

CESSA HA VALUE FOR MONEY (VfM) SELF ASSESSMENT – 2016

WHAT IS THIS AND WHO IS IT FOR?

Church of England Soldiers', Sailors' & Airmen's Housing Association Ltd (CESSA HA) is a charitable registered society providing sheltered housing and is regulated by the Homes and Communities Agency (HCA) and the Financial Conduct Authority (FCA). There are several regulatory requirements from the HCA, most of which are answered through the Directors' Annual Report included at the front of CESSA HA's annual financial statements. Although this includes meeting the HCA's 'Value for Money' (VfM) standard, each Association is required to demonstrate to its stakeholders how it meets it. There is only a limited form of prescription about how Associations should provide this information, which is as follows:

- 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 value for money gains that have been and will be made and how these have and will be realised over time.

This document is CESSA HA's Directors' VfM self assessment and is intended to demonstrate their ownership of this issue and to inform CESSA HA's stakeholders.

In addition to its regulators and Directors, CESSA HA's main stakeholders are; its shareholders (i.e. its members since shares are all valued at £1 and pay no dividend), tenants, staff, the local community and partner organisations. The latter includes CESSAC, Greenwich Hospital, the National Housing Federation, HouseMark and the South East Benchmarking Group, among others.

WHAT CESSA HA DOES

CESSA HA aims to provide a choice of high quality sheltered housing for ex-Services personnel, their dependants and other eligible applicants as charitably as possible, while promoting tenant well being, independence and mutual support. Accordingly it wants to produce as much value as possible for the money and resources at its disposal. To date, CESSA HA's Strategic Plan has been based on the fact that the ex-Service community is shrinking and that there is poor information about likely demand for sheltered housing, especially by location. Therefore, CESSA HA has not been planning to expand the number of flats it offers, contrary to the HCA's expectation for Housing Associations in general. It has instead focussed on improving:

- its schemes, including about £4M on remodelling since 2002 – which has led to a reduction in the number of flats to achieve a higher proportion for couples and disabled persons,
- the services offered to its tenants,
- the training given to its staff.

Value for a charitable HA is taken to mean the delivery of its social objectives in the most cost effective way. Achieving VfM is therefore about making a difference to people's lives, by providing quality homes and excellent services in a mutually supportive environment for its tenants. The aim is to achieve this while being mindful of the potentially competing interests of its key stakeholders.

STRATEGIC APPROACH TO VfM

CESSA HA's strategic approach to VfM can be summarised as follows:

- The Committee of Management (COM – the Board of Directors) is clear about what it does (and doesn't do) e.g. it is clear that it provides sheltered housing and very clear that it does not provide extra care services (but does provide additional support – see page 10). It sets objectives both annually and for the longer term e.g. in 2016 it completed its third project of a development programme began in 2006. It is clear about the value it wants to produce.
- It recognises how its operating context influences what it does e.g.:
 - The needs and aspirations of its current stakeholders, particularly the profile of its beneficiaries.
 - Decreasing number of veterans and changes in population demographics.
 - The local and national context, especially with regard to the potential for seismic shifts in Government policy (as experienced since 2015).
- The importance of ensuring that how it delivers VfM is optimised by:
 - Doing the right things – having a business strategy that focuses resources on the right activities by making informed choices to achieve its priorities.
 - Ensuring it has the right physical and human assets for the right cost.
 - Delivering efficiently and effectively, especially with regard to property improvements and enhancing service delivery. It is important that it upgrades its properties in order to remain attractive for applicants, but to do so with the minimum disruption to tenants and at costs that deliver best value. Effective delivery of services means that it includes tenants' views in all major issues that may affect them.
 - Using the right tools to evaluate success and apply learning – to check it has delivered the right outcomes, including its annual surpluses and efficiency gains for reinvestment in its aims and objectives.

ARRANGEMENTS TO ENSURE DELIVERY OF VfM

VfM is embedded in the COM and cascaded down CESSA HA to grow a culture of efficiency, effectiveness and economy of scale:

- The COM meets four times per year and considers financial performance and risk management (in conjunction with other major decisions to be made). The COM has

a Housing Committee (HC) that meets three times a year and considers VfM (and many other matters) in detail. These bodies set out the tasks for the Chief Executive Officer (CEO) and Director of Housing (DoH), and ensure that VfM is part of the culture of management within CESSA HA.

- The HC is chaired by a member of the COM, who is the VfM Champion. The Committee consists of two tenant representatives and other volunteers with specific skills and experience. The DoH, Housing and Services Manager (HSM) and a nominated Scheme Manager (by rotation) attend the HC. The CEO can attend at any time. The DoH reports on the performance of CESSA HA against its benchmarks and agreed Key Performance Indicators, including VfM. The HSM sets out progress on tenancy applications and all health and safety and fire safety matters. The Scheme Manager present provides practical advice on operational matters that might arise.
- Performance reports are scrutinised at HC level at every meeting and passed up to the COM when necessary. Staff performance is embedded in the management of CESSA HA with all staff being given regular 1-2-1 sessions (bi-monthly) and annual appraisals.

RETURN ON ASSETS

CESSA HA is a charitable sheltered Housing Association that is not currently looking to expand so the purpose of it making a financial return is in order to deliver the social benefit it seeks. Neither the level of rent nor improvements in the housing stock and services are made necessarily to increase the surplus generated. Accordingly, the Association measures its return on assets in social terms and in terms of whether the assets are being used efficiently and effectively in providing that social return.

All schemes are provided with a Scheme Manager plus out-of-hours Careline service, controlled access to the building, lifts, communal laundry facilities, a communal lounge and supporting kitchen facilities & wifi, access to an elderly-friendly computer & training thereon, guest room, charging & storage facilities for mobility scooters, parking spaces, garden areas and a salon for visiting hairdressers/others.

The fostering of an ex-Service community in each scheme is a key aim both for tenant well-being and to attract new applicants. 30% of the Scheme Manager's time is allocated to organisation of support for tenants including social activities and no charge is made to tenants for this service. The range of activities is illustrated in the Chairman's Annual Report to the AGM (available on request). This is a primary purpose of the communal lounge in each scheme. Similarly, the maintenance of external friendships and family relationships is also recognised as important, which is why every scheme has at least one guestroom, bookable for a low nightly fee. Similarly every scheme has a garden and tenants are encouraged to get together and tend elements of it to their collective agenda – one scheme has had a series of local awards and is now inspiring others to emulate them by entering

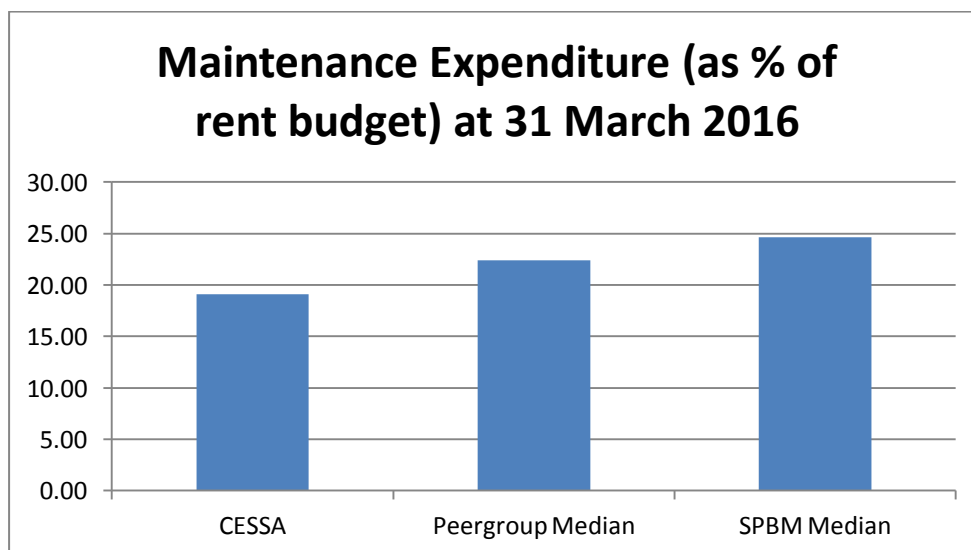
similar competitive events in their own local area. In another scheme further from facilities, the tenants have organised an internal shop for long-life, bulky items.

On a weighted average, CESSA HA rents are about 15% below the Government's 'Formula' Rent for each flat. Note that even the Formula calculation is meant to provide a low 'social' rent well below 'market' rates, therefore CESSA HA is particularly charitable to its tenants. Low rents do not mean sacrifices elsewhere – the schemes have been remodelled and are maintained to a high standard. This has been achieved by VfM gains, low voids, high rent collection, low management costs and an appropriate proportion of planned maintenance.

ABSOLUTE & COMPARATIVE COSTS

CESSA HA uses a variety of metrics to gauge and compare its performance. The DoH attends a benchmarking club covering the south and east of England. Whilst useful to compare with other organisations delivering similar sheltered housing services, there will be inevitable differences in the way that members of the benchmarking club work and, of course, CESSA HA has a particular client group (elderly ex-Service). Nevertheless, CESSA HA compares favourably in the Key Performance Indicators agreed by the club¹. The figures that follow are therefore an extract simply showing CESSA HA's performance against the Group median (the benchmarking club), SPBM² – the whole membership of benchmarking clubs and HouseMark's (where available).

It can be seen below that in 2015/2016 maintenance expenditure for CESSA HA was broadly in line with the Peer group and SPBM medians.

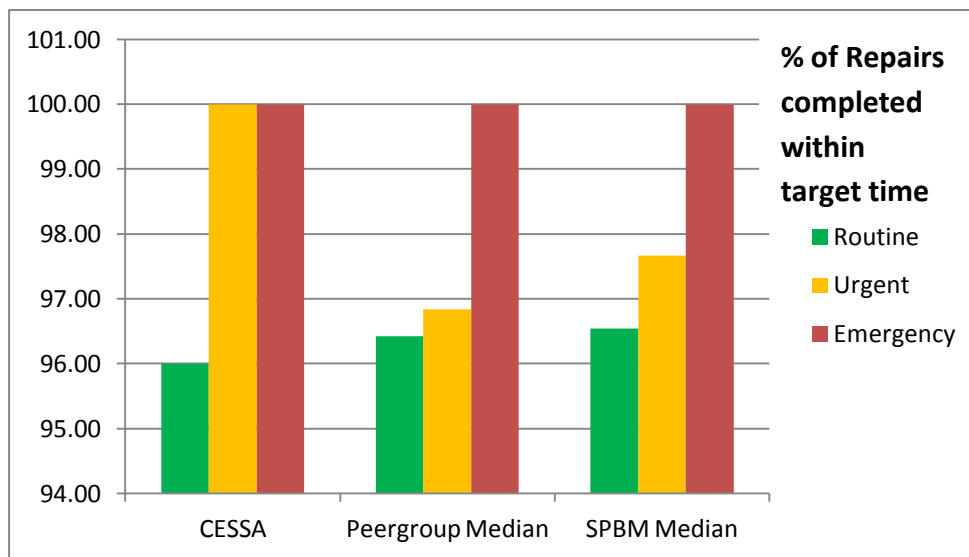


From the following, it can be seen that everyone undertakes their Emergency repairs within 24 hours. For urgent repairs, CESSA HA out-performs the others, exceeds the % to be completed by the target, and reports on doing so in 5 days, whereas many other housing providers use 7. Similarly, even though showing slightly behind Peer group and SPBM

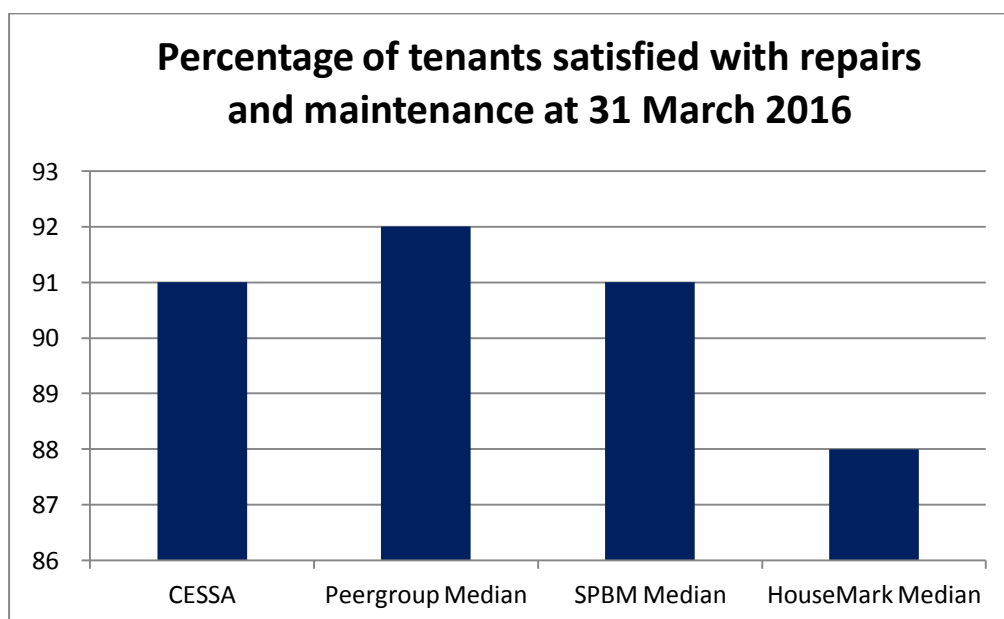
¹ See Housing for Older People Benchmarking Report 2016.

² Skills and Projects Bench Marking (SPBM) – now Acuity.

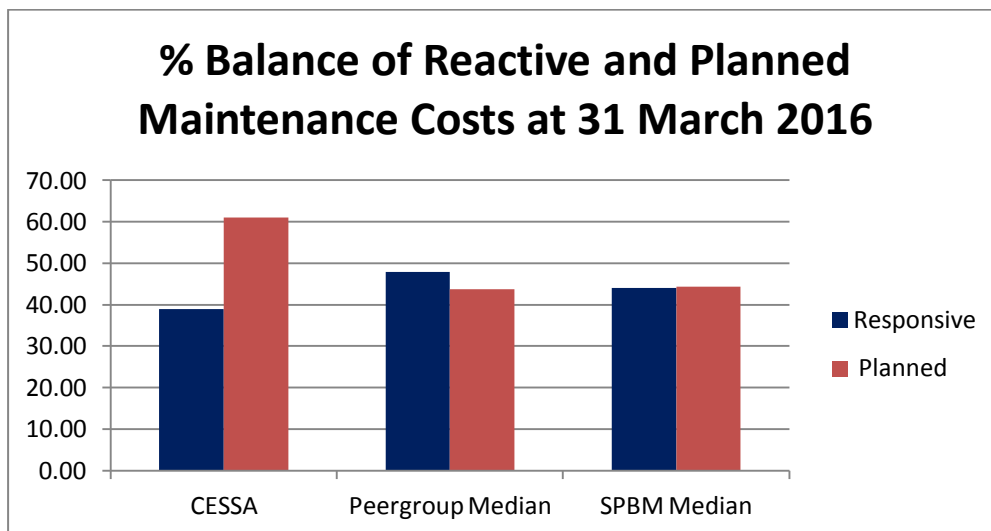
median performance for routine repairs, CESSA HA is reporting on the % achieved within 21 days against many others' 28, and is therefore performing very well overall.



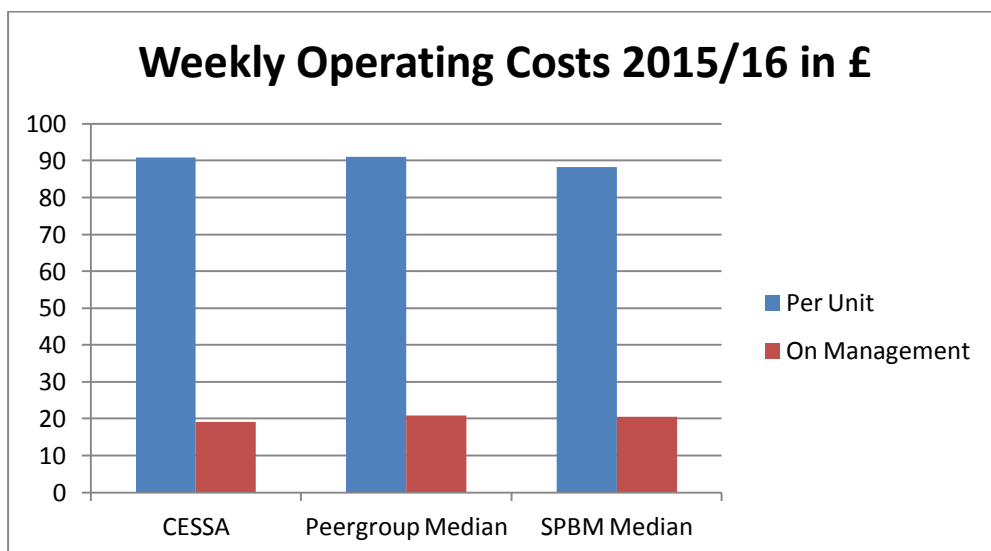
Unsurprisingly, CESSA HA tenants continue to be very satisfied with their repairs and maintenance as shown below, however this reduced slightly against 2014/15 as a result of a neighbourhood dispute which affected their perception of the service they were receiving, which has since been rectified. However, although this caused CESSA HA to drop slightly below the median performance of both Peer group and SPBM, satisfaction was still considerably higher than the HouseMark median, and it is felt that the employment of its own maintainers, who tenants come to know and trust, contributes considerably to this success. It is particularly important to note that the CESSA HA maintainers also undertake small jobs, free of charge for tenants who are unable to maintain things they themselves are responsible for. These small additional works are carried out within the normal working day, and therefore also deliver additional value for money for our tenants.



The following indicates the % balance between planned & reactive maintenance. This is important because if maintenance is being planned it should avoid the need for the latter! The benchmarking group is currently achieving a balance that is equally distributed between both planned and reactive works; however, CESSA HA's performance has improved significantly over the last 12 months and now over 60% of maintenance is planned. Note: while the Association's % naturally add up to 100%, the peer group & SPBM figures are separate medians for planned & reactive so do not.



The following table shows that in 2015/16 CESSA's operating costs per unit were broadly in line with the Peer group and SPBM medians. It is pleasing to note that CESSA HA operating costs per unit continue to reduce.



CESSA HA also participates in benchmarking salaries for all staff. This report is published annually³ by SPBM and CESSA HA has again taken part in this year's survey. The report

³ Salaries Survey for Smaller Housing providers 2016.

shows the CEO's salary is lower quartile, DoH's is median⁴ and CESSA HA's and the salary bill/number of Full Time Equivalent staff per flat are median. The management costs in 2016 are in line with both the Peer group and SBPM benchmarking medians.

VfM GAINS

Treasury: When the Association built its schemes, most required very long term fixed-rate mortgages taken out when interest rates were exorbitantly high. In 2012 the COM chose to save money long term by paying the penalty charge to buy out those mortgages. This it achieved by using the proceeds from the NBV of a 9-bed building too small to require a Scheme Manager and by benefitting from a charitably low-interest loan from its sister charity, CESSAC, at only 2.5% interest for the first 5 years (now extended for a further 3 years). This action reduced the repayment period from 36 to 16 years and is expected to cut the interest that would have been paid by £500K+. In 2013, the Association made a successful application to the Armed Forces Covenant team for a grant of £160K towards the cost of remodelling St Georges' Court. In 2014, it was agreed to reduce the proportion of the CEO's costs charged to the Association⁵. A grant was received from the Big Lottery Fund of £7.9K towards the installation of the communal computers (covered in other achievements) in 2015, while this year has seen a grant of £10K from Tesco Bags of Help at one scheme, which has enabled significant improvements to be carried out to the garden there that facilitates its use by residents who are either less mobile or wheel-chair bound.

Remodelling: The objectives of the last Development Plan were to increase the number of one-bedroom double flats (in increasingly high demand), convert as many bedsits as possible into one bedroom flats to meet modern expectations and improve provision for disabled tenants. This long-term plan covered the remodelling of three schemes, CESSAC House, Trafalgar Court and St Georges Court, and tenants were kept at the heart of the remodelling process, being given the opportunity to have key inputs into the design of each flat. Regular on-site meetings throughout the lengthy programme meant that any cost-savings identified during the process were implemented at no loss to the quality of the work. The third and final element of the recent Plan was the remodelling at St George's Court, which was carried out in two phases and also involved new carpets & flooring, new kitchens and the replacement of all bathrooms by wet rooms. The final phase of this project (£1.038M) completed in February 2016. This was 6 months earlier than originally anticipated (to the delight of tenants) because the planned gap between phases was eliminated by winning the grant mentioned under treasury gains. Thanks to efficiency savings delivered through the procurement process, it was also possible to provide the guest room with an en-suite facility and to upgrade the fire detection system in the un-remodelled flats, so that it conformed with the new configuration. Now that the development programme has completed, one smaller scheme with a significant number of

⁴ The relationship between CEO & DoH salaries reflects the fact that the CEO and his cost is shared with the charity CESSAC (CESSA's share was less than £20K in 2016), which increases the load on DoH.

bedsits remains, Dhekelia Court. It is planned to consider several options for its future in 2017.

Improved accommodation: It has not proved necessary to remodel Glamis Court, because it was the most recently built and to modern standards, but significant upgrade work has been undertaken over the years. In 2015 we replaced one of the communal boilers and upgraded the fire protection in all the communal areas. In 2016 all of the fire alarms in the flats were also upgraded. Similarly in other schemes we have continued to replace the few remaining old kitchens and also contribute financially towards the replacement of baths by showers, where deemed necessary by an Occupational Therapist's assessment.

Improved services: Service delivery is a key part of delivering VfM. CESSA HA was accredited by the Centre for Housing and Support (CHS) in 2012. However, having achieved that milestone, rather than seek re-accreditation in 2015, it was decided to replace this with an independent external assessment (conducted by the same organisation that had undertaken the CHS process). This has been working well and CESSA HA achieved an 'excellent rating' in 2015, however, following a review in 2016, further work is now being undertaken to improve this system. Two schemes will continue to be assessed each year and the rating reviewed. CESSA HA will also continue to survey one of its schemes each year using the STAR⁵ tenant satisfaction model. Results are published and are then discussed with the residents living at the scheme. Each survey is combined with those held previously to give an overall picture. Results to date continue to be very positive. However, at the resulting meetings with tenants it is often the comments made by individuals that provide a better insight into how things that CESSA HA does directly affects them.

Additionally, to ensure that the Association continually improves the services that it delivers to its residents, a review was conducted of the way that it interacts with tenants in early 2016. This has resulted in DoH holding bi-monthly meetings with residents in every scheme. These are a valuable source of information on how things might be improved. These events are embedded into the culture of the organisation and show tenants CESSA HA wants to listen and to act on what they are saying.

Procurement: CESSA HA is a member of the Procurement for Housing organisation and is able to access a variety of frameworks that are in place. Utilities procurement has been particularly successful with the Association being able to negotiate energy deals for up to three years at a time, thus giving residents a stable price. Energy prices are currently fixed until 2019, which has led to considerable savings over the last 12 months.

Having trained its Housing and Services Manager to NEBOSH⁶ standard, CESSA HA continues to deliver its health and safety and fire risk assessments management function 'in house'. In

⁵ Survey of Tenants and Residents (STAR) survey – devised by SPBM and HouseMark to replace the STATUS tenants' surveys.

⁶ National Examination Board in Occupational Safety and Health.

addition, the Association continues to provide the same service to a similar sized local organisation for a fee, delivering VfM for both.

Achievements in 2016:

- Completed £1M+ remodelling of St George's Court by March 2016 on time & budget, including the addition of an ensuite facility for the guest room.
- Updated Glamis Court fire alarm to include flats & installed one shower. Replaced communal kitchen worktops/tiling at CESSAC House and fitted two electric scooter stores at St George's Court.
- Refitted the communal areas in all 5 schemes.
- Extended the offer of additional health and well-being support for tenants in all 5 schemes (promotes tenant well-being & integration as well as reducing voids).
- Held joint event for CESSAC (the charity) and CESSAC House (in latter's garden) to celebrate their 125th & 40th anniversaries respectively.
- Replaced the aging minibus available to all the tenants (based at CESSAC House) and one of the maintainers' vans.
- Investigated Telecare systems and decided to ensure all schemes are able to enable tenants to purchase additional services (to be enacted in 2017).
- Assisted CESSAC House staff and tenants in obtaining a £10K grant from Tesco's Bags of Help initiative (and £6K from elsewhere) which, with some extra money from the Association, enabled the landscaping of a previously almost-unusable area into an attractive place to sit together or do some gardening in planters (without needing to stoop to the ground).
- Cost effective printing of the Annual Tenants' Report, which reduced staff preparation time and internal printing expenditure, while delivering improved publication quality.
- Procurement of TV Entertainment Licences at a group rate rather than individually on a scheme by scheme basis; delivering efficiency savings of 20%.
- Keeping pace with developments in policy for social housing.
- Considered expanding service as a Managing Agent for another HA.

IMPROVEMENT PLANS FOR 2017

- Develop a strategy for the Association's next project(s): particularly whether to seek to expand and what to do with the remaining un-remodelled scheme.
- Keep abreast of, and attempt to influence, the Government's policy for social housing, including Right to Buy, the potential charging of fees by the regulator and the Future Funding of Supported Housing. Meanwhile it is expected that the 1% cut in rents for existing tenants will be enacted on 1 April 2017.
- Replace Dhekelia Court boiler with 2, updating the water tank system & installing LED emergency lighting.

- Install powered front doors to remaining 4 schemes.
- Replace the wall-cavity insulation on one side of Trafalgar Court.
- Expand co-operation with local sheltered housing associations to share costs and gain additional income through providing them H&S services.
- Upgrade the Telecare system in Dhekelia Court and then publicise tenants' ability to purchase additional services in all schemes.

SUMMARY

CESSA HA aims to deliver the best possible use of the resources by ensuring the following are taken into account:

- Economy - careful use of resources to save expense, time or effort (whether in the interests of CESSA HA (rent) or its tenants (service charge));
- Efficiency - delivering the same level of service for lower cost, less time or effort;
- Effectiveness - delivering a better service or getting a higher return for the same amount of expense, time or effort.

The ways in which this is done are:

- Reviewing regularly all the maintenance specifications and contracts to make sure the best prices are obtained;
- Monitoring the charges made to ensure they reflect the prices agreed and the work undertaken;
- Vacant properties are let as quickly as possible in order to maximise use and rental income (average void losses are only 0.8% of lettable flats);
- Efficient rent collection with early identification of arrears and prompt follow up action result in arrears of -0.01% of rents receivable.
- Benchmarking against similar organisations and listening to the feedback from tenants and other stakeholders in planning and delivering a long term refurbishment programme and excellent services to tenants.