

BROMSGROVE DISTRICT HOUSING TRUST LIMITED

Value for Money

Role of the Board

The Board is fully committed to delivering Value for Money (VFM) in support of delivering the organisation's approved objectives. The Board appraises VFM performance throughout the year and quarterly performance reports are scrutinised by the Compliance Committee. The year-end position for 2017/18 was scrutinised by the Compliance Committee at its meeting on 13th June 2018 and approved by Board at its meeting on 16th July 2018. The Board is compliant with the Regulator's VFM Standard.

Regulator's VFM Metrics

The Regulator of Social Housing (RSH) requires registered providers to report their performance against a suite of metrics with the intention of facilitating sector-wide comparisons. This is the first year of this new requirement and the table below sets out the position, together with some comparators and followed by a brief commentary. As this new system develops better comparators and deeper analysis will be possible.

VFM Metric	bdht 2017/18	bdht 2016/17	Sector 2016/17*
Reinvestment %	7.3%	7.2%	5.7%
New Supply Delivered %:			
• Social Housing Units	1.9%	2.5%	1.1%
• Non-social Housing Units	1.1%	1.2%	-
Gearing %	52.1%	52.0%	41.6%
EBITDA MRI Interest Cover %	289.0%	287.6%	230.8%
Headline Social Housing Cost per unit (excludes leaseholder units)	£3,131	£3,033	£3,400 (est.)
Operating margin %:			
• Overall	32.6%	34.9%	30.3%
• Social Housing Lettings only	30.4%	34.4%	31.6%
Return on Capital Employed (ROCE)	6.4%	6.2%	4.0%

*Source is Sector Scorecard and Global Accounts.

Reinvestment – Reflects £7m invested in the development of 73 new properties and £2.2m expended on major improvements of existing properties.

New supply delivered – Reflects 73 new social housing units delivered which is slightly less than the internal target of 81 for 2017/18. The non-social housing units are the acquisition of 41 market rent properties.

Gearing – Reflects the higher gearing position of being both a LSVT and developer. This gearing ratio is deemed appropriate in the context of bdht's other financial indicators, priorities and future commitments.

EBITDA MRI Interest Cover – Reflects robust financial position and good capacity to secure future additional loan funding for development and to cope with uncertainties such as rising interest rates.

Headline Social Housing Cost per Unit – Reflects continued position of being placed just outside the lowest cost quartile for the sector. Nevertheless for 2017/18 there was significant cost pressures in respect of pensions and void repairs, with both areas being the subject of review during the year.

Operating Margin % - Reflects a robust financial position for bdht. The reduction in 2017/18 is mainly due to cost pressures for pensions and void repairs.

Return on Capital Employed - Reflects the utilisation by bdht of capital and debt to generate healthy financial returns.

Bespoke bdht VFM Metrics

To enhance our approach to VFM, the Board have set a suite of bespoke VFM metrics linked to the delivery of the approved corporate objectives in the Corporate Plan. The table below sets out the position, followed by a brief commentary.

Strategic Objective	Measures of Success	Target	Actual
Excellence in Governance	Governance and Viability ratings from regulator	G1/V1	G1/V1 (as at date of these accounts)
	90% Attendance at meetings	90%	91%
Importance of culture and values in promoting staff engagement, driving business performance and customer satisfaction	% of staff members responding to the annual staff culture audit	=>98%	96%
	% of staff members responding positively to the annual staff culture audit i.e. “bdht is a great place to work”	=> 96%	98%
Delivering VFM, compliance with the regulator’s VFM Standard and transparency to tenants and other stakeholders	Current rent arrears as a % of rent debit	1.9%	1.6%
	Income collection as a % of debit raised	99.6%	100.5%
	Void rent loss as a % of debit raised	0.60%	0.64%
	Cost savings annual target	£300,000	£303,000
Mitigate the impact of Universal Credit and supporting customers into employment	Rent arrears of those in receipt of Universal Credit	£40,000	£44,121
	Number of people helped into paid employment	16	31

Supporting the elderly and vulnerable	Number of homelessness preventions	60	89
	% of customers engaging with the Sheltered Living Service	73%	77%
Customer satisfaction with overall services provided by bdht	The % of tenants “very satisfied” with the overall service provided by bdht	65% by 2020 (was 54% in 2013)	59%
	bdht’s Net Promoter Score	+40 by 2020 (was +26 in 2013)	+37
The health and safety of our tenants	% of homes meeting the Decent Homes Standard	100%	100%
	% of homes with a valid Gas Safety Certificate	100%	99.23%

Overall, the table above demonstrates excellent performance against bdht’s bespoke VFM metrics however there are areas with room for improvement and these will be addressed during 2018/19 in the following areas:

- Void Repairs Cost – we will review the balance between in-house delivery and externalisation and the tension between relet times and void rent loss; and
- Gas Safety Certificates – due to human error the target of 100% as at 31st March 2018 was not achieved and a mitigation action plan has been implemented. This position is currently being monitored daily with the use of new automated system reports.

Non-Social Housing

As part of a “landlord of choice” approach approved by the Board in 2016, two market rent schemes have been purchased with a total of 87 homes. These properties are not subject to the minus 1% rent reduction regime, creating the potential for rental growth though also exposed to market risk. For 2017/18 the operating margin generated for non-social housing was 58% compared to 30% for social housing respectively.

Looking forward to 2018/19

The Board recognises the challenges it faces in delivering cost reductions in 2018/19 together with providing excellent services to tenants and delivering a good supply of new affordable homes. For 2018/19 bdht will focus on VFM deliverables in the following key areas:

- Cost savings target of £175,000;
- Further develop the measurement of performance against the Regulator’s VFM metrics;
- Maximising the number of repairs delivered “Right First Visit” to increase efficiencies and improve customer satisfaction;
- Capture further business efficiencies from the QL Housing Management System and the continued delivery of the ‘Shaping Our Future’ programme;
- Continue to assist tenants into paid employment and support the elderly and vulnerable in line with bespoke bdht VFM metrics;
- Focus on transforming the customer relationship towards digital delivery with targets of reducing telephone calls and online self-service;

- Enhancement of the rent payment options available;
- Investment of £3m and £10m in the Home Improvements and Affordable Homes Programmes respectively in 2018/19, with a planned delivery of 126 new homes; and
- Maintain additional daily checks and automated reporting to ensure 100% of homes hold a valid gas safety certificate.

Further VFM Information

A more in-depth explanation of the VFM story at bdht is available on request from the Company Secretary.