

# **VALUE FOR MONEY SELF-ASSESSMENT 2014/15**

## **Approvals**

Compliance Committee – 17<sup>th</sup> June 2015

Value for Money Tenant Panel Enquiry Group 18<sup>th</sup> June 2015

Bdht Board – 13<sup>th</sup> July 2015

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## **VALUE for MONEY (VfM) SELF-ASSESSMENT 2014/15**

### **1.0 Overview**

#### **1.1 Our Approach**

bdht actively adopts a comprehensive approach to understanding and managing its resources in order to provide quality, cost effective services to tenants and generate the financial capacity to invest in affordable homes and services for the benefit of its tenants and the wider local community. Its consistent achievement of efficiencies and high levels of financial viability are crucial to delivery of these outcomes.

#### **1.2 Role of Board**

Integral to this approach is the Board's continued commitment to delivering Value for Money (VfM) in all aspects of the services we provide for our tenants. The Trust strives to achieve an appropriate balance between cost, performance and quality. The Board considers VfM to be critical to achieving its Corporate Themes and seeks continuous improvements in this area. VfM activities specifically support the Board's objective of achieving 95% customer satisfaction by 2017 by driving performance improvement. The Board has a "hands on" role in developing the VfM strategy and reviewing the published self-assessment. It appraises VfM performance throughout the year and quarterly performance reports are scrutinised by the Compliance Committee and used internally to improve VfM performance with the aim of securing required outcomes.

#### **1.3 Key Delivery Areas**

Whilst bdht has performed well since its inception in terms of VfM, including the reinvestment of year-on-year efficiency savings to improve front-line services; as a self-aware organisation, we recognise the need for improvement. In order to strengthen performance, in 2014/15 the key areas for VfM delivery included:

- A Tenant Panel Enquiry Group (TPEG) has been established to scrutinise the approach and performance in delivering VfM for tenants;
- Review of the effectiveness of the new services introduced to meet the needs of our most vulnerable tenants;
- A project to replace current housing management systems by April 2016 to improve the efficiency of our operations and the quality of customer services;
- Improve the thermal efficiency of our lowest rated homes to help reduce fuel poverty, largely funded by external grants;
- Extension of work to support residents into education, training and employment;
- Improving our understanding of our assets, establishing a future-proofing approach to asset management;
- Engaging the services of an independent "VfM Critical Friend".

#### **1.4 Approval Process**

The 2014/15 VfM Self-Assessment was approved by the Compliance Committee on 17<sup>th</sup> June 2015, reviewed by the VfM TPEG and presented for Board approval on 13<sup>th</sup> July 2015. The self-assessment will be presented to the HCA as part of the regulatory requirement and

is *publicly available from the bdht website* as follows:

<http://www.bdht.co.uk/aboutus-how.asp>

## **2.0 How are we doing? – VfM Performance 2014/15**

### **2.1 VfM Strategy and Framework**

The VfM Strategy and associated Improvement Action Plan was last reviewed and approved by Compliance Committee in November 2014, with the associated Procurement Strategy being reviewed in April 2015.

The framework for the delivery and assessment of VfM incorporates governance and scrutiny by the Board, planning and financial management (including zero-based budgeting, delegated budget responsibility, monthly budget monitoring reports, quarterly reports to Board), performance management (including benchmarking), satisfaction surveys, mystery shopping, tenant involvement in procurement and VfM and assessment of asset returns. This framework is detailed in the VfM Strategy which is available on request from:

**Andy Coley, Head of Accountancy at [andrew.coley@bdht.co.uk](mailto:andrew.coley@bdht.co.uk)**

Our VfM Self-Assessment illustrates how the embedding of VfM into its strategic and day-to-day work supports bdht's Corporate Themes, the needs of its stakeholders and the HCA VfM Standard. It also highlights areas for improvement and how we are planning to get even better. The assessment consists of the following elements:

- VfM Performance Targets;
- Efficiency Targets;
- Operating Cost Efficiencies 2008/09 -2014/15;
- Benchmarking;
- The Value of People - Tenants and Staff
- Balanced Scorecard;
- Return on Assets and Asset Disposal Strategy;
- Review of Effectiveness of New Services to Meet Needs of Most Vulnerable Tenants;
- Social Value;
- ICT Investment;
- Treasury Management

Many of these elements have formed the basis of reports to the Board, its delegated committees and the Tenants Panel VfM during the year.

### **2.2 VfM Performance Targets for 2014/15**

These targets are monitored over a period of time and any significant variation prompts further investigation and improvement measures where appropriate. The position for 2014/15 together with the results for 2010/11 to 2014/15 are illustrated below.

## VFM Performance Targets Position for 2014/15

	2014/15 Budget	2014/15 Actual *	Variance	2013/14 Actual	2012/13 Actual	2011/12 Actual	2010/11 Actual
<b>1. <u>Operating Margin</u></b>							
Operating Surplus	£4.79m	£5.94m	£1.15m	£5.60m	£5.0m	£4.25m	£3.78m
Operating Margin	27%	33%	24%	32%	31%	26%	26%
<b>2. <u>Operating Costs</u></b>							
Per Property Per Week	£66	£62	£4	£61	£60	£68	£62
As a % of Turnover	66%	64%	6%	64%	67%	73%	74%
<b>3. <u>Per Employee Targets</u></b>							
Properties Per Employee	29	29	-	29	28	29	29
Turnover per employee	£143K	£144K	£1K	£142K	£130K	£128K	£121K
<b>4. <u>Responsive Repairs (CRT)</u></b>							
Number of Repairs per Property	2.87	2.94	0.07	2.8	2.7	2.6	2.6
Average Cost per Repair Target	£83	£100	£17	£99	£91	£103	£98
<b>5. <u>Void Repairs</u></b>							
Average Cost per Void	£2,000	£2,388	£388	£1,955	£2,219	£2,120	£1,944
Voids during year as a % of stock	8.3%	8.1%	0.2%	10.7%	8.9%	9.2%	8.1%

\*To ensure consistency with previous years, 12 months of bhi turnover and costs have been included in the table above, whereas the statutory accounts include one month post Transfer of Engagement.

### **Operating Margin:**

The margin has progressively increased over the period from 2010/11 to 2014/15 (and prior to that 2009/10) as turnover has increased at a greater rate than operating costs. Although, HouseMark results are not available for 2014/15, figures for 2013/14 show middle upper quartile performance.

### **Operating Costs:**

Operating costs per property and as a percentage of turnover are broadly consistent with the previous year. Actual performance for 2014/15 was also better than budget. Cost increases in areas such as void repairs were significantly exceeded by savings across numerous other budget headings. It should be noted that the operating costs per property and operating costs as a percentage of turnover measures exclude shared ownership first tranche costs of sales.

### **Responsive Repairs – Internal Team:**

The marginal increase in average cost per repair for CRT (internal team) is due to increases in payroll and vehicle costs, although actual costs are within budget for 2014/15. The target figure used is the ARK upper quartile. Bdht is working on a target more suitable for its circumstances.

Resources and skills are reviewed on an on-going basis with a view to reducing associated costs and achieving efficiencies with the following results:

- In accordance with strong tenant preference for internal repairs teams, these teams have been expanded. CRT now undertake 95% of all responsive repairs;
- Increase in satisfaction with repairs and maintenance service from 82% to 89%;
- ICT solutions have reduced downtime with average operative jobs per day of 4 (2011/12:2.5)
- Time on site on jobs has improved to 86.64% (2013/14:80%);
- Zero uplift in the materials contract prices for 2014/15 and 2015/16.

Overall responsive repairs performance, including sub-contracted repairs, is analysed in the benchmarking section of this assessment.

### **Void Repairs:**

The average cost of void repairs, which exceeds the target, has significantly increased during 2014/15. This increase is indicative of the measures taken, including the externalisation of some works, to reduce the back-log of voids repairs. Consequently re-let time reduced from 28 in 2013/14 to 17 in 2014/15. The percentage of tenants indicating that the re-let standard has been met has improved to 87% (2012/13: 71%). Whilst costs increased in 2014/15, both quality and performance improved. Subsequently, up to period 4 of 2015/16, average void costs had been reduced to £1,893.

Void repairs as a percentage of stock has decreased due to a reduction in the number of void repairs to 292 (2013/14:378) and the successful delivery of new schemes.

The voids repairs 2013/14 benchmarking performance is discussed in the benchmarking section.

## **2.3 Position for 2014/15 Efficiency Targets**

### **2.3.1 Summary**

A 1.5% efficiency target (of operating costs excluding depreciation and bad debts) was set for 2014/15. This equated to a cash target of £141,000. Actual efficiencies achieved of 1.59% just exceeded target.

<b>Efficiency Level</b>	<b>Target Cashable Gain</b>	<b>Target</b>	<b>Actual Achieved</b>	<b>Actual Achieved</b>
<b>1. Base Budget Efficiency Savings</b>	<b>£47,000</b>	<b>0.5%</b>	<b>£60,000</b>	<b>0.64%</b>
<b>2. Procurement Savings</b>	<b>£94,000</b>	<b>1%</b>	<b>£89,000</b>	<b>0.95%</b>
<b>Total for 2014/15</b>	<b>£141,000</b>	<b>1.5%</b>	<b>£149,000</b>	<b>1.59%</b>

### **2.3.2 Base Budget Efficiency Savings**

The main efficiency savings achieved in 2014/15 are as follows:

- Renegotiation of Out of Hours contracts to ensure equality and affordability generated ongoing annual savings of £20,000;
- A review of Care Services created annual savings of £11,000;
- A review of lifeline maintenance contract prices and a reduction in various under-utilised budgets facilitated savings of £16,000 and £13,000 respectively.

### 2.3.3 **Procurement Savings**

The procurement savings were predominantly achieved in the following areas:

- The new Broking and Insurance 3 year contract commencing generated annual savings of £53,000, £35k relating to 2014/15 (2013/14:£18k);
- A Travis Perkins materials negotiated price freeze produced savings of £13,000;
- The re-tendering of the vehicle leasing contract generated total savings of £71,000 (£14,000 annually);
- £12,000 savings made on replacing drainage contract suppliers.

### 2.3.4 **Reinvestment of Efficiency Savings**

A key component of the Efficiency Agenda is the reinvestment of cashable gains into front-line services as summarised below:

<b>Efficiency Category</b>	<b>Services Receiving re-investment Savings</b>	<b>Customer Outcomes</b>
<b>Base Budget Efficiency Savings</b>	Increased investment in repairs services	Increased customer satisfaction in services provided by the Trust in support of the 95% Customer Satisfaction target.
<b>Procurement Savings</b>	Reinvestment in additional Home Improvements and acceleration of work.	Increased customer satisfaction in homes provided by the Trust.

## 2.4 **Operating Cost Efficiencies for 2008/09 to 2014/15**

2.4.1 Cost performance is assessed by reviewing the operating costs efficiency savings and increases per unit, in real terms from 2008/09 to 2014/15.

### 2.4.2 **Basis of Comparison**

A number of costs including capital costs, interest costs, void costs, bad debts and depreciation were excluded from the analysis because they are different in nature from the majority of bdht's on-going operating costs:

### 2.4.3 Results

#### Operating Cost Efficiencies 2008/09 to 2014/15

bdht Costs per Unit 2008/09 to 2014/15					
Narrative	Actual 2008/09 £	Actual 2014/15 £	2014/15 Real terms costs £	Real Terms Savings per Unit £	Real Terms Savings per Unit %
Costs per Unit	2,056	2,371	1,930	126	6.1

\* Note aggregate RPI used for 2008/09 to 2014/14 was 22.8%. The RPI for 2010/11 was - 1.4% but 0% inflation was used as bdht experienced cost inflation in this period.

Whilst surpassing operating cost and margin targets, past and current efficiency savings, were reinvested in internal repairs teams and additional home improvements. If savings had not been reinvested the figure of 6.1 % would be much higher. However, this reinvestment in services is imperative to the achievement of Corporate Themes.

A review of operating cost efficiency performance between 2013/14 and 2014/15 reveals a 0.97% real terms increase per unit explained as follows:

- One-off consultancy costs of around £105,000 were incurred on work surrounding the refinancing of bdht and the Transfer of Engagements from bhi to bdht. Refinancing will enhance capacity to fund development of much needed social housing in line with bdht's Corporate Themes;
- If the costs of £105,000 above had not been incurred there would have been a very marginal real terms cost reduction of 0.1%;
- One-off Consultancy costs relating to the Housing Management System, which will create ongoing savings;
- Gas servicing material costs increased. The planned replacement of boilers that generate multiple repairs is designed to reduce future material costs.

### 2.4.4 Overview of how Cost Efficiencies are delivered

Controlling costs, reducing waste and improving procurement processes have been fundamental to our cost efficiencies delivery, enabling reinvestment in service improvements (even if this results in cost increases in some service areas) in response to tenant feedback.

Some of the measures implemented in order to deliver efficiencies include the empowerment of staff to challenge inefficiency, service reviews, restructure of services without eroding quality, negotiating less than inflation cost increases, zero-based budgeting and eradicating non-Corporate Theme related expenditure.

Whilst delivering operating cost efficiencies and controlling operating costs on an ongoing basis, this review reiterates the need to rigorously control operating costs.



#### 2.4.5 **Linking Supplier Price Increases to CPI**

From 2015/16 financial year, the rent setting framework determined that RPs could increase rents by the Consumer Price Index (CPI), prevailing at the September preceding the financial year, plus 1% for up to 10 years, rather than increases being linked to the traditionally higher RPI.

bdht's suppliers' contracts have traditionally incorporated cost increases which have been linked to RPI. Therefore, in order to prevent expenditure growing at a faster rate than rents, bdht successfully negotiated contractual increases linked to CPI or zero price increases for 2015/16 with many of its suppliers.

The Government's 2015 Summer Budget subsequently suspended the 10-year rent setting framework from 2016/17 onwards, replacing it with a 1% decrease in rents for each of the next 4 years. The Trust's plans to mitigate the significant adverse impact of this change are summarised in 3.0 Plans for 2015/16 and Beyond.

### 2.5 **Benchmarking**

2.5.1 The Trust has utilised HouseMark services to benchmark the cost and quality of its services with other participating registered providers since 2005.

2.5.2 It is essential that we compare performance with peer organisations operating in a similar environment. The peer group used for this benchmarking process is for those LSVTs within the Central England benchmarking group holding between 2,500 and 7,500 stock units.

#### 2.5.3 **Housemark VfM Scorecard**

2.5.4 Benchmarking results are not available for 2014/15. For 2013/14 HouseMark has produced a VfM Scorecard. The HouseMark scorecard presents the results for a variety of indicators in the form of a balanced scorecard.

#### 2.5.5 **VfM Scorecard for bdht 2013/14**

The results below have been presented to the Tenants' Panel, Performance Review Committee (PRC) and reviewed in detail, by the VfM TPEG. The TPEG was specifically established to review and challenge VfM performance in a series of meetings; each meeting being devoted to a specific area.



# Value for money scorecard



## Bromsgrove District Housing Trust 2013-14

### Performance score 32

#### Process

	Value	Previous	Trend	Median	Diff
Rent collected as % of rent due	99.9%	99.7%	↑	99.4%	↑
Service charges collected as a % of service charges due	NoData	NoData		104.0%	
Average re-let time	28.29	15.30	↓	28.75	→
Repairs completed at the first visit %	98.2%	96.1%	↑	93.5%	↑

### Improvement score 20

#### Value

	Value	Previous	Trend	Median	Diff
Satisfaction with the quality of new home %	100.0%	100.0%	→	97.3%	↑
Satisfaction with the service provided %	92.0%	85.0%	↑	88.0%	↑
Satisfaction with repairs and maintenance %	89.0%	82.0%	↑	84.1%	↑
Satisfaction with neighbourhood %	85.5%	87.0%	↓	88.0%	→
Satisfaction that rent provides value for money %	83.7%	85.0%	→	83.7%	→
Satisfaction that service charges provide value for money %	NoData	72.0%		73.1%	

#### People

	Value	Previous	Trend	Median	Diff
Staff satisfied with organisation as an employer %	100.0%	100.0%	→	92.0%	↑
Sickness absence average days lost per employee	4.9	3.6	↓	7.5	↑
Staff turnover in the year %	2.2%	3.8%	→	13.4%	↑

#### Business Health

	Value	Previous	Trend	Median	Diff
Growth in turnover	9.0%	5.5%	↑	5.8%	↑
Operating margin	32.6%	27.3%	↑	30.1%	↑
Adjusted Turnover Overheads Costs %	12.6%	14.2%	↑	11.7%	→
Total CPP of Housing Management	£332.66	£358.32	→	£407.64	↓
Total CPP of Major Works & Cyclical Maintenance	£840.20	£1,227.56	↓	£1,663.18	↓
Total CPP of Responsive Repairs & Void Works	£963.41	£974.99	→	£768.97	↑
Total CPP of Overheads	£126.52	£143.92	→	£162.71	→
Current tenant arrears as % of rent due	1.51%	1.63%	→	2.15%	→
Rent loss due to voids as % of rent due	0.99%	0.71%	→	1.33%	→
Gross arrears written off as % of rent due	0.22%	0.38%	→	0.44%	→

#### Trend Indicators and Improvement Score

These represent your improvement in comparison to your peer group's improvement.

#### Performance Indicators and Performance Score

These represent your performance in comparison to your peer group's performance.

2.5.6 The Performance and Improvement scores indicate that bdht's performance remains generally favourable with both performance for the year and its rate of improvement of performance exceeding that of the peer group median.

### 2.5.7 Analysis of HouseMark Results

It is necessary to review the KPIs within these scores as overall positive performance can obscure less positive performance in specific areas. The main highlights are detailed below.

- **Growth in Turnover** illustrates a performance significantly better than both the median (**upper quartile**) and peer group improvement rate. **Operating Margin** demonstrates performance that is significantly better than the median.
- **Overall Housing Management TCPP** is significantly better than the median (top quartile) and is showing greater improvement than the peer group.
- **Rent arrears TCPP of £125.54 (2012/13:£97.72)**. This significant increase in costs is a reflection of the decision to set up a Financial Inclusion Team (FIT), to mitigate the adverse impact, on bdht and its tenants of welfare reform. The increase in costs should be viewed in the context of excellent arrears management performance below:

<b>Rent Arrears &amp; Collection Performance Indicators</b>				
<b>Indicator</b>	<b>2012/13</b>	<b>2013/14</b>	<b>Median 2013/14</b>	<b>Quartile</b>
Rent collected as % of rent due	99.7%	99.9%	99.4%	Middle Upper
Current Tenant Arrears %	1.63%	1.51%	2.15%	Upper
Former Tenant Arrears %	0.61%	0.59%	0.89%	Upper
Write Offs%	0.38%	0.22%	0.44%	Upper

- **Tenancy Management TCPP** of £62.31 (2012/13:£68.64) maintained **top quartile** performance whilst **overall tenant satisfaction** improved significantly to 92% (**top quartile**) from 85%.
- **Resident Involvement TCPP** of £28.30 (2012/13:£33.82) places bdht in the **top quartile** whilst **satisfaction with views taken into account** of 73.8% (**middle upper quartile**) illustrates good performance.
- **Major Works and Cyclical Maintenance TCPP** and **Decent Homes Standard performance** (0% failure), is **top quartile** with **median position** as regards **tenant satisfaction with overall quality of home** and **SAP Ratings** being **upper quartile**.

There were a number of areas where performance was unfavourable compared to the peer group:

- **Lettings TCPP** £78.01 moves bdht from lower to **middle lower quartile**. However, **re-let time (days)** increased to 28 in 2013/14 (2012/13:15) which means bdht falls from upper to **middle upper quartile**. In 2014/15 the re-let period fell to 17 days.
- **Responsive Repairs and Voids TCPP** is significantly worse than the median. This cost performance should be viewed in the context of **upper quartile satisfaction with repairs and maintenance of 89% (2012/13:82%)**.
- **Responsive Repairs TCPP** of £665.66 was still lower quartile but tenant satisfaction increased significantly.

A review of type and number of repairs per type of property concluded that recently void properties generated relatively more repairs. The void standard was

consequently amended to address this. The impact is being monitored via a KPI comparing repairs per property in the 3 months post void with the average number of repairs per property over the same period.

- **Void Repairs** average costs generated reduced to £2,340 (**second quartile**), **2012/13 third quartile**

Whilst successfully investing resources to improve tenants' satisfaction with the repairs service, it appears that a number of other organisations have generated similar levels of satisfaction at lower costs. Therefore, visits to lower cost peers are planned to establish if improvements can be made.

- **Estate Services** bdht remains in **the bottom quartile** for cost. The quality of grounds maintenance services was highlighted to be of significant importance by tenants during the 2004 stock transfer consultation process. Hence, bdht maintains a much higher specification than that operated by the council. Despite this high specification, **satisfaction with neighbourhood of 85.5%** places bdht in the **lower middle quartile**. Quarterly areas focus groups have been established to address this. Issues will be explored further via specific questions in the next STAR survey.
- **Overhead Costs as % of Turnover** are reducing at a faster rate than the peer group. Overhead costs as percentage of adjusted turnover places bdht in the lower middle quartile. Generally, organisations with larger turnovers will have lower percentage of turnover absorbed by overheads. To put this into context bdht's turnover was 25<sup>th</sup> out of 30 in the peer group. Whilst support team structures are considered to be lean, reviews of team structures are conducted regularly, particularly when vacancies arise.
- **Overall Satisfaction with bdht 92% (2012/13: 85%)** has increased significantly and represents one of the highest rates in the peer group. **Staff Satisfaction, Turnover and Sickness** performance (**upper quartile**) is excellent compared to the peer group. **Satisfaction with quality of new home 100%**, which is better than the median. **Satisfaction that rent provides value for money** falls slightly from **85% to 83.7%**. This still places bdht at around median performance in the middle upper quartile.

#### 2.5.8 Conclusions on Benchmarking Performance

The Trust's performance, relative to the peer group is generally good but there is scope for exploring improvement with managers and high performing peers in a small number of areas.

### 2.6 The Value of People

2.6.1 VfM performance is driven by bdht's relationship with its staff and customers and how they interact together to attain continuous service improvements.

#### 2.6.2 Customers

Tenants continue to provide valuable input into improving VfM outcomes in a number of ways which include:

- Mystery shopping of different service areas so that each service is “shopped” at least once a year;
- Inspectors in various areas such as cleaning and grounds maintenance;
- An in-house review of the current external cleaning contact with Boxer Cleaner Services Limited was conducted in 2015 with the full involvement of the Cleaning TPEG. The tender process will commence in September 2015;
- Involvement in the latest major improvements works procurement processes;
- Providing customer perspective and feedback in service area focus meetings.
- Specifically, enlisting the input of new tenants to focus groups to understand their service priorities;
- Strengthening tenants’ input, challenge and perspective of VfM through the TPEG.

### 2.6.3 **Staff**

The delivery of excellent customer service at bdht is fundamentally dependent upon the organisations greatest resource; its staff. Staff motivation and engagement are imperative to effective service delivery.

Accordingly bdht has continued to invest in both employee specific training through corporate sponsorship and company-wide training for managers and staff that promotes a consistent approach to customer service. A number of wellbeing events are organised and staff are given opportunities to “give back” by participating in community days and enhancing engagement with residents. As a result of participation in the Sunday Times 100 Best Not-for-Profit Organisations process since 2011 bdht has enhanced its understanding of staff satisfaction and the pivotal role that they fulfil in business improvement. This has culminated in not only achieving 4<sup>th</sup> and 5<sup>th</sup> place in 2014 and 2015 respectively but also excellent HouseMark staff satisfaction, sickness and staff turnover results.

This on-going investment in staff is integral to driving staff satisfaction and ultimately customer satisfaction. An environment where employees are empowered to excel and care for the customers is conducive to improved customer service.

### 2.7 **Balanced Scorecard**

This VfM assessment demonstrates excellent performance in terms of generating cost savings and efficiency gains however, VfM is essentially a balance of cost, quality and performance; not solely a focus on cost. Therefore, Board assessment of performance, as well as cost, is essential.

The PRC review a number of strategic KPIs, presented within a Balanced Scorecard (BSC) on a quarterly basis. The BSC measures delivery of bdht’s 5 Corporate Themes. Performance at 31<sup>st</sup> March 2015 is summarised below:

<b>G</b>	Performance has met target	12		60%
<b>R</b>	Year- end target not achieved	8		40%

Whilst efficiency savings have been made performance has generally remained positive. Where performance has failed to meet target bdht has implemented action plans to improve performance.

## 2.8 **Asset Management**

### 2.8.1 **Strategic Context**

The Trust recognises the significance of its asset base for the health and financial sustainability of the business. Proactive asset management can contribute considerably to the financial capacity and success in delivering the Board's priorities such as increasing customer satisfaction and providing more homes. Much of this is set out in the approved Asset Management Strategy and related documents.

### 2.8.2 **Our Assets**

As at 31<sup>st</sup> March 2015 bdht owned 3,425 homes in Bromsgrove and the surrounding areas analysed as follows:

<b>Tenure</b>	<b>General Needs</b>	<b>Sheltered Housing</b>	<b>Total</b>
Rent	2,450	895	3,345
Shared Ownership	69	11	80
<b>Total</b>	<b>2,519</b>	<b>906</b>	<b>3,425</b>

Our homes are maintained primarily by in-house teams covering repairs, gas heating breakdowns and voids. Tenants have made it clear that they prefer bdht operatives to contractors as bdht staff display higher levels of customer care.

### 2.8.3 **Understanding the Value of our Assets**

Once a year the Trust's assets are valued by JLL, external consultants, and the results as at March 2015 are shown below:

#### **Value of Assets as at March 2015**

<b>Asset</b>	<b>Number</b>	<b>Value</b>	
		<b>EUV-SH</b>	<b>Vacant Possession</b>
Houses/Flats	3,425	£120.2m	£431.0m
Garages	1,150	£2.0m	£2.7m

As part of this valuation exercise, a NPV, which is positive for all units, is calculated for each property.

### 2.8.4 **Return on Assets**

bdht's understanding of the return on its assets and therefore the need for a strategy that optimises the future return is essential to supporting the growth in overall housing numbers in accordance with the Board's Housing Solutions Corporate Theme. With the falling levels of grant it is essential we make the most of our internal capacity.

The Trust uses an in-house Workbook tool which quantifies the return on assets by property type and by geographical area. It identifies a NPV and rent yield and from this we are able to determine the optimum properties to retain or dispose as they become void. The workbook highlights information such as original purchase price per property type, current

open market value, and annual average capital investment per property, void costs, maintenance costs and management costs per annum.

The methodology provides bdht with an indication of the optimal properties to dispose of or retain. It also demonstrates bdht's understanding of property stock returns and that it has a strategy that optimises the future returns on assets.

As properties become void the following actions are undertaken:

- A full individual financial appraisal;
- Consultation within bdht is carried out with the Housing Needs/ Allocations teams to ensure that properties considered for disposal are subject to a full needs impact assessment.

#### 2.8.5 **Asset Disposal and Reinvestment**

As part of an asset disposal strategy, the Board has approved an initial disposal programme of 30 properties over the period 2012/17. Using the Workbook tool we dispose of, on the open market, vacant properties which do not represent economic value to retain and have low rent yields. A £4 million capital receipts target has been set and this is to be applied in support of the Trust's development pipeline. To date 11 properties have been sold, producing £2.2m net receipts which have been applied in part to support HCA affordable homes programmes (2011/15 and 2013/16 rounds) of 99 new homes in Bromsgrove.

In this way bdht has a clear understanding of its stock and which it intends to dispose of when returned to us as a void property.

#### 2.8.6 **Development**

Development remains challenging due to the lack of brown-field sites in the Bromsgrove area and a difficult planning environment. Nevertheless development remains a key priority for bdht and performance in year is summarised as follows:

- 73 new or acquired properties completed in 2014/15 with approximately 100 more commenced on site;
- Secured approximately £1 million grant from the HCA towards the cost of schemes;
- In response to local demand and the impact of under-occupation regulations we have continued to develop 1 and 2 bedroom properties wherever possible.

#### 2.8.7 **Improvements in Housing Stock & Repairs Services**

To underpin the approach of maintaining the quality of our homes to above the decent homes standard (DHS), we have a 30-year funded investment programme informed by a Stock Condition System (Pocket Survey). The integrity of the stock condition data is maintained by the use of external sample reviews. The latest 5-year review identified an improvements programme of approximately £20 million.

During 2014/15 approximately £3 million was invested in the existing housing stock with 1,018 properties benefitting. Of this approximately £0.5 million was spent on an affordable warmth programme seeking to provide better energy efficiency and lower fuel bills for tenants. Annual savings per tenant are estimated at approximately £300 depending on the size of property.

### 2.8.8 **Garage Sites**

The Trust has 1,150 garages across 80 sites of which 34% remain void. The majority of the garages are not linked to properties and of those let more than 50% are to people who are not bdht tenants.

With this background a review of garage sites was carried out in 2011 to ascertain demand, potential return on investment if sites were improved and development opportunity for new homes. This work has allowed us to identify a “retain or dispose” approach for each garage site.

During 2014/15 in respect of those garage sites identified for disposal, 5 have been developed providing 24 new homes.

### 2.8.9 **Future-Proofing our Assets**

During 2014 we commenced a review of the suitability and popularity of bdht’s stock in order to produce a future-proofing asset strategy. The review was aimed at protecting and maintaining bdht’s income stream by meeting current and future customer demographics and home choices.

The initial report concluded in March 2015 and brings together the results of the review into the sustainability of the current bdht housing stock and makes recommendations for change based upon an evaluation of the stock profile, turnover, demand (current and future) and the reasons certain units of stock are refused more often than others.

The key recommendations are:

- Consider the conversion of less popular three bedroom maisonettes to meet the greater demand for one bedroom flats;
- Consider conversion of flats at The Innage/Simms Lane to general needs;
- The frequency of communal refurbishment be increased to recognise stock with higher rates of turnover;
- That the sheltered market be segmented and schemes be refurbished (where necessary) to attract the relevant market segment;
- Studio flats at Lowes Court and Willow Court be reconfigured based on the relevant identified market segment;
- Convert some sheltered flats at Stoke Prior (for example blocks at Ryefields Road) to general needs to balance housing supply and meet housing need.

An Action Plan is being developed to implement these recommendations in 2016.

### 2.9 **Review of New Services for Most Vulnerable Tenants**

2.9.1 Reviews of new services that were established to meet the needs of our most vulnerable customers and how the services are valued by tenants show positive feedback.

2.9.2 In particular the Tenancy Sustainment service was introduced to assist tenants with moving into new homes and maintaining tenancies. In 2013/14, 14% of new tenancies failed within the first 12 months. These high levels of stock turnover increase void costs. The introduction of this intense tenancy management, supplemented by a furnished tenancy pilot scheme, generated a stock turnover reduction from 11% to 8% and reduction in tenancy terminations



of 81 compared to 2013/14. This equates to the avoiding of costs/losses equating to £180,000.

2.9.3 The Sunrise Project is an initial 3-year project to form integrated agency partnerships to support vulnerable people/families to a better quality, sustainable future, with the focus being on complex customers with repeat, reactive needs. Bdht has received 60 referrals during the year with 82% of outcomes where the client feels they have progressed, with all 4 of those leaving the service meeting their outcomes. Whilst feedback from customers and partner agencies is excellent, the County Council is currently trying to identify a data analyst in order to evidence the value of the project through cost/benefit analysis

## 2.10 **Social Value**

Providing social value is intrinsic to bdht's wider role within the community and the mission statement of "Building Excellent Communities with Passion and Pride". Specific areas where bdht contributes social value are:

### 2.10.1 **Mitigating Impacts of Welfare Reform**

We have continued to identify and work with those adversely affected by reforms with the aim of reducing the impact on both the tenant and our income streams. Up to 31<sup>st</sup> March 2015, 65 households had been assisted in moving to smaller properties. A Hardship Fund continues to be available by those adversely affected.

### 2.10.2 **Procurement and Associated Employment and Training**

As part of its procurement of home improvements and maintenance contracts, bdht negotiates agreement from contractors to provide employment and training opportunities for local people. Development programmes seek to provide training/work placements for 1 person for every £1m spent. The past twelve months has seen a total of 4 apprentices employed on site and 2 six week work experience placements. Contractors at Rubery Youth Centre site have employed a number of local contractors and arranged purchasing agreements with two immediately local suppliers. Grounds maintenance contracts dictate that one apprentice and at least 30% of labour should be sourced from the local area by our contractor. These actions together with the renting of Bromsgrove based facilities both supports the local economy and reduces the environmental impact on the area.

### 2.10.3 **Employment Opportunities provided directly by bdht**

The Trust continues to provide work opportunities for those residing locally who have been subject to long-term unemployment. In addition to opportunities provided in previous years the following are examples of opportunities provided in 2014/15:

- As part of its commitment to supporting and developing NEETs bdht has created two permanent positions for NEETs;
- 1 Housing Trainee position has been provided.

### 2.10.4 **Social Enterprise**

The Trust operates a social enterprise within the Charford Area of Bromsgrove called Starlight Café and Community Centre, which has become a vibrant hub for the most vulnerable members of our community providing employment, training, learning and social interaction opportunities. With a combination of self-generated income, Local Strategic

Partnership (LSP) and contractor funding the centre breaks even. The many initiatives and outcomes included:

- The Aspire Programme for NEETS and the volunteering programme has supported 17 people to obtain employments and work experience, 7 people securing employment. 12 people have been supported into education or training;
- The 'Pathways to Recovery' which operates at the community centre supports 10 individuals who are recovering from substance addiction;
- In conjunction with HOW College bdht operate two basic IT classes at level 1 and 2 for 10 individuals;
- Rainbow Autism provides social inclusion and life skills development for 28 people;
- In total 212 people regular use the centre on a weekly basis, excluding drop in custom, with 26 people attending for monthly programmes.

#### 2.10.5 **Homelessness Prevention**

bdht manages a homeless prevention service on behalf of Bromsgrove District Council. During 2014/15, 65 households were prevented from becoming homeless, through provision of accommodation or by provision of advice, assistance and support. The benefits of homelessness prevention to the individual include improved health, self-esteem, maintaining employment and sustaining relationships. Numerous studies have indicated that the cost of homelessness to public bodies is between £24,000 and £30,000 per case.

#### 2.10.6 **Living Wage Employer Accreditation**

The Trust has been working to introduce the Living Wage both within its procurement activities and that of the wider membership of the Bromsgrove Partnership. All of bdht's main contractors and suppliers, as defined by volume of business have positively confirmed that they meet the requirement of the Living Wage. Bdht itself fully complies with the Living Wage requirements. Whilst compliance has slightly increased wage costs implementing a Living Wage policy has benefits for the individual's family, business and society. Independent studies examining the impact of such a policy shows that more than 80% of employers believe quality of work is enhanced, whilst absenteeism fell by approximately 25%, with 50% employees feeling more willing to implement change.

#### 2.11 **ICT Investment**

bdht recognises the potential for improved business effectiveness, and therefore positive impact on VfM performance, by investing in appropriate, fit for purpose systems. Accordingly over the last year the ICT Strategy has continued to drive the improvement in systems highlighted in last year's assessment.

- Upgrades in hardware and software ensure that the bdht network system is accessible from any computer with Citrix Receiver software. This enables all staff to work remotely
- The Community Repairs Team and Support Officers access their appointments, emails and the intranet using handheld devices reducing travelling time;
- In pursuit of further operational activities, the ICT has expanded the use of Virtual Boardroom electronic papers that were introduced last year, to the Tenant Panel. In addition to annual savings of around £10,000 this has led to improved information sharing and governance;
- The new Housing Management System project, with implementation set for April 2016 will generate savings in staff time and maintenance costs.

## 2.12 Treasury Management

The Trust's approved Treasury Management Policy contains a commitment to the pursuit of best value in its treasury management activities and to the use of performance methodology in support of that aim. The table below shows the Business Plan targets and actual performance for treasury activities in 2014/15.

### Treasury Performance in 2014/15

Activities	2014/15 Target	2014/15 Actual	Target Achieved?	2014/15 VFM Gain
Returns on Surplus Cash	£84,000	£61,000	No	(£23,000)
Weighted Average Interest Rate Paid on Drawn Debt	4.19%	3.1%	Yes	£608,000
Debt to be Drawn Down in Year	Nil	Nil	Yes	n/a
Loan to Asset Cover	100%	172%	Yes	n/a

The treasury management function has provided value in the support of the Trust's stated business objectives during 2014/15 in respect of:

- Housing Solutions – 73 new homes were completed or acquired during the year;
- Service Excellence – 1,018 tenants had home improvements during the year in support of maintaining the Decent Homes Standard (plus);
- Refinancing the Business – The refinancing exercise commenced during the year, completing on 23<sup>rd</sup> April 2015.

## 2.13 Conclusions on VfM Performance in 2014/15

bdht's overall VfM performance has been positive. This is demonstrated in its performance against measures such as efficiency targets, operating cost efficiencies, benchmarking and internal monitoring through KPIs.

- Building on previous efficiency savings, the target of 1.5% was achieved with these and previous savings being reinvested in improved front line services;
- Real terms operating cost efficiencies achieved over a number of years;
- An engaged, satisfied workforce continue to drive customer satisfaction with overall customer satisfaction increased from 85% to 92%;
- Satisfaction with repairs and maintenance enhanced from 82% to 89%;
- Enhancement of services that add value for our most vulnerable customers;
- 73 new or acquired properties completed, with approximately 100 more commenced on site, £1m grant secured from HCA towards scheme costs.
- In response to local demand, continued development of 1 and 2 bedroom properties;
- Further strengthening of tenant review and challenge of VfM performance through TPEGs;
- Enhanced understanding of return on and future proofing of housing assets;

- Generally positive benchmarking performance.

Areas for further review and potential improvement include;

- High cost of repairs services and arrears management compared to the peer group;
- Despite applying a high specification for grounds maintenance services, and incurring high costs relative to the peer group, satisfaction with the neighbourhood is low compared to the peer group.
- A real terms operating cost per unit increase in 2014/15. However, this is explainable due to one off necessary cost which in most cases will generate future savings.

### **3.0 Plans for 2015/16 and Beyond**

The VfM culture that bdht has embedded provides a strong foundation for future VfM improvements in support of its Corporate Themes. However, there are areas for improvement. The main plans are:

- Target of 1.5 % cost efficiency gains in 2015/16;
- Measures to further control costs, including negotiating cost increase no greater than CPI, have been strengthened in response to the 1% rent decreases for each of the 4 years from 2016/17. bdht immediately began to review its 30 year Business Plan and to develop a mitigating strategy. Part of this involves further cost savings, and a comprehensive review of contractual commitments, without compromising front-line services and the target of 95% customer satisfaction by 2017;
- Delivering 101 new homes in 2015/16 funded by a combination of borrowings, asset sales receipts and SHG. £9.43m to be invested in the Affordable Homes Programme with increased funding capacity from refinancing;
- Respond to local demographics, local demand and the impact of under-occupancy regulations by continuing to develop 1 and 2 bedroom properties where practicable;
- A further £3.56m to be invested in capital works improvements to existing properties in 2015/16;
- Deliver the Action Plan following the review of the popularity and suitability of bdht's stock as part of a future proofed asset strategy to protect future income streams;
- Further measures implemented to increase the number of repairs undertaken internally such as internalising the roofing service;
- A new integrated Housing Management System (HMS) teams saving staff time and reducing annual maintenance costs by £56,000;
- Introduction of Proform so that repairs operatives can download information directly onto the new HMS thus further reducing time and, paperwork;
- Continued review of resident involvement in governance, including the training and mentoring of Tenant Panel members to develop necessary skills to challenge and to become effective Board members;
- Continue with a comprehensive welfare reform mitigation strategy;
- Promoting digital inclusion by enhancing internet access opportunities for tenants and the wider community. This is particularly important in relation to online applications for Universal Credit;
- Further support residents into education, training, volunteering and employment;
- Visits by managers to, and sharing of good practise with, peer organisations from the benchmarking exercise who perform better than bdht cost wise in areas such as repairs

- Strengthening the focus of the VfM TPEG on a number of specific areas;
- Implementation of SDS Stock Profiler to further enhance the management of housing assets.

#### **4.0 The Boards Assurance of the VfM Assessment**

Much of the information within this self-assessment has been reviewed, and assurance gained on 2014/15 VFM performance, via the presentation of separate reports to Board, its delegated committees and the Tenant Panel throughout 2014/15. This has culminated in this VfM self-assessment which has been reviewed at the various stages by the TPEG, Compliance Committee and Board.

If there is anything in relation to this VfM Self-Assessment which you do not understand or if you would like to discuss the contents with the author, please do not hesitate to make contact as follows:-

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