

## Worthing Homes

### Value for money self-assessment 2019

#### 1. Policy Statement

- 1.1. Value for money means making the optimal use of all our resources to achieve our intended outcomes.
- 1.2. Resources generated from rental income are used to deliver excellent services to our customers in the most efficient way.
- 1.3. We use resources generated from utilising our assets effectively to maximise the amount of finance we can raise to build new homes.

#### 2. Corporate plan

- 2.1. Our mission is enabling people to live in quality homes and thriving communities, and our vision is helping people create sustainable futures. To help us achieve this we have a clear approach to value for money (VFM) across the organisation.
- 2.2. Our corporate plan sets out our business priorities and how we will deliver our business objectives. This is informed by our financial business plan, asset management strategy and treasury strategies to ensure what we do is affordable, and along with our strong governance, improves the long-term viability of the business.
- 2.3. This value for money strategy sets out a number of key outcomes and how we plan to ensure we maximise our resources to achieve those outcomes.
- 2.4. The board receives quarterly reports on our finances to monitor against detailed budgets to ensure that financial objectives are achieved and funding covenants maintained, together with quarterly performance management reports including value for money targets and a monthly dashboard.

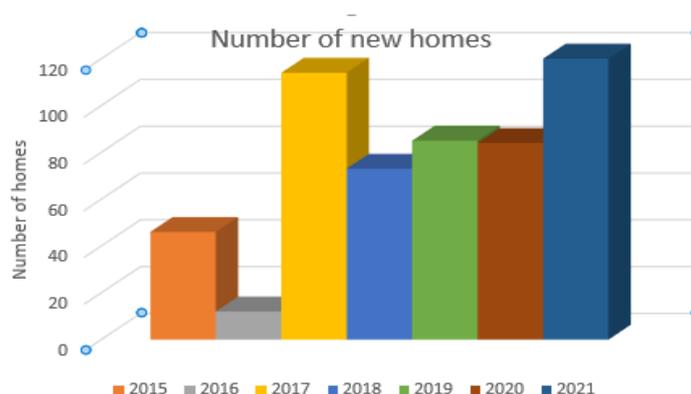
#### 3. Our achievements this year

- 3.1. We generated a surplus of £4.2million of which £0.6million related to sales from our shared ownership development programme. Our marketing strategy was successful with only 16 properties unsold at the financial year-end, all but 1 of these was reserved. This surplus will be used to enable us to continue to invest in building new affordable homes. We completed 85 new homes during the year and there are 103 units under construction at the end of the year.
- 3.2. The association continues to be a high performing housing association with costs better than median as measured by both the 2018 HouseMark benchmarking and the Regulator of Social Housing's unit cost analysis. Our operating margin on social housing lettings was 40% this year.
- 3.3. During 2018/2019 we carried out an extensive satisfaction survey of our customers, receiving 1,133 responses. 85% of our tenants said we were a good landlord, with only 4% of our customers unhappy with the overall service we provide. For the first time we also asked our residents if they felt that we treated them with respect 84% felt that we did, only 4% felt that we did not and we are looking to address these concerns over the next few months.
- 3.4. We purchased a new piece of software to gather feedback from our customers in a quicker, more efficient and cost-effective way, enabling us to respond better to any dissatisfaction and improve our services.
- 3.5. Our procurement strategy has achieved net savings this year on several contracts including:
  - Our mobile phone contract has been extended for 2 years with a saving of £9,000 per annum.
  - Employers agents' services on our new builds via an existing framework resulting in savings of between 0.55% and 1.05% of our build costs. For 2018/19 this was a saving of £66,000.

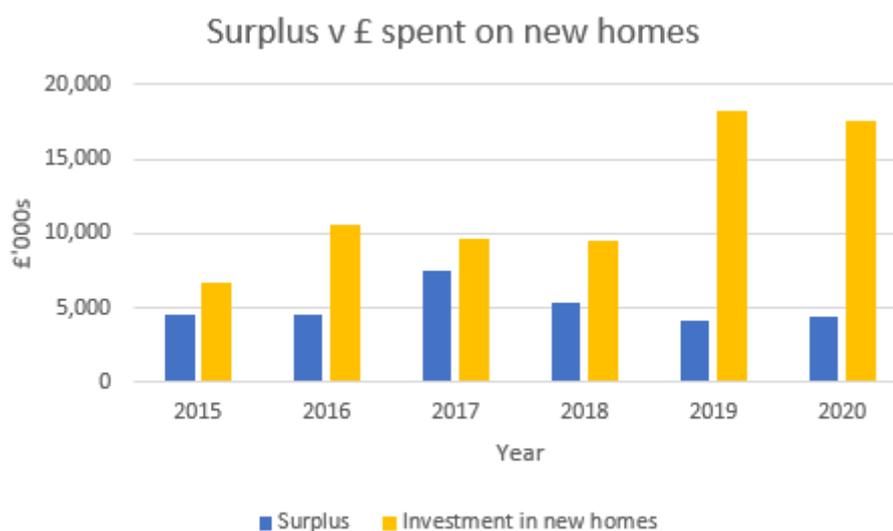
- Our internal audit was re-procured with a saving of £8,000 over the 3 year contract.
  - Our Treasury Adviser service was re-procured at a saving of £34,000 per annum.
  - By using a local flooring contractor we have saved £12,000 on one development scheme of 12 homes.
- 3.6. We continue to streamline our empty homes process to make this more efficient. This work has led to our lettings performance meeting our re-let target of 20 days. As a result, our rent loss from empty properties was just 0.4%.
- 3.7. We actively provide financial inclusion and signposting advice to our residents and help combat the impact of welfare reforms such as the benefit cap. This year our financial inclusion co-ordinators assisted 686 of our customers to increase their income and /or reduce their bills. As a result 444 of our customers gained an extra £106,000 of income.
- 3.8. Due in part to wider economic and social issues in the community the number of people accessing the services of Community House has continued to grow in 2018/19. As a result the services we have offered have been very popular and in many cases oversubscribed. We have trained our own sessional workers and this has seen the number of people attending the sessions increase as they become more well-known and popular. The Crew, a group for children aged 8+ has grown and the support to these children and their families has been key locally. We have also continued to work with Strive, the group for those with long term chronic pain. We are presently supporting them to become a constituted group as this will allow them to access finance from other local or national donor organisations and enable them to broaden their appeal and their work. Community House has continued to work with people in areas of mental health support. We presently offer two sessions of mindfulness each week and also a monthly drop in session – Mind Matters with staff from MIND. Community House also continues a number of themed cook and eat sessions. The Monday Back to Work cooking session offers people the chance to find both support and knowledge though the medium of cooking whilst the Albion in the Community cooking session on a Wednesday brings together people who are finding it difficult to connect with other services and through football they achieve significant life goals. We continue to offer near to date food at the house and the numbers of people needing it grows monthly. As a result of these activities we have exceeded our goals for the 2018/19 year.

#### 4. Our plans for next year

- 4.1. Our continued investment in building new homes is increasing. We will be delivering 500 new homes between 2017 and 2022. This programme will be delivered as a mixture of affordable rent and home ownership (shared ownership and market sale). In turn, this programme will support our local authority partners housing strategies. Our homes are built to be attractive, spacious, energy efficient and to meet residents' needs.



- 4.2. Our surpluses are reinvested in our new homes with our additional loan drawings funding the balance. The graph below illustrates the comparison between our surpluses and our expenditure on building new homes including our projections for the next 2 years.



- 4.3. Over the next 30 years Worthing Homes is committed to investing in our existing stock, the projections total £100 million (including VAT). In 2018/19 we increased the investment in our homes to include additional fire safety works as well as continuing with our planned maintenance programme improving our existing homes. We continue this increased investment in additional fire safety works in 2019/20.
- 4.4. We will be launching our 'Safe & Sound' initiative during 2019/20 to re-brand asset compliance and to make it more meaningful to our residents. The aim is to get more 'buy-in' from residents and to listen to them as to whether we can implement other reasonable safety measures to make them feel safer in their homes.
- 4.5. We have a forward thinking digital strategy with an emphasis on reducing costs incurred in supporting transaction based activities which could be processed more efficiently and effectively by taking advantage of more streamlined digital methods.
- 4.6. We will launch our customer self-service options thereby unlocking the potential for customers who can self-serve to access their information, rent accounts and job tickets much quicker and simpler.
- 4.7. Our digital inclusion work allows our residents to learn how to get online and make the most of internet access. We have already installed free Wi-Fi in our reception and all of our sheltered schemes and run a successful computer group in the Resource Centre, this is open to all the community and offers structured training classes from beginners to more advanced and 1:1s. We will be offering residents more opportunities to interact with us digitally with on-line access to their rent accounts and repairs. Having signed up to a digital champion's scheme with Digital Unite we have developed a network of digital champions who are working in our community to help other residents get online and build their digital skills and confidence.
- 4.8. This year is the final year of Big Lottery funding for the Community House and we are looking at the future nature of the services we offer in regard to Community House as we are aware that there are also other areas outside of East Worthing which have significant levels of deprivation in areas where we have housing and families.
- 4.9. We have re-procured our kitchen supply which we anticipate will result in savings of £38,000 per annum from April 2019.

- 4.10. We have invested in a Wash and Reach system which will enable safer working for our in-house decorating team and which will enable us to bring gutter clearances in-house saving up to £16,000 per annum from April 2019.

## 5. Value for money metrics

- 5.1. Our performance against the value for money metrics is:

	2019	2018	2017	2016	2015
<b>Reinvestment %</b>	8.0%	5.1%	5.1%	5.6%	3.9%
<b>New supply delivered % (social housing units)</b>	2.3%	2.0%	2.7%	0.3%	1.3%
<b>Gearing % (net debt / carrying value of housing properties)</b>	59.4%	58.1%	60.1%	64.4%	64.2%
<b>EBITDA interest cover % (Earnings Before Interest, Tax, Depreciation, Amortisation, Major Repairs Included)</b>	191%	223%	259%	202%	205%
<b>Social housing costs per unit</b>	£3,065	£2,985	£2,919	£2,993	£2,988
<b>Operating Margin (social housing lettings only)</b>	42.1%	44.7%	49.6%	45.7%	47.2%
<b>Operating Margin (overall)</b>	40.0%	42.7%	42.2%	43.3%	44.6%
<b>Return on capital employed (ROCE)</b>	4.5%	5.2%	6.5%	5.0%	5.1%

- 5.2. The analysis by the PlaceShapers housing association members shows our performance against sector averages:

	Worthing Homes 2019	PlaceShapers top quartile 2018	PlaceShapers median 2018	Worthing Homes 2018
<b>Reinvestment %</b>	8.0%	10.7%	6.3%	5.1%
<b>New supply delivered % (social housing units)</b>	2.3%	2.4%	1.2%	2.0%
<b>Gearing % ((net debt / carrying value of housing properties)</b>	59.4%	33.6%	42.7%	58.1%
<b>EBITDA interest cover % (Earnings Before Interest, Tax, Depreciation, Amortisation, Major Repairs Included)</b>	191%	274%	210%	223%
<b>Social housing costs per unit</b>	£3,065	£2,953	£3,235	£2,985
<b>Operating Margin (social housing lettings only)</b>	42.1%	36.8%	31.9%	44.7%
<b>Operating Margin (overall)</b>	40.0%	35.4%	30.0%	42.7%
<b>Return on capital employed (ROCE)</b>	4.5%	4.4%	4.4%	5.2%

- 5.3. This analysis shows that our new homes built (new supply delivered) is above average. Our strong historic development programme has been funded by loan finance and so our gearing ratio is also higher than average. Our average costs are lower than average so our operating margin is high; this enables us to fund the development programme with interest cover similar to sector averages.

## 6. Costs of service provision

- 6.1. The social housing cost per unit as defined by the Regulator of Social Housing can be analysed into detailed cost categories:

	2019	2018	2017	2016	2015
<b>Social housing costs per unit</b>	£3,065	£2,985	£2,919	£2,993	£2,988
<b>Analysis:</b>					
<b>Management costs</b>	£923	£930	£930	£967	£911
<b>Service charges costs</b>	£284	£288	£266	£232	£272
<b>Maintenance costs</b>	£849	£735	£722	£766	£828
<b>Major repairs costs</b>	£800	£823	£819	£800	£721
<b>Other social housing costs</b>	£209	£209	£182	£228	£256

- 6.2. Worthing Homes' results as assessed using the Regulator of Social Housing's unit cost analysis are lower than average cost. The association's headline social housing costs per unit of £2,985 in 2018 were lower than the PlaceShapers peer group average of £3,235. (Unfortunately at the time of publication we did not have the 2019 benchmarking figures for 2019 available).
- 6.3. We continue to maintain our investment in major repairs costs at £800 per unit (this has increased from £721 in 2015); meanwhile the total of all other management and maintenance costs has fallen slightly to £2,265 from £2,267 in 2015.
- 6.4. We benchmark our performance using the HouseMark PlaceShapers benchmarking group which comprises 126 housing associations. HouseMark benchmarking works on the principle that members share information regarding their financial and operational performance to enable comparisons to be made. High performing organisations can be identified at a detailed service level through comparisons of both cost and performance, rather than simply relying on public documents and reports.
- 6.5. The 2018 headline results including our cost per property (CPP) compared to our HouseMark benchmarking group are shown below:

	Worthing Homes 2018	PlaceShapers top quartile 2018	PlaceShapers median 2018	Worthing Homes quartile 2018
<b>Housing management cost per property</b>	£365	£385	£459	1
<b>Responsive repairs and void works cost per property</b>	£607	£743	£836	1
<b>Overheads as % of turnover</b>	10.2%	10.1%	11.2%	2

## 7. Financial performance

- 7.1. Our financial statements demonstrate our track record in improving our operating efficiency and financial results over recent years. The average social housing cost per unit has below inflationary increases since 2015 (increased by 2.5% in total from 2015 to 2019). However, in this 2019 financial year the social housing costs per unit have increased to £3,065 from £2,985. There were a number of factors this year, including:
- The additional overhead costs of the fire risk assessment works including a temporary surveyor and temporary administrator are £39,000.
  - The utility costs for our estates and office are £40,000 higher than anticipated (13% higher than budget). Commodity prices have increased and this has recently been re-procured via a housing framework. Due to the nature of the contract we should start to see our commodity prices changing from October 2019 as the supply is moved around to attract the best prices.

- Our insurance is £14,000 higher than budget (5%). We have tendered and re-procured and made savings of £80,000 from April 2019 with a 3 year rate guarantee.
- Treasury, legal and stock valuation fees of £44,000 were incurred for the refinancing of the Lloyds loan to achieve the new £30million loan and release of the excess security at Lloyds.
- We have incurred an additional £9,000 VAT on cash collection charges due to a change in VAT laws, which allow these costs to be backdated.
- Housing legal fees are £28,000 higher due to the necessary legal work undertaken by the team to resolve ASB and an increase in arrears possession cases.
- Our properties coming out of defects over the last year have increased our property numbers by 4%, and our main responsive repairs contractor had a 3% price increase from April 2018. An increased volume of fire actions from the Fire Risk Assessments and the new Neighbourhood Warden identifying more repairs have also impacted the spend.
- We have also seen an increasing number of voids requiring more extensive clearance and works to bring them back to a lettable standard.
- Just under £100,000 was spent on additional fire safety works.

7.2. The cash flow figure for earnings margin on social housing lettings has decreased slightly to 50%. The operating margin on social housing lettings has decreased to 42%; this is affected by increased depreciation on newly developed homes; these non-cash items have increased the operating costs by £200,000 this year

7.3. This is top quartile performance, as demonstrated by benchmarking our (2018) performance against other housing associations in the Regulator of Social Housing's global accounts analysis.

7.4. This year we continued our programme of developing homes for sale by shared ownership. These property sales totalled £1.8million and generated a surplus of £0.6million which is used to cross-subsidise new affordable homes. These property sales generate a different margin to social housing lettings so our reporting has been expanded to analyse the results from the different activities, both in the value for money self-assessment below and in our internal management accounts.

7.5. Our detailed financial performance is shown in the following analysis:

7.6. Cash flow:

	2019	2018	2017	2016	2015
<b>Earnings margin (earnings before interest, tax, depreciation, impairment and amortisation including major repairs expenditure as % of turnover) - total</b>	47%	49%	45%	50%	49%
<b>Earnings margin on social housing lettings</b>	50%	52%	53%	52%	52%
<b>Average earnings cost per home owned</b>	£3,204	£3,059	£3,027	£3,127	£3,099
<b>Earnings interest cover - total</b>	202%	233%	269%	211%	214%
<b>Earnings interest cover on social housing lettings</b>	188%	210%	226%	214%	220%

## 7.7. Operating efficiency:

	2019	2018	2017	2016	2015
<b>Operating margin - total</b>	41%	43%	42%	43%	45%
<b>Operating margin on social housing lettings</b>	42%	45%	50%	46%	48%
<b>Operating margin on first tranche property sales</b>	35%	38%	26%	-	-
<b>Average operating cost per home owned</b>	£3,644	£3,478	£3,234	£3,537	£3,359
<b>Average operating surplus per home owned – total</b>	£2,702	£2,975	£3,564	£2,703	£2,711
<b>Average operating surplus on social housing lettings per home owned</b>	£2,478	£2,649	£2,746	£2,802	£2,663
<b>Surplus for the financial year as % of turnover</b>	18%	23%	22%	23%	24%
<b>Net surplus per home owned</b>	£1,194	£1,569	£1,380	£1,418	£1,418

## 7.8. Business growth:

	2019	2018	2017	2016	2015
<b>Growth in turnover - total</b>	-3%	-16%	39%	3%	3%
<b>Growth in turnover on social housing lettings</b>	1%	1%	3%	3%	4%
<b>Growth in total assets</b>	8%	5%	5%	6%	4%
<b>New homes completed during the year</b>	85	73	114	12	46
<b>New homes completed during the year as a percentage of homes owned</b>	2.5%	2.2%	3.5%	0.4%	1.4%

## 7.9. Performance of asset base:

	2019	2018	2017	2016	2015
<b>Turnover to total operating assets – total</b>	10%	11%	14%	11%	11%
<b>Turnover on social housing lettings to total operating assets</b>	9%	10%	10%	10%	11%
<b>Return on capital employed (operating surplus divided by total assets) – total</b>	4.1%	4.8%	5.9%	4.6%	4.9%
<b>Return on capital employed on social housing lettings</b>	3.8%	4.3%	4.9%	4.7%	5.0%
<b>Average cost of capital</b>	4.3%	4.1%	4.1%	4.2%	4.0%

## 7.10. Debt servicing and use of assets:

	2019	2018	2017	2016	2015
<b>Interest cover (operating surplus divided by net interest payable) - total</b>	1.8	2.1	2.7	2.0	2.1

	2019	2018	2017	2016	2015
<b>Interest cover on social housing lettings</b>	1.6	1.9	2.3	2.1	2.1
<b>Gearing (total loans less cash and current asset investments as % net loans and reserves and capital grants)</b>	60%	59%	61%	64%	65%
<b>Average loans drawn per home owned</b>	£36,373	£35,662	£34,287	£34,980	£34,801

## 8. Return on assets

- 8.1. We ensure that we have a real understanding of the performance of all our assets (properties) to ensure we maximise the return on these assets. This will be delivered through our updated asset management strategy and monitored through our asset appraisal model with the ultimate aim of improving the quality and financial performance of all our homes, as well as, reducing the running costs for all our customers.
- 8.2. These return on assets objectives are underpinned by our stock condition database and revised Asset and liabilities register which will be further developed during 2019/20. The stock condition data held against every asset will be re-assessed on a 5-year cycle with this data and resulting long term investment levels subject to external third-party validation.
- 8.3. Focusing on the whole lifecycle of a home from development, improvement and repair, disposal and stock rationalisation; our asset management strategy will ensure that we invest in the right physical assets to the right standard, in the right places for the right cost and for the right return.
- 8.4. We have measured the financial performance of all our assets and are now working towards scoring the non-financial factors (i.e. location, desirability, local issues, energy ratings, etc.) within our appraisal model.
- 8.5. Our asset appraisal model will be used to optimise the return on assets and drive future investment decisions with any poorly performing assets subject to options appraisals to ensure informed decisions are made on these under-performing assets.
- 8.6. One of our former sheltered schemes (Church House) no longer meets the Decent Home Standard and as part of our asset management strategy we have reviewed its use, and are redeveloping the site. The 14 new homes developed will all have In-tech systems installed to provide residents with smarter homes which will reduce utility consumption.

## 9. Service delivery outcomes

- 9.1. Following the launch of the Government's Green Paper, we held a Residents' Conference and wrote to all of our residents, obtaining a wide range of views on a number of key issues.
- 9.2. Satisfaction with our services improved noticeably in some areas, with overall satisfaction with our repairs service at 83%, compared to 79% in 2016 and our customers feeling far more listened to (72%) than in 2016 (61%)
- 9.3. Our feedback from our ongoing customer surveys and business performance value measures during the year is:

	2018/19	2017/18	2016/17	% change in the last year / trend	Target
<b>% homes failing Decent Home Standard</b>	0%	0.6%	0.6%	-0.6%	0%

	2018/19	2017/18	2016/17	% change in the last year / trend	Target
<b>Overall satisfaction with our landlord service</b>	85%	91%	85%	-6%	91%
<b>Satisfied with most recent repair</b>	93%	97%	97%	-4%	97%
<b>Customer feedback – planned maintenance surveys</b>	99%	99%	99%	0%	98%
<b>% gas services completed within last 12 months</b>	100%	99.9%	100%	+0.1%	100%

## 10. Social value

- 10.1. Recording the social impact of our existing activities provides us with an opportunity to ensure the services we deliver offer value for money and maximise the return on our investment, while meeting our organisational objectives. We undertake a number of activities that have a positive impact upon the lives of our residents and others in the local community.
- 10.2. The Resource Centre continues to see Aspire providing Maths, English and ALD courses which have proven very popular. We are also hosting the National Careers Service and Impact Workability. We have Digital Champion sessions working in five venues across Worthing with the Resource Centre being one and we also have the Wednesday IT support service. We had 67 new learners to the IT Classes this year. As a result of the course 2 said they had gone into self-employment and 2 had moved into full time employment; 5 had found part time employment and a further 5 had enrolled on some sort of vocational training, 58 had taken up volunteering activities of some kind and 1 had gained an apprenticeship. Of all students undertaking courses 87 believed that they had gained confidence as a result of their involvement whilst 70 said their involvement in the course had reduced their anxiety/depression.
- 10.3. We continue to fund two local football projects through Albion in the Community. These have proven to be very popular and reached a number of people who would not approach services for support in a conventional manner but find attending an Albion Goals course very beneficial. A number have gone on to work and training courses with the confidence they get from these courses. We also funded Albion in the Community to work in Felpham in the summer holidays in 2018 and will be doing so again 2019.
- 10.4. Since November 2016 we have been running a free 8-week back to work course called Sure Futures for our residents. Reassessing the course during last year we decided to reduce the number of courses whilst increasing the area we operate in. We have now taken Sure Futures to Littlehampton this year working in conjunction with the Arun Council Community Team. Feedback from the course there was very positive. In this period 9 residents took the course with two getting into full time employment and two more becoming Digital Inclusion volunteers for Worthing Homes.
- 10.5. We continue to hold weekly activities at the Lovett Hub. Presently we are offering LK Nutrition weight management programme (Formerly an Adur and Worthing Council programme). We also continue to see Aspire Sussex and the award winning Empty Plate Café and Guildcare weekly events at the Hub. In addition Food Pioneers Breathing Spaces offer occasional sessions from the Hub. Lovett Hub is also home to a regular Digital Inclusion session.
- 10.6. We continue to offer the “Getting Fit: Feeling Good” fitness sessions in all schemes across Worthing. We have tended to offer them for a few months at a time to keep the interest and enjoyment of these periodic sets of sessions. Numbers have generally been good and many people have contacted us over time to say how beneficial they have found the sessions. We have continued to advertise the sessions to all residents

- over 60 and not just those in the schemes and there has been some take up in the wider community.
- 10.7. Neighbourhood Fund – we have received four applications for funding with two coming from residents groups who have been supported by the Resident Involvement Officer to develop their ideas, open bank accounts and implement their programmes.
  - 10.8. Fun Day – we had 517 people last year and numerous other organisations as well as our own WH stalls who were able to give information about their services which would be of benefit to our residents. We are continuing to build on our sustainability offer with more advice and drop-in sessions available for residents and staff. Our financial inclusion team assisted 686 to help them increase their income and reduce their bills. This work led to 44 residents gaining an extra £106,489 income.  
Our sustainability co-ordinator identified savings of £12,382 in cheaper tariffs or cancelled charges, and issued £1,405 of emergency fuel vouchers to our residents.
  - 10.9. We are, again, teaming up with Southern Water to offer free water efficiency visits for our customers, where Southern Water can give tips and install different products to help residents save water and money. Our sustainability co-ordinator offers fuel poverty training for frontline colleagues and is co-ordinating the fuel poverty network in Worthing. We support local sustainability initiatives financially and practically, lead the County Fuel Poverty Network thus placing Worthing Homes at the forefront in the pursuit of reducing costs for Residents and energy efficient homes. We are reviewing communal energy and water supplies looking at alternatives and learning from others as part of a housing providers communal heat group. We are part of a pilot investigating alternative ventilation solutions to reduce the risk of mould and damp in customers' homes.
  - 10.10. We see combining financial and social value as a key factor in robustly ensuring we deliver value for money for our customers.