



VALUE FOR MONEY STATEMENT 2016

1. Introduction

Crown Simmons Housing believes that Value for Money is about using finite resources to maximum effect to get the best outcomes for customers by paying the right price for goods, services and properties. It is about getting the most out of our assets and staff by operating efficiently and effectively.

The Association adopted a Value for Money Strategy during 2013/14 and the Board sets a number of targets for completion by financial year end. This is the third Value for Money self-assessment that we have produced. This statement is a summary of our performance against targets set in 2015 and our aims for the coming year and covers the activities of Crown Simmons Housing and Fellowship Houses Trust.

2. Impact of Rent Reduction

Following the announcement in July 2015 by the Government that social housing rents would be reduced by 1% per annum for each of the next 4 years, the Board and Leadership carried out a fundamental review of our operating costs. This review was already anticipated by the end of March 2016, given the scheduled ending of a number of long leases with the Mayor's Office for Policing and Crime (MOPAC). The leases on 125 homes for keyworkers in Ealing, Hammersmith, Forest Hill and Merton will end in September 2016 with ownership and management of these homes passing on to new landlords. These major changes to our business have been at the forefront of the Board's position on Value for Money this year, as we adjust to a new operating environment.

Rents for supported housing - including sheltered supported housing for older people - were exempted from reduction this year while the Government considers the impact on the future viability of supported housing. The outcome of a long term view on rents for supported housing has yet to be confirmed by the Government.

The review of our operating costs that was undertaken during the year focused primarily on management costs, the responsive repairs service and strategic asset management. In February 2016 we commenced formal consultation with the staff team on a restructure with a view to making savings in the region of 20% per annum. A new staff structure was launched on 1 May 2016 and, regrettably, six members of staff left the business through redundancy.

3. Performance against our plans for 2015/16

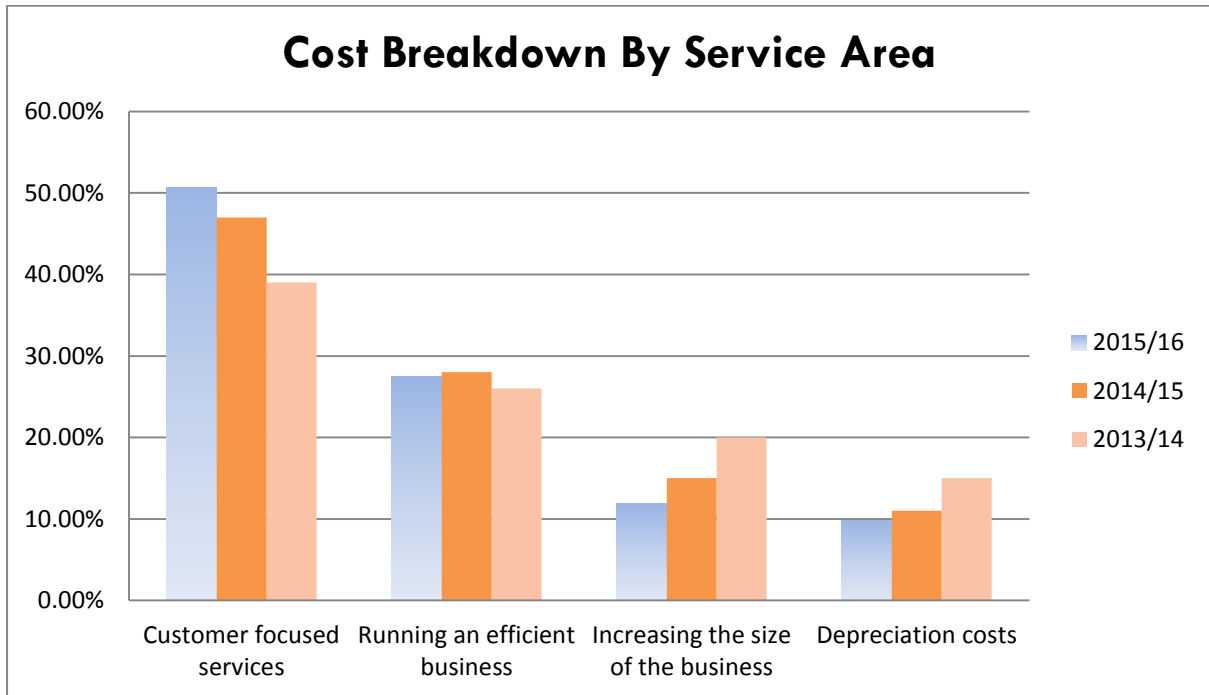
Target Area	Our Performance
<p>Overhead and Management Costs</p>	<p>Following the merger in 2014, overhead and management costs were already part of our thinking last year. The restructure of the staff team will save the Association around 20% per year based on 2015/16 management costs, following full implementation.</p> <p>Our weekly management costs at £33.45 per unit as at 31 March 2016 are higher than our peer group. Last year's figures contain a number of one-off costs associated with achieving integration in the first full year after merger. The cost saving measures that have been implemented in the early part of 2016/17 will see our average management costs fall over the next few years.</p> <p>Co-location of all office-based staff at the end of 2014 brought forward an options review of the Association's two former offices. A decision was made by the Board to progress plans to develop the Rosemary House site in Esher for new affordable housing. The former Cheam office was sold in August 2015 and the proceeds will be used to provide more new housing and to maintain current stock.</p>
<p>Customer Satisfaction</p>	<p>In December 2015 50% of our residents were given the opportunity to participate in an independent STAR (Survey of Tenants And Residents) satisfaction survey.</p> <p>We achieved an overall satisfaction rating of 85% - an improvement on previous results. The remaining 50% of residents will be given the opportunity to participate in STAR in late 2016.</p>
<p>Repairs and Maintenance Service</p>	<p>A new repairs partnering contract with KNK Group went 'live' in July 2015. This arrangement was introduced to improve services to our customers for more or less the same cost as previous working arrangements with a multitude of contractors.</p> <p>The early signs are very encouraging. The STAR survey found that 86% of residents are satisfied with the repairs and maintenance service. This was 14 percentage points higher than the last time residents were formally surveyed.</p> <p>The new partnership with KNK has started well; customer satisfaction has increased and we are now able to offer our residents a more robust service with significantly improved out of hours cover. There have been some initial challenges around performance, however we believe that our relationship with KNK will allow us to overcome this.</p>

<p>Gas servicing and breakdown contract</p>	<p>We planned to carry out a full re-procurement of our gas servicing arrangements during 2015/16. Due to other pressing priorities, and the fact that Crown Simmons will have a reduced geographical operating area from October 2016, we have since decided to postpone this action to 2016/17.</p>
<p>Service Improvement Review & Use of Technology</p>	<p>A Service Improvement Plan (SIP) was established in 2015 to ensure that we achieved full integration following the merger in 2014 by the Board's target date of 31 March 2016. The SIP focused on 8 service areas and 66 key tasks were completed over a 3 month period. The achievements included getting more from the 'Pyramid' database, improving reporting and training for staff, giving residents access to their rent data through 'My Tenancy'; reviewing and improving processes; making it easier to receive payments by card and using SMS text. SMS text has also been used to streamline communications with residents using a more convenient and cheaper platform used by the majority of our customers.</p>
<p>Asset Management</p>	<p>The Business Plan review carried out by the Board and Leadership Team brought forward a review of our housing stock and in particular whether Crown Simmons remained best placed to provide excellent services to all residents across our area of operation, given the increased focus on reducing costs.</p> <p>The Board concluded that given the preferred operating area of south west London and Surrey and the end of the contract with MOPAC, this brought forward a review of the Highbury View sheltered scheme in Islington as this is the Association's only housing scheme north of the River Thames. A decision was reached to carry out a confidential market tender to find a new Registered Provider to take over the long-term management of the stock.</p> <p>Following competitive tender, a preferred bidder has been identified. Heads of Terms for the transfer have been agreed. Subject to resident consultation, due diligence and Board approval, we anticipate that the transaction to complete in November 2016.</p> <p>In the mean time, the Association has been negotiating with MOPAC for the acquisition of the Raynesfield estate in Raynes Park, Merton given the location of the stock within our preferred operating area. We have agreed Heads of Terms and are working towards completion at the end of September 2016.</p> <p>We will continue to look for further opportunities to invest in new or tenanted housing in our preferred operating area as, in the long run, we believe that tenants will receive a more responsive and dynamic service from a local provider. As consolidation in the sector gathers pace, we believe that further opportunities will arise to add to the portfolio.</p>

<p>Older Peoples Housing Strategy</p>	<p>A new Older Persons Housing Strategy was approved by the Board in September 2015 and is in the process of being rolled out. We have been consulting with service users about the services that expect from the scheme manager service and are using the results to review the future service we provide, given increasing pressure on Supporting People budgets and our need to provide value for money for our service charge payers, many of whom are on fixed incomes.</p>
<p>Service Charges</p>	<p>The downward pressure on our income in view of rent reduction over the next four years has again highlighted the need to ensure value for money for service charge payers and full collection of the cost of providing services on our estates. With this in mind, this year's service charge reviews and meetings with our Residents Association have continued to have Value for Money at the core.</p>
<p>Review of Service Level Agreement with IT Provider</p>	<p>Despite our best efforts the review of the SLA with our IT Provider this did not take place during 2015/16 and has been deferred to later on 2016/17. This action was originally established due to concerns about the stability of our IT hardware – these concerns have been allayed by replacing our server during the year with a more traditional technical solution that does not rely on 'cloud' technology.</p>
<p>Rent Collection</p>	<p>With the changes brought forward by welfare reform we are pleased to note an improvement in income collection performance and a collection rate of 101.1% for the year.</p>
<p>Loss of Income From Empty Properties</p>	<p>We can still improve the speed at which we relet empty homes. The new arrangements with KNK Group did not go as well as either side expected just after the contract was let in July, however, there were improvements noted towards the end of the year.</p> <p>Losses from void properties improved on the previous year at 0.23% of the annual rent debit. This was the best performance in our benchmarking peer group of 13 smaller housing associations.</p>

4. Financial Return on Assets

Services were delivered at a cost of £4.2m over the year. The breakdown of these costs by service area, and for the previous two financial years, is shown in the graph below.



Over the last 3 years we have steadily increased the amount in both percentage and overall terms we are spending on services for our customers. Overheads have also decreased marginally, however, it should be noted that these figures do not include savings following the staff restructure that was implemented on 1 May 2016.

The table below shows Crown Simmons Housing's return on assets compared with the previous financial year. The 2014/15 figures have been re-stated following adjustments made after the introduction of the FRS102 accounting standards for housing associations.

	2015/16 (£)	2014/15 (£)*
Total Fixed Assets (at cost)	36,928,369	38,007,003
Net Operating Surplus before financing costs	626,365	518,263
Financing costs	495,558	530,943
Surplus on fixed asset sales	298,431	111,386
Net gain on business combination	-	7,564,748
Surplus for the year	429,238	7,663,454
Operating margin	12.95%	12.65%
Return on assets (Surplus before financing divided by total assets)	1.7%	1.4%

*Re-stated from 2014/15 accounts due to FRS102 adjustments.

The surplus generated is re-invested to maintain existing stock and to generate new affordable housing through development.

Our operating margin improved marginally to 12.95% following the first full year after our merger in 2014. Net operating surplus improved to 17.2% and we achieved a return on assets of 1.70%, an improvement on the corresponding figure for the previous financial year.

5. Performance Indicators for 2015/16

The table below shows Crown Simmons Housing's performance against the SHAPE benchmarking group, Smaller Housing Associations nationally (SPBM) and Housemark (National HA performance) where available.

Performance Indicator	Crown Simmons	SHAPE Quartile	SHAPE median	Smaller HA's SPBM quartile	SPBM median	HA HouseMark quartile	HouseMark median
Ave re-let time – GN & HfOP	26 days	3	21 days	3	17.9 days	3	23.96 days
% rent collected – GN	101.10%	1	100.30%	1	100%	1	99.60%
Current tenant arrears – GN only	2.60%	3	2.12	3	2.58	1	3.58
Reactive maintenance % of total	79%	4	51.90%	4	46%	N/A	N/A
Planned maintenance % of total	21%	4	38%	4	48.55%	N/A	N/A
Operating Cost as % of Turnover	84%	4	67.67%	4	71.03%	N/A	N/A
Ave weekly management cost per dwelling	£33.45	4	£17.77	4	£20.79	N/A	N/A
Weekly investment per unit	£17.71		£26.31		£28.70	N/A	N/A
% repairs completed within target time	96%	3	98%	3	97.02%	N/A	N/A
% dwellings with a valid gas safety cert	100%	1	100%	1	100%	1	100%
Weekly expenditure on reactive repairs per unit	£25.13	N/A	£7.92	N/A	£7.92	N/A	N/A
Void losses – GN & HfOP	0.23%	1	0.55%	1	0.50%	1	0.85

Quartile Ranking

1
2
3
4

N/A = no data available

Crown Simmons Housing is a member of the SHAPE (**S**mall**e**r **H**ousing **A**ssociations **P**ursuing **E**xcellence) benchmarking group, 13 smaller housing associations operating in the South East ranging to associations managing around 80 sheltered housing units to 800 units in management. Crown Simmons is the largest member of the SHAPE group. Through membership of SHAPE we obtain access to benchmarking data for smaller housing associations nationally and Housemark, which include comparators for housing organisations nationally, regardless of size.

We have very performed well in this year areas such as income collection and void losses, and although average time taken to relet individual properties was not strong, overall rental losses from void properties was less than previous years.

2015/16 was the first full year for performance after business combination through merger in August 2014. As a result our management costs increased last year, however, this was part of a Board-approved strategy to ensure full integration by 31st March 2016 and the last year included some one-off costs required to achieve this.

We are aware that our operating and management costs are higher than similar sized organisations. Our aim at the point of merger was to ensure that these costs are at median levels when compared to similar organisations, by the end of the 2017/18 financial year. We are now focusing on bringing these costs down much sooner as our response to challenging economic conditions for the sector and carried out a staff restructure at the end of the financial year, which is not shown within the figures which are calculated for the year ending 31 March 2016. We are confident that we will achieve this cost reduction ahead of the previous target date of 31st March 2018.

There were additional costs incurred during the year, which were anticipated, as the pace of integration gathered. This was part of a Board-approved strategy to ensure that integration was achieved the end of 2015/16. With the staff restructure bedding in over the course of 2016/17, we expect to report a much improved position on management costs next year.

6. Future gains 2016/17

Value for money is an ongoing process across the whole of the organisation, however in the coming year particular focus will be placed on the following targets.

Target Area	Our Plans for 2016/17
Repairs & Maintenance Cost Models	<p>The KNK contract was let using a hybrid Schedule of Rates (SOR) cost model whereby we cover the cost of some of KNK's overheads, i.e. the call centre staff costs, and repairs are costed using a pre-priced schedule of repair tasks. We also use pre-costed basket rates for planned works, such as kitchen and bathroom replacements.</p> <p>With the agreement of the new Crown Simmons business plan, which will see reduction in repairs costs from April 2017, we have started the dialogue with KNK to migrate to an alternative cost model. The alternative model would encourage KNK to carry out work in an efficient, cost effective way and limit the amount of work operatives complete, whilst maintaining good levels of customer service.</p>
Consultancy Support for Partnering Agreement	<p>Within our current cost structure we allow for external consultancy support to carry out the role of Partnering Advisor. Now that the arrangement has been in place for more than 12 months, we will review the costs involved this year.</p>
Reviewing Management Contract Cost Models	<p>Crown Simmons provides management services to a number of smaller providers and public sector bodies. As part of the review of our Business Plan and management costs, we are carrying out a fundamental review of the cost of providing these services and, if necessary, renegotiating existing agreements with our partners.</p> <p>Arrangements will be reviewed with three partner organisations this year which we will conclude during 2016/17. This exercise will also inform pricing for new management services business.</p>
Gas Servicing & Breakdown Contact	<p>This was an action that was not completed in 2015/16 and has therefore been rolled over to the current year.</p>
Scheme Manager Service	<p>Following consultation with residents about services they provide we will be reviewing the role and services provided by scheme based staff in 2016/17.</p>

<p>STAR Survey Action Plan</p>	<p>Following the resident survey in December 2015 we have established an action plan to improve areas of weakness. A second survey will take place at the end of 2016.</p> <p>The action plan includes actions aimed at improving the experience for our customers in terms of repairs, grounds maintenance, services to leaseholders, access to IT in communal areas in older persons housing and customer services provided by staff.</p>
<p>Review of Value for Money Strategy</p>	<p>The original Value for Money Strategy was introduced in 2013/14 and is now in need of review. The expectations of our regulator have been made clear and the new operating environment that Crown Simmons works in made this ever more important. The VFM Strategy review is due in autumn 2016.</p>
<p>Long Term Pensions Strategy</p>	<p>In 2015 the Board commenced a review of pension benefits available to staff in view of the Association's auto-enrolment staging date of 1 August 2016. The Board remains concerned about the increasing cost of membership of the Social Housing Pension Scheme and size of the overall deficit.</p> <p>A consultation period with existing pension scheme members has commenced about proposals to change arrangements for the Defined Benefit (DB) elements of the Social Housing Pension Scheme. Subject to this consultation we will introduce changes from the autumn.</p> <p>A new Defined Contribution scheme was introduced on 1 August 2016 for new staff and those who were not previously members of the DB scheme. This will provide the Association with greater control of its costs over time.</p>