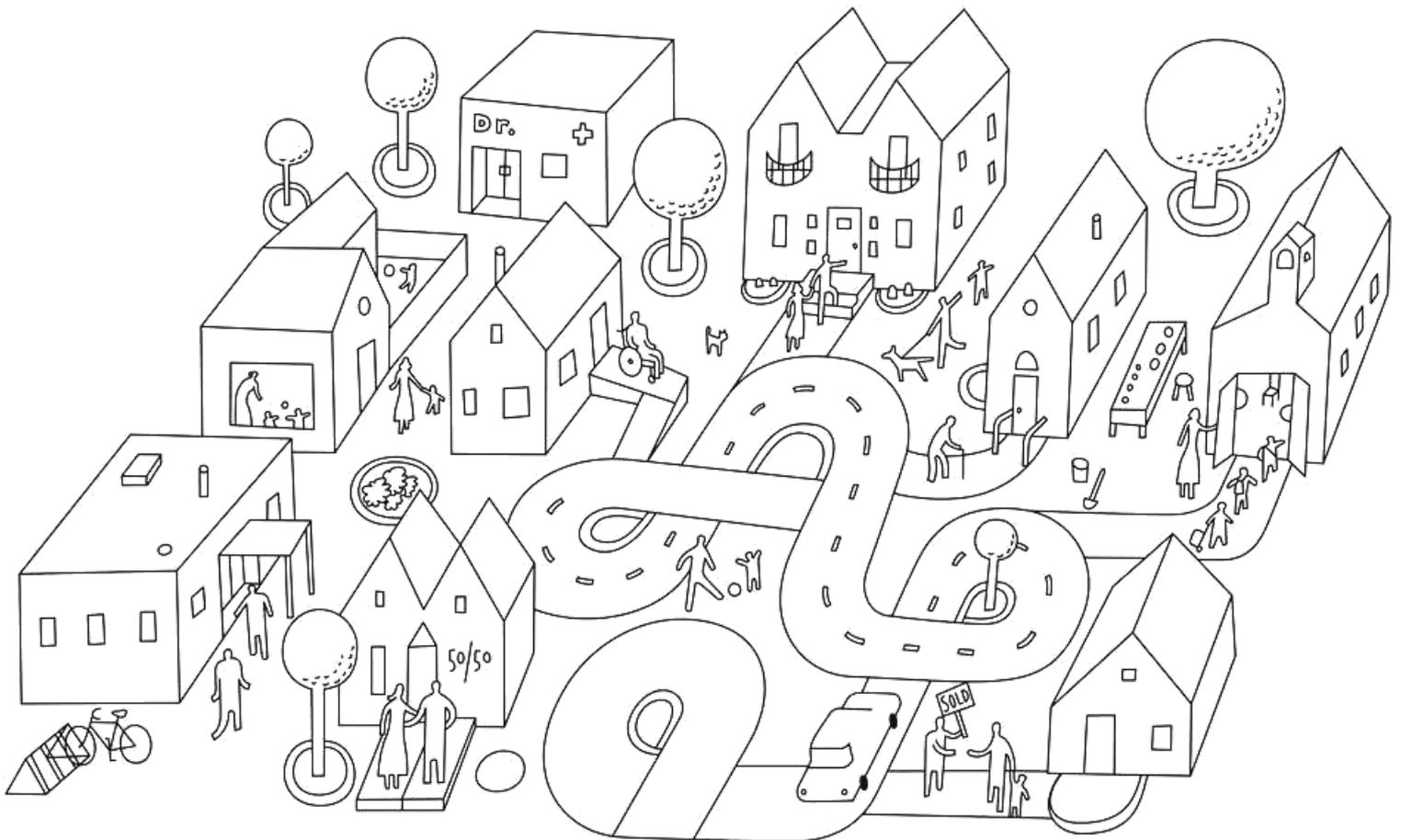


# Value for Money

## Self-Assessment 2015-16

*Approved by Board on 26<sup>th</sup> July 2016*



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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 the association's VfM performance.
- 1.1.2 This self-assessment report has been prepared with input from the resident Service Improvement Panel (SIP) and has been reviewed by **bpha**'s Board. This report is published on the **bpha** website [www.bpha.org.uk](http://www.bpha.org.uk) and the executive summary has formed the basis of the information included within the published audited financial statements for the year ended 31 March 2016.
- 1.1.3 This self-assessment sets out how **bpha** has delivered VfM across the business during the year to 31 March 2016. Included in the body of the report are a number of case studies and for the sake of brevity these are not referenced in the executive summary.

### 1.2 Overall Value for Money (VfM) strategy

- 1.2.1 We have 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 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; and
  - whether or not activities are environmentally sustainable.
- 1.2.2 We use various sources of benchmarking data, including the HCA Global Accounts and Housemark
- 1.2.3 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 has concluded that we have been successful in delivering VfM, having continued to maintain tight control of operational costs with investment into resident service delivery and the maintenance of existing stock, delivered new homes and restructured funding at lower cost. The following paragraphs set out the basis for this conclusion and the report concludes with a summary of key VfM benchmarks.

### 2.2 Return on Assets

2.2.1 We built 450 (2014/15: 558) new homes at a gross cost of £47.6m (2014/15: £55.2m). Delivery depends on the timing of completions across the large strategic sites and the current year's delivery of new homes is consistent with our four year track record.

2.2.2 Net debt per home is high by benchmark standards reflecting our successful long term track record of investing in new homes. It should be noted that each development scheme has to independently meet various financial hurdles. Scheme appraisals do not take account of any cross subsidy from the surpluses generated from the existing stock of properties. As in previous years, during 2015/16 current residents' rents have not subsidised the development of new homes for future residents.

2.2.3 We had a successful year with regard to property sales, with 236 existing units either sold outright or sold to increase the proportion owned by the shared owner. This activity contributed £3.5m surplus for re-investment. Additionally, 139 units were sold as first tranche shared ownership which contributed £6.4m surplus for reinvestment.

2.2.4 This year, our investment of £8.1m (2014/15: £5.4m) into Bushmead Homes Limited, which is a wholly owned subsidiary of bpha Limited, returned a surplus of £1.6m (2014/15: £nil). This surplus will be reinvested in further development of affordable homes and provides us with the opportunity to work in partnership with commercial developers.

2.2.5 We invested £23.2m (£11.7m capital and £11.5m revenue spend) in maintaining and improving existing homes which equates to £1,295 per home, which is low by benchmark standard. This relatively low cost for repairs and maintenance is attributed to a number of factors including the young age of our stock, its tight geographical distribution and the good average condition of our stock. Details of the improvements to homes resulting from this investment include:

- 28,393 responsive repairs made at the residents' request within a defined service level agreement;
- 734 refits of void properties; and
- 4,893 capital repairs made.

2.2.6 In comparison to the prior year, the total expenditure on repairs and maintenance for existing properties reduced by 3.4%. Expenditure on existing properties is carefully controlled to ensure our stock continues to meet the government's Decent Homes standard and therefore the reduction in spend represents good VfM for our residents.

2.2.7 We record stock condition data for all of our stock where we have a repairing responsibility and resurvey all such stock every five years. During the year 2,512 properties were resurveyed to keep stock condition data up to date. This makes future maintenance liabilities visible and enables us to plan work in cost effective packages to deliver the greatest VfM.

2.2.8 In 2015/16 we secured the re-procurement of repairs and maintenance contracts and we anticipate cost savings of £530k from this.

2.2.9 We continued to have a very strong operating margin on social housing lettings of 46.0% (2014/15: 46.0%) reflecting efficiency of cost control and maximisation of income.

2.2.10 Asset modelling software is used to evaluate our 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 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. Since all assets contribute value we have concluded therefore that, whilst there is no urgency to dispose of any assets, on an ongoing basis we will consider how return on assets can be enhanced by managing assets through defined business units.

### **2.3 Social and Environmental Returns**

2.3.1 £396k was invested in aids and adaptations to support disabled and elderly residents with 85 major and 312 minor adaptations carried out. This investment contributed to the continued independence, autonomy and well-being of these residents.

2.3.2 The Standard Assessment Procedure (SAP) rating of our homes has improved from 67

to 73 over the last five years. All new stock is built to more efficient modern standards and this drives improvement in the overall average rating.

- 2.3.3 We continue to improve our existing stock by activities such as replacement of inefficient electric heating systems, replacing windows, fitting energy efficient modern lighting and other measures. During 2016/17 we will undertake an ambitious boiler replacement programme which will see 750 properties which currently have an older, less efficient gas boiler fitted with a highly efficient modern boiler, which will improve the SAP rating of each property by an average of 4 – 5 points.
- 2.3.4 We consider that investment in energy efficiency represents VfM:
- from a resident's perspective; this reduces their potential bills, improves the quality of their lives and reduces the risk of fuel poverty; and
  - from our perspective; more energy efficient homes are more valuable, improving return on assets, and the reduction in fuel poverty potentially improves the chances of residents being able to meet their rent commitments.
- 2.3.5 We have established an accredited Fire Academy providing fire safety and risk management training. The academy trains our employees and in future will run courses for third parties which will generate additional income.
- 2.3.6 We launched an employee volunteering programme to celebrate our 25<sup>th</sup> anniversary. Over 25 community volunteering projects were carried out across the year, with over 4,700 hours donated (2014/15: 2,700 hours). All employees were invited to take part along with public volunteers from our communities. Activities have included bulk waste collections, litter picking, an indoor party for residents in our retirement housing, painting, tree planting, car speed watching and donating Christmas food hampers to our 50 most vulnerable tenants. The programme was so successful it will now be a permanent scheme.
- 2.3.7 As an indicator of value, using information on average hourly pay rates in our area from the Office for National Statistics, we have estimated the volunteer hours worked to be worth over £66k (2014/15: £38k).

## 2.4 Resident satisfaction

- 2.4.1 Last year we concluded that because operating costs are already low by sector standards, the focus for the delivery of VfM would be through improvements to service delivery with process efficiency being recycled through better customer

service. During 2015/16, all employees have undertaken customer service training, including a program to embed the new behaviours with follow-up and refresher training.

- 2.4.2 We are committed to improving the quality of services offered and to improving resident satisfaction as a result. Results from our internal customer contact surveys, detailed in the table below, show that targets are being exceeded and therefore we anticipate that the benefits from this ongoing investment and focus will be fully realised in subsequent periods.

Customer Satisfaction	Ease of Contact	Polite	Knowledgeable	Dealt with enquiry fully	Overall satisfaction
Target	90%	95%	93%	85%	90%
Average 2015/16	95%	98%	94%	88%	95%

- 2.4.3 Following a repair, we perform post inspection surveys on a sample of jobs. The overall resident satisfaction rate from these surveys for the whole year was 96.2% which we consider an excellent indication of a good level of customer service in this area.
- 2.4.4 We have strengthened our processes for dealing with complaints with the objective of delivering better outcomes for customers and to provide insight to identify and address any shortcomings that led to the complaint. During the year the number of complaints fell by 30%.
- 2.4.5 Each year, we canvas our new shared ownership customers to ascertain their satisfaction with our Options to Buy sales service. We are very pleased that for 2015/16, 70% of customers were either satisfied or very satisfied with the overall service delivered by our Options to Buy team.
- 2.4.6 As detailed in the table below, tenant and resident satisfaction with overall service provided has improved for Housing for Older People and Shared Ownership, and stayed level for General Needs, but this fell short of our targets which remain unchanged. Trends over the three years from April 2013 indicate that progress is being made. That said, in each of the three areas, tenants and residents are more satisfied that their rent provides VfM than the benchmark median.

Resident satisfaction with:	2016/17 Target	2015/16 Actuals	2015/16 Target	2014/15 Actuals	2013/14 Actuals	Benchmark* Median
<b>General Needs</b>						
Rent Provides value for money		85%		85%	75%	81%
Overall Service Provided	87%	82%	87%	82%	77%	87%
<b>Housing for Older People</b>						
Rent Provides value for money		93%		89%	77%	88%
Overall Service Provided	95%	95%	95%	93%	85%	91%
<b>Shared Ownership</b>						
Rent Provides value for money		68%		72%	n/a	63%
Overall Service Provided	65%	62%	65%	59%	63%	56%
*Benchmark Data Housemark April 2016						

2.4.7 We plan to continue the ongoing focus on overall tenant and resident satisfaction and have set target levels at or above the benchmark median level for the coming year.

2.4.8 There is an increasing focus upon mobile working. During 2015/16 a pilot programme was run to enable our housing officers to increase the number of tasks that they can handle remotely and thereby enable them to spend more time with residents. This will be rolled out further during 2016/17. We intend 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 a project to improve this has now commenced, starting with a new on-line lettings portal launched in June 2016.

## 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 to be “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 A new post of Head of Procurement and Contracts has been created, which will consolidate the procurement activity and ensure that maximum value is derived whenever we procure goods or services from third parties. Already the re-procurement of various repairs contracts has delivered £70k savings for 2015/16, with a further £530k saving budgeted for 2016/17.

- 2.5.3 Over the past year there has been a particular focus on improving debt collection and reducing rent arrears. The VfM metrics indicate good progress this year, with rent arrears reducing to 3.5% (2014/15: 3.9%) and bad debt per home to £20 (2014/15: £24) which was significantly better than the target of £44. New processes have been introduced; however, based on pilot studies for the rollout of Universal Credit we anticipate that welfare reform will impact negatively on the debt arrears and collection metrics and accordingly have anticipated an increase to £30 per home.
- 2.5.4 A number of improvements to void processes have been introduced during the year, including any day tenancy start dates. These improvements, together with lower than expected number of voids, have reduced our void loss per home which was more than 20% better than prior year at £45 (2014/15: £57). Our 2016/17 target of £56 void loss per home anticipates an increased number of voids, resulting from an expected increase in the turnover of tenancies.
- 2.5.5 During 2015/16 £80m of funding was raised through the Affordable Housing Guarantee Scheme under two separate transactions. The funding was provided by Affordable Housing Finance PLC by way of long term loans guaranteed by the Secretary for Communities and Local Government. The funding was raised at cheaper rates than could have been accessed directly in the capital markets and this results in saving of around £1.1m per annum.
- 2.5.6 Over the course of 2015/16 we undertook a strategy to significantly reduce potential mark to market (MTM) exposure on our stand-alone derivative portfolio. £100m of stand-alone interest rate swaps were unwound and immediately re-fixed on an embedded basis at much lower market rates with no margin call exposure. This results in an annualised saving of £3.04m, though it should be noted that much of this will not be realised until the 2016/17 year. The end result was a reduction in future MTM volatility of over 50%, creating improved cash flow stability and fundamentally improving our credit strength. Improved credit strength will enhance our ability to continue to raise funding to support development at competitive rates and therefore represents VfM.
- 2.5.7 Overall, these treasury transactions, together with the full benefit of transactions in preceding years, have cut our weighted average cost of capital by 0.5% saving over £3.5m of interest costs in 2015/16 on the total drawn debt.
- 2.5.8 Over recent years bpha has invested in improving data quality which has been central to the organisation's approach to critically evaluating its asset management

performance. As a result a number of important lessons have been learnt that have contributed to the business's overall VfM performance.

- 2.5.9 In 2016/17 bpha will start to manage its operations through defined business units. This will enable a more commercial approach to asset management to be employed. Specific assets will be aligned directly to the services that are provided from them, allowing the income and costs that are directly associated with each property and service line to be analysed in more detail. The insights from this more sophisticated approach will support further improvements in ensuring that the best VfM performance is achieved from bpha's assets.
- 2.5.10 This restructuring into business units will require changes and investments which will continue throughout 2016/17 and beyond. Ultimately this new approach will facilitate bpha in making better commercial decisions and driving further improvements to the return on assets. However, these improvements in return will not be realised immediately and will build up over the following two years.

## 2.6 VfM Benchmark

- 2.6.1 Our performance against the key VfM indicators we benchmark ourselves against, together with our targets for 2016/17, are set out in the table below. As discussed in the preceding paragraphs, we achieved results which were better than benchmark. In most areas we outperformed our 2015/16 target, but employee costs grew slightly faster than targeted as we recognised the need for additional skills in some areas. Nevertheless, we consider improving skills will drive up customer service and improve efficiency and therefore will drive future value for money.

Value for money indicators	2016/17 Target	2015/16 Actual	2015/16 Target <sup>2</sup>	2014/15 Actual	Benchmark <sup>1</sup>
Staff cost per unit	£695	£700	£695	£684	£1,034
Planned and routine maintenance cost per home	£645	£639	£613	£606	£1,017
Capital expenditure on existing properties per home	£653	£655	£690	£751	£929
Total expenditure on properties per home	£1,298	£1,294	£1,303	£1,357	£1,945
Rent void loss per home	£56	£45	£53	£57	£81
Operating cost per home excluding first tranche shared ownership sales	£2,517	£2,438	£2,366	£2,374	£4,152
Operating margin on social housing lettings	45.0%	46.0%	N/A	46.0%	N/A
Rent arrears %	3.8%	3.5%	4.0%	3.9%	4.7%
Bad debts per home	£30	£20	£44	£24	£37
Total number of homes	18,254	17,896	17,905	17,661	7,974
Units developed as % of units owned	2.8%	2.5%	2.5%	3.2%	1.8%
Net debt per home	£38,694	£38,020	£36,110	£34,661	£23,931
<sup>1</sup> Benchmark data taken from HCA Global Accounts 2015 are stated in previous UK GAAP format.					
<sup>2</sup> 2015/16 target data is presented in previous UK GAAP format.					

### 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 we achieve VfM in delivering our objectives. This self-assessment includes:

- Details of return on assets against our objectives;
- Absolute and comparative costs of delivering specific services; and
- Details of the VfM efficiency gains that have been, and are planned to be, delivered.

### **3.2 Key stakeholders**

- 3.2.1 We have many stakeholders including residents, potential residents, local authorities, the Homes & Communities Agency (HCA), 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 We appreciate the importance of considering stakeholders' different interests in order to deliver VfM on a sustainable long term basis whilst meeting our objectives. We recognise the need to balance the deployment of assets and resources between the various competing claims. We have 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 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 the operational planning cycle and decision processes and is analysed as part of routine reporting.
- 3.3.2 The governance oversight of VfM involves the Board and its Committees and the Service Improvement Panel. The Service Improvement Panel is run by residents independently of the Association and ensures that they are involved in setting our strategic direction. 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 VfM can be defined and 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 resident 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 VfM 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, under the right circumstances, deliver better value. Factors considered in assessing value, include:

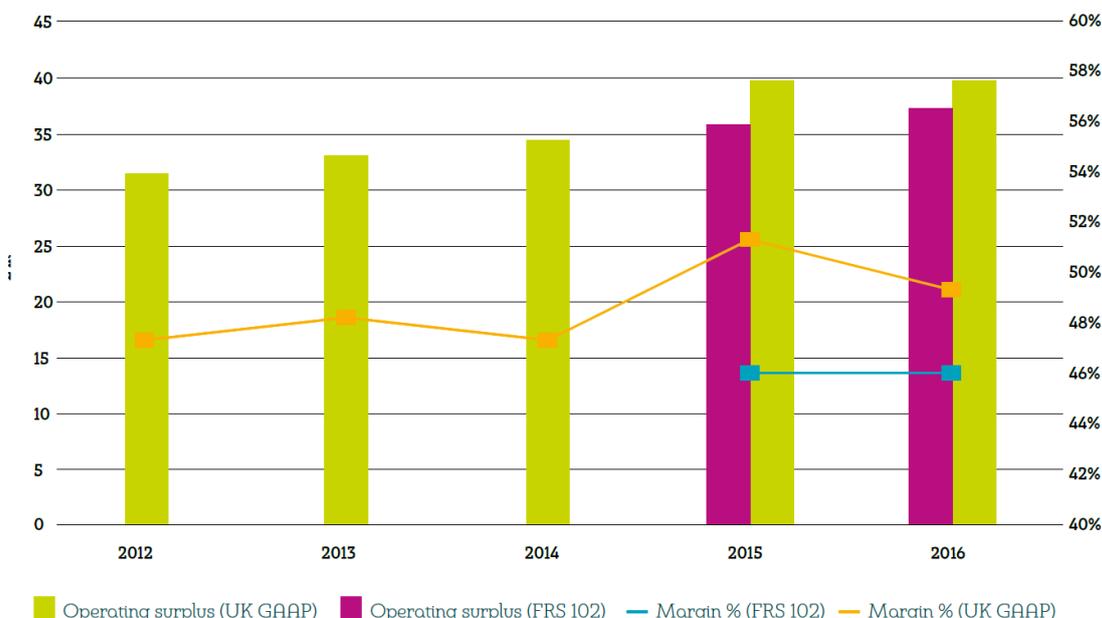
- Offering more cost effective, improved services;
- Generating a positive impact on residents and communities;
- Ensuring decisions take a long term view rather than just considering short term costs;
- Assessing whether expenditure improves the quality of our homes for the benefit of residents; and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

3.4.5 We have sought to embed VfM as part of our culture across all aspects of our operations including budget processes and operational plans and reporting.

## 4 Return on assets

### 4.1 Operating costs

Operating performance 2012-2016 on social housing lettings:



4.1.1 Over the last five years our operating surplus on social housing lettings has grown from £31m to £37m with the margin, calculated in accordance with the new Financial Reporting Standard 102 (FRS 102), constant at 46% for the past two years. In line with this and over the same five year period, our overall operating surplus, including non-social and non-lettings activities, has grown from £32m to £49m in 2015/16. In assessing if this high margin represents good Value for Money, we have considered various factors including whether:

- The margin is evidence of 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 the costs of staff involved in social housing activity. We have continued this year as the Help to Buy agents for the East & South East of England, and staff providing this service are not involved in either the provision of housing management services or in development of new homes, so the analysis has excluded costs and staff

numbers in relation to Help to Buy employees. Details are set out below:

		2016	2015
<b>Staff Numbers (excluding Help to Buy)</b>	A	311	286
<b>Total Staff Costs (excluding Help to Buy) £'000</b>	B	12,529	12,071
<b>Total Number of Units</b>	C	17,896	17,661
<b>Staff Cost Per Unit £</b>	B/C	700	684
<b>Units Per Member of Staff</b>	C/A	58	62

4.1.3 This year employee costs grew slightly faster than our target of £695 as we recognised the need for additional skills and investment in some areas. This has resulted in higher numbers of employees and an increase of £16 per unit to £700 (2015: £684).

Nevertheless, we consider improving skills will drive up customer service and improve efficiency and therefore will drive value for money.

4.1.4 Our target is to deliver staff cost per unit of £695 for 2016/17 against a benchmark average staff cost per unit of £1,034. This target represents a small efficiency saving which will be delivered through the on-going replacement of agency staff with permanent posts and through the delivery of operational efficiencies.

## 4.2 Return from existing properties

### Introduction

4.2.1 Our existing properties can be summarised as follows:

Number of units owned and managed	2016
<b>General Housing</b>	11,550
<b>Low cost home ownership</b>	1,901
<b>Supported housing</b>	689
<b>Residential care homes</b>	899
<b>Non-social</b>	1,003
<b>TOTAL OWNED</b>	16,042
<b>Homebuy &amp; shared equity</b>	1,107
<b>Leaseholders</b>	563
<b>Managed for others</b>	184
<b>TOTAL OTHER PROPERTIES</b>	1,854
<b>TOTAL OWNED &amp; MANAGED</b>	17,896

4.2.2 In summary, nearly two thirds of our stock is classified as general housing property. This stock is relatively young with nearly half of it being less than 20 years old. It is

predominantly conventional family housing, concentrated in the Oxford to Cambridge arc and easily accessible from our 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 We routinely have 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 we consider how the decisions impact on our overall business and VfM objectives.

4.2.4 We take 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; and
- 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, we use our 'live' stock condition information. We record stock condition data for all of our stock where we have a repairing responsibility and resurvey all such stock every five years. During the year 2,512 properties were resurveyed to keep stock condition data up to date. This makes future maintenance liabilities visible and enables us to plan work in cost effective packages to deliver the greatest VfM.

- 4.2.6 This detailed stock condition data makes future maintenance liabilities visible and enables us to plan work in cost effective packages 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 residents during the year: firstly there is contact to update the stock condition data which provides a useful opportunity to listen to residents even when there is no “need” for them to speak to us; secondly we are contacting residents 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 will help to improve resident satisfaction over the coming year.
- 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 VfM.
- 4.2.9 As well as improving resident 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, we have increased our planned expenditure on domestic boilers by £738k in the coming year whilst other programs come to an end enabling planned expenditure overall in line with the current year.

#### *Responsive repairs*

- 4.2.10 During the year to 31 March 2016 £23.2m (£11.7m capital and £11.5m revenue spend) was invested to maintain or improve our existing stock. This investment equates to £1,295 per home which is low by benchmark standard. This relatively low cost for repairs and maintenance is attributed to a number of factors including the young age of our stock, its tight geographical distribution and the good average condition of our stock. Details of the improvements to homes resulting from this investment included:
- 28,393 responsive repairs made at the resident’s request within a defined SLA;
  - 734 refits of void properties; and

- 4,893 capital repairs made.

4.2.11 We have considered whether the responsive repairs service represents VfM. Our responsive repairs service is essentially provided by three teams:

- Our in-house, award winning call centre who provide the first point of response to a resident;
- 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 4.1.2. During 2015/16 the total cost per home on planned, routine and responsive maintenance was 3.4% lower than prior year. Despite slightly reduced spend, investment on existing properties is carefully controlled to ensure our stock continues to meet the government's Decent Homes standard and therefore the reduction in spend represents good VfM for our residents. During the year, several repair contracts have been retendered and we budget a total saving for the coming year of £0.5m.

#### *Asset modelling & disposal decisions*

4.2.13 Asset modelling software is used to evaluate our 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. Since all assets contribute value we have concluded therefore that, whilst there is no urgency to dispose of any assets, on an ongoing basis we will consider how return on assets can be enhanced by managing assets through defined business units.

4.2.14 An example of the use of asset modelling data to inform decisions relates to one of our sheltered schemes at Williamson Court in Kempston which provided bedsit accommodation for 34 residents and suffered from long void periods of around 200 days and required significant capital spend to update its heating system, a lift refurbishment and extensive works to meet fire safety standards totalling £731k. In addition to this both void and responsive repairs totalling around £20k per annum were identified.

4.2.15 On this basis the scheme was identified for redevelopment and a scheme to provide 17 houses was based on the housing need for the area. The new development provided 1 bed houses, which were included to avoid implications relating to under occupation and the welfare reform changes to housing benefit eligibility, and instead of providing 4 bed houses for 6 person families we provided 3 bed houses with larger bedrooms for children to avoid loss of housing benefit when up to 2 children grow up and leave the household, protecting the family and our income.

4.2.16 The net present value (NPV) for the old scheme was £11,444 however the NPV has been increased to £60,140 in relation to the newly constructed units which were completed in August 2015.

4.2.17 During 2015/16 our garage sites have been released from charge which has enabled us to review our redundant sites that generate little income from obsolete garages that could no longer accommodate modern day cars. An example of this is a garage site in Bedford which is being re-developed as 10 apartments delivering much needed affordable housing for the community.

### Benchmarking

4.2.18 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	2016/17 Target	2015/16 Actual	2015/16 Target <sup>2</sup>	2014/15 Actual	Benchmark <sup>1</sup>
Staff cost per unit	£695	£700	£695	£684	£1,034
Planned and routine maintenance cost per home	£645	£639	£613	£606	£1,017
Capital expenditure on existing properties per home	£653	£655	£690	£751	£929
Total expenditure on properties per home	£1,298	£1,294	£1,303	£1,357	£1,945
Rent void loss per home	£56	£45	£53	£57	£81
Operating cost per home excluding first tranche shared ownership sales	£2,517	£2,438	£2,366	£2,374	£4,152
Operating margin on social housing lettings	45.0%	46.0%	N/A	46.0%	N/A
Rent arrears %	3.8%	3.5%	4.0%	3.9%	4.7%
Bad debts per home	£30	£20	£44	£24	£37
Total number of homes	18,254	17,896	17,905	17,661	7,974

Value for money indicators	2016/17 Target	2015/16 Actual	2015/16 Target <sup>2</sup>	2014/15 Actual	Benchmark <sup>1</sup>
<b>Units developed as % of units owned</b>	2.8%	2.5%	2.5%	3.2%	1.8%
<b>Net debt per home</b>	£38,694	£38,020	£36,110	£34,661	£23,931
<sup>1</sup> Benchmark data taken from HCA Global Accounts 2015 are stated in previous UK GAAP format.					
<sup>2</sup> 2015/16 target data is presented in previous UK GAAP format.					

4.2.19 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 good, particularly in relation to total expenditure on properties per home, 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
- The year has delivered some improvements in resident satisfaction levels, however, our resident service targets were not completely met this year and we therefore plan to continue to focus on service delivery with the aim of continuing improvement over the coming years.

4.2.20 Therefore, whilst we will continue to develop new homes, there will be a continued emphasis upon investment in existing stock, improving communities, and increasing the number of resident facing staff. We believe that these measures will continue to improve our delivery of VfM.

### 4.3 Delivery of new homes

4.3.1 Across our 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. We have

been a provider of new affordable housing for a significant time, building or acquiring around 500 units per annum in the five years to 31 March 2016.

4.3.2 Before considering how we deliver/determine VfM in relation to specific development sites, in general terms, the reason that we deliver 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 us 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. Scheme appraisals do not take account of any cross subsidy from the surpluses generated from the existing stock of properties. As in previous years, during 2015/16 current residents' rents have not subsidised the development of new homes for future residents.

4.3.4 During the year ended 31 March 2016 we delivered 450 new homes (2014/15: 558 new homes) at a gross cost of £47.6m (2014/15: £55.2m). This delivery was in line with our target for the year of 449 new homes. Our aim is to continue to build new homes across our operating region and in the year to 31 March 2017 we aim to deliver around 500 new homes.

Development Units	2015/16
Rented social housing	208
Shared Ownership	139
Care	75
Other	28
<b>TOTAL OWNED</b>	<b>450</b>

4.3.5 This year, our investment of £8.1m (2014/15: £5.4m) into Bushmead Homes Limited, which is a wholly owned subsidiary of **bpha** Limited, returned profits of £1.6m (2014/15: nil). This surplus will be reinvested in further development of affordable homes and provides us with the opportunity to work in partnership with commercial developers.

4.3.6 Many of the new homes this year have been 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. Including Cambridge, we are currently developing homes across 24 (2014/15: 14) locations.

4.3.7 Since demand for new housing massively exceeds our capacity to supply we 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 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 we own, 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 our capacity to continue to develop in the future.

4.3.8 This rigorous process means that we turn down more development opportunities than those to which we commit and ensures that those undertaken represent VfM.

4.3.9 Our conclusion is that our development activity represents good VfM.

#### **4.4 Planned developments in managing Return on Assets**

4.4.1 Over recent years bpha has invested in building up 100% stock condition data. This, in addition to the establishment of an up-dated asset and liability register, has been

central to the organisation's approach to critically evaluating its asset management performance. As a result a number of important lessons have been learnt that have contributed to the business's overall VfM performance, including the efficiency with which capital works are planned and procured as detailed in 4.2.

- 4.4.2 In 2016/17 bpha will start to manage its operations through defined business units. This will enable a more commercial approach to asset management to be employed. Specific assets will be aligned directly to the services that are provided from them, allowing the income and costs that are directly associated with each property and service line to be analysed in more detail. The insights from this more sophisticated approach will support further improvements in ensuring that the best VfM performance is achieved from bpha's assets.
- 4.4.3 Ultimately the data for each business unit will be held within a central 'data warehouse' which will allow analysis and drill down by asset types and enable a more complete understanding of income, costs, amounts invested in assets, debt implications, risk & reward to be established. There will be clearer and more explicit links between service delivery and the assets required to support that service. Business units will be managed by well trained staff who will be responsible for delivering VfM improvements as an integral part of their overall service management role.
- 4.4.4 This restructuring into business units will require changes to and investments in systems, as well as some internal re-organisation and training of staff. This process will continue throughout 2016/17 and beyond. Ultimately this new approach will facilitate bpha in making better commercial decisions and driving further improvements to the return on assets. However, these improvements in return will not be realised immediately and will build up over the following two years.

## 4.5 Help to Buy

- 4.5.1 At the start of 2014/15 we were delighted to be awarded by HCA the Help to Buy agency for the South East and East of England. This draws upon skills developed both in our award winning call centre and the development and sales teams. This contract has progressed well in 2015/16 and has contributed to the overall financial performance.
- 4.5.2 The Help to Buy team of around 50 employees have met or exceeded the HCA performance criteria whilst handling around 100,000 documents and processing over

7,000 completions.

- 4.5.3 We were very pleased when the contract was extended for a further year until 31 March 2017.

#### **4.6 Property Sales and other Services**

- 4.6.1 In terms of delivery of new homes we have provided various services to other associations to help them increase housing supply. In 2015/16 units were developed under agency agreements for other RP's generating development agency fee income of £76k (2014/15: £428k). In addition first tranche shared ownership sales were made on behalf of other RP's generating a further £329k (2014/15: £100k) in agency fees. Such work offers VfM both through the income generated on the back of existing skills and capacity and to the partner associations through giving them access to our expertise and developments without them needing to recruit in-house development resource.
- 4.6.2 In addition to its sales agency work, we had a successful year with regard to sales of our own properties, with 236 existing units either sold outright or sold to increase the proportion owned by the shared owner. This activity contributed £3.5m surplus for re-investment. Additionally, 139 units were sold as first tranche shared ownership which contributed £6.4m surplus for re-investment.

## 5 Social and environmental returns

### 5.1 Resident satisfaction

5.1.1 We are committed to improving the quality of services offered and to improving resident satisfaction as a result. During 2015/16 the improvements to customer facing systems and processes made last year have been bedded in. Although efficiencies arising from these improvements are not showing results yet, the resident satisfaction trends over the 3 years from April 2013 indicate that progress is being made. Results from our internal customer contact surveys, detailed in the table below, show that targets are being exceeded and therefore we anticipate that the benefits from this ongoing investment and focus will be fully realised in subsequent periods.

Customer Satisfaction	Ease of Contact	Polite	Knowledgeable	Dealt with enquiry fully	Overall satisfaction
<b>Target</b>	90%	95%	93%	85%	90%
<b>Average 2015/16</b>	95%	98%	94%	88%	95%

5.1.2 Following a repair, we perform post inspection surveys on a sample of jobs. The overall resident satisfaction rate from these surveys for the whole year was 96.2% which is excellent and indicates a good level of customer service in this area.

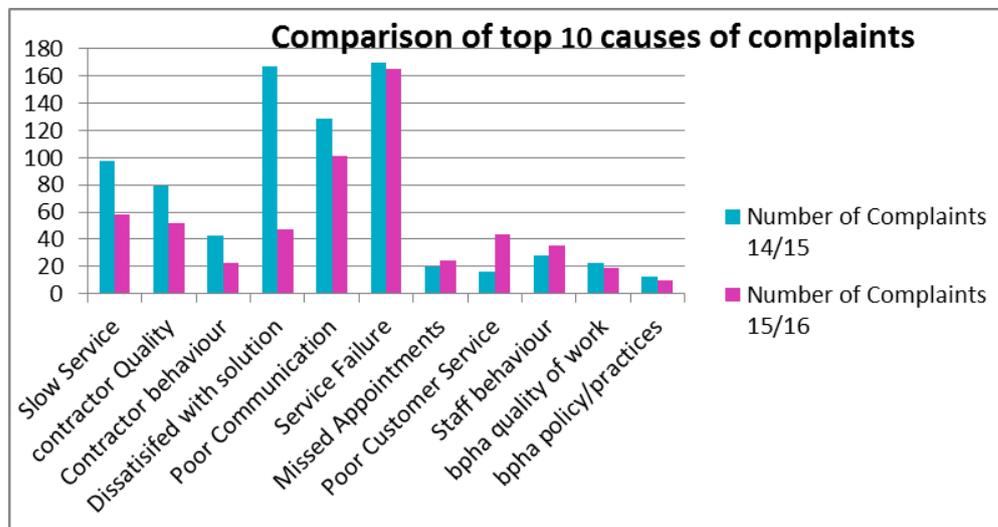
5.1.3 Each year, we canvas our new shared ownership customers to ascertain their satisfaction with our Options to Buy sales service. We are pleased that for 2015/16, 70% of customers were either satisfied or very satisfied with the overall service delivered by our Options to Buy team.

5.1.4 We have strengthened our processes for dealing with complaints with the objective of delivering better outcomes for customers and to provide insight to identify and address any shortcomings that led to the complaint. During the year the number of complaints fell by 30%.

5.1.5 We view complaints as an important resource by recording, investigating and learning from them. Staff are encouraged to treat complaints as a learning tool and to report all instances where expressions of dissatisfaction could not be resolved at first point of contact. During the year, our process for managing complaints was changed, giving staff more ownership, responsibility and greater awareness of complaints logged.

5.1.6 A total of 595 complaints were logged during the year which is a 30% reduction on the

prior year. The chart below shows a comparison of the top 10 causes of complaints which enables us to track and target areas for improvement:



- 5.1.7 Looking to the future, we became involved with a HACT (Housing Associations' Charitable Trust) project to enable the development of a next generation model for measuring resident satisfaction. This project will be delivered over the next two years through co-operation with a group of housing providers willing to share information in order to develop a robust, data-driven approach. The aim is to understand both the drivers and benefits of resident satisfaction to enable a targeted approach in future which will result in the delivery of better VfM.
- 5.1.8 In the meantime, there continues to be a particular focus upon training of staff throughout the organisation. Year on year improvements have been made in systems, IT, call handling, communications, the responsive repair service, use of data and in many other areas. We are pleased that this has started to be reflected in the resident satisfaction measures which have improved from the preceding year's score in some areas.
- 5.1.9 The tables below detail resident satisfaction for General Needs tenants, for tenants of Housing for Older People and for Shared Ownership residents. Data is taken from the annual STAR resident satisfaction survey report which is independently compiled on our behalf by Acuity using a statistically meaningful sample. It should be noted that the survey is statistically significant to a variation of +/- 2% and therefore we avoid drawing too firm conclusions based upon small changes in any one year.
- 5.1.10 The tables show that whilst tenant and resident satisfaction improved in two out of

three categories, we also fell short of the targets set for 2015/16 in two out of three categories. For Housing for Older People and Shared Ownership in 2015/16 overall satisfaction increased whereas, for General Needs it remained the same as last year. We note that, in comparison to benchmark median, all groups of residents are satisfied that their rent provides VfM.

5.1.11 We recognise and accept that some measures of tenant and resident satisfaction levels fall short of where we would want these to be.

5.1.12 Nevertheless, we continue our commitment to improving the quality of services offered and to improving tenant and resident satisfaction as a result. Tenant and resident satisfaction target levels have therefore been set at or above the benchmark median level as recorded by House Mark for the coming year.

Value for money indicators	2016/17	2015/16	2015/16	2014/15	2013/14	Benchmark*
General Needs Satisfaction with:	Target	Actuals	Target	Actuals	Actuals	Median
<b>Rent Provides value for money</b>		85%		85%	75%	81%
<b>Service charge provides value for money</b>		61%		61%	55%	69%
<b>Quality of home</b>		82%		86%	77%	82%
<b>Neighbourhood as a place to live</b>		85%		84%	85%	84%
<b>Overall Service Provided</b>	87%	82%	87%	82%	77%	87%
*Benchmark Data Housemark April 2016						

Value for money indicators	2016/17	2015/16	2015/16	2014/15	2013/14	Benchmark*
Housing for Older People Satisfaction with:	Target	Actuals	Target	Actuals	Actuals	Median
<b>Rent Provides value for money</b>		93%		89%	77%	88%
<b>Service charge provides value for money</b>		85%		90%	68%	79%
<b>Quality of home</b>		94%		95%	93%	94%
<b>Neighbourhood as a place to live</b>		90%		86%	-	92%
<b>Overall Service Provided</b>	95%	95%	95%	93%	85%	91%
*Benchmark Data Housemark April 2016						

Value for money indicators	2016/17	2015/16	2015/16	2014/15	2013/14	Benchmark*
Shared Ownership Satisfaction with:	Target	Actuals	Target	Actuals	Actuals	Median
<b>Rent Provides value for money</b>		68%		72%	-	63%
<b>Service charge provides value for money</b>		46%		46%	33%	35%
<b>Quality of home</b>		84%		85%	81%	77%
<b>Neighbourhood as a place to live</b>		91%		89%	91%	84%
<b>Overall Service Provided</b>	65%	62%	65%	59%	63%	56%

\*Benchmark Data Housemark April 2016

5.1.13 There is an increasing focus upon mobile working. During 2015/16 a pilot programme was run to enable our housing officers to increase the number of tasks that they can handle remotely and thereby enable them to spend more time with residents. This will be rolled out further during 2016/17.

5.1.14 Investment in new IT systems will increasingly enable residents 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. At present the web based self-service offering falls short of what we would like to offer and the project to improve this has now commenced, starting with a new on-line lettings portal which is now up and running.

## 5.2 Energy efficiency

5.2.1 We measure the energy efficiency of our homes using the Standard Assessment Procedure (SAP) rating which has improved from 67 to 73 over the last five years.

5.2.2 All new stock is built to more efficient modern standards and this drives improvement in the overall average rating.

5.2.3 We continue to improve the energy efficiency of its existing stock by activities such as replacement of inefficient electric heating systems, replacement of windows, fitting energy efficient modern lighting and other measures. We have recently embarked on an ambitious boiler replacement programme which will see 750 properties which currently have an older, less efficient gas boiler, be fitted with a highly efficient modern boiler, which will improve the SAP rating of each property by an average of 4 – 5 points.

5.2.4 The average SAP rating of our homes is currently 73.0 (2014/15: 73.9). When we

reported last year we had SAP ratings for 73% of our properties. We have done a considerable amount of work adding to this data, and now have ratings for 85% of our properties.

5.2.5 The average SAP rating has decreased slightly overall because the SAP ratings we have collected are for properties that have lower ratings, therefore reducing the average. The table below shows how the differences have cumulated to result in an overall decrease by demonstrating that the majority of newly collected SAP ratings are for older properties which will tend to have lower SAP ratings; it is also true to say that most of the recently collected SAP ratings are for older houses, which will generally have lower SAP ratings than flats. The following table details the SAP ratings available by build date of property:

Build date	2014/15		2015/16	
	Count	Average SAP 2014/15	Count	Average SAP 2015/16
Before 1900	147	62.0	186	61.2
1900-1929	214	65.2	303	64.0
1930-1949	511	65.7	731	64.2
1950-1966	1,619	68.8	1,919	68.0
1967-1975	986	68.8	1,222	68.1
1976-1982	590	69.8	653	69.8
1983-1990	309	71.9	397	70.6
1991-1995	411	68.0	665	68.3
1996-2002	400	69.1	604	68.0
2003-2006	411	79.8	609	76.7
2007-2011	2,088	82.7	2,286	82.9
2012 onwards	695	84.8	974	84.4
(uncertain)	53	70.4	1	79.0
<b>Grand Total</b>	<b>8,434</b>	<b>73.9</b>	<b>10,550</b>	<b>73.0</b>

5.2.6 We consider that investment in energy efficiency represents VfM:

- From our resident's perspective this reduces their potential bills, improves the quality of their lives and reduces the risk of fuel poverty; and
- From our perspective; more energy efficient homes are more valuable, improving return on assets and the reduction in fuel poverty potential improves the chances of residents 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 £396k was invested in aids and adaptations to support disabled and elderly residents with 85 major and 312 minor adaptations carried out. This investment contributed to the continued independence, autonomy and well-being of our residents.

### 5.4 Fire Academy

- 5.4.1 With over 700 blocks of flats in occupation, it is essential that we have comprehensive policies and practices in place to ensure we are meeting our obligations around fire safety. We worked with Skills for Justice Awards (SFJ), The Fire Protection Association (FPA) and the Chief Fire Officers Association (CFOA) to produce nationally recognised qualifications that will provide the social housing sector with confidence that staff who have successfully completed them have a level of fire safety knowledge and practice acceptable to all in the sector.
- 5.4.2 We applied to become a satellite centre to deliver these qualifications and were awarded Fire Academy status. Our Fire Officers have qualified to become trainers and the first training course was successfully delivered in October 2014. During 2015/16, six training courses have been held resulting in over 70 of our staff gaining a fire safety qualification. These qualifications are aimed at individuals who have responsibility for fire risk management in simple and complex residential properties and focus on those aspects of fire safety that are relevant to life safety. The award is suitable for advisors and contractors working within residential properties and, as an approved satellite centre, we plan to market the training to external organisations, starting with our contractors, which will generate an estimated income of approximately £250 per learner per day's training.

### 5.5 Money Advice Service (MAS)

- 5.5.1 Over the last 12 months the MAS team have had 227 positive cases. For all of these cases the overall arrears figure at the point of referral was £291,000 which reduced to £177,000 once the cases were closed.

### 5.6 Volunteers

- 5.6.1 We launched an employee volunteering programme to celebrate our 25<sup>th</sup> anniversary. Over 25 community volunteering projects were carried out across the year. Our volunteers worked 4,700 hours (2014/15: 2,700 hours), on community and other projects in 2015/16. These projects ranged from individual help for residents who

struggle with their gardens through to 'Silver Surfer' and 'Fit at Sixty' programmes. Our volunteers also get involved in our Service Improvement Panel, Customer Complaints Panel, Golden Years Group and as Resident Inspectors; providing valuable services to us and to our communities.

- 5.6.2 The volunteer garden service this year has cleared 66 gardens and maintained 37 others throughout the year. This improves resident service and reduces demand on housing officer's time dealing with complaints over unkempt gardens. Additionally as part of our 25<sup>th</sup> anniversary celebrations, there have been a number of volunteer projects which have been delivered by 268 of our staff during the year. These projects include activities such as helping with the local Food Bank, school reading programs, communal area painting, bulky waste collections, litter picks and many more.
- 5.6.3 We would suggest that economic value can be calculated by multiplying the volunteer hours by an average hourly wage. The Office for National Statistics has reported that in 2015 the average hourly rate in the South East of England was £14.12 and so on this basis the volunteer hours worked contributed over £66k (2014/15: £38k).

## 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 to be "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 2015/16. 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 2015/16

- 6.2.1 We had planned to deliver annualised efficiency gains of £1.2m in 2015/16

(2014/15:£1.7m) and we have actually achieved £5.2m (2014/15: £2.8m). The table below summarises the main identified efficiency gains realised:

Department	Summary	Efficiency Gains 2015/16	
		Actual realised £'000	Target set last year £'000
<b>Corporate Finance</b>	Improvements to funding structures	4,193	200
<b>Development</b>	Agency fee income	405	500
<b>IT</b>	Membership of Northern Housing Procurement savings	58	75
<b>HR</b>	Reductions in agency & contract staff costs through direct recruitment	451	200
<b>HR</b>	Savings on recruitment costs	22	0
<b>HR</b>	In-house and e-learning used to deliver training needs	39	0
<b>Property Services</b>	Procurement savings	70	250
<b>TOTAL</b>		<b>5,238</b>	<b>1,225</b>

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 the success of the refinancing/restructuring of loans and derivative contracts which 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 We monitor 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 continue to 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 VfM to residents but do not necessarily benefit our financial results.

### Quantified Efficiency Gains achieved 2015/16

- 6.3.2 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.
- 6.3.3 Treasury: During 2015/16 £80m of funding was raised through the Affordable Housing Guarantee Scheme under two separate transactions. The funding was provided by Affordable Housing Finance PLC by way of long term loans guaranteed by the Secretary for Communities and Local Government. The first £36m was raised on 9 March 2016 through a tap of an existing bond under the programme at an all in cost of 2.8% which is around 1.0% cheaper than we would be able to raise directly in the capital markets and therefore saving around £360k per year for the 28 year life of the bond. The second funding transaction took place on 31 March 2016 with a further £44m agreed with the European Investment Bank that can be drawn at any point until 31 December 2017. Although the rate will only be finalised upon drawdown, it is expected to be at least 1.80% cheaper than could be achieved elsewhere, thereby creating on-going annual savings starting at around £792k per year.
- 6.3.4 Treasury: Over the course of 2015/16 we undertook a strategy to significantly reduce potential mark to market (MTM) exposure on our stand-alone derivative portfolio. £100m of stand-alone interest rate swaps were unwound and immediately re-fixed on an embedded basis at much lower market rates with no margin call exposure. This results in an annualised saving of £3.04m, though it should be noted that much of this will not be realised until the 2016/17 year. The end result was a reduction in future MTM volatility of over 50%, creating improved cash flow stability and fundamentally improving our credit strength. Improved credit strength will enhance our ability to continue to raise funding to support development at competitive rates and therefore represents VfM.
- 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 our Help to Buy contract which continues to contribute a surplus of over £300k towards our overall results, and additionally our sales activity on behalf of other Associations delivers capacity in the sales team as well as contributing agency fee income of £405k.

- 6.3.6 IT: Membership of the Northern Housing Procurement Consortium is estimated to have delivered savings of £58k through the re-procurement of a number of IT services.
- 6.3.7 HR: the use of alternative recruitment and training channels has delivered savings of £61k. In addition, by limiting the use of expensive agency and contract staff we have reduced spend in 2015/16 by £451k.
- 6.3.8 Procurement: A new post of Head of Procurement and Contracts has been created, which will consolidate our procurement activity and ensure that maximum value is derived whenever we procure goods or services from third parties. The planned current year Property Services procurement savings of £250k did not reach the target set due to the timing slipping and some benefits moving into 2016/17. However, these re-procurements have delivered £70k savings for 2015/16, with a further £530k saving budgeted for 2016/17.
- 6.3.9 Housing Management: Over the past year there has been a particular focus on improving debt collection and reducing rent arrears. The VfM metrics indicate good progress this year, with rent arrears reducing to 3.5% (2014/15: 3.9%) and bad debt per home to £20 (2014/15: £24) which was significantly better than the target of £44. A new debt collection policy has been implemented this year, it gives a clear framework for the prevention and management of arrears cases, with arrears the procedure and letters also reviewed and updated. In addition to this foundation work and in anticipation of the changes that Welfare Reform will bring, we have also been formulating a wider Welfare Reform strategy which will be finalised during 2016/17. However, our targets for 2016/17 anticipate that Welfare Reform will impact negatively on these metrics and accordingly have anticipated an increase in cost of bad debts to £30 per home..
- 6.3.10 Housing Management: A number of improvements to void processes have been introduced during the year, including any day tenancy start date. Rather than starting all tenancies on a Monday, we now start any day of the week which reduces rent lost for the days leading up to the Monday. We are pleased that these improvements, together with lower than expected number of voids, have impacted our void loss per home which was more than 20% better than prior year at £45 (2014/15: £57). Our 2016/17 target for void loss per home anticipates an increased number of voids, resulting from an expected increase in the turnover of tenancies.

## 6.4 Other Value for Money Improvements Delivered 2015/16

- 6.4.1 Housing Management: A three year project financed jointly by Bedford Borough Council, Central Bedfordshire Council and the European Social Fund was completed during the year. All the targeted project outcomes were exceeded with a total of 378 Bedfordshire residents being assisted and 87 residents helped to move into sustainable employment.
- 6.4.2 Housing Management: Three of our Housing Officers are now based from home. This has reduced business miles claimed and also freed up an estimated additional 264 hours per annum in staff time which can be spent with customers instead of traveling.
- 6.4.3 Service Improvement Panel: SIP undertook three reviews during the year and made a number of recommendations which included VfM related issues. The reviews were of customer service and the planned and cyclical maintenance programme, customer journey of purchase and the first 12 months of Shared Ownership and phase two of the review of “Are we listening to our customers?”.

## 6.5 Knowledge Share

- 6.5.1 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 our knowledge and economies of scale. In addition, we have undertaken a number of knowledge and expertise sharing events with other RP's and Local Authorities as listed below:
- Our Fire Academy has become level 3 NVQ accredited and is cost efficient as it is able to offer its services externally.
  - We are actively involved with HQN Residents network, the London Scrutiny Network and Tenant Central network event at Wellingborough Homes.
  - We are involved in a behavioural economics project looking at the “nudge theory” with regard to rent arrears. We have worked with 10 other associations and Capita to pilot new interventions with tenants and a full learning report will be published shortly.
  - Our sales team currently works with 6 other organisations, both local authorities and other associations to market shared ownership and other products on their behalf.

6.5.2 We will continue to share good practice where ever we can to help drive improvements in VfM.

## 6.6 Planned efficiency gains for 2016/17

6.6.1 As noted earlier, our 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 VfM, though in many cases the savings through process efficiency will be recycled through better services to our residents.

6.6.2 The emphasis in the coming year will therefore be upon value rather than cost and continues to be upon resident satisfaction. However, a number of re-procurements are planned to deliver £1m value in the coming year. These savings are set out below:

Department	Summary	Efficiency Gains 2016/17 Actual realised £'000
Property Services	Re-procurement of the main maintenance contract	530
Property Services	New void contract	96
Property Services	New boiler installation contract	144
Property Services	New contract for windows and doors	255
Property Services	New electric heating system contract	30
<b>TOTAL</b>		<b>1,025</b>

6.6.3 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 our financial resilience through generating increased surpluses.

6.6.4 Much, though not necessarily all, of the VfM efficiency gains realised in 2015/16 will be reinvested for the direct benefit of existing residents. An example of this reinvestment is the capital expenditure on some elements of existing properties such as the budgeted increase of £738k in the amount that will be invested in domestic boilers during 2016/17.

## 7 Benchmark data

### 7.1 Sources of Benchmark data

7.1.1 We refer 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 2015 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 our 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.

- Establishing dedicated business units to drive improvements to return on assets
- Learning from other housing associations and sharing our 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;
- Resident satisfaction.

### 8.2 Establishing dedicated business units

8.2.1 During 2016/17 we plan to improve the way that assets are managed by establishing a series of separate business units which will each be responsible for particular services and for the assets necessary to deliver those services. There will be clearer and more explicit links between service delivery and the assets required to support that service. Ultimately this will facilitate bpha in making better commercial decisions and in improving return on assets, though such improvements in return are not expected to be seen until after the 2016/17 year.

### **8.3 Knowledge and Expertise Sharing**

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

### **8.4 Improved working practices**

- 8.4.1 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.
- 8.4.2 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.
- 8.4.3 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.

### **8.5 Improved data analysis and usage**

- 8.5.1 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.

### **8.6 Resident satisfaction**

- 8.6.1 We aim to continuously improve the satisfaction levels of our residents. 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.

## 8.7 Ensure VfM is at the heart of all that bpha delivers

- 8.7.1 VfM is at the heart of all that we deliver. 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 we 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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