailed how our operating costs compare with our benchmarking group below.

One of the reasons why our operating costs are high is the number of sheltered housing schemes we manage which have significantly higher service charges than general needs housing. Managing remote sites can result in high travel costs and these are closely monitored to ensure costs are kept as low as possible without compromising operation effectiveness.

In addition to this we have incurred additional costs this year which have impacted on the overall operating costs. These have included

- an increase in bad debts £9,323
- an increase in property depreciation £38,251
- recognition of pension deficit of £35,288
- recognition of MMI liability £34,255
- service charge year end adjustment of £6,859
- Challoners Cottage costs £14,894
- provision for accountancy costs for FRS102
- software for financial modelling
- increased staffing costs

7. Savings in 2015/16

As part of our Strategy, we identify areas each year where, in addition to our usual activities, we can demonstrate that VFM has been achieved. The table below highlights where we have made savings and the impact that they have had on the Association and service delivery. The table demonstrates the savings made in the current year and also, where appropriate, looks to the future as to how further efficiencies can be made.

Item	Savings Added/VFM Outcome
<p>In 2015/16 we saw a significant reduction in the cost of staff and Board recruitment.</p>	<p>We spent £6,060 against a budget of £15,000 (down from a spend of £17,015 in 2014/15). We continue to achieve VFM by making use of internet advertising and this year have introduced electronic applications achieving saving in printing and postage costs.</p> <p>We also achieved VFM by recruiting in-house where possible. This not only saved costs but enabled us to develop and train our existing staff.</p> <p>The average cost of recruitment was £390 per post compared to 2014/15: £1,264* and 2013/14 £903. *this included consultancy costs relating to recruitment for one post.</p> <p>We have saved costs on Board Recruitment by participating in the NHF Get on Board partnership deal (£1,000) and by carrying out a review of skills and experience required annually and only recruiting on an annual basis.</p>
<p>We were able to reduce the overall costs for stationery and printing.</p>	<p>We spent £3,990 in 2015/16 down from £4,897 in the previous year. We continue to review this area and seek the most cost effective supplies.</p>
<p>We saw a slight increase in the cost of postage this year.</p>	<p>We spent £7,786 against £7,384 in the previous year. Head Office staff increasingly use email to send documents etc. however due to the location of some of our schemes, there are often large mail outs that need to be sent. Whilst we try to time these to fit with staff visits, this is not always possible. We will continue to explore how these costs can be reduced in the coming year.</p>
<p>We spent £8,886 on training for our staff this year.</p>	<p>We continue to make use of internet training opportunities where possible, particularly for health and safety training which is more accessible to our staff in this format. During our annual Scheme Manager Seminar we maximise the time available to incorporate in-house training alongside external training in the programme. Where possible we include our caretaking and head office staff in sessions, reducing our overall training costs.</p>

<p>We have seen a slight increase in staff sickness levels.</p>	<p>This year saw a slight increase in the average number of days sick. We reported last year that the average was 4.54 days. This year the average number of days was 5.98. We continue to monitor staff sickness to identify trends and address any impact absence may have on service delivery.</p>
<p>We have entered in to a new Mobile Phone contract with Daisy Spiritel. This is a 5 year contract on which we were able to negotiate a saving on the existing contract.</p>	<p>The new contract will save THA £43.89 per month (£526.68 per year)</p>
<p>We have entered in to a new Photocopier contract with M2 Managed Services. This is a 5 year contract on which we were able to negotiate a substantial saving on the existing contract.</p>	<p>The new contract will save THA £690 per quarter (£2,760 per year)</p>
<p>In 2015/16 we were able to negotiate a significant saving on the supply of Landlord communal gas across all sites where this is supplied.</p>	<p>The new contract has been negotiated for 3 years to commence from April 2016 and represents a saving of 27% which makes a significant impact on Service Charges payable by tenants.</p>
<p>In the same period we were also able to negotiate a saving on the supply of Landlord communal electricity across all sites.</p>	<p>The new contract is in place for 3 years from April 2016 and represents a saving of 3% which is passed on to tenants.</p>
<p>We continue to see the benefit of having tendered our Audit Service in 2014.</p>	<p>Each year going forward we are saving approximately 20% on our audit costs which for £2015/16 were £10,007. We have however incurred greater accountancy support costs this year due to the change in accountancy reporting standards but these are not expected to continue beyond one year.</p>
<p>We increased expenditure on publicity material this year.</p>	<p>Costs increased from £3,582 to £5,714. We invested in publicity to promote the Association's activities and focussed in particular on publicising two of our schemes, The Dene and Queen Mother Court where we wanted to address some long term void issues. The publicity which included Open Days, newspaper articles and advertisements was successful and the voids issues in these schemes were addressed.</p>

Last year we reported that we had reviewed arrangements for rent accounting. In 2015/16 we outsourced our direct debit processing to Allpay at a cost of £2,963.	In doing this we were able to reduce the staff resources required for this work and streamline the process.
We continue to provide a management service to Old Etonian Housing Association (OEHA)	This generates income to THA whilst also providing opportunities for both organisations to share costs such as investment in the Brixx financial modelling software this year.
Insurance is a substantial cost area for the Association. Each year we undertake a comprehensive review of the cover in place and changing needs.	This year we were able to reduce the impact of a high premium increase by adopting a higher excess rate for property insurance related claims. We achieved a total increase in premiums of 3.7%, prior to reductions for premium rebates and the benefit of long term agreements.

8. Benchmarking 2015

THA is a member of a London based benchmarking group of smaller housing associations known as BM320. The following information is taken from the annual BM320 report for the year ended 31 March 2016.

It should be noted that in some areas THA is unique in this group, particularly in relation to the profile of its tenants and location of its stock as detailed previously in the report.

Description	THA Performance 2015	BM320 Average for 2015	THA Performance 2016	BM320 Average for 2016
Overall satisfaction with the service	92%	90.5%	92%	91%
Satisfaction of tenants with the value for money of rent	80%	86%	80%	87%
Satisfaction of tenants with the value for money of service charges	62%	73.5%	62%	77%
Satisfaction of tenants with the overall maintenance service	89%	85%	89%	78%
Rent collected as a percentage of the annual rent charges	100.07%	100.09%	99.53%	99.94%

Description	THA Performance 2015	BM320 Average for 2015.	THA Performance 2016	BM320 Average for 2016
Rent arrears (current tenants) expressed as a percentage of annual rent charges	1.90%	2.89%	3.1%	3.02%
Average re-let time (calendar days) GN	22	29	23	21.85
Average re-let time (calendar days) SH	36	29	61	26.5
Working days lost due to sickness absence	5.35	3.10	5.98	6.1
Weekly operating cost per unit excluding development costs and major repair voids.	£113.01	£90.37	£123.01	£87.53
Operating cost as a percentage of turnover	89%	71%	91%	71.18%
Average weekly management cost per home	£29.21	£23.73	£30.94	£20.73
Average weekly cost per home of responsive repairs	£13.40	£13.40	£13.12	£8.80
Average weekly cost of planned/capital repairs (stock investment costs)	£4.74	£19.41	£6.60	£4.83
Percentage of repairs completed on time	95%	97%	96%	97.1%

Areas for Improvement for THA identified from Benchmarking Data for 2015.

Item	Proposed Action
The association's performance in the time taken to re-let properties has significantly deteriorated and needs to be improved.	<p>Our combined average re-let time for both sheltered and general needs was 50.3 days which is one of the highest in the benchmarking group.</p> <p>When this is broken down it takes on average 22 days to re-let a general needs property which is considerably below the average for the benchmarking group (29 days).</p>

	<p>However it has taken on average 60.6 days to re-let our sheltered housing stock. We have had some long term voids that have been hard to let and which in turn have had a significant impact on our re-let times.</p> <p>Outcome: We have now let all the long term voids and we are starting to see improvements in our re-let times which are reducing. We continue to review the ways in which our longer term voids are advertised and we explore all avenues with regards to the options available to us.</p> <p>We continue to publicise our sheltered housing schemes to as wide an audience as possible and the use of our asset management strategy ensures that we are directing our resources appropriately.</p> <p>Specific target setting for voids has been considered and will be introduced in the coming year.</p>
<p>The association saw an increase in the rent arrears (current tenants) expressed as a percentage of annual rent charges.</p>	<p>In 2015 we reported rent arrears at 1.9% against the benchmarking group average of 2.89%. We have seen an increase in arrears this year to 3.1%. In part this has been caused by some very high level arrears cases at some of our general needs properties. Staff changes within the Housing Management Team have also impacted on the collection of rent arrears and the overall figure.</p> <p>Outcome: We continue to work to reduce arrears. We have appointed a temporary Income Recovery Officer who is working solely on arrears collection. New staff will be recruited in the coming months to support the Housing Management Team with regards to arrears collection.</p>
<p>The association's tenants have lower satisfaction levels with VFM of service charges</p>	<p>To discuss possible reasons for this at the next round of consultation meetings.</p> <p>Outcome: We discuss Service Charges and VFM as standard items at each of our consultation meetings. In our sheltered housing schemes tenants felt the Service Charge did represent good value for money. However in our meetings with general needs housing tenants there was less satisfaction</p>

	<p>with VFM of service charges in our street properties where the costs are often shared by small number of tenants and where the accounts may be significantly affected by service repairs. We will continue to operate “variable” rather than “fixed” service charges to ensure that our charges are fully transparent and accountable to tenants.</p>
<p>The Association’s weekly operating cost is significantly higher than the average for the benchmarking group</p>	<p>The Board and Senior Management Team continue to review the operating costs and will adopt targets for reduction and continued control.</p> <p>Outcome: As outlined above, this year we have been impacted by some high costs which have impacted on the weekly operating costs. Some of these costs have been ‘one off’ costs and will therefore not impact on future years. However, due to the location and nature of some of our properties, higher than average operating costs are unavoidable.</p> <p>We continue to regularly review all operating costs to assess where savings could be made.</p>

9. Summary

In summary, we have embedded our Value for Money Strategy in all areas of our operations and we consider, for the reasons stated above, that THA is achieving Value for Money. The Management Board have reviewed this report and they are assured that THA is making steady progress in delivering its VFM Strategy and at the same time maintaining high standards of customer satisfaction.