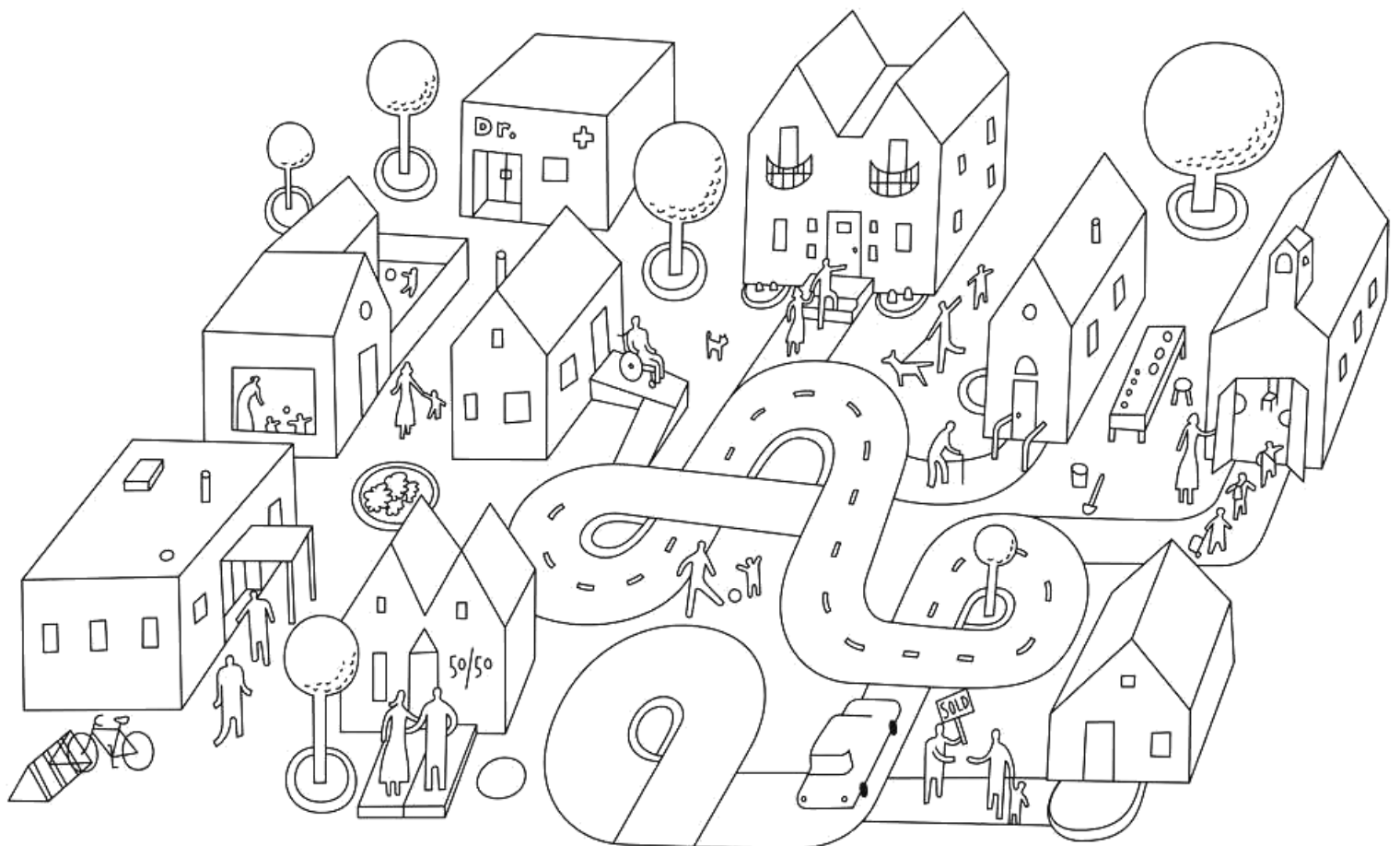


Value for Money

Self-Assessment 2014-15



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1 Value for Money (VfM) – Introduction and Regulatory Requirements

1.1 Regulatory requirement

- 1.1.1 The Board is responsible for **bpha's** compliance with the Homes and Communities Agency (HCA) regulatory framework including the requirement to evaluate and communicate VfM performance.
- 1.1.2 This self-assessment report has been prepared and reviewed by **bpha's** Board and its customer Service Improvement Panel (SIP) and is published on the **bpha** website www.bpha.org.uk. The executive summary of this self-assessment has formed the basis of the information included within the published audited financial statements for the year ended 31 March 2015.
- 1.1.3 This self-assessment sets out how **bpha** has delivered VfM across the business during the year to 31 March 2015. Included in the body of the report are a number of case studies and for the sake of brevity these are not included in the executive summary.

1.2 Overall Value for Money strategy

- 1.2.1 **bpha** has a VfM strategy which sets out the framework by which efficiencies and savings are generated and how the delivery of 'Value' is measured. When measuring value we look at quality as well as cost. Other factors considered by **bpha** in assessing value include:
- Offering more cost effective, improved services
 - Generating a positive impact on residents and communities
 - Ensuring decisions take a long term view rather than just considering short term costs
 - Whether or not activities are environmentally sustainable
- 1.2.2 **bpha** uses various sources of benchmarking data, including the HCA Global Accounts and Housemark. Measurement of performance is used to drive further improvement in delivery of VfM, with efficiency gains actively recorded and progress reported to stakeholders.

2 Value for Money – Executive Summary

2.1 A Successful Year in Delivering Value for Money

2.1.1 The Board have concluded that **bpha** has been successful in delivering VfM having improved customer satisfaction, maintained tight cost operational control, delivered new homes and secured new funding at lower cost. The following paragraphs show why this conclusion was reached and the report concludes with a summary of key VfM benchmarks.

2.2 Return on Assets

2.2.1 **bpha** built 558 new homes at a gross cost of £47.8m, of which £8.5m was supported by grants. Net debt per home is high by benchmark standards reflecting **bpha's** successful historic track record in delivering new homes. It should be noted that each development scheme has to independently meet various financial hurdles. Schemes are not cross subsidised by the rents / surpluses generated from the existing stock of properties. Current customers' rents are not cross subsidising the development of homes for future customers as we would not consider that to offer VfM to existing customers.

2.2.2 **bpha** invested over £22m in improving existing homes. Details of the improvements to homes resulting from this investment include:

- 26,900 responsive repairs
- 840 refits of void properties
- 600 new doors fitted
- 410 boiler replacements
- 580 properties with new roofs or roof line works; and
- 450 properties with adaptations for disabled living

2.2.3 **bpha** continued to have a sector leading operating margin of 51.8% on social housing lettings reflecting efficiency of cost control and maximisation of income.

2.2.4 **bpha** record stock condition data for all of our stock where we have a repairing responsibility and we resurvey at least 20% of stock each year to keep stock condition data up to date. This makes future maintenance liabilities visible and enables **bpha** to plan work to deliver the greatest VfM.

2.2.5 During the year, using the data gained from the stock condition survey, investment in components of existing properties increased by 9.3% to £13.2m. This investment in

existing properties will help drive future improvement in customer satisfaction levels and ensure our stock continues to meet the government's Decent Homes standard. As detailed later in the VfM benchmark table, improvements in the efficiency of planned and routine maintenance meant that the total expenditure per property was reduced, which offers customers better Value for Money.

2.2.6 Asset modelling software is used to evaluate **bpha's** stock and identify the performance of different assets. Data is used to inform reinvestment, retention and disposal decisions. Evaluation was undertaken during the year of the entire stock portfolio and this showed that all stock had a positive net present value. We understand that this is not typical of the sector as a whole. We believe that this positive value reflects the strict development criteria applied over many years as well as the age, condition and location of our stock. We have concluded therefore that Value for Money would not be enhanced through asset rationalisation.

2.2.7 In 2014/15 **bpha** improved processes and invested in new systems which will deliver improvement in operational efficiency and effectiveness in the coming months and years.

2.3 Social and Environmental Returns

2.3.1 £469k (2013/14: £447k) was invested in aids and adaptations to support disabled and elderly residents. This investment contributed to the continued independence, autonomy and well-being of these residents.

2.3.2 **bpha** has continued improving the energy efficiency of its homes. **bpha** measures the success of energy efficiency programmes using SAP (Standard Assessment Procedure) data. The average SAP rating is now 73.9 (2013/14: 72.4) which is the result of various long term programmes of improvement to existing stock, including replacement of solid fuel heating systems, replacement of windows, fitting energy efficient modern lighting and other measures. In addition, all new stock is built to more efficient modern standards and this also drives improvement in the overall average rating.

2.3.3 We consider that investment in energy efficiency represents VfM:

- from a customer perspective this reduces their potential bills, improves the quality of their lives and reduces the risk of fuel poverty; and

- from a **bpha** perspective; more energy efficient homes are more valuable, improving return on assets and the reduction in fuel poverty potential improves the chances of customers being able to meet their rent commitments.

2.3.4 **bpha** volunteers worked 2,700 hours on community projects in 2014/15. Using Volunteering England methodology we have estimated the value of the hours worked to be worth over £42,500.

2.4 Customer satisfaction

2.4.1 Last year **bpha** concluded that a key area for improvement was to raise customer satisfaction levels and in last year's VfM self-assessment we set out plans as to how we were going to achieve this through investment in systems, investment in homes, support to customer facing staff and improved communications.

2.4.2 To date we have been able to deliver improvements in customer satisfaction without having to increase customer facing staff, and accordingly staff costs per unit did not increase as originally planned. All employees have undertaken customer service training.

2.4.3 **bpha** are committed to improving the quality of services offered and to improving customer satisfaction as a result. Improvements to customer facing systems and processes were a major priority during 2014/15 although efficiencies arising from these improvements will only be fully realised in subsequent periods.

2.4.4 As detailed in the table below, there have been improvements in overall customer satisfaction for General Needs and Housing for Older People. However, Customer Service has fallen for Shared Ownership. That said, in each of the three areas, customers are more satisfied that their rent provides Value for Money than the benchmark median.

Customer satisfaction with:	2015/16 Target	2014/15 Actuals	2013/14 Actuals	Benchmark* Median
General Needs				
Rent Provides value for money		85%	75%	80%
Overall Service Provided	87%	82%	77%	86%
Housing for Older People				
Rent Provides value for money		89%	77%	89%
Overall Service Provided	95%	93%	85%	92%
Shared Ownership				
Rent Provides value for money		72%	n/a	63%
Overall Service Provided	65%	59%	63%	70%

*Benchmark Data Housemark April 2015

2.4.5 **bpha** plan to deliver ongoing improvements in overall customer satisfaction and have set target levels at or above the benchmark median level. In the case of shared owners there is considerable progress to be made and hence the targeted level of improvement is not set to reach median level in the coming year.

2.4.6 There is an increasing focus upon mobile working enabling **bpha's** housing officers and other customer facing staff to spend more time with the people they serve. **bpha** intends to continue to use technology to enhance the choices available to customers as to how they access information and services. At present the web based self-service offering falls short of what we would like to offer and plans are in place to improve this over the next year.

2.5 Efficiency gains and future improvements to VfM

2.5.1 Our approach to recording efficiency gains is to include only the gains achieved relating to the first year, since even if they recur in later periods they are considered as "business as usual", as they will have been absorbed into budgets and business plans. Accordingly recurring gains are not recorded in later years' VfM self-assessments.

2.5.2 Changes made to treasury arrangements, including the £200m bond issue and repayment of other debt, will lead to future annual interest savings for 30 years, which initially are in excess of £1.4m per year. This has exceeded the £800k of savings per year which was set as an efficiency gain target in the 2013/14 VfM self-assessment. This accounted for half of

the £2.8m in VfM efficiency gains which **bpha** achieved during the year to 31 March 2015. **bpha** has budgeted to deliver a further £1.2m of efficiency gains in 2015/16. Much of the VfM efficiency gain realised in 2014/15 will be reinvested for the direct benefit of existing customers. For example, there is a budgeted increase of £832k in the amount that will be invested in replacing heating systems.

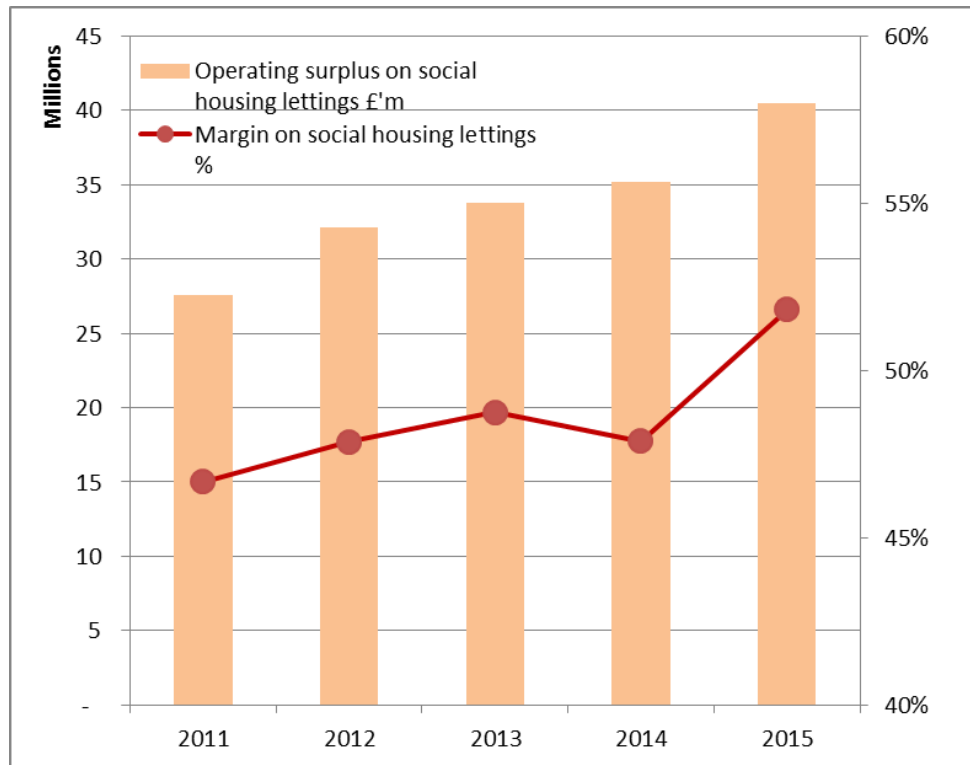
2.6 VfM Benchmark

2.6.1 **bpha's** performance against the key Value for Money indicators we benchmark ourselves against, together with our targets for 2014/15, are set out in the table below. As discussed in the preceding paragraphs, **bpha** achieved results which were better than benchmark, were better than previous year and which were better than target.

Value for money indicators	2015/16 Target	2014/15 Actual	2014/15 Target	2013/14 Actual	Benchmark*
Staff cost per unit	£695	£684	£729	£683	£952
Planned and routine maintenance cost per home	£613	£606	£555	£703	£992
Capital expenditure on existing properties per home	£690	£751	£807	£695	£989
Total expenditure on properties per home	£1,303	£1,357	£1,362	£1,398	£1,981
Rent void loss per home	£53	£57	£71	£79	£79
Operating cost per home on social housing lettings	£2,366	£2,130	£2,393	£2,194	£3,384
Operating margin on social housing lettings	51.0%	51.8%	48.3%	47.9%	26.9%
Rent arrears %	4.0%	3.9%	4.0%	4.2%	4.8%
Bad debts per home	£44	£24	£39	£36	£37
Total number of homes	17,905	17,661	17,712	17,427	NA
Net debt per home	£36,110	£35,277	£35,651	£33,079	£19,913

*Benchmark data taken from HCA Global Accounts 2014

Operating Performance 2011-2015 Social Housing Lettings



3 Regulatory Framework for VfM

3.1 What the Regulatory Framework requires of the self-assessment

3.1.1 The 2012 Regulatory Framework for Social Housing in England (“the Regulatory Framework”) sets out the Value for Money standard, the required outcomes and the means by which these should be demonstrated to stakeholders.

3.1.2 The Board of **bpha** is responsible for demonstrating to stakeholders in a transparent way how it achieves Value for Money in delivering **bpha**’s objectives. This self-assessment includes:

- Details of return on assets against **bpha**’s objectives
- Absolute and comparative costs of delivering specific services
- Details of the Value for Money efficiency gains that have been, and are planned to be, delivered.

3.2 Key stakeholders

- 3.2.1 **bpha** has many stakeholders including residents, potential residents, local authorities, the Homes & Communities Agency, HMRC, suppliers, employees, banks and investors to name but a few. In some cases the interests of these stakeholders may not align or may potentially conflict.
- 3.2.2 **bpha** appreciate the importance of considering stakeholders' different interests in order to deliver VfM on a sustainable long term basis whilst meeting its objectives. **bpha** recognise the need to balance the deployment of assets and resources between the various competing claims. **bpha** has detailed strategic business planning and budget processes to ensure that assets and resources are deployed in an optimum manner over the short, medium and long term to deliver VfM whilst enhancing long term viability.

3.3 Governance oversight of VfM within bpha

- 3.3.1 There is a multi-layered approach within **bpha** to delivering VfM and to subjecting this to proper scrutiny. The Executive Leadership Team and Senior Management Team are responsible for delivering VfM and this is embedded into decision processes and is analysed as part of routine reporting.
- 3.3.2 The governance oversight of VfM involves the Board, the Audit and Risk Committee, and the Service Improvement Panel. The Service Improvement Panel is run by residents independently of the Board and ensures that they are involved in setting **bpha's** strategic direction. All three of these bodies have been involved in scrutinising this document and other reports in relation to VfM, and the Board has approved the issue of this self-assessment.

3.4 What does VfM mean to bpha?

- 3.4.1 There are many different ways in which Value for Money can be defined and at **bpha** we have taken notice of the various published guidance. For example, the National Audit Office stated "Good Value for Money is the optimal use of resources to achieve the intended outcomes".
- 3.4.2 Our intended outcome is to meet housing need through providing quality homes to those who could not otherwise afford them. We essentially have two distinct customer groups – (i) our existing residents, and (ii) those who wish to access affordable housing, where we

help to meet need through building new homes.

3.4.3 Our objectives include (i) maintaining and improving the quality of the existing homes we own, and (ii) providing new homes to help address the shortage of affordable housing. We aim to deliver Value for Money in meeting both of these objectives.

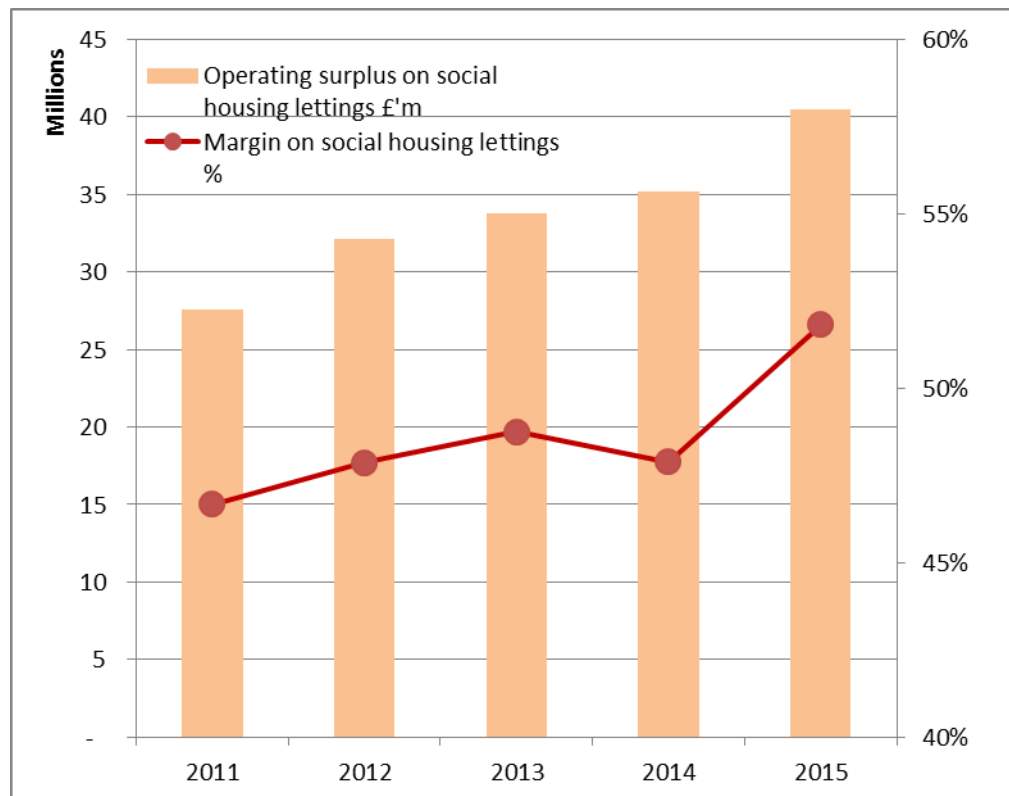
3.4.4 We consider that value means maximising the quantity, quality and performance of the outputs whilst minimising the cost that is necessary to deliver the intended objectives. When measuring value of outputs we look at quality as well as cost, recognising that higher spend can deliver better value. Factors considered by **bpha** in assessing value, include:

- Offering more cost effective, improved services
- Generating a positive impact on residents and communities
- Ensuring decisions take a long term view rather than just considering short term costs
- Assessing whether expenditure improves the quality of **bpha**'s homes for the benefit of residents; and
- Considering whether activities are environmentally sustainable.

4 Return on assets

4.1 Operating costs

Operating Surplus 2010-2015 for Social Housing Lettings



4.1.1 Over the last five years **bpha's** operating surplus has grown steadily and our operating margin on social housing lettings has been consistently in the range from 46.7% to 51.8%, which is among the highest in the sector. In assessing if this high margin represents good Value for Money, we have considered various factors including whether:

- The margin is evidence of very effective cost control or whether it could suggest under-investment in operational services? and
- The total expenditure on properties per home, which is much lower than the sector average, was evidence of efficiency or had simply been achieved through cutting back on maintaining the stock?

4.1.2 Before addressing property expenditure as part of the VfM analysis we have considered staff costs. During the year for we became the Help to Buy agents for the East & South

East of England, and took on additional staff to provide this new service. Since those employees are not involved in either the provision of housing management services or in development of new homes, the analysis has excluded costs in relation to Help to Buy employees. Details are set out below:

		2015	2014
Staff Numbers (excluding Help to Buy)	A	286	288
Total Staff Costs (excluding Help to Buy) £'000	B	12,071	11,904
Total Number of Units	C	17,661	17,427
Staff Cost Per Unit £	B/C	684	683
Units Per Member of Staff	C/A	62	61

4.1.3 The figures above show that during the year we have been successful in containing growth in staff costs which, on a cost per unit basis, are virtually unchanged. This continues the trend that we reported in last year's assessment that control of staff costs has been very effective in the nine years since 1 April 2006. From the perspective of some stakeholders, this represented excellent VfM.

4.1.4 However last year our conclusion was that strict cost control may have been impacting upon customer satisfaction within **bpha**. In order to rectify this we had planned to increase customer facing staff and had set a target of £729 for staff costs per unit. However, as a result of an investment in across the organisation Customer Service training, we have not had to make this investment so far. As a result our staff costs per unit of £684 per unit, which is very close to the cost achieved in 2013/14. Therefore given the achievement of the customer satisfaction target that we set we consider that our staff costs represent very good Value for Money.

4.1.5 We still view customer satisfaction as a key measure for improvement and we wish to attract retain and reward good staff. We have therefore set a target for 2015/16 of £695 of staff costs per unit which is a 1.6% overall increase. Some staff will receive an annual pay award in excess of this percentage, but overall costs will be contained through

operational efficiencies.

4.2 Return from existing properties

Introduction

4.2.1 Our existing properties can be summarised as follows:

Number of units owned & managed	2015
Owned	12,151
Shared ownership	1,887
Owned - managed by others	615
Near market rents	466
Rent to homebuy	622
Commercial Properties	7
Total Owned	15,748
Homebuy & Shared Equity	1,273
Leaseholders	543
Managed for others	97
Total Other Properties	1,913
Total Owned & Managed	17,661

4.2.2 In summary two thirds of **bpha**'s stock is classified as general needs property. This stock is relatively young with half of it being less than 20 years old. It is predominantly conventional family housing concentrated in the South East of England easily accessible from **bpha**'s Bedford base. All of these factors help to control costs; the on-going operational expenditure as well as the investments required to maintain the stock.

4.2.3 **bpha** routinely has to make decisions regarding existing stock between:

- maintaining stock in its current condition; or
- investing to improve or redevelop the stock; or
- disposing of the stock

In each case **bpha** considers how the decisions impact on **bpha**'s overall business and VfM objectives.

4.2.4 **bpha** takes account of various factors in reaching such decisions, including:

- The need to ensure that all stock meets or exceeds the decent homes standard and the current or projected future cost to achieve this;
- The demand for the type of property and the void experience;
- The on-going repairs and maintenance and housing management service costs;
- How the property fits into the wider portfolio – both by location and type – as this impacts upon on-going costs;
- If the property were to be sold what this would mean in terms of recycled grant becoming repayable, what it means to levels of security available to charge to lenders / investors, whether funds released would be sufficient to support development of a replacement property and so forth;
- Whether the property could be redeveloped to provide a better solution to meet local needs;

Stock condition data

4.2.5 To help answer the above questions, **bpha** uses its ‘live’ stock condition information. The organisation maintains this information for all of the properties that it has repairing responsibilities for. It does this through a five year rolling programme of surveys whereby 20% of the stock is surveyed each year. During the 2014/15 year our internal surveying resource refreshed the information held on 21% of the stock.

4.2.6 This detailed stock condition data makes future maintenance liabilities visible and enables **bpha** to plan work to deliver the greatest VfM. Historically our budgeting for this type of cost has been reliable, but the increased data makes it possible to plan specific works by estate, street, block or house enabling us to place larger contracts at more competitive prices.

4.2.7 The stock condition data has led to greater proactive contact with customers during the year: firstly there is contact to update the stock condition data which provides a useful opportunity to listen to customers even when there is no “need” for them to speak to us; secondly we are contacting customers to inform them well in advance as to what improvements are planned and when these will take place. We believe that both of these proactive contacts have helped to improve customer satisfaction.

4.2.8 Whilst stock condition data enables efficient planning of work, components will only be scheduled for replacement at the end of their working lives. There can be considerable variance in the programme of works required between years as early replacement simply to smooth out capital spending does not represent good Value for Money.

4.2.9 As well as improving customer satisfaction, ongoing investment in our relatively young homes will improve the overall housing pool thereby maximising asset values and ensuring that we avoid the build-up of legacy problems. Increasing the values of our stock strengthens our overall financial resilience and provides assets chargeable to lenders or investors to support the ongoing development programme. For example, as a result of our analysis of stock condition information, **bpha** has increased its planned expenditure on heating systems by £832k in the coming year.

Responsive repairs

4.2.10 During the year to 31 March 2015 over £22m was invested to maintain or improve our existing stock. Details of the improvements to homes resulting from this investment included:

- 26,900 responsive repairs made at the customer's request within a defined SLA
- 840 refits of void properties
- 600 new doors fitted
- 410 boiler replacements
- 580 properties with new roofs or roof line works; and
- 450 properties with adaptations for disabled living

4.2.11 We have considered whether the responsive repairs service represents Value for Money. **bpha's** responsive repairs service is essentially provided by three teams:

- One-Call – our in-house, award winning call centre who provide the first point of response to a customer;
- Property Services – our in-house team of surveyors and other technical specialists who manage contractors and oversee the work undertaken; and
- The responsive repairs contractors – who deliver the responsive repair work.

4.2.12 The in house staff costs have already been considered as part of the cost analysis in 4.1.3 above. During 2014/15 the average cost per repair was 12.6% lower than budgeted, so that although the total number of responsive repairs increased by 12.1% the overall cost

was contained. In part this was driven by changes in working practice which has given customers greater choice of time-slots for work, reducing the number of contacts necessary to effect a repair and improving customer satisfaction. We have concluded therefore that the responsive repair service offers Value for Money. Several contracts will be re-tendered during the coming year and this will give us a further opportunity to test and optimise the value delivered.

Asset modelling & disposal decisions

4.2.13 Asset modelling software is used to evaluate **bpha's** stock and identify the performance of different homes that we own. Data is used to inform reinvestment, retention and disposal decisions. Evaluation was undertaken during the year of the entire stock portfolio, analysed into appropriate asset groupings, and this showed that all stock had a positive net present value. We understand that this is not typical of the sector as a whole and this positive value reflects the strict development criteria applied over many years as well as the age, condition and location of our stock. We have concluded therefore that Value for Money would not be enhanced through asset rationalisation.

Benchmarking

4.2.14 Key benchmark data relating to cost is set out below and shows that costs are carefully controlled and compare well with other associations in the sector.

Value for money indicators	2015/16 Target	2014/15 Actual	2014/15 Target	2013/14 Actual	Benchmark*
Staff cost per unit	£695	£684	£729	£683	£952
Planned and routine maintenance cost per home	£613	£606	£555	£703	£992
Capital expenditure on existing properties per home	£690	£751	£807	£695	£989
Total expenditure on properties per home	£1,303	£1,357	£1,362	£1,398	£1,981
Rent void loss per home	£53	£57	£71	£79	£79
Operating cost per home on social housing lettings	£2,366	£2,130	£2,393	£2,194	£3,384
Operating margin on social housing lettings	51.0%	51.8%	48.3%	47.9%	26.9%
Rent arrears %	4.0%	3.9%	4.0%	4.2%	4.8%
Bad debts per home	£44	£24	£39	£36	£37
Total number of homes	17,905	17,661	17,712	17,427	NA
Net debt per home	£36,110	£35,277	£35,651	£33,079	£19,913

*Benchmark data taken from HCA Global Accounts 2014

4.2.15 In section 4.1.1 above we posed the question whether our strong margin on social housing letting represents VfM? We want to ensure that the return on assets represents VfM taking into account different stakeholders' interests. Our conclusion is that:

- The margin benefits from the stock profile which makes it efficient to service and maintain and this represents good VfM;
- Cost control has been very good, particularly in relation to staff cost, and this represents good VfM;
- Stock has been maintained to a good standard with benefits arising from good data, and this represents good VfM;
- There is no VfM advantage to be gained from stock rationalisation; and
- Whilst the year has delivered significant improvements in most of our customer satisfaction levels, this has been achieved in a cost effective, value enhancing manner. That said, we are planning to do more work around improvements to customer service in the coming year..

4.2.16 Therefore, whilst we will continue to develop new homes, there will be a greater emphasis upon investment in existing stock, improving communities, and increasing the number of customer facing staff, as these measures will further improve our delivery of Value for Money. Accordingly, as shown in the table in 4.2.14 above we have planned to increase **bpha's** spend on staff costs in 2015/16.

4.3 Delivery of new homes

4.3.1 Across **bpha's** core area of operations, broadly the arc between Oxford and Cambridge, the huge demand for housing and relative economic affluence has pushed up housing prices. This has created an ever greater need for affordable housing for those who are unable to access housing for rent and sale at the prevailing market rates. **bpha** has been a provider of new affordable housing for a significant time, building or acquiring over 3,000 units in the five years to 31 March 2015.

4.3.2 Before considering how **bpha** delivers / determines VfM in relation to specific development sites, in general terms the reason that **bpha** delivers VfM on developments is that having been a significant developer of new homes in our region for many years in relation to our size:

- We employ large and experienced in house development and employers agents

teams who have the broad range of skills necessary to undertake developments efficiently not only for **bpha** but for other RP's; and

- Our development on-costs are spread across a large number of homes and accordingly the cost per home is kept much lower than would otherwise be the case.

4.3.3 It should be noted that each development scheme has to independently meet various financial hurdles. Schemes are not cross subsidised by the rents / surpluses generated from the existing stock of properties. Current customers' rents are not cross subsidising the development of homes for future customers as we would not consider that to offer VfM to existing customers.

4.3.4 During the year ended 31 March 2015 we delivered 558 new homes (2013/14: 455 new homes) against a target for the year of 506 new homes. Our aim is to continue to build new homes across our operating region and in the year to 31 March 2016 we have committed to deliver just over 400 new homes.

Development Units	2014/15	2015/16
Rented social housing	243	257
Shared ownership	205	158
Care	82	-
Other	28	-
Total Owned	558	415

4.3.4 Last year one area where we planned to improve VfM was through working with other associations. In terms of delivery of new homes we have provided various services to other associations to help them increase housing supply. In 2014/15 units were developed under agency agreements for other RP's generating development agency fee income for **bpha** of £428k. In addition first tranche shared ownership sales were made on behalf of other RP's generating a further £100k in agency fees. Such work offers VfM both to **bpha** through the income generated on the back of existing skills and capacity and to the partner associations through giving them access to **bpha** expertise and developments without them needing to recruit in-house development resource.

4.3.5 Many of these new homes are being built on the Cambridge Southern Fringe, where an active local economy and high demand have led to some of the highest price increases

outside of London. This has made it impossible for many people, including those working in low paid employment, to access housing on the open market. As well as Cambridge, we are currently developing homes across 13 other locations.

4.3.6 Since demand for new housing massively exceeds our capacity to supply **bpha** have established a process to determine where scarce financial and development resources should be invested to deliver the greatest VfM. This process includes regular executive meetings which consider and approve or decline all development opportunities and which, in reaching decisions as to what represents VfM, consider many factors including:

- The overall financial capacity of **bpha** to commit to development;
- The Internal Rate of Return that will be achieved from the development and how this compares to cost of capital;
- Risks;
- Local demand – not only need for homes, but the types of homes in shortest supply, competition, and development concentration;
- How the development fits with other housing owned by **bpha**, including how efficient it will be to manage and service;
- How affordable the rent and service charges will be and how cheap the property will be for residents to live in, particularly utility costs;
- The importance of building communities not just houses; and
- The security value that will be achieved for the homes when the development is completed compared with cost net of grant and therefore whether this enhances or dilutes **bpha's** capacity to continue to develop in the future

4.3.7 This rigorous process means that **bpha** turns down more development opportunities than those to which it commits and ensures that those undertaken represent Value for Money.

4.3.8 Our conclusion is that **bpha's** development activity represents good Value for Money.

4.4 Help to Buy

4.4.1 In December 2013 **bpha** moved to a new head office which was designed to be flexible to be able to accommodate more staff and other services. In 2014 **bpha** tendered to provide the Help to Buy agency for the East and South East of England, as we would be able to

leverage on existing skills and knowledge and the overall capacity of the organisation. Accordingly we believed that we could offer the HCA Value for Money and that this would contribute to **bpha's** overall finances. We were delighted to be awarded the contract which commenced in April 2014, but given that this is a new service have considered whether this represents VfM?

- 4.4.2 During 2014/15 **bpha** have processed 6,760 equity loan cases providing a total of over £430 million in equity loan finance for house purchasers. This required over 17,500 documents to be processed and a total gross income for the year of £2.0 million was generated. The costs incurred have been within expectations on a fully loaded basis, including recovery of a proportion of the association's fixed overheads. The agency is therefore contributing financially. The agency has provided opportunity to build or strengthen relationships with external stakeholders and has also provided a good opportunity to recruit and develop new staff, some of whom will go onto other roles within **bpha**. Overall therefore we have concluded that the Help to Buy agency represents Value for Money.

5 Social and environmental returns

5.1 Customer satisfaction

- 5.1.1 There are many drivers of customer satisfaction, of which VfM is but one. Last year we identified that by sector standards, **bpha's** customer satisfaction measures were not as good as we wished them to be so put in place a number of measures to improve our service delivery.
- 5.1.2 There was a particular focus upon training of staff throughout the association. Improvements in systems, IT, call handling, communications, the responsive repair service, use of data and in many other areas have been made. We were very pleased that this has started to be reflected in the customer satisfaction measures which have improved from the preceding year's score in most areas.
- 5.1.3 The tables below detail not only customer satisfaction for general needs tenants, but also for tenants of housing for older people and shared ownership customers. Data is taken from the annual STAR resident satisfaction survey report which is independently compiled on **bpha's** behalf by Acuity using a statistically meaningful sample.

- 5.1.4 The tables show that in both General Needs and Housing for Older People in 2014/15 there was an increase in overall satisfaction by 5% and 8% over 2013/14. Shared Ownership overall satisfaction fell year on year by 4%, and as a result we have put plans in place to address this, including improvements in the way that defects are handled on new properties. We note that, in comparison to benchmark median, all groups of residents are satisfied that their rent provides Value for Money
- 5.1.5 In 2015/16 we are going to test direct delivery on grounds maintenance which has a lower level of customer satisfaction. We have identified a small geographical for a pilot scheme and tested customer satisfaction and a retest will be conducted at the end of the pilot scheme.
- 5.1.6 Having targeted customer satisfaction in some cases we were surprised at the extent of the improvement year on year, but are encouraged that changes made have clearly been appreciated by customers. Our intention is to continue to improve customer service and to be at or above the benchmark median score, as recorded by Housemark. In the case of shared owners there is considerable progress to be made and hence the targeted level of improvement is not set to reach median level in the coming year.

	2015/16	2014/15	2013/14	Benchmark*
General Needs Satisfaction with:	Target	Actuals	Actuals	Median
Rent Provides value for money		85%	75%	80%
Service charge provides value for money		61%	55%	66%
Quality of home		86%	77%	84%
Neighbourhood as a place to live		84%	85%	84%
Overall Service Provided	87%	82%	77%	86%
*Benchmark Data Housemark April 2015				

	2015/16	2014/15	2013/14	Benchmark*
Housing for Older People Satisfaction with:	Target	Actuals	Actuals	Median
Rent Provides value for money		89%	77%	89%
Service charge provides value for money		90%	68%	82%
Quality of home		95%	93%	94%
Neighbourhood as a place to live		86%	n/a	92%
Overall Service Provided	95%	93%	85%	92%
*Benchmark Data Housemark April 2015				

	2015/16	2014/15	2013/14	Benchmark*
Shared Ownership Satisfaction with:	Target	Actuals	Actuals	Median
Rent Provides value for money		72%	n/a	63%
Service charge provides value for money		46%	33%	37%
Quality of home		85%	81%	77%
Neighbourhood as a place to live		89%	91%	83%
Overall Service Provided	65%	59%	63%	70%
*Benchmark Data Housemark April 2015				

5.1.7 **bpha** is committed to improving the quality of services offered and to improving customer satisfaction as a result. Improvements to customer facing systems and processes were a major priority during 2014/15. As noted previously, during 2014/15 we invested in a new housing management system which provides better real time information and supports mobile working, both of which will enhance customer service delivery. The benefits from these improvements are only likely to be fully realised in 2015/16.

5.1.8 **bpha** recognises and accepts that some measures of customer satisfaction levels fall short of where we would want these to be.

5.1.9 There remains a focus upon mobile working enabling **bpha** housing officers and other customer facing staff to spend more time with customers. Investment in new IT systems will increasingly enable customers to access information, to request services and to make amendments to tenancy, payment and other data via smart phones or other devices at times which suit them best. We consider our website does not provide the information and functionality that would optimise efficient service delivery and a project to upgrade this will commence in 2015/16.

5.2 Energy efficiency

5.2.1 **bpha** has continued improving the energy efficiency of our homes. **bpha** measures the success of energy efficiency programmes using SAP (Standard Assessment Procedure) data. The average SAP rating is now 73.9 (2013/14: 72.4) which is the result of various long term programmes of improvement to existing stock, including replacement of solid fuel heating systems, replacement of windows, fitting energy efficient modern lighting and other measure. In addition all new stock is built to more efficient modern standards and this also drives improvement in the overall average rating. The SAP rating of **bpha** homes has improved from 67 to 73.9 over the last four years.

5.2.2 We consider that investment in energy efficiency represents VfM:

- from a customer perspective this improves quality of life and reduces risk of fuel poverty; and
- from a **bpha** perspective more energy efficient homes are more valuable, improving return on assets, and reduction in fuel poverty improves chances of customers being able to meet their rent commitments and correspondingly reducing the risk of bad debt and void losses.

5.3 Aids and adaptations

5.3.1 £469k was invested in aids and adaptations to support disabled and elderly residents. This investment contributed to the continued independence, autonomy and well-being of our residents.

5.4 Volunteers

5.4.1 **bpha** volunteers worked 2,700 hours, on community projects in 2014/15. These projects range from individual help for residents who struggle with their gardens through to 'Silver Surfer' and 'Fit at Sixty' programmes. **bpha** volunteers provide a valuable service to their communities. One example of a scheme which has been highly effective is the volunteer garden service; volunteers help to maintain gardens for our more vulnerable clients where they are unable to look after their garden themselves and where they have no family or friends who can support them. In the past twelve months the team have cleared 62 gardens and maintained 37 others throughout the year. This improves customer service and reduces demand on housing officer's time dealing with complaints over unkempt gardens. A recent customer survey highlighted that 100% of customers were either satisfied or very satisfied with the overall service.

5.4.2 Volunteering England (www.volunteering.org.uk) suggest that the economic value can be calculated by multiplying the hours by an average hourly wage. The Office for National Statistics has reported that in 2014 the average hourly rate in the South East of England was £15.76 and so on this basis the hours worked were worth over £42,500.

5.4.3 To support and encourage the growth in volunteering, during 2015/16 all **bpha** employees will be given the opportunity to spend one working day at **bpha**'s expense undertaking voluntary work across a range of projects in the communities that we serve.

6 Efficiency gains delivered and planned

6.1 Introduction

6.1.1 Our approach to recording efficiency gains is to include only the gains achieved relating to the first year. A one-off saving will be recorded in the VfM self-assessment in the year in which the saving was contractually achieved, irrespective of the year(s) in which this will be accounted. For a recurring efficiency gain that will be achieved over a prolonged period over many years, such as on a long term contract or as a consequence of refinancing, the efficiency gains achieved after the first full year are considered as “business as usual”, as they will have been absorbed into budgets and business plans and accordingly are not recorded in later years’ VfM self-assessments.

6.1.2 There are many specific examples of activities undertaken which have delivered efficiency gains during the year 2014-15. This section summarises and gives details of some of those activities but there are many other examples which could have been included.

6.2 Summary of efficiency gains delivered in 2014/15

6.2.1 We had planned to deliver annualised efficiency gains of £1.7m in 2014/15 and we have actually achieved £2.8m. The table below summarises the main identified efficiency gains realised:

Department	Summary	Efficiency Gains 2014/15	
		Actual realised	Target set last year
		£'000	£'000
Corporate Finance	Restructure of loans and derivative contracts	1,400	800
Property Services	Co-location reducing contractors overhead	450	450
Property Services	Procurement	70	361
Housing Management	Outsource of emergency call service	53	55
Development	Units developed under agency agreements	528	-
	Procurement	15	-
IT	Procurement and migration to private cloud	134	-
Help to Buy	Surplus generated	159	-
Facilities	Printing, scanning and copying methodology change	34	-
Total		2,843	1,666

6.2.2 As can be seen, we have had a successful year in delivering efficiency gains in excess of target, the bulk of which can be attributed to two items – the success of the refinancing / restructuring of loans and derivative contracts and the additional agency income generated within Development. Both of these items will bring significant recurring benefits in later years. In addition, there have been various operational efficiencies across many departments.

6.2.3 On a practical level it can be difficult to assess accurately the monetary value of efficiency

gains delivered and in producing the table above we have taken a prudent and conservative approach to evaluating these. Accordingly, many of the items detailed in the case studies below have not been ascribed a monetary value.

6.2.4 **bpha** monitors performance in a variety of ways including delivery against operational plan which is formally reported each quarter. In the coming year we plan to improve our ability to capture and report upon VfM efficiency gains data and will track this as part of operational plan reports.

6.3 Case studies

6.3.1 The case studies chosen have been split between those which achieve quantifiable financial efficiency gains, which will be reflected in reported results, and those which deliver Value for Money to customers but do not necessarily benefit **bpha's** financial results.

Quantified Efficiency Gains achieved 2014/15

6.3.2 Finance & Corporate Finance: Finance have a key on-going role to ensure VfM is delivered through the budget setting process, utilising a zero-based budget to ensure that all expenditure is justified, and then monitoring actual expenditure and ensuring budget holders are held accountable. Corporate Finance raised £200m through issuing a bond on the capital markets and has refinanced £100m of long term debt and part of our short term debt during the year, which will lead to future annual interest savings for 30 years which initially are in excess of £1.4m per year.

6.3.3 IT: During 2014-15 IT has delivered a number of significant projects that will provide VfM on an ongoing basis. Migration from ISDN to voice over IP will significantly reduce the call costs for both inbound and outbound telephony charges by an estimated £56k over three years at the same time greatly increasing business resilience. Improved telephony support (from 0900-1700 5 days per week to 24/7) was achieved by changing providers with a cost saving of £10k p.a. over 3 years. Migrating to private cloud infrastructure has provided additional resilience and removed the need for Disaster Recovery site facilities and has saved costs. The new housing management system implemented during 2014/15 is expected to achieve efficiency gains in following years as well as reduce software license fees of £50k per year. In total these items achieved annualised efficiency gains of £134k.

6.3.4 Facilities: A new contract was entered into for the provision of printing, scanning and

copying devices across multiple sites. This has provided Value for Money both from an efficiency point of view and is generating annual savings of £34K.

- 6.3.5 Development: The role of the department in delivering VfM through new developments has been outlined in 4.3 above. Other VfM improvements have been delivered through sharing our expertise and carrying out development on behalf of other RP's thus generating income to reduce overall costs. There has also been implementation of a new architects framework which will save £15K. In addition we have held sales training courses for other RP's and local government departments.
- 6.3.6 Help to Buy: As previously outlined, the agency is contributing a surplus towards **bpha's** overall results.
- 6.3.7 Property Services: In previous years void properties were cleaned by external contractors, but this has now been brought in-house which will save at least £50K per annum and provide better service to our customers. The re-procurement of the asbestos removal contract saved a further £20k per year.

Other Value for Money Improvements Delivered 2014/15

- 6.3.8 Property Services: A programme to replace solid fuel boilers with renewable sources of technology has improved the quality of our customer's lives. The installation of Air Source Heat Pumps has helped many families and elderly people move away from fuel poverty. Last year **bpha** managed to bring 44 families out of fuel poverty and secure £123K of Government funding.
- 6.3.9 Housing Management: **bpha** offer a money advice service delivered by Benefit and Debt advisors and Financial Inclusion officers. These staff are registered members of the Institute of Money Advisors. In the past twelve months 913 cases have been referred to the money advice team. Following the team's intervention they have secured for customers a total of £152k in back-pay of benefits. Equally importantly, early and proactive intervention can sometimes help customers avoid financial difficulties which in turn reduce **bpha's** exposure to rent loss.
- 6.3.10 Service Improvement Panel: SIP undertook three reviews during the year and made a number of recommendations which included VfM related issues. This included reviewing the work of the Customer Contact Centre and a review asking whether **bpha** listens to its customers. The Service Improvement Panel themselves had training on understanding

VfM and how this could be used effectively in their work.

6.4 Knowledge Share

- 6.4.1 Last year we noted “We will also support other associations in the sector and made available information and ideas where we believe others may benefit from our experience.”
- 6.4.2 We have already noted how we have assisted other associations to meet housing need by developing on their behalf so that they can benefit from **bpha**’s knowledge and economies of scale.
- 6.4.3 In addition, **bpha** has undertaken a number of knowledge and expertise sharing events with other RP’s and Local Authorities. Amongst these has been the development and delivery of a training course on how to successfully sell Shared Ownership properties. Our Fire Academy has become level 3 NVQ accredited and is cost efficient as it is able to offer its services externally. We will continue to share good practice to help drive improvements in VfM.

6.5 Planned efficiency gains for 2015/16

- 6.5.1 As noted earlier, **bpha**’s operating costs are already low by sector standards, which makes it increasingly challenging to quantify the efficiency gains that will be delivered. There are plenty of improvements in service that will deliver Value for Money, though in many cases the savings through process efficiency will be recycled through better customer service.
- 6.5.2 The emphasis in the coming year will therefore be upon value rather than cost and upon customer satisfaction.

Department	Summary	Efficiency Gains Planned 2015/16 £'000
Corporate Finance	Improvements to funding structures	200
Development	Agency income	500
IT	Procurement	75
HR	Reductions in agency & contract staff costs through direct recruitment	200
Property Service	Procurement	250
Total		1,225

6.5.3 As noted in 3.2 above the Board of **bpha** recognise that there are many different stakeholders' interests to be considered. The Board intend to improve the financial resilience of **bpha** through generating increased surpluses. Much, though not necessarily all, of the VfM efficiency gains realised in 2015/16 will be reinvested for the direct benefit of existing customers mainly by increasing the amount of capital expenditure on some elements of existing properties. There is a budgeted increase of £832k in the amount that will be invested in replacing heating systems.

7 Benchmark data

7.1 Sources of Benchmark data

7.1.1 **bpha** refers to two primary sources of benchmark data in order to obtain objective and independent data against which we can assess our VfM performance, which are The HCA Global Accounts 2014 and Housemark. Both have been referenced within this self-assessment.

7.2 Conclusions from Benchmarking

7.2.1 For the reasons referred to above, we have concluded that **bpha's** cost control is good. We benefit from the young age of our stock.

8 Summary of plans for improvement to delivery of VfM

8.1 Introduction

8.1.1 We are continuously looking at areas where we can deliver greater VfM. These were noted at various points through the document, but for ease of reference are listed below and are summarised in the following paragraphs.

- Learning from other housing associations and sharing **bpha's** expertise
- Improved working practices including systems and procurement
- Void turnaround
- Greater resident involvement and use of feedback / complaints
- Efficiency improvements
- KPI's / Early Warning / Goal Alignment
- Website & Intranet improvements to drive efficiency
- Customer satisfaction

8.2 Knowledge and Expertise Sharing

8.2.1 We will continue to share our knowledge and expertise with other registered providers particularly in the Development, Sales and Customer Support and in Finance. We will also participate in systems forums providing our expertise as well as learning from others.

8.3 Improved working practices

8.3.1 We are focusing on streamlining and improving our working practices. Whenever Housing officers live close to their operational patch there will be greater emphasis on homeworking in order to maximise the time spent working with residents. There will also be continued investment in our front line systems ensuring these are working optimally.

8.3.2 We will continue to monitor avoidable contact with residents so we can ensure we are working efficiently and will use complaints as a valuable source of information to drive improvements. Wherever possible residents will be consulted and involved, through the Service Improvement Panel and other means, to drive VfM.

8.3.3 As part of an ongoing programme purchasing will be reviewed and certain key services will

be re-procured. We are looking to reduce void turnaround time.

8.4 Improved data analysis and usage

8.4.1 We have invested significantly in obtaining good data on our properties which will allow us to provide greater VfM when planning capital works and repairs. We are also looking to make greater use of remote monitoring so we can be highly reactive to residents' needs. With the implementation of our new housing system we have also developed a suite of key performance indicators which will allow us to monitor performance and drive improvements.

8.5 Customer satisfaction

8.5.1 We aim to continuously improve the satisfaction levels of our customers. We have this firmly built into our Operating plan with improvement targets set for the coming year. We will ensure our communications play a major part in this and will review the most appropriate communications methods on a regular basis.

8.6 Ensure VfM is at the heart of all that bpha delivers

8.6.1 Value for Money is at the heart of all that **bpha** delivers. VfM is considered at all levels in the organisation both when making resource allocation decisions and in reports on performance. This is now also routinely considered as part of Governance through Board and Committees and through scrutiny by the resident led Service Improvement Panel.

If you have suggestions as to how **bpha** can deliver improved Value for Money, or if you have any questions regarding this self-assessment we would like to hear from you.

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