

VALUE FOR MONEY SELF-ASSESSMENT 2016/17

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VALUE for MONEY (VfM) SELF-ASSESSMENT 2016/17

1.0 Strategic Overview

1.1 Role of Board

The Board has a strong commitment to delivering VfM, seeking an appropriate balance between cost, performance, quality and ultimately customer satisfaction. The Board considers VfM to be critical to achieving its Corporate Themes, which are detailed in the updated 2017-20 Corporate Improvement Plan (CIP) and are summarised as Service Excellence, Neighbourhoods and Communities, Governance, Housing Solutions and Business Sustainability.

VfM activities specifically support the Board's overarching objective of achieving 95% customer satisfaction, which is the central part of its Service Excellence theme, by driving performance improvement.

The Board has a "hands on" role in developing the VfM strategy, reviewing the published self-assessment and ensuring it gains an understanding of its operating costs and returns on assets. It appraises VfM performance throughout the year and quarterly performance reports are scrutinised by the Compliance Committee with its Chair reporting through to Board on the key areas of performance.

1.2 VfM Strategy and Framework

The VfM Strategy and Framework incorporates planning and financial management (including zero-based budgeting, delegated budget responsibility, monthly budget monitoring reports), performance management (including benchmarking), satisfaction surveys, mystery shopping, tenant involvement in procurement, return on assets and the shaping the future strategy. The detailed VfM strategy can be obtained from andrew.coley@bdht.co.uk.

1.3 Review of VfM Approach

At bdht VfM is embedded in our day-to-day activities and we have adopted a dynamic approach to managing resources and generating cost efficiencies in order to provide investment in much needed new affordable homes.

In recognition of the new operating environment, especially the introduction of the -1% rent reductions for 4 years from April 2016, it has been necessary to adjust our VfM approach. Our new approach retains many of the original aspects such as cost-control and ensuring the focus is always on value of services for tenants measured through customer satisfaction ratings. However, the new approach recognises that in order to deliver on the Board's target of achieving 95% customer satisfaction by 2017, this will involve doing "more for less".

The Board's mitigating strategy includes a measured cost reductions programme for each of the 4 years of rent reductions and the Business Plan has been revised accordingly. In order to achieve this the Senior Management Group has established an Efficiency and Effectiveness (EE) Plan containing a number of high-level projects which are aimed at taking bdht to the next stage in the VfM journey. The high-level projects prioritised for 2017/18 onwards are:-

- Capture business efficiencies following the implementation of new integrated housing management system (QL);
- Roll-out of digital delivery of appropriate services including I Housing;
- Identify and monitor cost savings;
- Implement Shaping the Future to drive efficiencies;

- Reduce volume of day-to-day repairs through improved processes as recommended by the Tenant Panel;
- Review all third-party contracts of a material value where expiring.

1.4 **Key Delivery Areas in 2016/17**

In 2016/17 the key areas for VfM delivery included:

- The achievement of the 2% (£200,000) cost savings target whilst maintaining robust financial foundations as demonstrated by a 35% operating margin;
- Aggregate savings have been identified which meet the revised cost savings target of £300,000 for 2017/18 without compromising front-line services although, with the likelihood of further cost pressures, this continues to be monitored;
- Real terms operating cost efficiencies per unit achieved and continued favourable performance compared to the sector's social housing cost per unit for 2015/16
- The development of the Shaping the Future strategy designed to reshape customer services, streamline internal processes and secure efficiencies;
- Review of the central materials contract arrangements by our internal auditors which gave substantial assurance;
- Implementation of the integrated Housing Management System which streamlines tasks;
- Retendering of the grounds maintenance contract for 10 years securing gross annual savings of around £70,000. Once the impact on service charges are accounted for this equates to net annual savings of £38,000 from 2017/18 onwards;
- The updated Major Commercial Contracts Register, providing improved information regarding contractual commitments is reported to the EMT on a quarterly basis. All major third party contractual obligations have been reviewed;
- Comprehensive review of future proofing of bdht's stock has been completed concluding there are no difficult to let properties. 89% of all properties now have a recent stock condition survey. The Introduction of stock profiler software has enhanced our understanding of our assets;
- Investment in the new Affordable Homes Programme of approximately £7m equating to 91 new properties, with £1 million grant secured from the Homes and Communities Agency (HCA) towards the cost of schemes, acquisition of 46 market rent properties at a cost of just over £5m, 1 buy back of a former council property and major improvements to existing properties of £2.3m. These 138 units, equating to a total cost of around £12m, represents bdht's best year, since its inception, in terms of delivered units;
- The recommendations of the TPEG review of the Responsive Repairs service began to be implemented during the year;
- We have continued with our welfare reform mitigation strategy and supporting tenants into education, training and employment. This approach has been strengthened by the appointment of grant funded job coaches, the full impact of which will take effect in 2017/18 and the formation of a Driving Futures team at no additional cost.

1.5 **Approval Process**

The 2016/17 VfM Self-Assessment was approved by Compliance Committee on 14th June 2017, and Board on 10th July 2017. It will be presented to the HCA as part of the regulatory requirement. It is **publicly available from the bdht website** as follows:

<http://www.bdht.co.uk/about-bdht/our-performance/value-for-money/>

2.0 Assessment of Performance in 2016/17

2.1 Introduction

Our self-assessment demonstrates how the embedding of VfM into our strategic and day-to-day work supports bdht's Corporate Themes, the needs of its stakeholders and the HCA VfM Standard. It illustrates our understanding of our resources and assets and how we manage them in pursuit of our objectives.

Effective cost control has maintained strong financial performance in the form of operating margins and surpluses which have been utilised to reinvest in new homes, improving existing stock and customer services and adding value to the communities within which bdht operates. However, it also highlights areas for improvement and how we are planning to improve. The assessment consists of the following elements:

- VfM Performance Targets;
- Cost Reduction Programme Targets;
- Operating Cost Efficiencies 2014/15 -2016/17;
- Benchmarking – HCA Variation Analysis;
- Benchmarking – HouseMark;
- Performance and Satisfaction;
- The Value of a Great Team;
- Making the Most of Our Assets;
- The Value of Technology;
- Effective Treasury Management;
- Adding Social and Environmental Value.

Many of these elements have formed the basis of reports to the Board, its delegated committees and the Tenant Panel as part of the ongoing assessment of performance throughout the year.

2.2 VfM Performance Targets for 2016/17

These simple and high level set of targets are monitored over a period of time. Any significant variation prompts further investigation and improvement actions where appropriate. The position for 2016/17 together with the results for 2012/13 to 2015/16, to show the direction of travel, is summarised below. 2011/12 and prior years have been reported previously.

VfM Performance Targets Position for 2016/17

Performance Measure	2016/17 Budget	2016/17 Actual	Variance	2015/16 Actual	2014/15 Actual	2013/14 Actual	2012/13 Actual
1. Operating Margin							
Operating Surplus	£5.45m	£7.61m	£2.04m	£6.70m	£6.03m	£5.60m	£5.0m
Operating Margin	26%	35%	9%	34%	33%	32%	31%
2. Operating Costs							
Per Property Per Week	£67	£61	£6	£63	£63	£61	£60
As a % of Turnover	62%	56%	6%	62%	64%	64%	67%
3. Per Employee Targets							
Properties Per Employee	28	30	2	28	28	29	28
Turnover per employee	£158k	£173k	£15k	£147K	£146K	£142K	£130K

4. Responsive Repairs - CRT							
Number of Repairs per Property	3.00	2.90	0.1	3.07	2.94	2.8	2.7
Average Cost per Repair	£97	£104	(£7)	£98	£100	£99	£91
5. Void Repairs							
Average Cost per Void	£2,300	£2,243	£57	£2,013	£2,388	£1,955	£2,219
Voids during year as a % of stock	10%	7.6%	2.4%	9.6%	8.1%	10.7%	8.9%

Operating Margin:

This represents a useful headline indicator of financial performance. Operating surplus and margin significantly surpassed the target for 2016/17 which is partly attributable to operating costs for many budget headings being lower than budget. The margin also includes a surplus on 1st tranche shared ownership sales of £0.924m although it should be emphasised that, even without this contribution to the surplus, operating surplus would still have exceeded the target by £1.1m.

Operating surplus has progressively increased over the period from 2011/12 to 2015/16 (and also prior to this period) as turnover has increased at a greater rate than operating costs. Although HouseMark results are not available for 2016/17, figures for 2015/16 show second quartile performance.

Healthy operating surpluses and margins have been a consistent source of financial capacity that has facilitated reinvestment in support of bdht's corporate objectives and specifically its objective of business sustainability. This reinvestment has included the internalisation of repairs services, in response to customer feedback, and additional home improvements. Furthermore, whilst additional loan funding has been secured over a number of years, these surpluses have ensured that bdht is not solely dependent on debt funding to fund its developments and achieve its stated objective of providing affordable housing solutions.

The surplus and margin for 2016/17 is indicative of the balanced approach that the Board approved in its strategic response to the 1% rent reductions and further welfare reforms. Whilst cost reductions are an integral part of this strategy, the Board's strategy is not solely dependent on cost reduction; by continuing to undertake development bdht has continued to enhance its rental income streams

Operating Costs:

Operating costs per property are slightly lower than the previous year whilst actual performance for 2016/17 was significantly better than target. Operating costs as a percentage of turnover illustrates a performance better than both target and previous years as a consequence of continued cost control across the business. It should be noted that the operating costs per property and operating costs as a percentage of turnover measures exclude shared ownership first tranche cost of sales.

Per Employee Targets:

Turnover per employee is significantly in excess of both the target for 2016/17, and the actual figure for 2015/16. This is attributable to a combination of an increase in turnover and a reduction in FTEs as at 31st March 2017. The overall positive variance in turnover of £0.904m, compared to budget, is comprised of £0.536m relating to shared 1st tranche sales and £0.368m which relates to rental income, property service charges and other miscellaneous income. Furthermore, FTEs have

reduced from 132 as at 31st March 2016 to 126 as at 31st March 2017. Table 2 demonstrates that, due to the successful delivery of new housing schemes, turnover per employee has grown over a number of years. The figure stabilised between 2014/15 and 2015/16 as bdht has continued to internalise repair services, leading to an increase in FTEs, which in turn has enhanced customer satisfaction over a number of years.

Properties per employee are in excess of both the target for 2016/17 and the figure for 2015/16. This is due to a combination of an increase in housing units and a reduction in FTEs.

Responsive Repairs – CRT (Internal Team)

The average cost per repair for 2016/17 is in excess of both target for 2016/17 and actual figure for 2015/16. However, analysis of the CRT Trading Account indicates that, whilst expenditure is broadly consistent with 2015/16, the number of repairs over which expenditure is allocated has reduced from 10,264 in 2015/16 to 9,714 in 2016/17. 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, the CRT now undertake 98% of all responsive repairs. Furthermore, the internal roofing service which was established in September 2015, was expanded towards the end of the financial year to provide capacity to undertaken capital as well as revenue works;
- Increase in satisfaction with repairs and maintenance service from 82% to 89% within the last STAR Survey. Furthermore, transactional surveys undertaken by bdht, of tenants who had experience of the repairs service, indicated 98.69% of such tenants were satisfied with the repair service. These surveys also generated an exceptionally high net promoter score of +84 (2016: +62 which compares favourably with the very best private sector companies;
- Subsequent to the introduction of a central materials purchasing contract with Travis Perkins in 2012, time on site has improved in line with a reduction in travelling time. The contract with Travis Perkins has also reduced back office time as a consequence of consolidated invoices, provided enhanced analytical tools regarding expenditure trends and maintained price stability;
- Subsequent to an analysis of basket of goods, strategic meetings were held with Travis Perkins with the aim of ensuring best value on price by substituting some non-badged items without compromising on quality. A detailed action plan has been formulated with Travis Perkins, including quarterly benchmarking of the top 100 items based upon overall expenditure in the previous 12 months. A tiered discount pricing structure, that provides enhanced discounts if volume/expenditure increases, has been agreed by Travis Perkins once planned works materials are purchased through the contract.

Review of Responsive Repairs Service by VfM TPEG

Whilst internalisation of repairs has significantly increased satisfaction and efficiency initiatives have generated improvements overall responsive repair costs, including external contractors, have consistently been comparatively high when benchmarked against our peer group.

The HouseMark results appear to contradict the positive maintenance cost results in the sector wide HCA analysis in 2.5. However, these two sets of results are calculated on different bases, for instance the HCA data is drawn from providers' financial statements, and the methods utilised in the allocation of costs between management and maintenance costs are potentially widely divergent. The HouseMark benchmarking process is also based on a small peer group of 29 providers and is not a sector wide comparison.

In the previous year a TPEG was established with the remit of investigating the VfM of the repairs and maintenance service. The focus was on identifying initiatives to generate a reduced volume of lower cost responsive repairs whilst enhancing already excellent levels of tenant satisfaction. This comprehensive review concluded that work had either been undertaken or planned including; the appointment of a Project Co-ordinator for larger works and extension of the MOT pilot scheme, which initial results suggest prompted a reduction in the volume of repairs subsequently requested for those properties. Furthermore, the new HMS system provides enhanced diagnostics and scheduling modules which are conducive to more efficient processes.

During 2016/17, bdht began to adopt the recommendations of the TPEG which included continuation of the rationalisation of boiler stock around the Worcester Bosch Range, developing systems to identify those boilers generating high repairs levels, a whole organisation approach to identifying and managing frequent users and clarifying landlord expectations relating to repairs that are a tenant responsibility.

The Head of Customer Delivery is planning a visit to a top quartile performing organisation, in relation to responsive repairs costs, in September 2017.

Void Repairs

The average cost of void repairs of £2,243, which is less than the target cost of £2,300, has increased from the average cost of void repairs in 2015/16 of £2,013 but is still lower than the 2014/15 figure of £2,388. Whilst void costs appear to be under control, the performance of the void service, including the difficult balance between cost, quality and performance will continue to be rigorously monitored.

Void repairs, as percentage of stock, has reduced from 9.6% in 2015/16 to 7.6% in 2016/17 which is also less than the target of 10.8%. This decrease is attributable to a significant decrease in the number of void repairs to 289 (2015/16:351) and an increase in the number of housing units.

2.3 Cost Efficiencies

2.3.1 Reinvestment of Efficiency Savings

An essential component of the Trust's annual planning process is the consideration of priorities and allocation of resources to ensure delivery against the Board's objectives. This has traditionally required the setting of efficiency targets. A crucial element of the Efficiency Agenda has been the reinvestment of cashable gains into front-line services such as the internalisation of repairs services in order to generate positive outcomes for tenants

2.3.2 Cost Reduction Programme

As outlined above, the new operating environment necessitated a change in our VFM approach which entails doing "more for less". Fundamental to the Board's strategic response to dealing with the impact of the 1% reductions announcement is an approved cost reductions programme based on financial sustainability. This includes continued compliance with lenders' covenants, whilst still delivering strategic objectives within the CIP and supporting the aspiration of 95% customer satisfaction by 2017. This original cost reduction programme, designed not to adversely impact on direct tenant services, was comprised of 2% (£200,000) in 2016/17 followed by further cuts of 2% (£200,000), 1% (£100,000) and 1% (£100,000) for 2017/18, 2018/19 and 2019/20 respectively. As part of the revision of the Business Plan these reductions in operating costs were taken from the original Business Plan in line with the Board's mitigation strategy.

2.3.3 The 2% cost reductions identified (of operating costs excluding shared ownership costs, depreciation and bad debts) were incorporated into the approved budget for 2016/17. As part of this process budgets were then balanced against the approved business plan. Areas where savings could be potentially made were identified. These areas, savings targets and the main areas where savings were actually made are shown in the table below:

2016/17 Operating Costs Reductions

Budget Area	Cost Reduction	Performance	Comments
Staffing	£95,000	£0	Whilst a reduction of 1.47 FTEs was achieved in the 2016/17 budget compared to the 2015/16, and associated savings were made, general staffing cost increases absorbed these savings. The most notable cost pressure was increased NIC costs as a result of the abolition of the contracting out relief together with increased pension deficit contributions. However, it should be noted that due to the management of vacancies significant savings will be made during 2017/18
New HMS	£60,000	£20,000	It is difficult to establish the exact savings attributable to the new HMS but together with the other ICT savings below total ICT savings are estimated at £58,000.
Transfer of Lifeline	£55,000	£37,000	The original target was based on costs originally provided by Bromsgrove District Council (BDC). These costs have been revised upwards by BDC
Office Running Costs	£0	£10,000	Reduction in areas such as heating lighting and consumables.
ICT	£0	£38,000	Savings on licenses network support and consultancy
Responsive Repairs	£0	£76,000	Internalisation of repairs services such as roofing leading to reductions in external contractor costs without adversely impacting on customer satisfaction.
Door Entry Lift Entry Maintenance	£0	£10,000	
Planned Maintenance	£0	£10,000	Savings in a number of budget areas within the planned maintenance service area.
Financial, Legal and Health and Safety Consultancy	£0	£18,000	Savings achieved in the procurement of consultancy services.
Miscellaneous budget headings	£0	£5,000	Savings in areas such as estate management and money advice promotion.
Total	£210,000	£224,000	

2.3.4 The above table indicates that bdht has met the overall cost reduction targets for 2016/17. The performance, in terms of actual operating costs against budget, might indicate that cost savings

exceed those illustrated in the table above. However, the savings in the table above are prudent estimates of sustainable savings.

2.4 Operating Cost Efficiencies for 2014/15 to 2016/17

2.4.1 The above information indicates a generally impressive cost performance. However, bdht also annually assesses cost effectiveness by reviewing the operating costs efficiency savings, and increases, per unit of stock in real terms. For the purposes of this self-assessment the period under review is 2014/15 to 2015/17.

2.4.2 Basis of Comparison

A number of costs including capital costs, interest costs, void costs, bad debts, depreciation, FRS 102 adjustments and first tranche shared ownership cost of sales are excluded from the analysis because they are different in nature from the majority of bdht's on-going operating costs. Adjustments are also made for one-off items such as the write-off of purchase ledger provisions in 2016/17.

2.4.3 Results

Operating Cost Efficiencies 2014/15 to 2016/17

The results, analysed as per our management accounts main cost headings are summarised below:

bdht's Adjusted Costs per Unit 2014/15 to 2016/17					
Narrative	Actual 2014/15	Actual 2016/17	2016/17 Real terms costs	Real Terms (Savings)/ Increase	Real Terms (Savings)/ Increase per Unit
Cost Heading					
Staffing	1,198	1,191	1,177	(21)	(1.75)
Offices	124	108	106	(18)	(14.52)
ICT	76	72	71	(5)	(6.58)
Management	80	88	87	7	8.75
Tenant Participation	9	15	14	5	55.56
Governance	13	12	12	(1)	(7.70)
Estate Costs	97	88	87	(10)	(10.31)
Service Costs	266	251	248	(18)	(6.77)
Development Costs	-	7	7	7	-
Routine Maintenance	341	247	244	(97)	(28.45)
Planned Maintenance	135	115	114	(21)	(15.55)
Total Costs/(Savings) per Unit	2,339	2,194	2,167	(172)	(7.35)

* Note aggregate RPI/CPI used for 2014/15 to 2016/17 was 1.20%.

Although the savings of 7.35 % would be much higher if cost efficiencies had not been reinvested in front-line services, this reinvestment in services has been pivotal to accomplishing the Board's objectives. Further, analysis illustrated that 4.21% of these real terms savings per unit were achieved during 2016/17. Furthermore, non-inflation adjusted costs per unit decreased by 6.20% over the period with 4.21% of these savings generated during 2016/17.

Real terms and non-inflation adjusted savings per unit have been achieved across most service areas. However, routine maintenance costs, which includes responsive repairs and voids costs, have exhibited the most substantial reductions in both real terms per unit (28.45%) and non-inflation adjusted costs per unit (27.57%) from 2014/15 to 2016/17. This is attributable to the expansion of internal repairs teams and the associated reduction in external contractor costs. The costs of internal teams are included in staffing costs which show a 1.75% reduction in real term costs per unit over the period. There is a 0.6% reduction in non-inflation adjusted staffing costs for the period overall, with a 1.89% reduction occurring in 2016/17.

The increase in the management cost heading figures is predominantly due to increased stock condition survey work. This work, which has culminated in 89% of properties having been subject to a recent stock condition survey, is part of an intelligence based asset management approach aimed at enhancing our understanding of our properties and the associated returns.

2.4.4 **Delivery of Cost Efficiencies and Savings**

The application of rigorous cost control processes, reviewing and improving procurement processes and the elimination of non-Corporate Theme related expenditure has been integral to our cost efficiencies delivery. This has facilitated reinvestment in service improvements in response to tenant feedback.

Measures adopted have included negotiating less than inflation cost increase, and in many cases zero increases, market testing and competitive tendering of contracts, zero-based budgeting and empowering staff to identify inefficiencies and submit initiatives to streamline processes and reduce costs. The restructure of services and the introduction of a management of vacancies strategy, with vacancies not being automatically filled, seeks to allocate resources effectively and reduce headcount without recourse to redundancies.

2.4.5 **The Challenges Ahead**

2.4.6 **Further Cost Efficiencies**

bdht's cost control mechanisms have consistently generated cost efficiencies which have driven service improvement. However, a continuing review of cost structures is imperative, particularly in the context of a challenging operating environment. Rent reductions of 1% for 2016/17 to 2019/20 and continuing welfare reforms represent a considerable threat to bdht's income streams. Indeed the full extent of the impact for bdht of the most significant welfare reform of Universal Credit will not become evident until its wider roll out later in 2017. bdht has invested time, in advance of the implementation of reforms, identifying and engaging with those who will be impacted by these reforms in order to mitigate the impact on both customers and its own income streams. However, despite this, as with the sector a whole, the impacts for both are likely to be substantial.

Likewise, In addition to the savings initially identified in the Cost Reductions Programme, other cost pressures will inevitably arise in an evolving operating environment. One such pressure is additional contributions towards future pension contribution rates and past deficit contributions for the three years from 2017/18 to 2019/20 inclusive. Whilst negotiations have yielded reductions in these cost pressures significant additional cost pressures still exist. Consequently, the required

savings for 2017/18 have been increased from £200,000 to £300,000. These savings for 2017/18 have been identified and the budget has been balanced with the Business Plan. However, in recognition of other cost pressures arising, savings targets and progress against them are monitored and reported to Board via the Strategic Balanced Scorecard (SBS)

Crucially, it is necessary to identify further cost savings for 2018/19 and 2019/20. Due to further cost pressures these savings targets have been increased from £100,000 for each year to £175,000 and £150,000 respectively. As part of this process the EMT and senior managers have committed to an Efficiency and Effectiveness (EE) Action Plan to establish how these additional cost reductions can be delivered, whilst engaging with staff on an ongoing basis. This demands a review of why and how services are delivered, identification of all on-going supplier contracts and an assessment of whether they represent VfM.

2.4.7 Shaping the Future

The difficult economic environment, with an increased emphasis on operating costs, and the introduction of the new housing management system have prompted the formulation of a formal strategy. The strategy aims to proactively shape the future of bdht and augment the objectives of the Cost Reduction Programme.

The key areas of focus for the strategy are:

- Reshaping the customer service offering to reflect our changing environment. Additionally, whilst the service is deemed to be successful it necessitates significant staff time and is thus expensive to operate;
- Reshaping internal processes to increase efficiency and effectiveness. As a consequence of the implementation of the new HMS objective reviews of processes have been undertaken across the Trust. However, it is likely that scope exists for further review, and targeting for change, of remaining manual processes.
- In order to understand the financial implications of driving process change, a Return on Investment (ROI) approach will be applied to new initiatives to establish whether it is worthwhile to “spend to save”;
- Increasing engagement with our staff;
- Reducing the cost of management per property. Several methods of reducing operating costs are being explored within the cost reduction programme. However, there is further scope to reconfigure services and reduce costs whilst maintaining or enhancing customer satisfaction.

Every member of staff was offered the opportunity to attend sessions at which their ideas for improvement were submitted. Staff demonstrated the high level of engagement and understanding of the need for change required if the strategy is to be successful.

The broad themes agreed and to be delivered, which are being incorporated into the Corporate Improvement Plan 2017-20 are as follows:

- Improved repairs and planned maintenance procedures, based on ICT enhancements, to provide better customer experience and operational efficiency;
- Pre-tenancy strategy and improved void processing including any day tenancies;
- Development of multi-channel customer access with emphasis on digital services including web services and social media.
- Automated strategic KPI and operational management information;
- Streamlining of back office functions to improve operational efficiency;
- Review new development strategy to ensure we are providing homes appropriate for future needs;

- Flexible working solutions.

2.5 **Benchmarking - HCA Cost Analysis**

Our regulator, the HCA, originally published its analysis and comparison of sector-wide social housing costs per unit in June 2016 based on 2014/15 audited accounts. Recognising the need for greater transparency and consistency in the presentation of provider operating costs, its stated aim was to assist providers, boards and stakeholders to enhance their understanding of operating costs, and the factors driving variations across the sector, both at sector and provider level. The regulator considers headline social housing costs per unit as the most appropriate general measure with which to begin a consideration of costs. In accordance with ongoing regulatory focus on efficiency the HCA has published updated cost per unit figures based on information extracted from 2015/16 published financial statements

The main differences between this analysis and bdht's own operating cost efficiency analysis is that bdht's analysis adjusts for inflation, FRS 102 pension adjustments, non-housing depreciation and one-off adjustments. The position for bdht, compared to both sector level data and specifically against local registered providers, is set out below.

Entity	bdht 2016	RP1 2016	RP2 2016	RP3 2016	RP4 2016	RP5 2016	RP6 2016	bdht 2017
Headline Cost per	£3,330	£2,870	£3,050	£3,390	£3,580	£3,390	£3,770	£2,840
Sector Level Data:								
Upper Cost Quartile	£4,350							
Median Cost	£3,570							
Lower Cost Quartile	£3,120							

The table above illustrates that bdht's headline social housing costs per unit of £3,330 again compares favourably with the sector median of £3,570, lying towards the lower cost quartile for the sector for 2016 and 2015, and that of local registered providers. Furthermore, bdht's provisional internally generated, 2016/17 figures indicate a cost per unit of £2,840. However, this is subject to official confirmation and at this stage there is no other sector information with which to compare this figure.

The HCA concluded that 50% of unit cost variations can be statistically explained by seven critical factors included in its regression analysis including supported housing and housing for older people which are associated with unit costs £10,800 and £1,800 respectively in excess of general needs unit costs. Other key factors identified are regional wages, stock transfers (although the impact disappears after 12 years), neighbourhood deprivation and the Decent Homes Standard (DHS).

The report confirms that the methods used for apportioning costs differs amongst providers. For example, management costs per unit can vary significantly between providers depending on the method employed to allocate overheads, particularly between group subsidiaries and between management and maintenance activities. Indeed, the cost data provided by the HCA shows that bdht's measured management cost per unit of £1,170, contained within the headline cost per unit, exceeds the median for the sector of £1,020. However, many providers, unlike bdht, do allocate a proportion of overhead costs to maintenance costs, thus reducing their management costs. Conversely, bdht's service charge cost per unit of £340 per unit (sector median: £360) and maintenance cost per unit of £780 (sector median: £970) are below the sector median.

Other social housing costs of £100 per unit are less than the median cost per unit of £210. A further factor impacting on bdht management costs is that 24.6% of bdht units are housing for older people compared to the sector median of 8%. As noted above, the HCA analysis highlights that this type of housing provision is more expensive than general needs housing. Irrespective of the debate about apportionment of costs, the overriding conclusion is that bdht's overall cost per unit currently compares favourably with the sector as a whole.

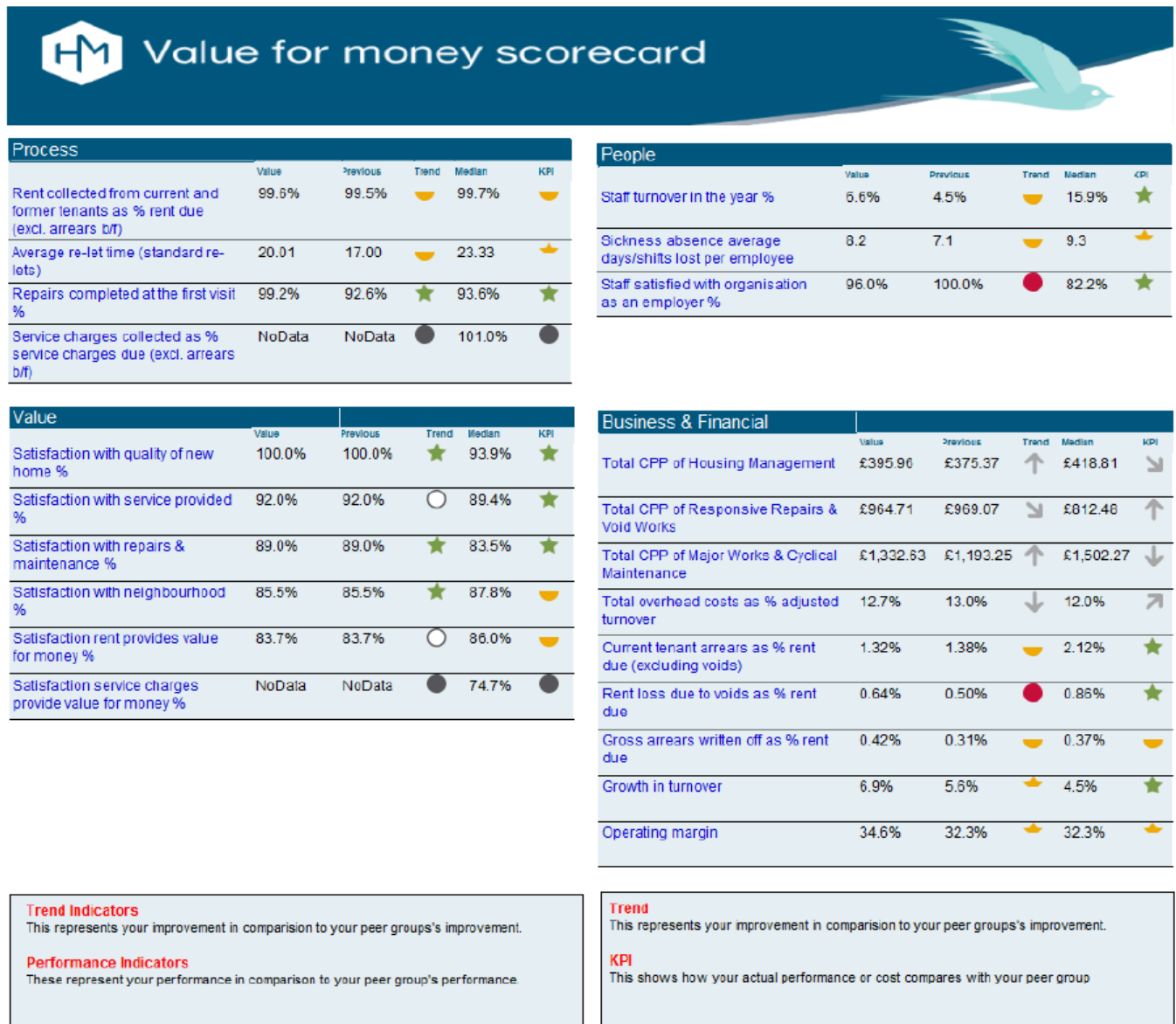
2.6 **Benchmarking - HouseMark**

2.6.1 Whilst the HCA regression analysis provides a very useful, and consistent, methodology for comparing our overall unit cost performance to the sector as a whole, it is still important for us to conduct more detailed comparisons of our cost components and performance against a peer group with similar characteristics. It is in this context that we have consistently participated in and used HouseMark services to benchmark the cost and quality of our services with other participating registered providers. The basis of calculation is very different to the HCA's analysis and the comparison of unit costs is illustrated in a VfM Scorecard.

2.6.2 The peer group used for this benchmarking process is for those LSVTs within the Central England benchmarking group (ranging from approximately 2,500 to 7,500 units) of 29 registered providers including bdht.

2.6.3 **HouseMark VfM Scorecard**

2.6.4 Benchmarking results are not yet available for 2016/17. The HouseMark 2015/15 scorecard below illustrates the results for a variety of indicators.



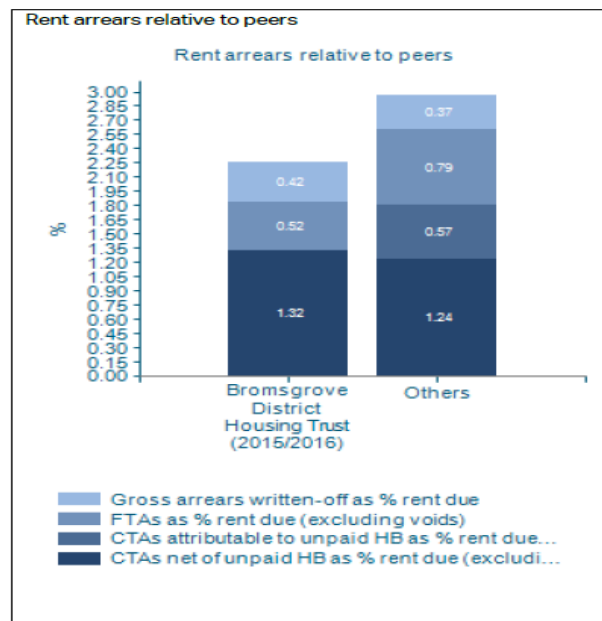
2.6.5 **Analysis of HouseMark Results**

Whilst bdht's overall VfM performance remains generally favourable, it is necessary to analyse performance in more detail as an overall positive performance can potentially obscure less positive performance in specific areas. The main highlights are summarised as follows:-

2.6.6 Growth in Turnover and Operating Margin demonstrate upper quartile performance and are consistent with the 2016/17 VfM performance against target in 2.2

- 2.6.7 Overall Housing Management TCPP has increased at a faster rate than the peer group to £395.96. However, this performance, which equates to second quartile performance, has been consistently significantly below the median over a number of years.
- 2.6.8 Rent arrears management costs were reduced to £122.19 per unit in 2015/16 which represents second quartile performance. Bdht had experienced a significant increase in these costs from 2012/13 onwards, with costs rising faster than the peer group from £97.72 in 2012/13 to £137.95 in 2014/15. This was a reflection of the decision to establish a dedicated Financial Inclusion Team (FIT), with the express intention of mitigating the adverse impact, on bdht's tenants and its rental streams, of welfare reform. Ultimately, the efficiency of this strategy in protecting bdht's income streams is measured by bdht's rent arrears, rent collection and void rent loss performance. Therefore, arrears management costs should be viewed in the context of excellent top quartile performance as regards voids rent loss and current and total arrears. The extent to which organisations write off former tenant arrears can impact on total arrears. However, bdht wrote off just 0.42% which is slightly worse than the median of 0.37%.

The chart below illustrates this positive overall arrears and write-offs position compared to the peer group. However, a cautionary note should be adopted regarding CTAs net of unpaid HB as a percentage of rent due. At 1.32% this is slightly worse than the median of 1.24%. Whilst this indicates an effective working relationship with the council's housing benefit department it might possibly mask a less impressive performance in arrears payable by tenants not receiving housing benefit. With the impending adverse impact of Universal Credit on arrears performance, the management of non-HB arrears assumes even greater performance. More detailed analysis of the data will be conducted and a review of best practice, for arrears collection for tenants not claiming housing benefit, will be undertaken with higher ranked peer group organisations.



- 2.6.9 Despite Major Works and Cyclical Maintenance TCPP increasing in 2015/16, this still represents top quartile performance. Our costs per property should be viewed in the context of our commitment to improvement of our properties since transfer took place, as demonstrated by our significant previous investment, our excellent Decent Homes Standard performance (0% failure) and our top quartile positions as regards both tenant satisfaction with quality of new home (100%) and SAP Ratings (72.3%).
- 2.6.10 The Responsive Repairs and Voids and Responsive Repairs TCPP show a greater improvement than the peer group. However, they are both 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%) and a net promoter score of +84 (2016:+62).

- 2.6.11 Void Repairs average costs reduced significantly from £2,910 to £2,656 moving bdht up to third quartile performance, furthermore, re-let times of 20 days places bdht in the second quartile.
- 2.6.12 Estate Services TCPP of £241.30 places bdht in the bottom quartile for cost, despite being reduced from £250.12 in 2014/15. The quality of grounds maintenance services was highlighted to be of significant importance by tenants during the stock transfer consultation process. Hence, bdht maintains a much higher specification than that operated by the council. Despite this high specification, bdht was placed in the third quartile in respect of tenants' satisfaction with their neighbourhood as a place to live. The re-tendering process for the contract commencing in 2017/18 secured annual savings in excess of £70,000 by offering a longer term contract and adjusting the specification, without materially impacting on the quality of the service.
- 2.6.13 Overhead costs as percentage of adjusted turnover of 12.7% places bdht in the third quartile, although bdht's costs decreased at a faster rate of 0.28% in 2015/16, compared to the peer group which exhibited no average change. Organisations with larger turnovers will generally have a lower percentage of turnover absorbed by overheads, as overheads will not increase proportionately with turnover. To put this into perspective bdht's turnover was 25th largest out of 27 in the peer group. Therefore, as long as control of overhead costs is maintained, this indicator should improve as turnover increases. Whilst support team structures are considered to be lean, overhead costs will be controlled through a vacancy management approach and the Shaping the Future Strategy as bdht strives to provide high quality support services in an efficient manner.
- 2.6.14 In order to mitigate the impact of pressure on rental streams, caused by rent reductions and welfare reforms, some providers have sought to significantly reduce operating costs whilst curtailing or suspending development programmes. HouseMark's detailed report incorporates a measure of units developed as a percentage of stock. A figure of 2.47% (2014/15: 0.78%) places bdht in the top quartile, compared to the median of 1.19%.

In addition to achieving the explicit objective of providing housing solutions, this continued development, enhances income streams and provides a balanced approach to mitigating the impact of 1% rent reductions, as opposed to relying solely on cost reductions and potentially adversely impacting on front-line services.

- 2.6.15 Overall Satisfaction with bdht and staff satisfaction and turnover are excellent and continue to place bdht in the top quartile, whilst average sickness days lost places bdht in the second quartile.

2.7 Performance and Satisfaction

Any assessment of our VfM performance, including costs efficiencies, needs to be undertaken with reference to our overall performance and satisfaction levels. In summary, for 2016/17 cost efficiencies have been accomplished whilst maintaining generally high levels of performance and satisfaction.

2.7.1 Performance

Performance across the business is measured by a comprehensive suite of monthly KPIs. Furthermore, as well as presenting the Strategic Balanced Scorecard (SBS) at board meetings, the SBS is produced and made available to Board via the Virtual Boardroom on a monthly basis outside of the Board meetings cycle. It combines high-level performance measurement with high level risk assurance and incorporates a number of financial triggers which if reached would necessitate urgent Board discussion.

Across the organisation performance has generally exceeded target. However, the year-end figures were £78,000 in excess of target. Whilst the increase in arrears attributable to those affected by welfare reforms amounted to £39,000, an increase of £13,000, the implementation of a new housing benefit system at the local council has led to a backlog of £46,000 of housing benefit payments. There are no current comparable sector figures currently available the rent arrears situation across the sector is likely to deteriorate. A detailed review is being undertaken, mitigating actions taken and updates provided on a monthly basis.

2.7.2 **Satisfaction**

bdht has a corporate objective to deliver 95% tenant satisfaction with bdht as a landlord by 2017, as measured through a Star Survey. In addition bdht undertakes regular transactional surveys to measure progress toward this target.

The benchmarking process for 2015/16 highlighted positive results such as 92% overall satisfaction and 89% satisfaction with the repairs and maintenance service. Additionally, internal transactional survey results to the end of March 2017 indicates that overall satisfaction remains above target at 98% and highlight an exceptional overall net promoter score of +82 for tenants. The detailed results are set in the table below

Service Survey	% Satisfied	Net Promoter Score
Response Repairs	98.69%	84
Gas Servicing	98.56%	78
Equipment & Adaptations	100.00%	100
Re-Lets	94.05%	14
New Properties	100.00%	84
Complaints	71.43%	74
Major Works	100.00%	77
Planned Works	100.00%	89
Total	98.48%	82

2.8 **The Value of a Great Team**

2.8.1 Our relationship with staff and customers and the manner in which staff engage with customers is integral to continuous and service improvement, VfM performance and ultimately achieving the objective of 95% customer satisfaction by 2017.

2.8.2 **Customers**

Tenants have consistently provided excellent input into service and efficiency improvements in areas such as mystery shopping of service areas, acting as inspectors in areas such as cleaning and ground maintenance, membership of the tenants' panel, completing surveys, mystery shopping and providing customer perspective in service area focus meetings. Their perspective of VfM and ability to review, challenge and influence have been enhanced by involvement in the general VfM TPEG and the comprehensive review of the responsive repairs service. Internal finance training has also been provided to improve financial understanding, their ability to challenge and offer valuable insight for those with aspirations to become board members.

2.8.3 **Staff**

We believe that staff and customer satisfaction are intrinsically linked. Motivated and engaged staff, who are essentially bdht's most valuable resource, are pivotal to excellent service delivery.

Therefore, bdht has consistently invested in both employee specific training and company-wide training for managers and staff. As a consequence of participation in the Sunday Times 100 Best Companies benchmarking process and now the Great Places to Work process, bdht has refined its understanding of the factors that impact on staff satisfaction and the role that it has in driving service improvements and ultimately customer satisfaction.

Achieving 1st place in the Great Places to Work awards with 98% of staff declaring that we are a "Great Place to Work", together with impressive staff satisfaction, sickness and staff turnover results, is a testament to the success of this approach. This positive relationship with staff has been reflected in their level of engagement in the "Shaping the Future" process aimed at reshaping processes, customer service and increasing efficiency.

2.9 **Making the Most of Our Assets**

2.9.1 **Strategic Context**

An active approach to asset management has been acknowledged by the Board as a key contributor to the financial capacity of the business in delivering the Board's priorities of increasing customer satisfaction and providing more affordable homes. Much of this is set out in the latest Asset Management Strategy which was approved by Board in December 2015.

2.9.2 **Our Assets**

As at 31st March 2017 bdht owned 3,803 homes in Bromsgrove and the surrounding areas analysed as follows:

Tenure	General Needs	Supported Housing	Market Rent	Total
Rent	2,556	906	46	3,508
Shared Ownership	110	24	0	134
Leasehold	161	0	0	161
Total	2,827	930	46	3,803

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.

2.9.3 **Understanding the Value of our Assets**

The Trust's assets are valued on a regular basis by JLL (external consultants) and the results as at March 2017 are shown below:

Value of Assets as at March 2017

Asset	Number	Value	
		EUV-SH	Vacant Possession
Houses/Flats	3,803	£127.6m	£457.0m
Garages	1,001	£1.7m	£2.4m

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

2.9.4 **Return on Assets**

bdht's approach to asset management is in line with regulatory expectations for developing RPs and has been to ensure we make the most of our assets in support of increasing the supply of new affordable homes. This means healthy returns are very important to the Board and this is measured using a Return on Assets ratio. Using the HCA Global Accounts 2016, the sector position is compared with that for bdht and against local registered providers. bdht's return on assets ratio for 2016 compares favourably with the sector and local peers and is still amongst the strongest for 2017 despite a major refinancing of the business in April 2015 which, whilst it increased the cost and size of debt, is vital to the future growth aspirations for the Board.

Entity	bdht 2016	RP1 2016	RP2 2016	RP3 2016	RP4 2016	RP5 2016	RP6 2016	bdht 2017
Headline Ratio	3.49%	2.40%	3.68%	0.57%	3.20%	5.80%	1.73%	4.39%
Sector Level								
Entity level	2.08%							
Consolidated	2.10%							

The Association uses SDS Stock Profiler to quantify the return on assets by property, type and 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. Stock Profiler records information such as original purchase price and current open market value per property as well as annual values for capital investment, void costs, maintenance costs and management costs per property.

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.

2.9.5 **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 2012/2017. Using Stock Profiler we sell on the open market any 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 14 properties have been sold, producing £2.8m capital receipts which have been applied to support the supply of 30 new homes in Bromsgrove. The strategy has delivered a 2 for 1 outcome, allowing bdht to provide more quality homes and at the same time increase overall rental income and reduce future major repairs expenditure. In this way, bdht has a clear understanding of its stock and that which it intends to dispose of when returned to us as a void property.

2.9.6 **Development**

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

- 138 new or acquired properties completed in 2016/17 with approximately 200 more commenced on site or in contract;
- Programme spend of approximately £12 million in 2016/17 with £1 million grant secured from the HCA towards the cost of schemes;
- In response to welfare reforms and the knock-on effect for affordability for some tenants, the Board has approved a pilot of new housing types with lower rents.

2.9.7 Investment in Existing Housing Stock

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 stock condition reporting from QL (integrated housing system). 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 2016/17 approximately £2.3 million was invested in the existing housing stock with 2,376 properties benefitting.

2.9.8 Garage Sites

The Trust has 1,001 garages across 73 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 all garage sites have been reviewed 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 2016/17 in respect of those garage sites identified for disposal, 2 are being developed for 7 new homes later in 2017.

2.9.9 Future-Proofing our Assets

During 2015/16 we reviewed the suitability and popularity of our stock in order to support the future-proofing asset strategy. The purpose of that review was to protect and maintain bdht’s income stream by meeting current and future customer demographics and home choices. This involved evaluating the stock profile, turnover, demand (current and future) and the reasons certain units of stock are refused more often than others.

The key recommendations being progressed include:

- Communal Areas General Needs flats – in conjunction with the Allocation and Lettings Team determine an annual programme of upgrades.
- Entrances and Communal Areas Sheltered Housing schemes – to devise a programme to update and modernise schemes commencing with Willow Court.
- To redesign the studio flats at Lowes Court – a pilot to be carried out at void to one of the flats.

The financial and other implications of the recommendations have been scrutinised and factored into plans and the budget.

2.10 The Value of Technology

The essential role that bdht recognises technology has in driving service improvements and efficiencies is reflected in considerable investment, over a number of years, in appropriate, fit for purpose systems. The most significant and recent investment has been in the new Housing Management System (HMS) which, aside from streamlining process, will generate savings in maintenance and consultancy costs. This has been introduced in conjunction with a strategy designed to enhance accessibility to more flexible digital customer services. Other previous initiatives included the provision of a remote working facility and handheld devices to ensure repairs and sheltered staff can access emails and appointments remotely thus reducing travelling time. The Virtual Boardroom system utilised for all Board and Committee meetings, annually saves approximately £10,000 in addition to being a more effective information sharing tool.

Further improvements in technology will be fundamental to providing accessible, flexible, appropriate and cost effective customer services. An integral element of this approach will be the introduction, later in 2017 of our new I Housing portal via our website. Amongst other facilities this will enable customers to access their rent accounts, other key tenancy details pay rent securely, request repairs and report complaints online. Essentially, I Housing will become the first point of contact for customers. Its introduction is intended to improve the customer experience, reduce telephone calls, streamline processes and further improve customer satisfaction. In order to maximise the benefits of this system visits will be made to organisations already utilising digital services.

2.11 Effective 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 2016/17.

Treasury Performance in 2016/17

Activities	2016/17 Target	2016/17 Actual	Target Achieved ?
Debt Target (loan facility is £78.3m)	£63.3m	£63.3m	Yes
Net Debt Per Unit (maximum of £24k per unit)	£16,805	£16,049	Yes
Loan Interest	£2.9m	£2.9m	Yes
Weighted Average Interest Rate (Drawn Debt as at 31/3/17)	4.41%	4.41%	Yes
Returns on Surplus Cash	£45,000	£45,000	Yes

The treasury management function has provided value in the support of the Trust's stated business objectives during 2016/17 in respect of:

- Housing Solutions – 138 new homes were completed or acquired during the year;
- Service Excellence – 2,376 tenants had home improvements during the year in support of maintaining the Decent Homes Standard (plus);
- Debt drawn has not increased over the last 12 months as cash holdings have been utilised to fund investment activity.

2.12 **Adding Social and Environmental Value**

The necessity of identifying further significant costs is fully recognised in bdht’s revised approach to VfM. However, creating social value remains intrinsic to bdht’s wider community role, reflecting its Corporate Theme of Neighbourhoods and Communities: “We will engage with residents and partners to build successful communities” Furthermore, the revised Business Plan supports bdht’s role in the community. Specific areas where bdht contributes social value, some of which are also designed to protect its income streams are outlined below.

2.12.1 **Welfare Reform – Mitigating the Impact**

Over a number of years we have adopted a comprehensive strategy which was expressly designed to mitigate the impact of welfare reforms on bdht and its tenants. The provision of Financial Inclusion and Money Advice Services were deemed to be essential in supporting tenants. For instance, up to 31st March 2017, 82 households had been assisted in moving to smaller properties.

A restructure of teams, with no associated additional cost, has resulted in an increase in the number of rent officers and the formation of the new Driving Futures team. Their focus is on engaging with and supporting tenants affected by welfare reform, those referred by the job centre and NEETS. This entails increasing levels of personal contact and supporting tenants to manage their finances and secure employment. In essence the aim is to have a sustainable approach to protecting customers and bdht from the impact of welfare reforms

2.12.2 **Employment, Training and the Fusion Partnership**

The impact of the provision of clauses in procurement contracts, which supports the employment of local labour and associated training has been highlighted in previous self-assessments. Furthermore, one of our main objectives is to support residents into education, training, volunteering and employment as part of striving to provide sustainable solutions, in times of increasing financial hardship, for our customers. We are a key member of the Fusion Partnership which has secured funding specifically allocated to supporting individuals into paid employment and training. The grants provided have enabled bdht to host two job coaches in the second half of 2016/17, with the possibility of another job coach in 2017/18. Performance against targets will be monitored in 2017/18, when the service is fully established, to determine the success of this project.

2.12.3 **Starlight Café and Community Centre**

The Centre provides a hub for employment, training, learning and social interaction opportunities for some of the most vulnerable members of the local community. A number of courses and clubs operate at the centre including: the Aspire Programme, which supports NEETS into employment and work experience, support for those recovering from substance addiction, It course operated in conjunction with HOW College and Rainbow Autism which provides social inclusion and life skills development. A combination of grants, partnership contractor funding and self-generating income ensures that the centre breaks even. Performance against some of the main targets in 2016/17 is as follows:

Aim	2016/17 Target	2016/17 Actual	Target Achieved?
No. of NEETS into employment, training or education	60	61	Yes
No. finding employment or enrolled on college course	24	56	Yes
No. gaining work experience	12	21	Yes

No. attending a training course at the centre	75	83	Yes
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Over a number of years 2013 bdht staff have given an opportunity to “give something back” by participating in a number of community days and engaging with local residents. These days, which have proven popular, have raised funds which have been reinvested into the services provided by the centre and are also an opportunity to encourage community cohesion.

2.12.4 **The Sunrise Project**

The project is an initial 3-year project, primarily located within Charford and Sidemoor which are areas with a variety of the highest deprivation statistics in the district. This integrated multi-agency partnership focuses on complex customers with repeat, reactive needs with the aim of endowing them with the confidence to make life changes and make positive contributions to their communities. The work of our Sunrise Team significantly reduces the burden and drain on resources of other agencies such as West Mercia Police, BDC, Social Services and local schools. In 2016/17, in 72.5 % of cases (target 50%) the client felt they had progressed.

2.12.5 **Homelessness Prevention**

bdht manages a homeless prevention service on behalf of BDC. During 2016/17, 66 households (target 50) were prevented from becoming homeless as a result of the various accommodation and advice services bdht provides, thus reducing the financial and social costs associated with homelessness. Previous studies have estimated the public expenditure relating to an individual being homeless for one year as being between £24,000 and £30,000. A report, issued by Crisis, “At What Cost” (2015) estimates the cost per homeless individual at £20,128 as opposed to the cost of intervention of £1,426. Aside from the benefits to the public purse, the benefits of homelessness prevention to the individual include improved health, self-esteem and maintaining employment.

2.12.5 **Environmental Work**

In previous years bdht has undertaken external wall insulation work costing in excess of £1m, which was mainly grant funded, to improve the thermal efficiency, of the lowest thermally efficient 20% of its units, reduce impact on the environment and reduce its tenants’ energy bills. Its SAP rating of 72.3% places it the top quartile of its benchmarking group.

In 2015/16, due to the installation of a low energy lighting system at its office, savings of £4,500 were achieved and subsequently maintained. During 2016/17 this type of low energy lighting system was installed, as part of a pilot scheme, at one of our sheltered schemes which led to cost savings of approximately £33,000, which is equivalent to a 44% saving, compared to 2015/16. Whilst this savings estimate should be viewed with caution, as some of the supplier’s bills are based on estimated readings, it would seem that material savings have been achieved. Consequently, low energy lighting systems will be installed in other sheltered schemes during 2017/18.

3.0 **Conclusions on VfM Performance in 2016/17**

3.1 This VfM self-assessment reflects a generally positive performance which is illustrated by, amongst other measures, cost saving targets being accomplished, whilst maintaining operating margins, the cost efficiencies achieved, continued favourable performance against the 2015/16 social housing cost per unit, performance as internally monitored by KPIs and the Strategic Balanced Scorecard, and comparison of service costs and performance via the HouseMark benchmarking process. Our understanding of our assets and the returns thereon has continued to

be enhanced and our highly engaged workforce continues to drive customer satisfaction alongside the scrutiny and challenge of tenants.

3.2 Areas for further review and potential improvement include;

- High cost of repairs services compared to the peer group which has been subject to a comprehensive TPEG review. Visits to top quartile performing organisations are planned;
- Continued review and reshaping of services and processes as part of the Shaping the Future strategy;
- Increasing access to digitalised customer services to drive efficiencies;

4.0 Plans for 2017/18 and Beyond

4.1 Impressive financial performance, combined with an embedded approach to VfM, provides a strong foundation for accomplishing VfM improvements in support of our Corporate Themes. However, if the well documented challenges of our operating environment are to be overcome, for both, bdht and its customers, business wide focus on our adjusted VfM approach is essential. Flexibility of this VfM approach and the flexibility of staff will be necessary to meet any further challenges that our operating landscape may present.

4.2 With this in mind, the main plans for 2017/18 and beyond are:

- Further cost savings of £300,000 to be delivered in 2017/18 as part of the cost reduction programme. This was originally 2% (£200,000) but additional cost pressures increased the required figure. The necessary savings have been identified but the potential for further cost measures means performance against savings targets will be regularly monitored;
- Further required cost savings for 2018/19 of £175,000 and 2019/20 of £150,000 respectively will need to be identified as part of the Efficiency and Effectiveness (EE) Action Plan without compromising front-line services;
- Participation in the Housing Sector Scorecard efficiency metrics pilot scheme;
- The recommendations of the TPEG review of the Responsive Repairs service will continue be implemented as part of the company wide approach to reducing the volume and costs of repairs;
- Continued adherence to the Travis Perkins central purchasing contract action plan and regular reporting thereon to the EMT to reduce certain prices without impacting on quality and establish a tiered discount model. Travis Perkins have agreed to work on costs through the Cirrus Purchasing procurement framework;
- The review of the procurement of the Decent Homes Programme contract has culminated in the internalisation of the capital improvements programme. The asset management team will tender each work stream individually rather than engaging the services of a contractor to manage and deliver all works. Based on the current business plan the projected savings for the next 3 years are £1m;
- Delivering 40 new homes in 2017/18 funded by a combination of borrowings, asset sales receipts and SHG with a total of £8m to be invested in the Affordable Homes Programme: with increased funding capacity from refinancing. The total development programme for the next 5 years amounts to approximately 500 properties;
- The reduction of energy consumption in sheltered scheme via the implementation of new low energy lighting systems;
- A further £3m to be invested in capital works improvements to existing properties in 2017/18;
- Whilst the comprehensive review of the popularity and suitability of bdht's stock concluded that bdht has no difficulty to let properties we need to address a number of issues in respect of investment in flats to preclude future reversal of this healthy position;

- Continued investment in training and review of Board and Tenant Panel members skills to enhance governance;
- Continue with a comprehensive welfare reform mitigation strategy which has been strengthened by the formation of a cost neutral Driving Futures team whose focus is on supporting customers to manage their finances. Grant funded job coaches will work to targets for supporting customers into employment, training and education;
- The Shaping the Future action plan will continue to be implemented with a view to reshaping services, processes and driving efficiencies;
- Enhancement of digital access opportunities and the streamlining of services in order to provide flexible, convenient and cost effective customer services. A crucial element of this approach will be the launch of the I Housing portal for customers enabling them to access their tenancy details including rent statements etc. In an effort to optimise the benefits of digital services visits will be made to organisations already utilising such services to streamline processes.

5.0 The Boards Assurance of the VfM Assessment

- 5.1 Much of the information within this self-assessment has been reviewed, and assurance gained on 2016/17 VFM performance, via the presentation of separate reports to Board, its delegated committees and the Tenant Panel throughout 2016/17.
- 5.2 This has culminated in this VfM self-assessment which has been reviewed at the various stages by the Compliance Committee and Board.

August 2017

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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