

West Kent Housing Association

Value for Money Assessment 2017

This report examines whether West Kent is achieving value for money in meeting its charitable objects. We will show how the costs of meeting our objectives help to create a prosperous, strong and sustainable society; a place of opportunity for all; where people can plan for their futures.

Our assessment in nine areas shown below are illustrated further in this document to demonstrate how we understand the causes and how we have used our resources. The data, shown unless stated, is for the year ending 31 December 2016.

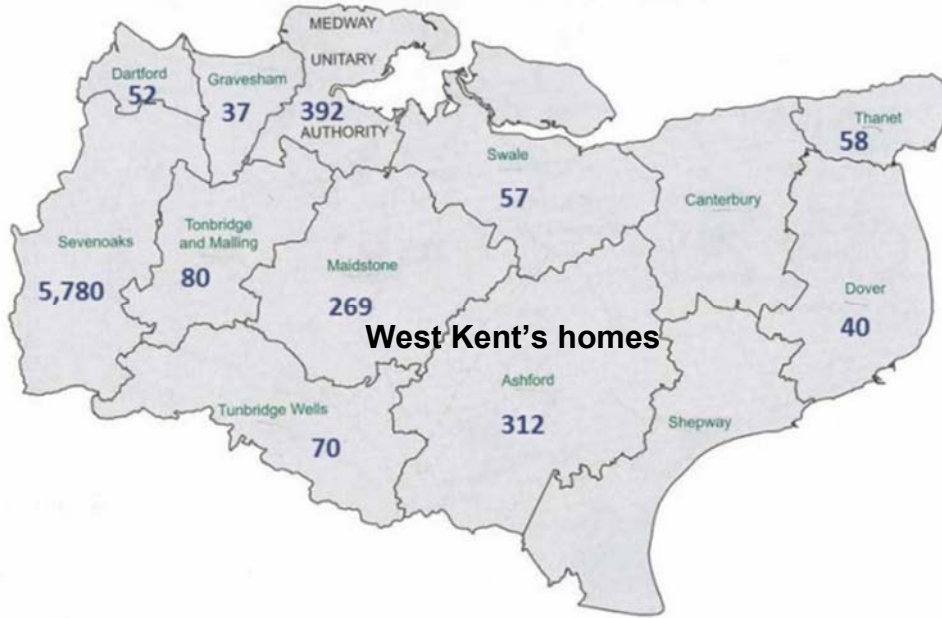


WestKent

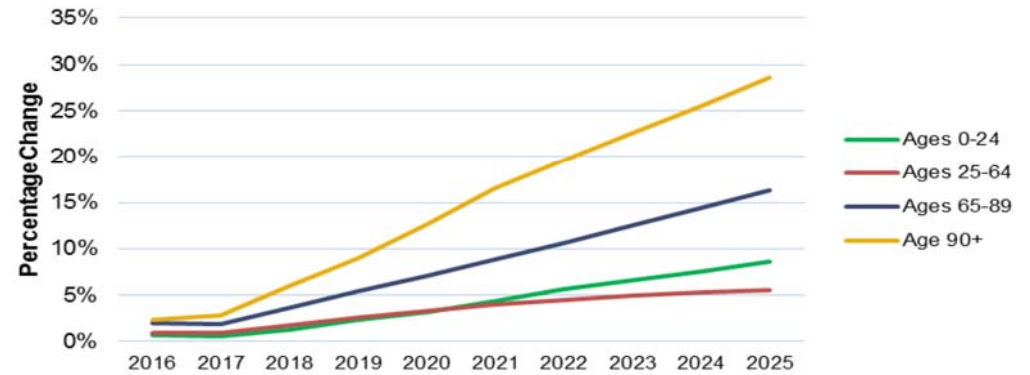
Places to live. Space to grow.

Meet housing need in Kent and Medway

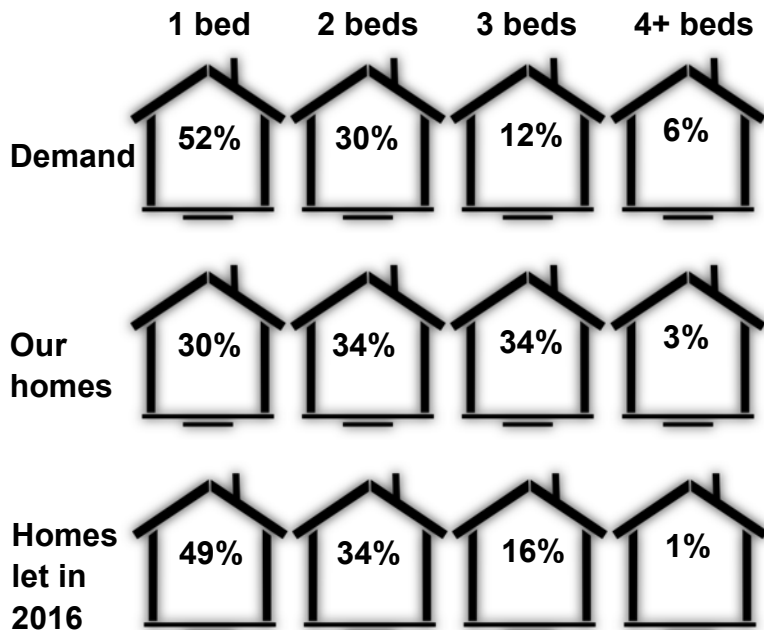
We have increased our presence across Kent in recent years.



Age / older person growth expectation in Kent 10 Year Profile



In 2016 we opened five new extra care schemes providing 218 new homes for older people across Kent. We have invested in refurbishing our existing Emerald homes, notably in Swanley. A key part of our work is responding to an increasingly older population in Kent.

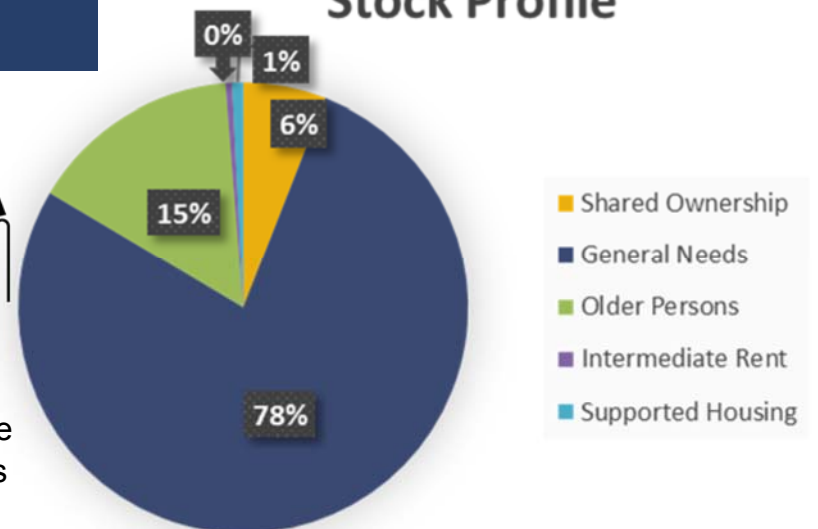


16,164 people housed in 7,147 homes

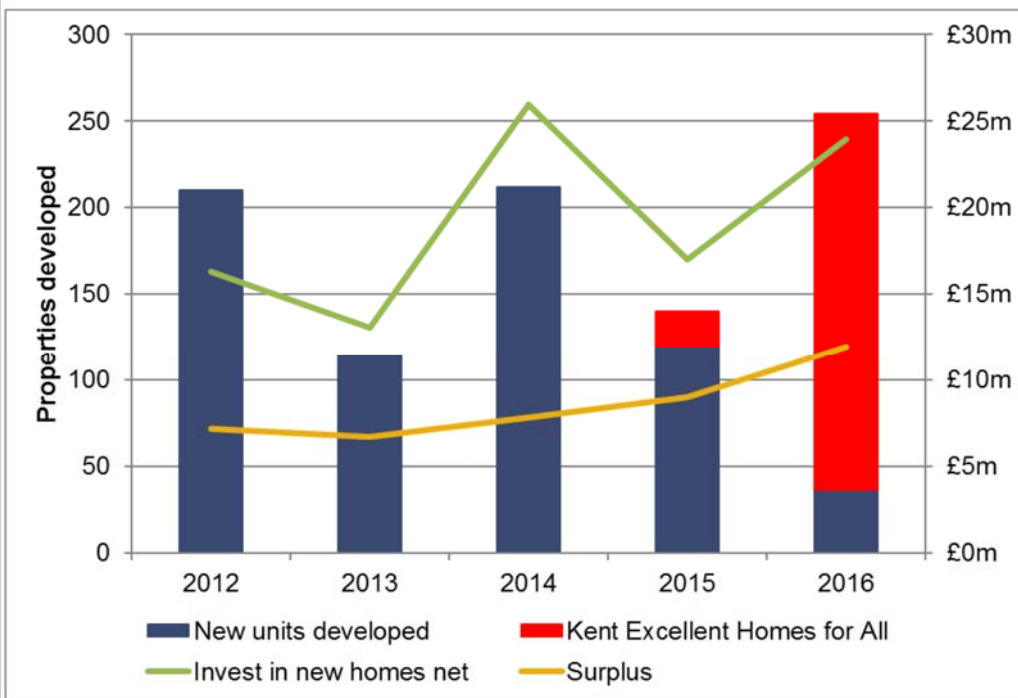


The housing demand in Kent is similar to the homes we let in 2016. Our stock profile has more 3 beds than demand indicates is necessary.

Stock Profile



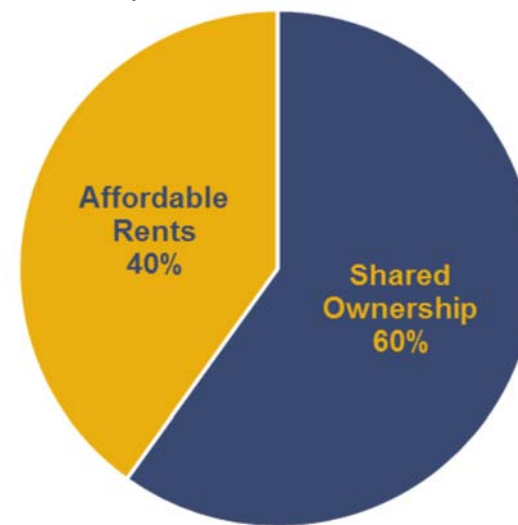
Build new homes



In 2016 we supplied 256 new homes, the most in any one year in our history. For every £1 of surplus we have invested £2.26 in building new homes over the last five years.

Sector scorecard	Sector Average	2014	2015	2016
Units developed (as a percentage of units owned)	1.1%	3.1%	2.0%	3.6%

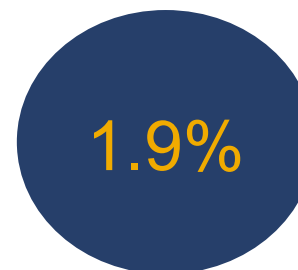
We plan to build over 200 homes per year for the next 10 years, with a mix of affordable housing for rent and shared ownership.



Finance secured to deliver new homes



Effective interest rate on new finance



To continue to deliver new homes we require private finance. We secured £56m in borrowing at competitive rates to start our development plan.

Provide a subsidy

West Kent charitable objects:

To provide and manage housing and provide assistance to help house and provide services for poor people or for the relief of aged, disabled (whether physically or mentally) or chronically sick people.

There is not enough affordable housing.

6,971 homes let at **63%** of private market rent

442 shared ownership with a subsidy on the equity we have retained

West Kent's charitable subsidy in 2016 was £21m.

Kent average house price

£276k

If you are on the average wage in Kent you would qualify for our housing in any district of Kent.

Kent average wage

£30k

Kent average weekly private sector rent
£187 per week

West Kent average rent
£119 per week

Private landlord

Charitable subsidy,
£21m

West Kent rental income

Benefits pay,
£19m

Tenants pay,
£22m

House price / wage

9.03

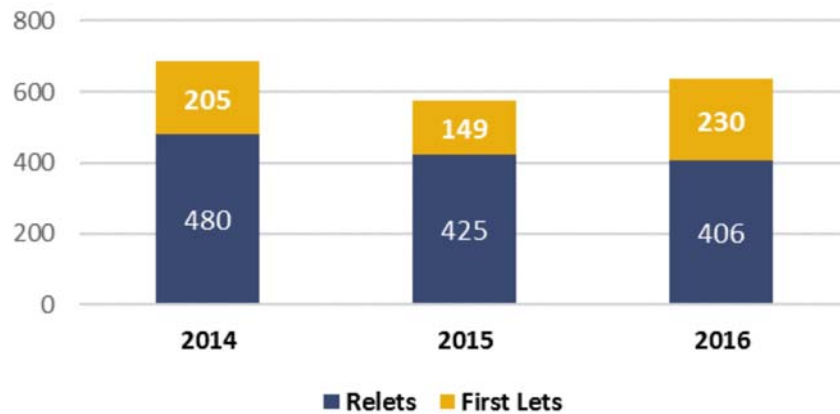
Kent affordability is worse than the national average. National House price / Wage is 7.86.

Source: Emoov house price

Let our homes

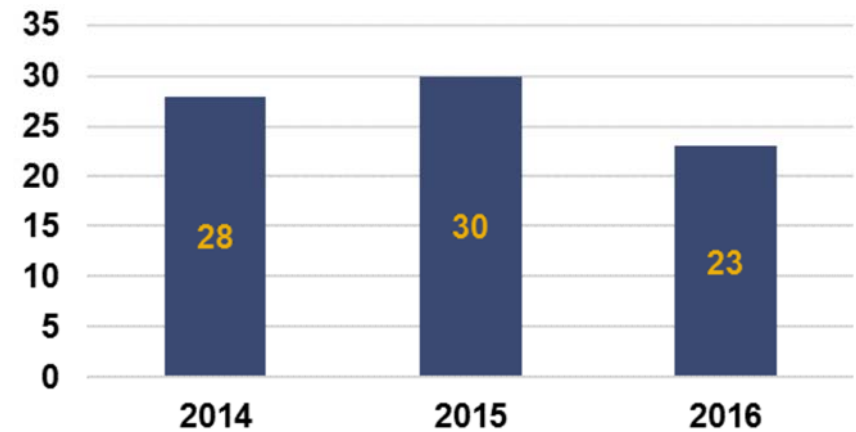
We had a record number of new lets in 2016, the turnover in our existing homes has reduced over the last three years.

Homes let 2014 to 2016

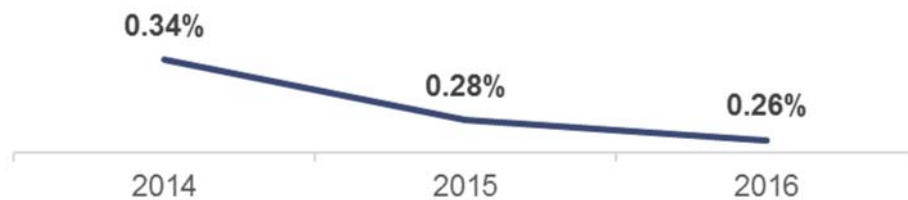


Improvements in our process has led to better use of our homes. We have let properties quicker.

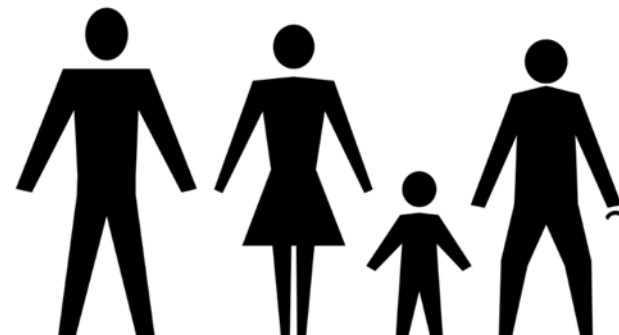
Turnaround empty homes (in days)



% of properties empty at year end



1,084 people housed in 2016

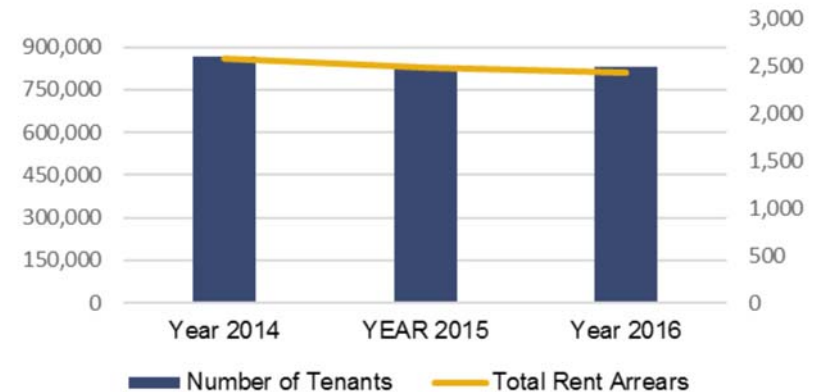


Collect the rent

After several years of improving performance on rent collection and reducing arrears the challenge for 2016 was to maintain this performance. We have maintained our arrears for 2016 at 2015 levels and continue to improve our processes in anticipation for welfare reform. In 2017 we will be implementing paperless direct debits with a view to increasing the frequency of collections.

Sector scorecard	Sector Average	2014	2015	2016
Rent collected	99.7%	96.1%	99.2%	98.3%
Current tenant rent arrears	N/a	2.8%	2.0%	2.0%

Arrears Changes



Welfare reform has started to impact our residents. These are low numbers at the moment but they are having a disproportionate effect on arrears levels. We have designed our systems to monitor the key reforms that will affect us, namely housing benefit caps and universal credit.

Number of tenants affected by housing benefits cap



Number of tenants on Universal Credit with housing costs



Deliver a good home and service

We provide a good home with 99% meeting decent home standard and services delivered right first time and repairs jobs completed on time.

96% repair jobs completed on time

86% enquiries dealt with first time

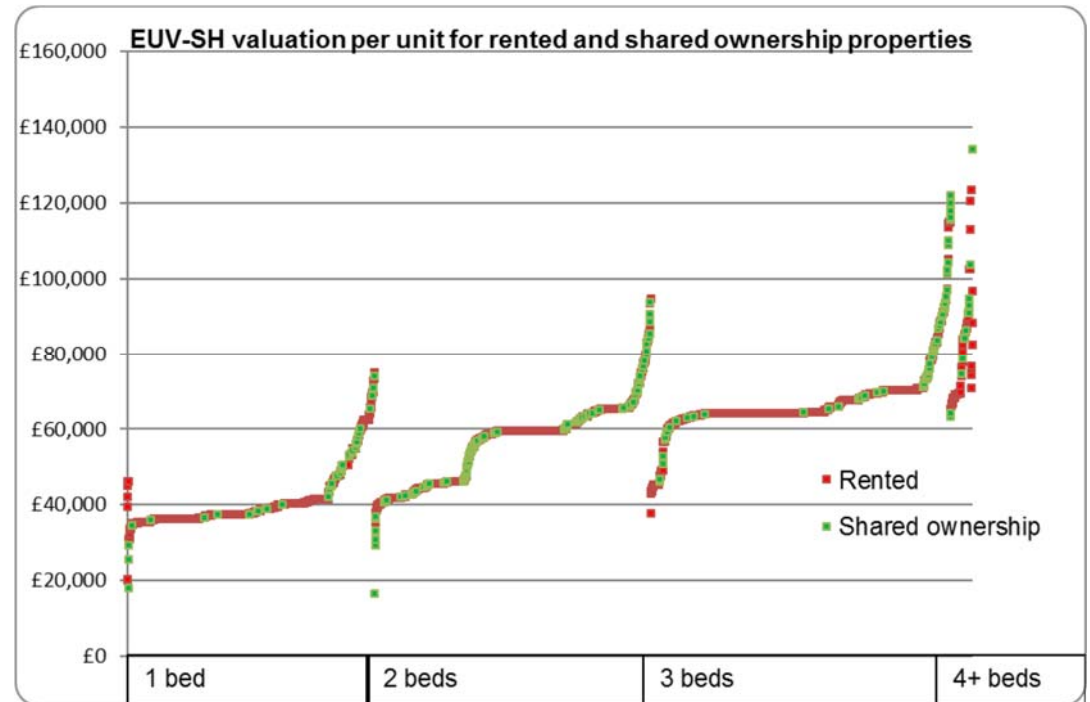
Zero outstanding gas safety checks

99% homes met decent homes standard

All fire risk assessments completed

	Number of components replaced					
	2012	2013	2014	2015	2016	Average
Bath	203	211	229	212	134	198
Kitchen	236	233	279	261	159	234
Doors	69	188	181	205	210	171
Boiler	117	214	240	415	370	271

Our Just-In-Time strategy enables us to manage our major component replacement in an efficient way. We assume we will gain at least an extra 10% more life out of each component. Based on the last five years we have seen the life extended even more than this on average, while still maintaining our homes to decent homes standard and saving over £50m on replacing components. The number of replacement bathrooms and kitchens reduced significantly in 2016 as part of a review of our standards.



We understand the condition of our homes and are able to apply our asset management strategy when deciding whether to retain and maintain or to dispose. All our homes make a contribution to our overheads and surplus.

WestKent Communities

Space to grow



During 2016 we brought together all our community work into a new team and agreed a new Communities Strategy that sets out the key aims of our community work. 2016 was the busiest and most successful year to date for our community work and we are well placed to achieve these aims.

Our Residents Annual Report 2017 includes more great examples of what we have done in 2016.

http://www.westkent.org/media/1672/final-e5303_wk_resident-report-pdf_2017_p11.pdf

Linda Hogan
Community Fund

40 AWARDS

Totalling **£15,000**

An estimated **6221** people benefited

Rising Stars
Bursary

10 GRANTS

Totalling **£1,360**

Maintain our viability

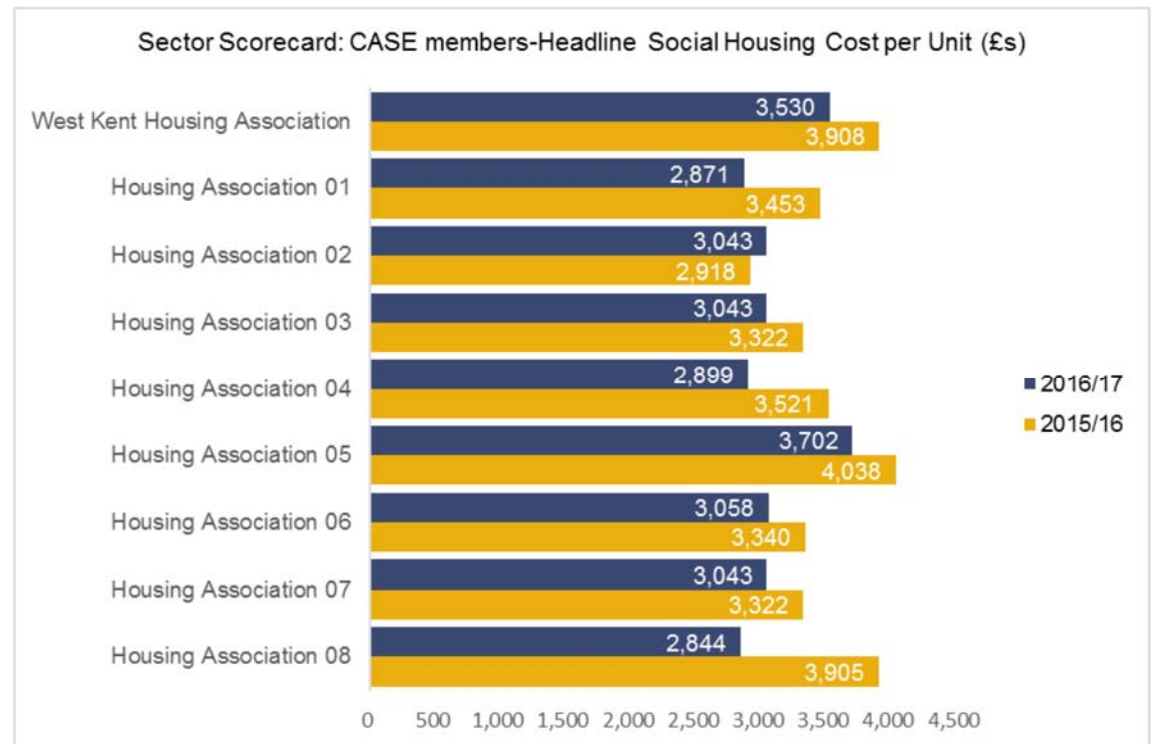
Operating margin has increased for the last three consecutive years. All our surplus is re-invested in new and existing homes. Operating cost per unit has reduced.

We have stress-tested our financial model based on our risk profile and economic outlook. We have mitigation plans in place on our volatile risks. Our plan supports the delivery of net 200 new homes per year and meets all our loan covenants. The toughest test of our plan is the impact of welfare reform measures increasing bad debts.

Sector scorecard	Sector Average	2014	2015	2016
Operating margin (including Surplus on disposal of housing properties)	30%	33%	33%	39%
Operating margin – social housing lettings	32%	37%	37%	42%
EBITDA MRI (as a % of interest) – including Surplus on disposal of housing properties	228%	209%	259%	297%

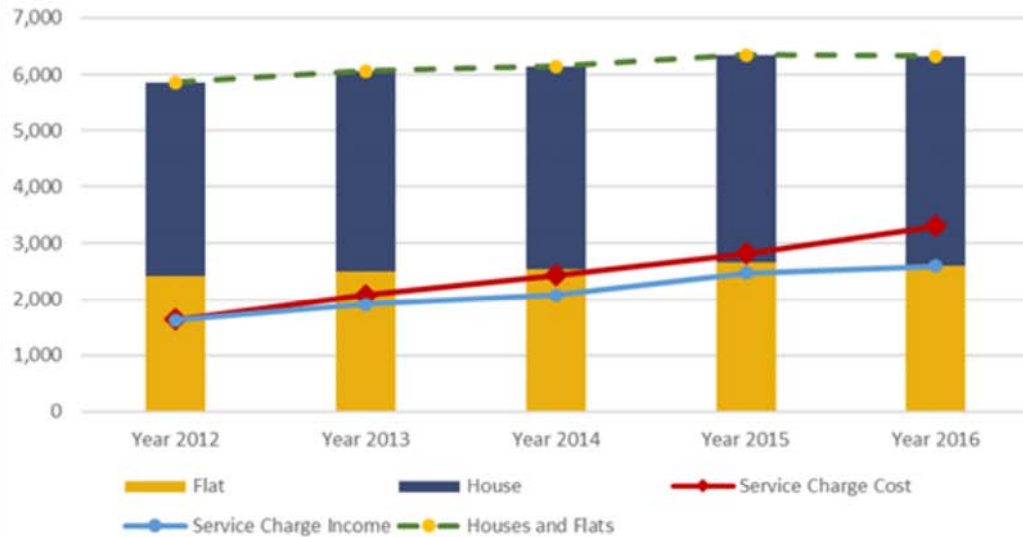
The Sector Scorecard is currently being piloted by over 300 housing associations. The Consortium of Associations of the South East (CASE) decided to share their data with one another. The table shows that West Kent's overall housing cost per unit reduced from 2015 to 2016 but that it is higher than many of our peers. Further investigation has highlighted the different approaches each housing association takes to presenting the financial information and to the types of homes classified as units for this purpose. When compared to all housing associations, West Kent's headline social housing cost per unit is close to average.

The most significant costs for any association are the costs of repairing and maintaining homes. West Kent has sought and gained assurance from external sources that the amounts it spends on key maintenance and repair jobs represent value for money. The association is also working through a cost management programme which should see a further reduction in its social housing cost per unit in 2017.



Maintain our viability

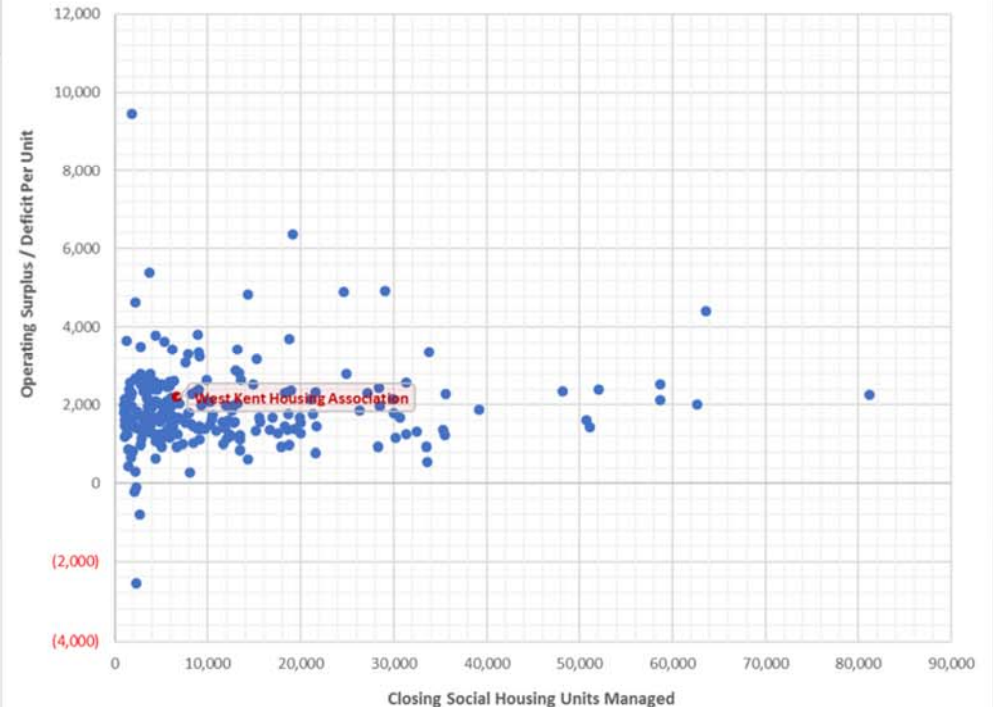
Unit Type to Service Charge



Our aim is to fully recover all service costs. As we deliver more new homes our understanding of the costs associated with new homes is improving, however we are still seeing a gap between collection and costs. We have excellent knowledge of our homes, we will continue to monitor the recovery rate and aim to reduce this gap.

The 2016 Global Accounts data shows that West Kent's surplus per unit was right in the average of the other 240 Housing Associations within the sample. This chart also implies there is no clear relationship between operating surplus per unit and size of association.

Surplus per Unit



Review outcomes

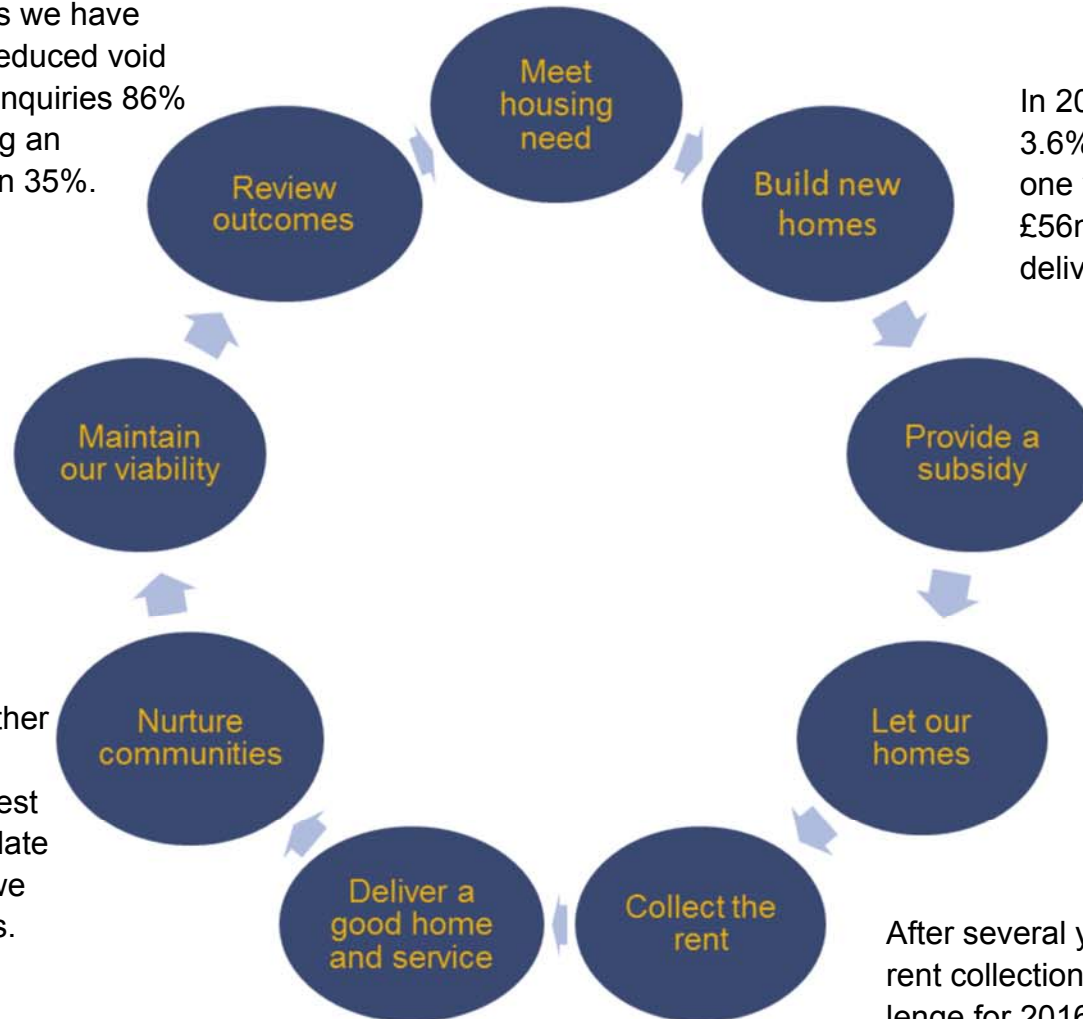
We consider our recent performance represents value for money as we have delivered more new homes, reduced void turnaround times, dealt with enquiries 86% right first time, whilst delivering an operating surplus of more than 35%.

Operating margin has increased for the last three consecutive years. All our surplus is re-invested in new homes. Operating cost per unit has reduced.

During 2016 we brought together all our community work into a new team. 2016 was the busiest and most successful year to date for our community work and we are well placed to achieve this.

We provide a good home with 99% meeting decent home standard. We understand the condition of our homes and are able to apply our asset management strategy when deciding whether to retain and maintain or to dispose.

Five new extra care scheme. Housing demand in Kent is similar to the homes we let in 2016



In 2016 we supplied 256 new homes, 3.6% of current stock. The most in any one year in our history. We secured £56m in borrowing at competitive rates to deliver our development plan.

There is not enough affordable housing. We have 6,971 homes rented out at on average 63% of private market rent. A subsidy of £21m per year.

1,084 people housed in 2016. Improvements in our processes has led to better use of our homes. We have let properties quicker.

After several years of improving performance on rent collection and reducing arrears the challenge for 2016 was to maintain this performance. We have maintained our arrears for 2016 at 2015 levels (2.0%) and continue to improve our processes in anticipation for welfare reform.