



**Merthyr
Housing**

*Where People
Come First*

**Tai
Merthyr**

*Lle Daw Pobl
yn Gyntaf*

MERTHYR HOUSING

*Value for
Money
Report
2018/2019*

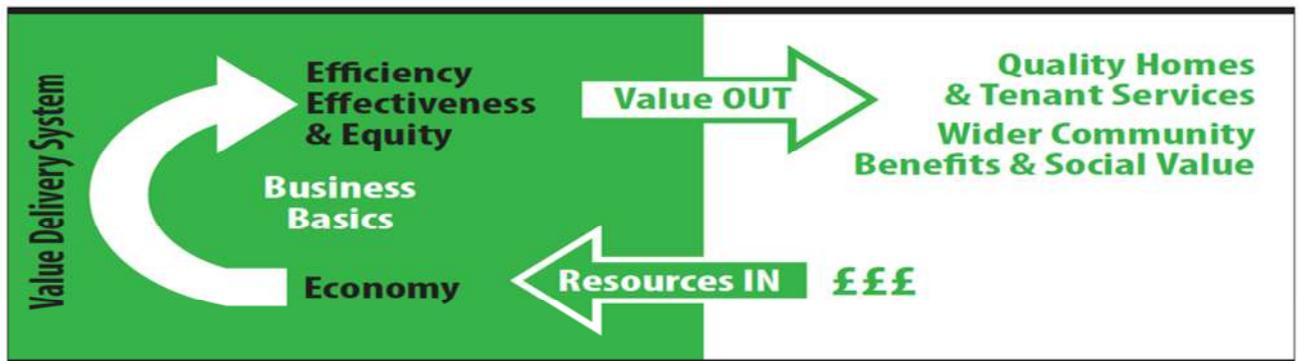
Merthyr Housing Value for Money Report 2018/19

Our VFM strategy sets out how the Association ensures staff at all levels understand and can evidence how they provide Value for Money. Value for Money is generally considered to cover 3 elements: economy, efficiency and effectiveness and can be summarised as:

1. **Economy:** Doing things at the 'best price'
2. **Efficiency:** Minimising waste and doing things the 'best way'
3. **Effectiveness:** Doing the 'right things' by maximising the positive outcomes produced

Wales has added a fourth 'E' for consideration: Equity - recognising diversity and spending fairly to ensure that those in greatest need are considered. The diagram below illustrates the relationship between these four elements:

Equity: A 4th 'E' is also a key element in Wales – this is spending fairly to ensure those in greatest need are considered



It is important to identify appropriate measures that demonstrate the delivery of these elements:

1. Enable an understanding of 'money' i.e. service costs (inputs) – **economy**
2. Indicate how effective the process of converting inputs to outputs – **efficiency**
3. Map to the area of 'value' created (outcomes/outputs) - **effectiveness**

We demonstrate Value for Money by reporting Economy, Efficiency and Effectiveness through a range of Key Performance Indicators (KPIs) and Performance Indicators (PIs). Our performance can also be measured against other associations through our use of HouseMark and the Global Accounts information. Our satisfaction figures are also key to evidence how our tenants view the services we provide to them.

Global Accounts

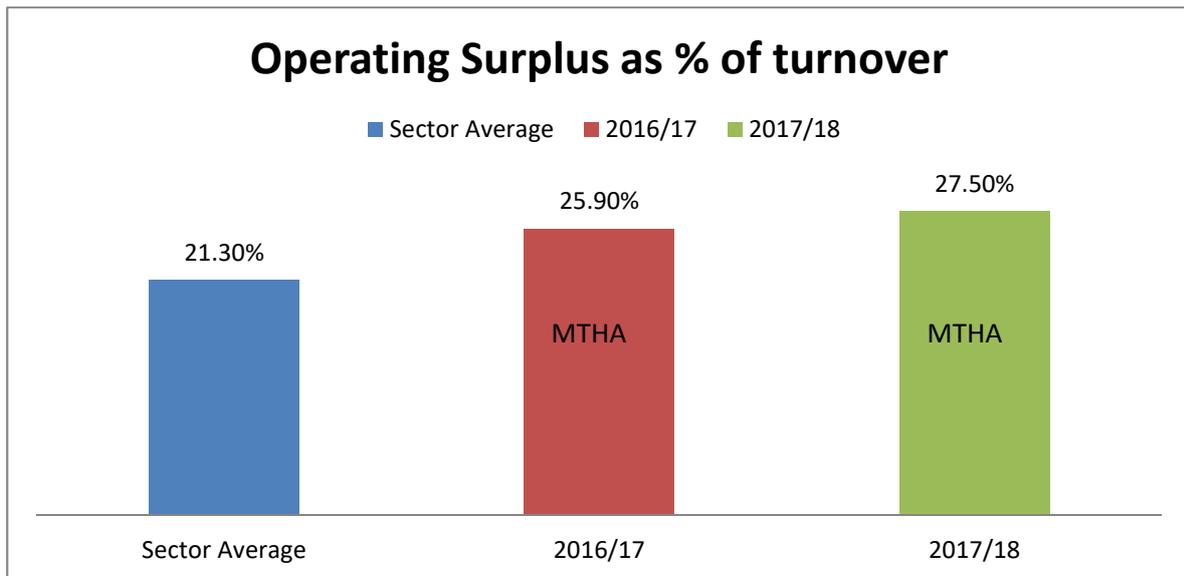
All Welsh Housing Associations prepare financial information for the global accounts comparison to Welsh Government every year. Information extracted from the Global Accounts underpins useful and comparative cost data analyses that allows for VFM assessment. Please see the comparison table on the next page.

		Quartile	Value	Median	Average
Operating costs for lettings per Social Housing unit	2018	●	£2,298	£3,003	£3,197
	2017	●	£2,319	£2,850	£3,030
	2016	●	£2,292	£2,950	£3,118
Management costs per Social Housing unit	2018	●	£678	£1,031	£1,222
	2017	●	£630	£999	£1,164
	2016	●	£520	£1,095	£1,221
Reactive repair costs per Social Housing unit	2018	●	£877	£998	£1,131
	2017	●	£847	£976	£1,082
	2016	●	£942	£1,047	£1,087
Major repairs and component costs per Social Housing unit (Capital Exp)	2018	●	£311	£629	£970
	2017	●	£106	£615	£1,064
	2016	●	£148	£670	£1,218
Major repairs and component costs per Social Housing unit (Capital & Revenue Exp)	2018	●	£311	£1,000	£1,257
	2017	●	£106	£982	£1,337
	2016	●	£148	£822	£1,507
Bad debts per Social Housing unit	2018	●	£73	£31	£32
	2017	●	£36	£28	£29
	2016	●	£29	£29	£41
Weighted average cost of capital	2018	●	3.9%	4.3%	5.1%
	2017	●	4.0%	4.4%	4.8%
	2016	●	3.8%	4.6%	4.9%
Free cash flow (before draw down or repayment of loans) per Social Housing unit	2018	●	£1,018	£492	£394
	2017	●	£835	£452	£309
	2016	●	£1,825	£684	£55
Gross Arrears/Social Housing turnover	2018	●	2.8%	4.3%	4.6%
	2017	●	2.3%	4.1%	4.3%
	2016	●	2.6%	3.99%	4.2%
Total Turnover per Social Housing unit	2018	●	£5,161	£5,309	£5,294
	2017	●	£5,059	£5,189	£5,095
	2016	●	£5,043	£5,043	£5,000
Rental void loss per Social Housing unit	2018	●	£27	£60	£79
	2017	●	£28	£49	£79
	2016	●	£41	£61	£90

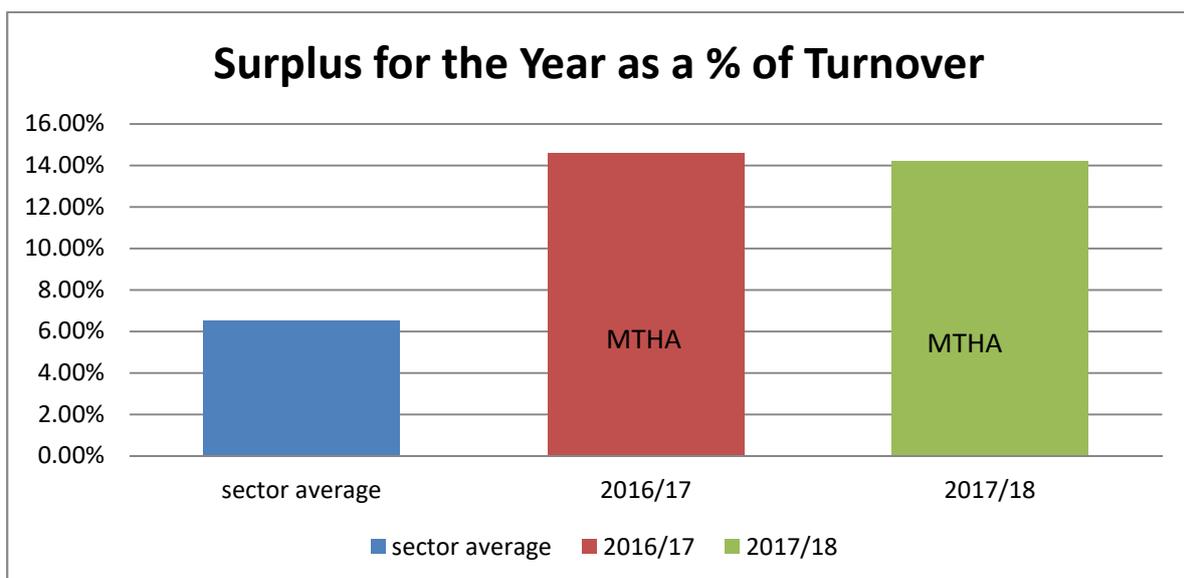
Looking at the Global Accounts Comparison Table it is pleasing to note that out of the eleven categories we have six greens, four ambers and only one black. The black is for bad debts and this figure includes bad debt write offs plus a higher allowance for additional bad debt provision due to welfare reforms. Bad debt provision may or may not materialise. We will re-examine this bad debt provision moving forward.

We have also included Comparative information graphs which illustrate the performance and funding of the organisation under the “Key Financial Data” provided in our Regulatory Judgement of May 2019.

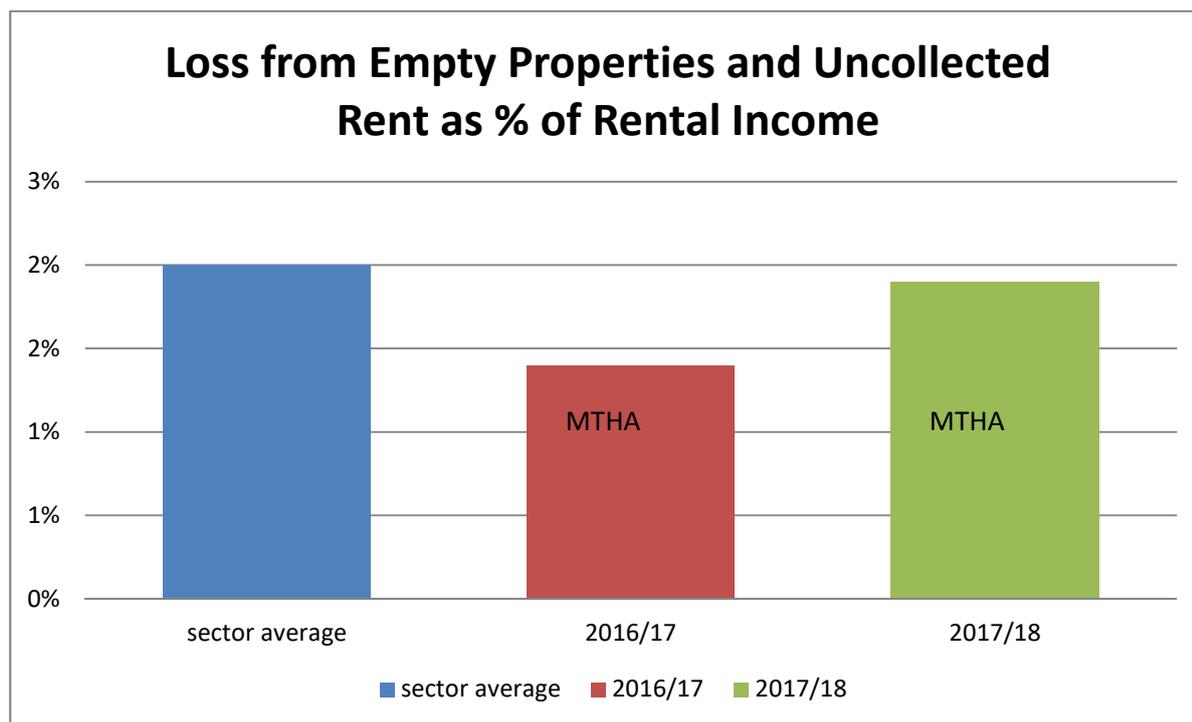
Performance



–This shows an improvement from last year and is a measurement of income against expenditure excluding interest payments and loss on asset disposals

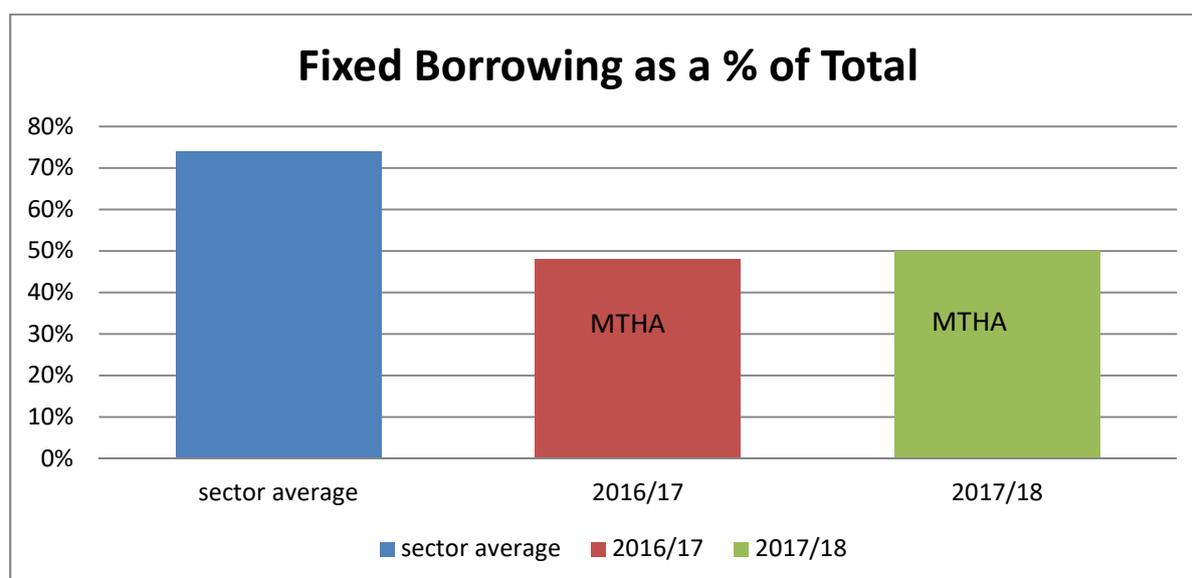


Surplus for the year takes in to consideration interest payments and loss on asset disposal.

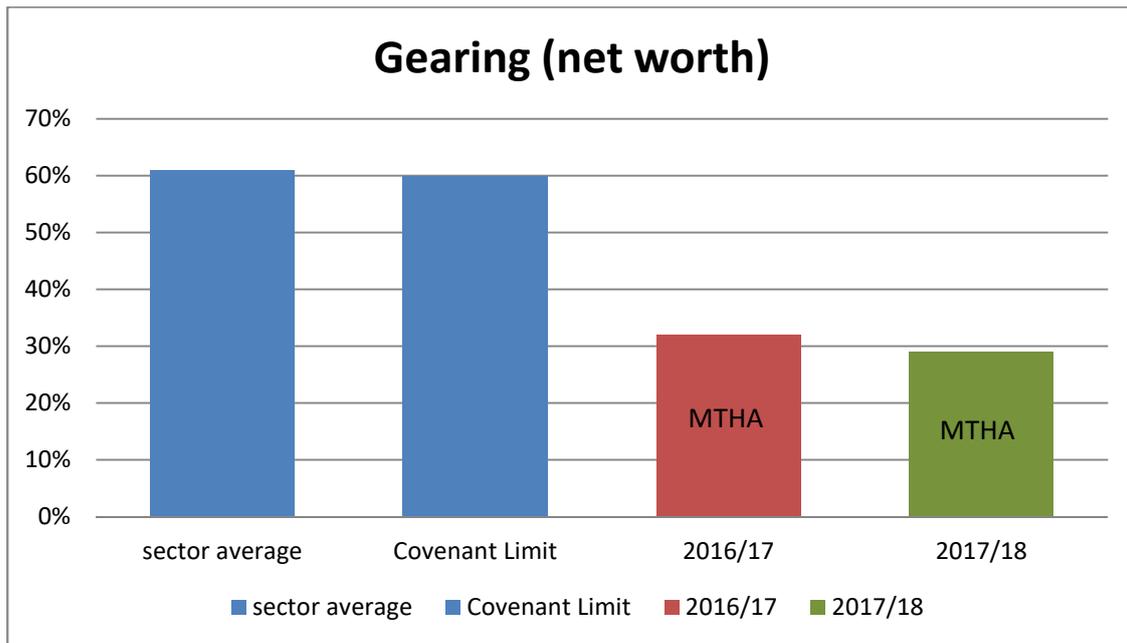


As you can see from the graph, loss from empty properties and rent as % of rental income has deteriorated and the suggestion is that this is due to the transition to universal credit.

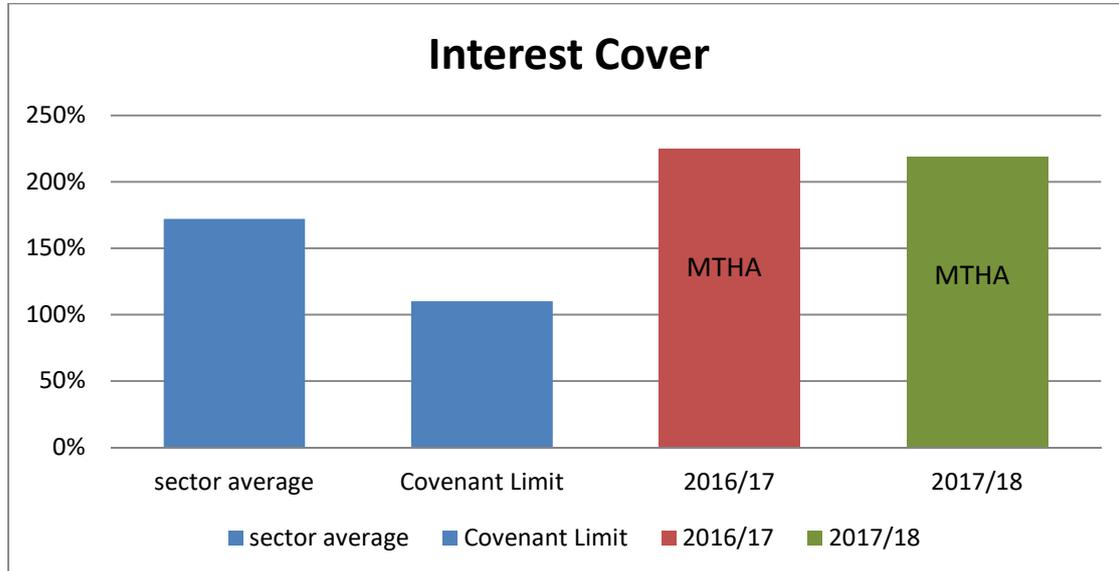
Funding



The funding of the Organisation is made up of mixed variable and fixed funding rates. There is more certainty with the fixed funding if interest rates increase. However, currently variable rates are more competitive due to the low interest rates. It is healthy to have a mixed portfolio of borrowing.



This is the ratio of total borrowings to the historic cost of completed housing properties. As you can see, the graph shows a favourable gearing ratio and allows the ability to increase our borrowing if required.



Interest cover is the amount of surplus available to cover the interest costs. As you can see from the above graph there is room for the business to cover further funding requirements.

HouseMark Information

We submit annual and quarterly information to HouseMark in a number of areas which allows us to compare our performance to other housing associations

throughout the UK and also whether our own performance has improved from the previous year. This information can help us evaluate whether we provide VFM in relation to the services we provide.

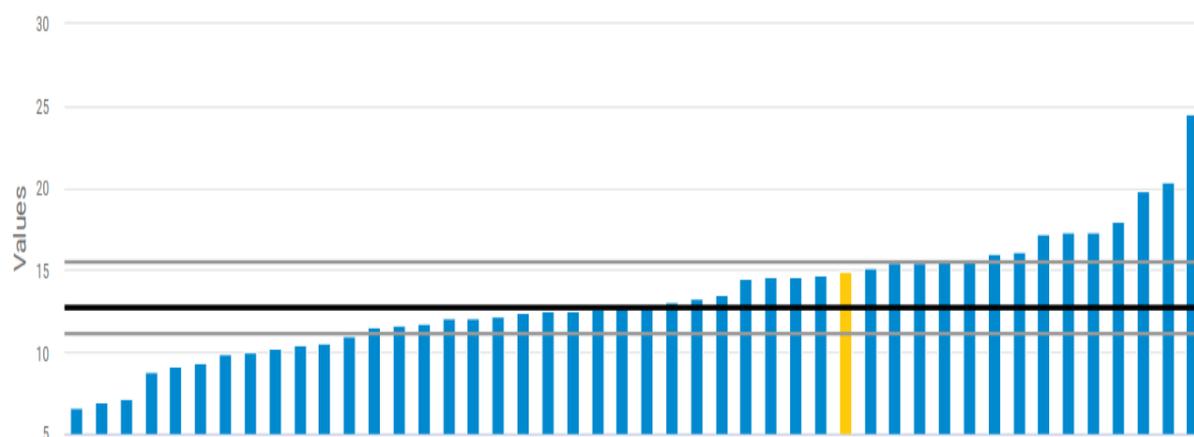
For example, one service we provide may be more expensive than another association; however other information may show high levels of satisfaction. So whilst the service may be slightly more expensive we can argue that it provides VFM as tenants are happy with the service they have received. Similarly we may be providing a service that in terms of HouseMark indicates we are performing well, however satisfaction levels are low which could suggest we are not providing VFM.

Our annual report from HouseMark provides information for comparison in over 30 areas. We analyse this data to see where we can improve and also where we are performing well.

A key goal of the Association is to try and have as many service areas as possible performing in the top quarter, whilst ensuring that we provide value for money.

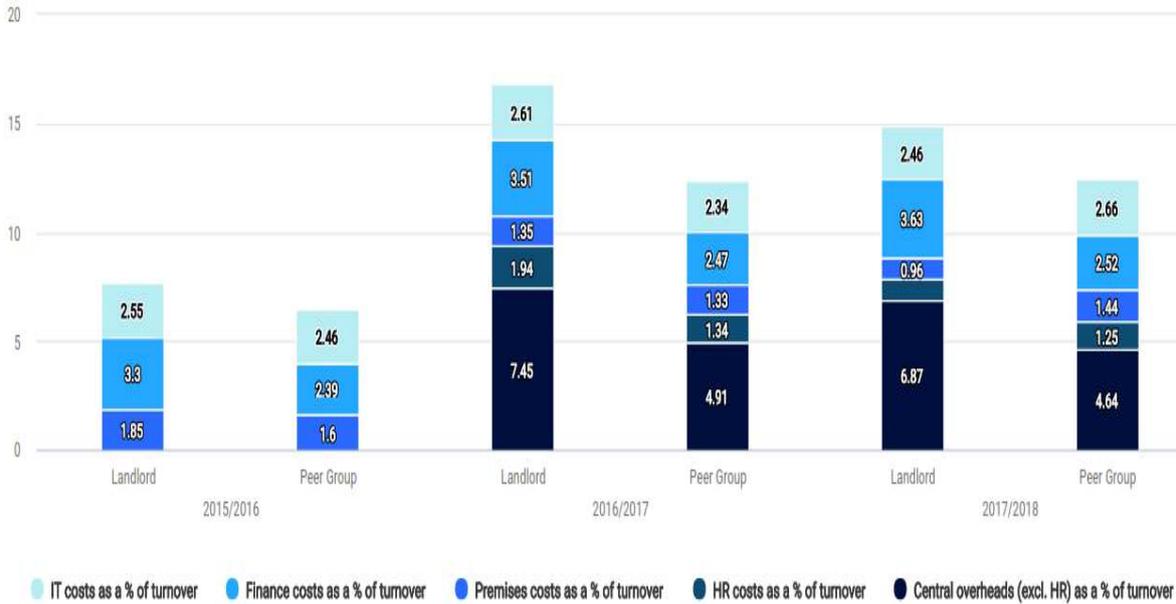
Our main area of concern is in relation to our ‘overheads as a percentage of our adjusted turnover.’ As a small organisation our overheads are high due to the small stock size. . Please note that MTHA is represented in “yellow” in the following graphs. Our peers are in “blue”

Overheads as a % of turnover

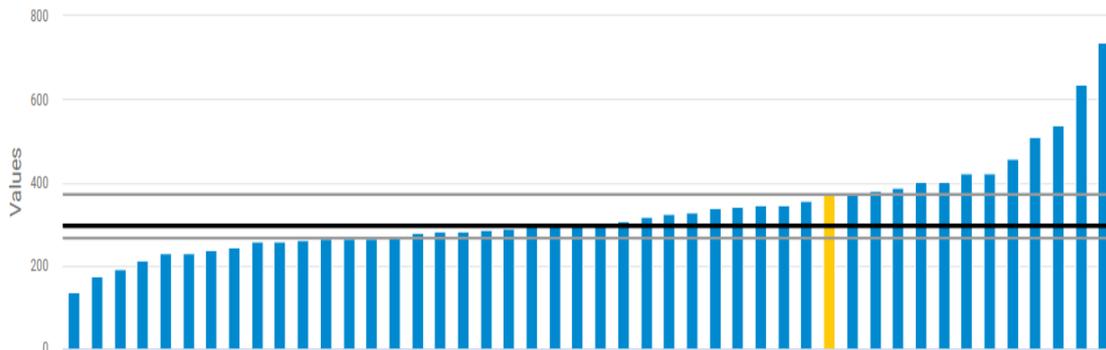


As can be seen from the above graph, when compared to our peer group, our costs are over the median but not in the top quartile range. When the data is further analysed (please see table overleaf), our higher percentage is in relation to central overheads. Our premises cost as a % of turnover compares favourably whilst our finance costs as a % of turnover is high. Finally our I.T. costs as a percentage of turnover is below our peer group.

Overheads as a % of turnover

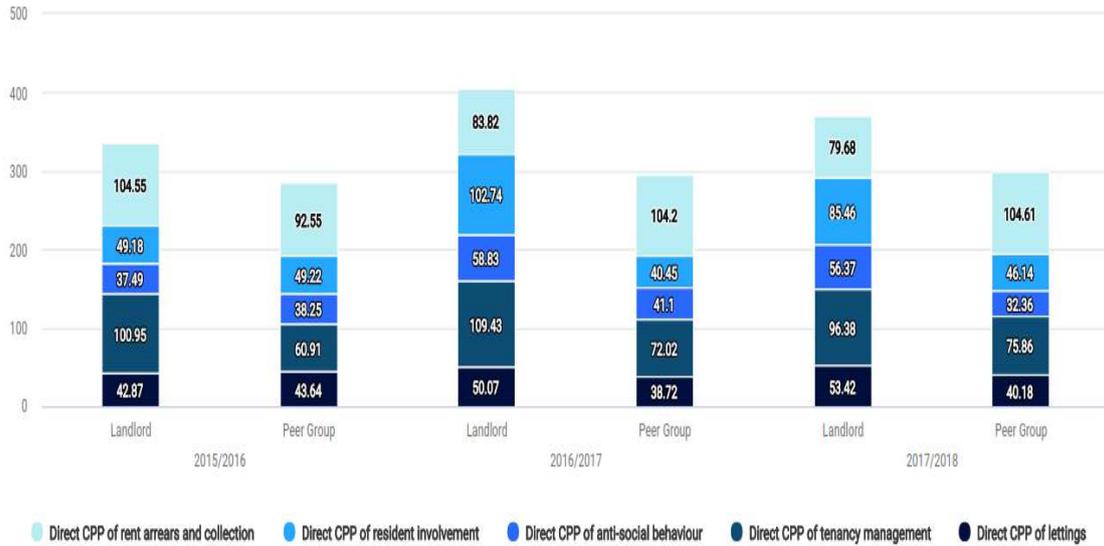


Direct CPP of housing management

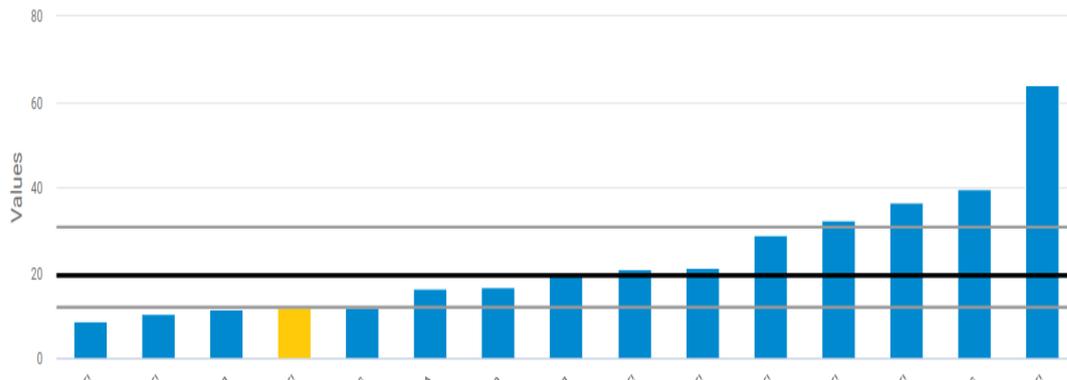


The above graph represents the cost per property of housing management. As can be seen, we are just below the higher quartile. This is an improvement to last year where we were in the highest quartile. Our Housing Management costs include our Community Development Team, so this could explain why our costs are higher than many of our peers. The graph illustrates that our rent arrears collection costs are low in comparison to the peer group (£24.93 less) whilst resident involvement is £39.32 more expensive and this equates to some of the costs of the Community Development Team. However, it can be argued that the social value provided by this team far outweighs the additional costs. Please see the attached Social Value Report.

Direct CPP of housing management

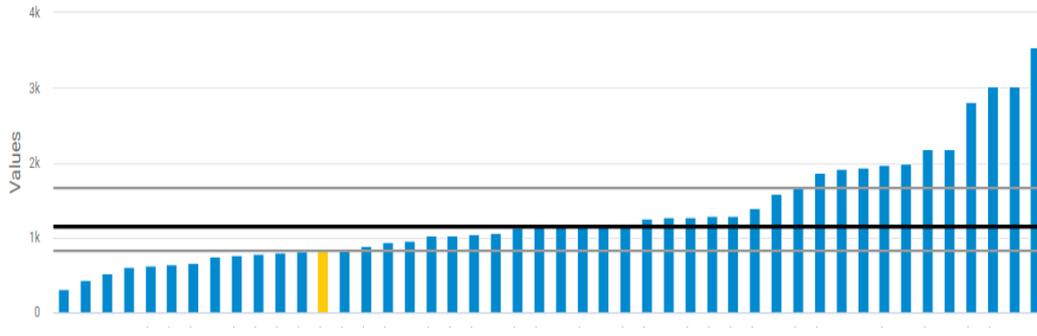


Average re-let time



Average re-let time is the time we take to re-let a property when it becomes void and includes time taken for repairs to the property and the allocation to a suitable applicant from the Common Housing Waiting List. For 2017/18 we achieved a lower quartile rating.

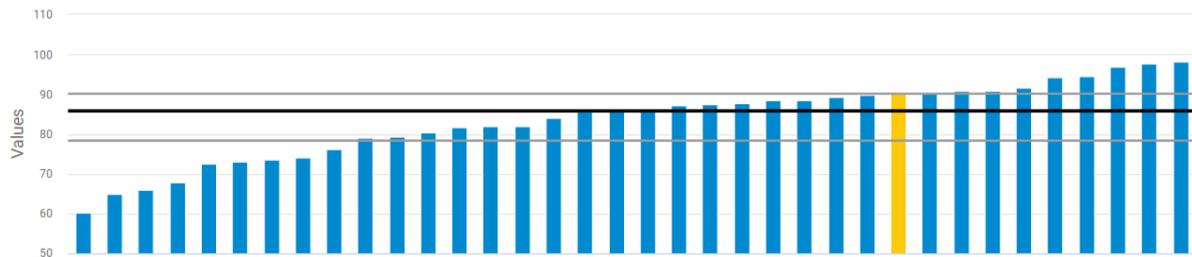
Direct CPP of major works & cyclical maintenance



The previous graph illustrates that we are in the lower quartile range for the cost per property for major works and cyclical maintenance. This is due to the fact that we have previously invested in replacement of kitchens/bathrooms/windows/doors etc.

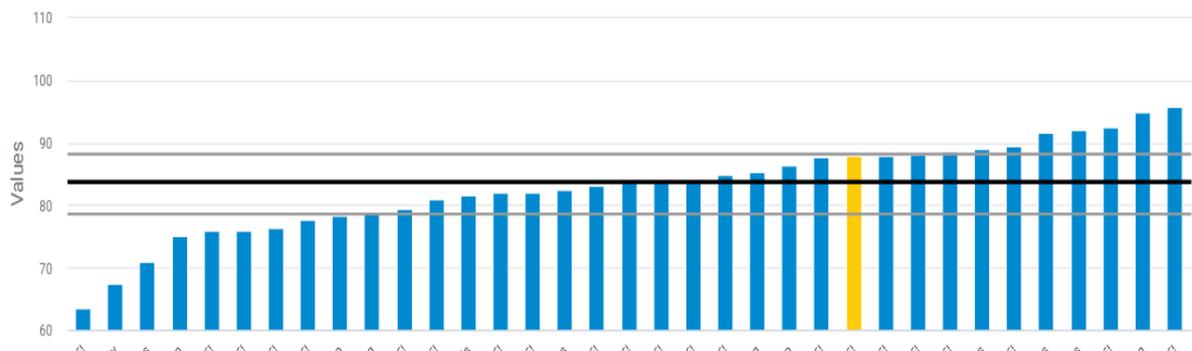
Tenant Satisfaction Results

Satisfaction with the service provided



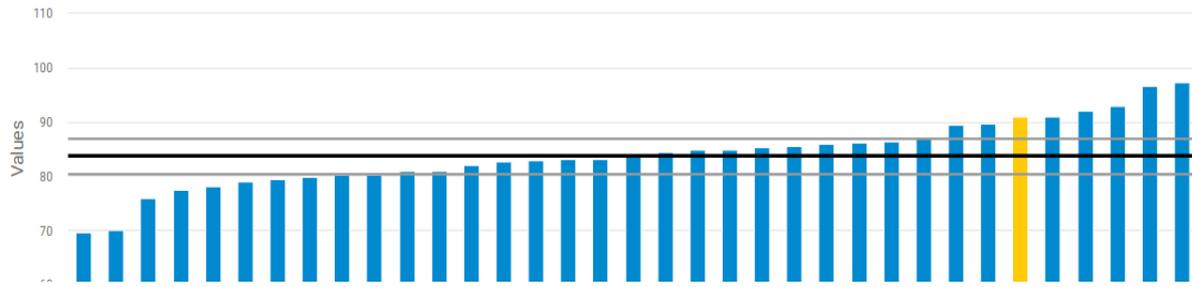
It is pleasing to note that we hit the top quartile for tenant satisfaction with the service provided.

Satisfaction with the overall quality of home



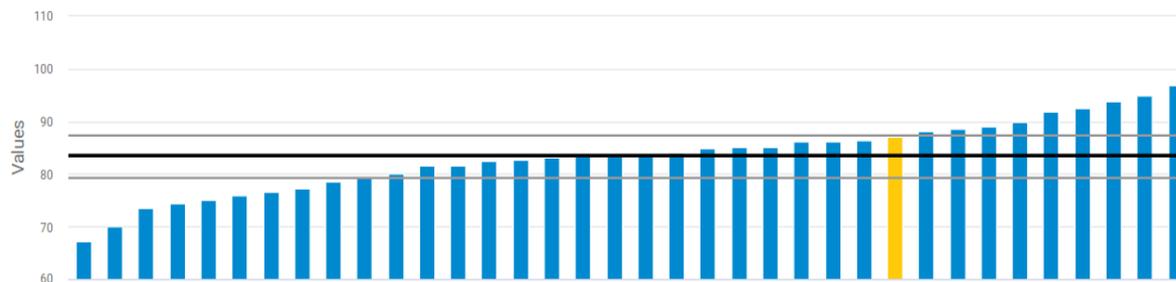
We just miss out on the top quartile with satisfaction with the overall quality of home.

Satisfaction with neighbourhood as a place to live



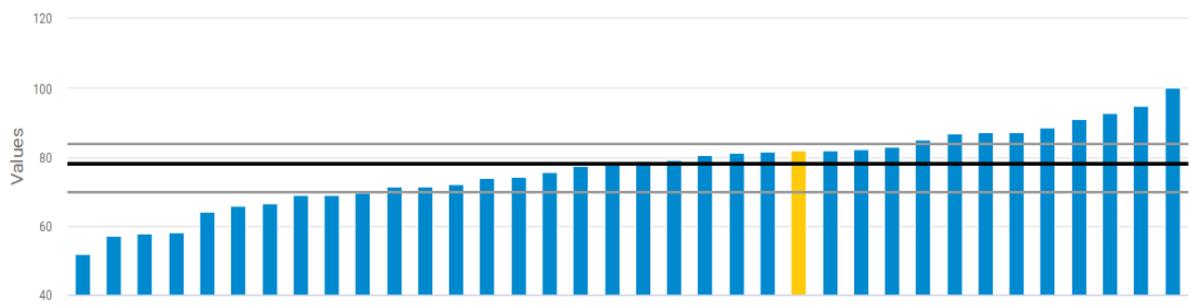
Satisfaction with neighbourhood as a place to live is well within the top quartile and could possibly reflect the social value we apply to our communities.

Satisfaction that rent provides value for money



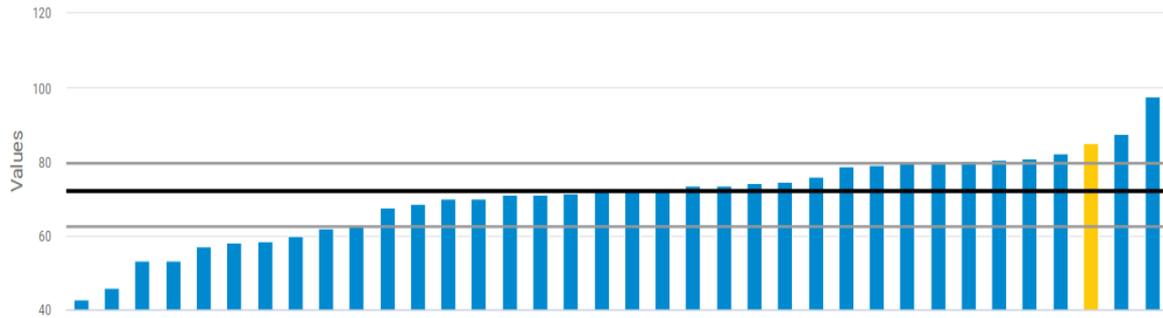
The satisfaction that rent provides value for money is just below the top quartile, but compares favourably with the majority of our peers.

Satisfaction with repairs and maintenance overall



Satisfaction with repairs and maintenance overall is above the median but slightly below the upper quartile. We will be working positively with our Tenant Service Standards Group to identify ways of improving our customer service and therefore our satisfaction levels.

Satisfaction that their views are being listened to and acted upon



It is pleasing that we are in the top quartile for satisfaction that their views are being listened to and acted upon.

We will continue to work positively to improve our performance indicators in all areas.

We carry out a tenant satisfaction survey on an annual basis and the table below shows a comparison of our tenant satisfaction levels over the previous two years. As you can see there are some areas where our performance has improved and others where it has not. We will be looking in to these areas and see what improvements we can make to improve our satisfaction results. We improved our % of questionnaire returns from 10% to almost 15%.

Comparisons between 2017 and 2018 survey data for Welsh Government benchmarking

<u>Comparisons between 2017 & 2018 survey</u>					
	Very satisfied	Fairly satisfied	Neither	Fairly dissatisfied	Very dissatisfied
The service provided by your Association 2017 score	77%	15%	5%	1%	2%
2018 score	63.5%	25.8%	4.4%	5.0%	1.3%
The overall quality of your home 2017 Score	64%	26%	6%	2%	2%
2018 Score	52.2%	35.7%	7.6%	1.9%	2.5%

Comparisons between 2017 & 2018 survey					
Neighbourhoods as a place to live 2017 score	67%	24%	4%	1%	4%
2018 score	56.6%	34%	3.8%	2.5%	3.1%
Rent provides value for money 2017 score	69%	23%	3%	2%	3%
2018 score	60%	26.9%	9.4%	1.9%	1.9%
The Association is providing the service tenants and residents expect 2017 score	69%	19%	5%	4%	2%
2018 Score	57.8%	28.6%	6.2%	5.6%	1.9%
The way your Association deals with repairs and maintenance 2017 score	62%	20%	9%	4%	4%
2018 score	55.3%	26.7%	10.6%	1.9%	5.6%
That your Association listens to tenants and residents views and acts upon them 2017 score	63%	25%	7%	3%	2%
2018 score	52.5%	31.9%	10.6%	1.3%	3.8%
Tenants and Residents trust the Association 2017 score	Yes	95%	No	5%	
2018 Score	Yes	94.3%	No	5.7%	
The way your Association deals with anti-social behaviour 2017 score	Yes	73%	No	10%	N/A (17%)
2018 Score	Yes	63.3%	No	9.5%	N/A (27.2%)

Observations on Comparisons.

Overall satisfaction has stayed the same in 3 areas when compared with the 2017 questionnaire. Question 6. *'The way the association deals with repairs and maintenance'* has remained the same (82% in both years). Question 3. *Your neighbourhood as a place to live* has also remained very similar (91% in 2017, 90.6% in 2018), as well as Question 18. *Do you trust MTHA?* This was only slightly down (95% in 2017, 94.3% in 2018).

Apart from these questions overall satisfaction is observed to be down slightly. However, on further inspection of the results we can see that *'dissatisfaction'* has stayed the same on 4 of the questions and the amount of respondents using the neutral response (Neither or N/A) has significantly increased. This is observed on the following questions:

Quality of your home (dissatisfied 4% in 2017, 4.4% in 2018, neither increased by 1.6% from 6% > 7.6%).

Your rent provides value for money. When look at rent providing value for money, while satisfaction rates were down from 92% (2017) to 86.9 (2018), the rate of dissatisfaction was also down from 5% (2017) to 3.8% (2018). The amount of respondents giving a neutral 'neither' response was up by 6.4% from 3% > 9.4%.

There is little anecdotal evidence in the comments that could account for this increase in neutrality regarding rent, however there are comments from 2 separate respondents that could suggest that people are now thinking more about what they pay for e.g.–*'Don't think the rent on a one bed house is the same as a two bed house in an area of Merthyr Tydfil'* and..... *'Why is the rent for my 4 bed house in Aberfan higher and more expensive than (another RSL) houses of the same size. Also, why is there a difference in the rent on 4 bed mtha properties, why are they not all the same rent as your 2/3 bed properties?'*

We know with the implementation of Universal Credit that claimants are now expected to take more responsibility and pay their own rent so this could be one suggestion as why people are now questioning value for money; however you would expect neutrality to occur when respondents are not involved with paying their rent. More information is needed to form a reliable conclusion.

When talking about Anti-Social behaviour, although there is a significant decline in respondents answering that they are happy with the way the association deals with anti-social behaviour observed in Question 16 (73% in 2017, 63.3% in 2018) again, the percentage of people answering that they are unhappy with the way anti-social behaviour is dealt with has stayed the same (10%). The decline in happy respondents is again attributed to the number of respondents answering N/A which increased by 10%, 17% >27.2%.

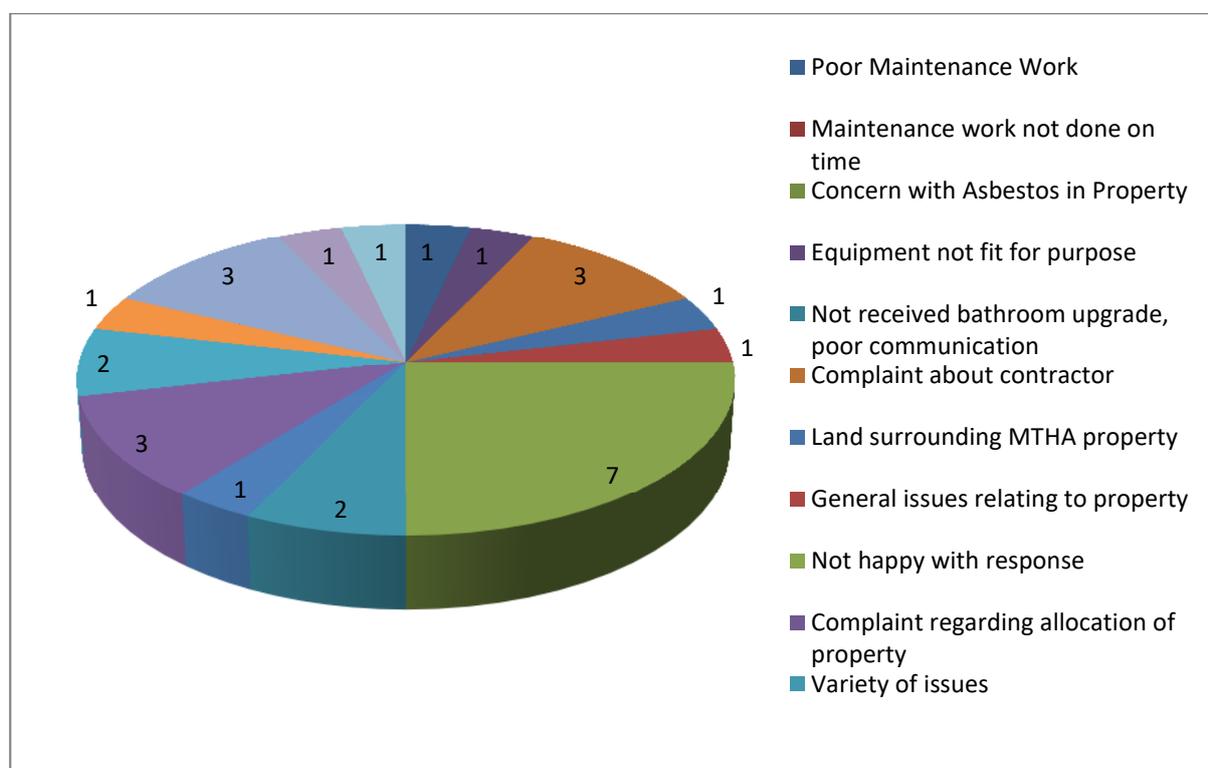
For questions that are not open to interpretation we can conclude that the neutral response can be taken as the tenant has not engaged with the service therefore cannot respond positively or negatively. This is typically observed in questions about

a tangible service i.e anti-social behaviour or the maintenance service. However, when talking about perceptions understanding neutral responses are more difficult.

Complaints and Compliments.

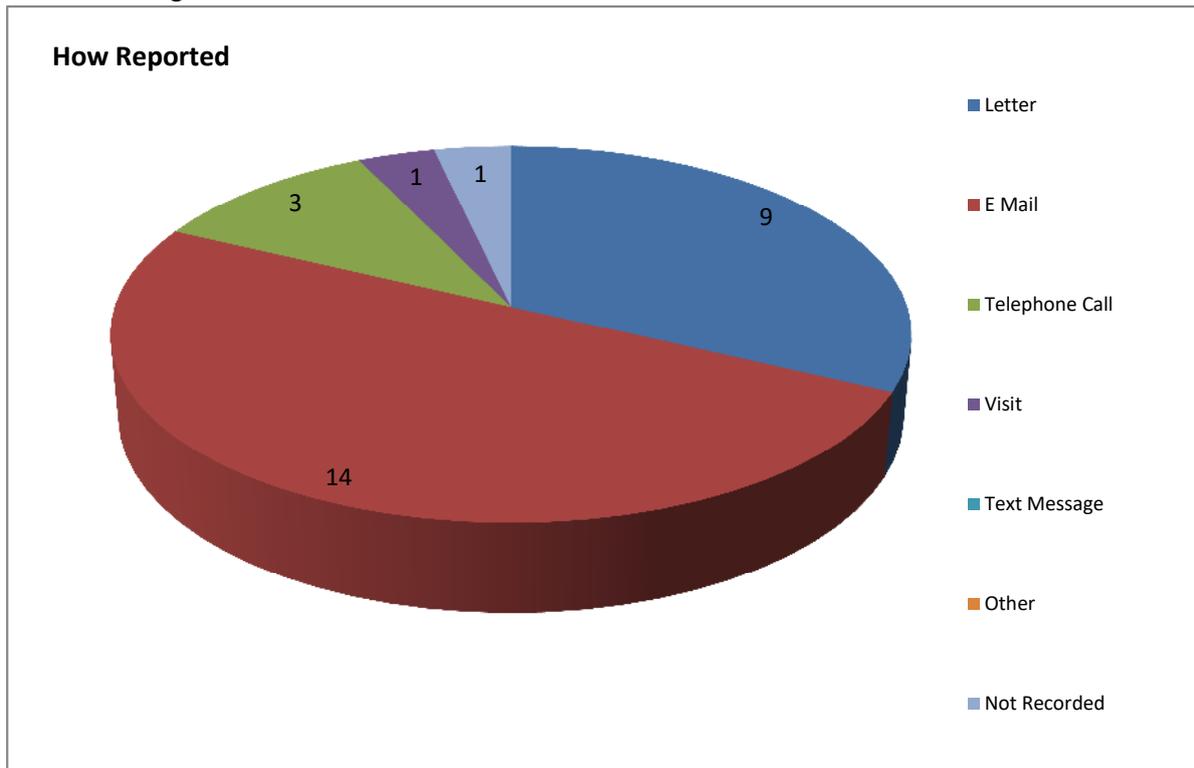
We record all complaints and compliments on our housing management system. Whenever a formal complaint is received a complaints team will be assembled to look into the issues raised. The complaint will be thoroughly investigated and whenever possible a formal response will be sent to the tenant within 10 working days. It will not always be possible to respond within the time period if there are ongoing issues, and a complaint may not always be resolved to the satisfaction of the tenant. We do however keep the tenant up to date with any progress.

During 2018/2019 we received 28 complaints, 6 less than the previous year. These complaints covered the following issues:

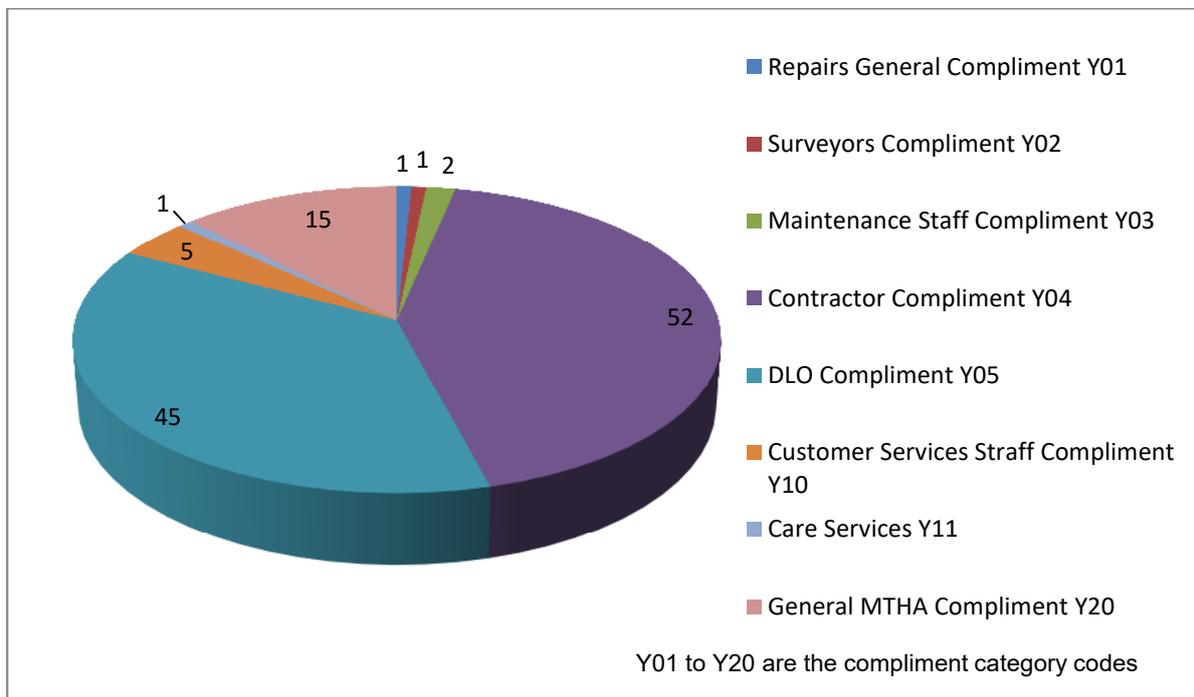


Complaints are received via a number of methods and there is no need to put a complaint in writing to be investigated. During 2018/19 we received complaints via

the following methods:



During 2018/19 we received 122 compliments, 54 more compliments than the previous year.



As an Association we are constantly looking for ways to make savings and ensure we provide VFM for the services we provide and the contracts we enter into. The following table shows the savings made during the financial year 2017/18. Financial

savings may not have been recorded for all savings made, so there may have been additional savings.

Description of efficiencies achieved	Savings achieved/Costs Saved
100 asbestos signs required for Taff and Crescent Street. The savings were as a direct result of producing the signs ourselves rather than outsourcing to an external company.	£772
Negotiated a reduction in the production of a “video” version of the business plan.	£300
Negotiated a 20% discount for receptionist’s uniform	£29
Negotiated free 1 hour of legal advice for the Fit and Fed SLA	£150
Rents – new tracing agent sourced. Cost is £30 per trace as compared to £90 per trace.	£540
The introduction of iPads to remove duplication for the Building Surveyors. This is an efficiency whereby the time saved is spent on other key priority areas such as stock condition surveys.	£9,399
Total savings realised	£11,190

In 2015, the Welsh Government made a new law in Wales called the Wellbeing of Future Generations Act. This means that all public services need to work in a way that improves wellbeing for people today without doing anything that could make things worse for future generations.

A Wellbeing Assessment was undertaken for the Cwm Taf Public Service Board which looked at the assets and challenges of our communities in terms of their social, economic, environmental and cultural wellbeing. The assessment covered areas such as data, long-term population assessments and forecasting, environmental and economic trends. Cross cutting objectives arising from the assessment, formed the Cwm Taf Well-being plan 2018-2023. All public services identified under the Act will work to achieve these objectives.

While MTHA may not be a public body as defined under the legislation, the aims of the association in relation to our tenants are inextricably linked with the aims of the public service board. In order to most appropriately use resources it is key that the work carried out by the Community Development Team is assisting the wider goals of the borough and that through aligning our objectives with the Public Service Board, we are able to share resources and provide increased value for money as well as being able to show tangibly the difference that MTHA is able to make in the locality.

Further to this document, attached is our Social Value Report which provides information on the wider community benefits and social value provided by Merthyr Tydfil Housing Association.