ANNUAL VALUE FOR MONEY STATEMENT

2017/18

INTRODUCTION

What Is BCHA?

BCHA is a specialist housing and housing-related support provider, helping people who are homeless and vulnerable to access the right housing, health, learning and work opportunities.

Why A Value for Money Statement?

In these challenging times when public finances are under increasing pressure and customers need and demand good services, demonstrating value for money is essential. This statement is therefore an accountability tool aimed at all our stakeholders and sets out to what extent BCHA provides efficient and cost-effective services.

Our Vision

"Working together: Building better lives, better homes and better communities."

The Value for Money Journey

We begin with what value for money means to BCHA and our approach to achieving it (section 1). After an overview of the organisation, providing an understanding of BCHA and its operating challenges (section 2), we then look at the "Sector Scorecard" which presents common value for money metrics amongst social housing organisations (section 3).

We go on to review top-level business health and operating costs (sections 4 & 5), our approach to providing homes (sections 6 & 7) and performance of providing our main housing management services (section 8) which enable the reader to form a view about whether BCHA is actually delivering value for money. Finally, we consider our corporate resources (section 9) and highlight work the board has begun in terms of identifying our next phase of strategic VFM priorities.

Governance & Value for Money

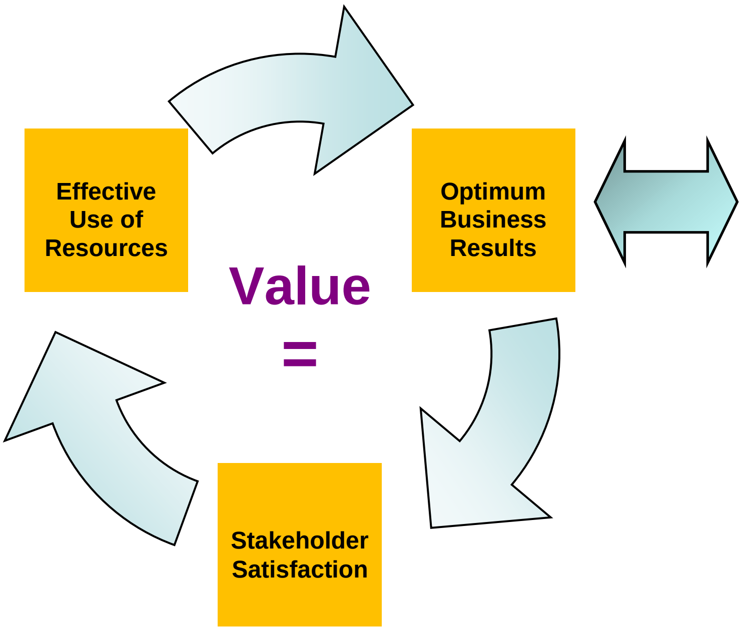
Our organisation is governed by a voluntary board. Part of the Board's role is to approve and monitor strategies and plans to deliver the organisation's mission and objectives. The development of these strategies and plans, including the consideration of business models required to deliver them, is undertaken at twice-yearly Board away days and, where needed, ad hoc Task and Finish Groups comprising a smaller number of Board members and senior staff. The Board has initiated a review of strategic value for money priorities over 2018.

Following the *In Depth Assessment* by the Regulator for Social Housing and resulting engagement, BCHA's regulatory judgement was upgraded to G1/V2 in January 2018. The full judgement can be seen at www.hca.gov.uk. This grading is compliant with the Regulator's standards and reflects the Board's energies over the last year and a half in reviewing the Group structure, developing the Board's role in strategic risk management, recruitment of new talent on the Board and oversight of returns on investment across all business activities.

1 - WHAT IS VFM?

1.1 DEFINING VALUE

At BCHA, we define Value for Money (VFM) as “achieving the optimum level of business results to the satisfaction of our stakeholders within the resources that we have available.” Because of our mission, our business results are focussed on adding social value.



	Our Business Objectives
B	**Building Resilience:** equipping customers with skills, confidence and opportunities (see section 8)
C	**Creating Opportunities:** seeking to grow the range of services we provide (not covered in report)
H	**Homes of Choice:** expanding number of homes we own; ensuring homes we manage are of high quality (see sections 6 & 7)
A	**Achieving Value:** ensuring we’ve the resources to deliver the Business Plan efficiently and effectively (see sections 9 & 10)

Value for Money is a cross-cutting issue and cannot be seen in isolation. Delivering Value runs through all of our business objectives.

1.2 MAKING VALUE HAPPEN (OUR STRATEGIC APPROACH)

BCHA’s Culture, through its Mission, Values and Behaviours, supports and rewards achievement through an overarching philosophy of “Good to Great.” This approach drives continuous improvement and recognises that aspiring to be great at what we do, rather than just good, is a continuing story.

Using Resources

Our approach to using resources stems from developing a clear understanding of our business and customer needs resulting in the deployment of the right people, right systems and right finances. Key elements of this approach include:

- A **Treasury Strategy** – to secure appropriate funds to deliver our objectives
- A **Procurement Strategy** – focussed on smarter purchasing to achieve tangible cost savings and social benefits;
- An **Asset Management Strategy** – focussed on maximising return on investment and maintaining the quality of our homes;
- **Robust budgeting** and financial management to drive Cost efficiency;
- Systems and processes to **recruit, train and develop** quality staff

Getting Results

Understanding our business results enables the organisation to take timely action to correct adverse performance. It also enables us to take positive decisions about which services we wish to subsidise because they make a valuable contribution to our social mission of meeting the needs of homeless and vulnerable people. Our approach to optimising performance includes:

- A **Leadership Focus** on working in teams not silos;
- A **Performance & Risk Framework** against which subsidiaries, contracts and activities are regularly judged in terms of financial and performance returns;
- **Performance targets** across the business;
- Active **benchmarking** - Comparing our results with other organisations to assess how well our services are performing;
- A **Staff Reward Scheme** (a non-consolidated annual bonus if a basket of key performance indicators is met) and celebration events to recognise "star performers";
- **Periodic studies** to assess the social and economic impact of our work.

In the last year, we have had a greater focus on exploring areas where the business can save money and reviewing processes to make them more efficient. We are keen to continue to build on staff engagement to make this happen. We have also strengthened our understanding of expected returns against our Performance & Risk Framework parameters across all areas of activity.

Ensuring Satisfaction

BCHA places great emphasis on engagement with customers and partner organisations to seek assurance that activities and services are valued. Such engagement includes:

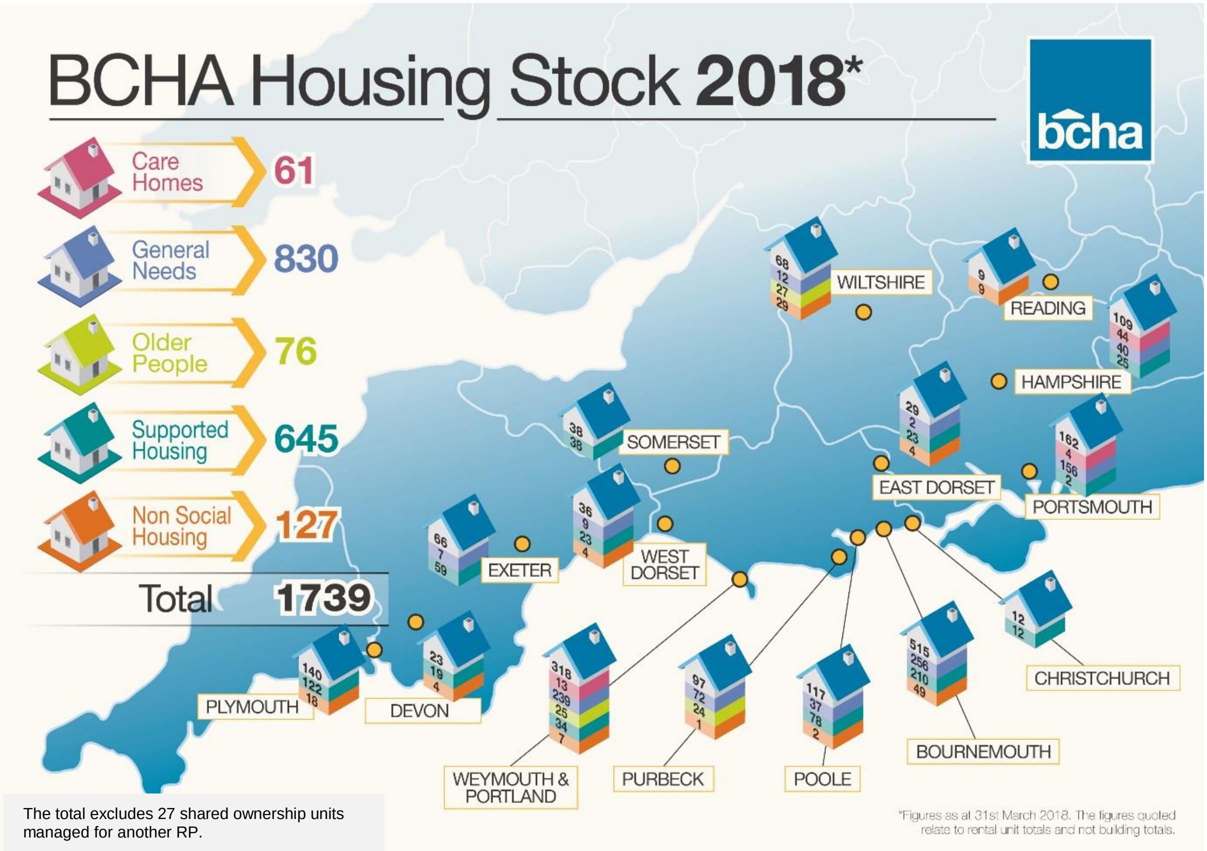
- Regular **Customer satisfaction surveys**
- **Resident Scrutiny** – customer-led reviews of our services
- Strategic and operational **liaison with partner organisations** such as local authorities
- Ongoing **dialogue with lenders and regulators**

2 - BCHA IN CONTEXT

Our activities can be grouped into three broad headings: providing social housing ("housing"), providing support to people who are homeless or vulnerable ("support") and assisting people overcome skills and motivation barriers to strengthen employability ("learning and work"). This section outlines these activities.

Having this range of provision does set BCHA apart from the majority of traditional housing associations meaning that when we compare ourselves to others or to a sector average, the comparison may not be "like for like."

2.1 HOUSING FOR RENT



Legal Interest

58% owned;
14% leased;
28% managed for other landlords

Size

Two thirds of our homes are for single people

Turnover

There were 996 lettings in 2017/18

(94% supported housing)

2.2 SUPPORT

The map above illustrates where our supported housing provision is located – from Plymouth in the west to Reading in the east. This provision consists of a range of services from high support environments, with 24-hour staffing, to lower support shared housing with visiting support. BCHA also provides community-based services to support people to maintain their tenancies and institution-based services – for example, supporting older people in prison.

2.3 LEARNING & WORK

BCHA has recognised the importance of supporting Government employment and skills strategies for many years. By providing services to jobseekers either contracted directly or as part of a consortium, we are able to create far more community resilience than with just accommodation alone.

2.4 KEY ACHIEVEMENTS & IMPACTS

As will be noted later in this section, BCHA is operating in a very tough environment. However, we are proud of our many positive achievements in 2017/18. Highlights include:

- Completion of 2 large hostel refurbishment projects with £2.2M Homes England grant in Bournemouth and Exeter;
- Acquisition of 156 social rent properties from two other registered providers;
- A systems thinking review of our repairs business with assistance from Vanguard consultancy to improve performance and customer satisfaction and drive out costs;
- Sale of two properties in Winchester and Bridport as part of our strategic asset review generating proceeds of £866k for reinvestment in other social housing.

In the year, our various services made a difference to the lives of many thousands of people in need of help. Here is a flavour of some of what we achieved.

3 - A SECTOR-WIDE VIEW OF VALUE FOR MONEY

BCHA has signed up to using the “Sector Scorecard” which is now being hosted by the Housemark benchmarking service as a means for housing associations to compare and demonstrate their performance against a number of metrics.

The scorecard is divided into five key themes. The table below shows these metrics, why the metric is useful, BCHA’s year end result, the benchmark result and the section reference where the narrative explores the issue in more detail alongside other measures of potential interest to stakeholders. The Regulator of Social Housing (RSH) also collects seven of these metrics (required to be published in our statutory accounts; using the same basis for calculation) and we have indicated with **BLUE TEXT** where this is the case.

Theme	Metric	Purpose	2017/178 Results[1]	Compared to 2016/17[2]	See
Business Health	**OPERATING MARGIN** (overall) **OPERATING MARGIN SHL** (social housing lettings)	Measures the amount of surplus generated from turnover on a provider’s day-to-day activities	**BCHA: 2.9% (overall)** **BCHA: 25.6% (SHL)** **Median:** 8.7% (overall) 11.5% (SHL)	**BCHA: 3.8% (overall) 17.4% (SHL)**	**Sec 4**
	EBITDA MRI (as a % of interest)	An approximation of cash generated. As a percentage of interest, shows the level of headroom on meeting interest payments on outstanding debt	**BCHA: 175.2%** **Median:** 350%	**BCHA: 244.0%**	**Sec 4**
Operating Efficiency	**HEADLINE SOCIAL HOUSING COST PER UNIT**	This measure is used by the HCA to assess the relative efficiency of all RP’s	**BCHA: £6,375** **Median:** £9,329	**BCHA: £7,206**	**Sec 5**
	Rent Collected (general needs only)	Demonstrates the effectiveness of income management in collecting rent due and managing arrears levels	**BCHA: 100.2%** **Median:** 99.5%	**BCHA: 99.4%**	**Sec 8**
	Overheads as percentage of adjusted turnover	Shows the proportion of turnover which is required to pay for overheads	**BCHA: 11.7%** **Median:** 13.6%	**BCHA: 12.4%**	**Sec 5**
Development	**UNITS DEVELOPED** (**social housing** as % stock owned)	Demonstrates contribution of the sector to the supply of new homes.	**BCHA: 34 units; 3.0%** **Median:** 1.3%	**BCHA: 26 units; 2.3%**	**Sec 6**
	GEARING	Shows proportion of borrowing in relation to size of a provider’s asset base.	**BCHA: 36.0%** **Median:** 25.1%	**BCHA: 35.6%**	**Sec 6**

Asset Management	RETURN ON CAPITAL EMPLOYED	Shows how well a provider is using both its capital and debt to generate a financial return.	**BCHA: 1.9%** **Median:** 3.1%	BCHA: 1.6%	**Sec 7**
	Occupancy (General Needs only)	Demonstrates how efficient providers are at turning around void stock. Measured at the year end point.	**BCHA: 97.9%** **Median:** 99.5%	BCHA: 100%	**Sec 7**
	Ratio of responsive repairs to planned maintenance spend	Effective planning based on detailed stock condition surveys should allow the sector to reduce spend on responsive repairs in favour of planned maintenance.	**BCHA: 1.2** **Median: 0.94**	BCHA: 1.3	**Sec 7**
Service Outcomes Delivered	**Customers satisfied with the service provided** (all customers)	Brings in the customer's perspective; to what extent are they satisfied with the service?	**BCHA: 62.4%** **Median:** 87.2%	BCHA: 74.7%	**Sec 8**
	REINVESTMENT	Demonstrates the extent to which providers are investing in existing stock maintenance and new homes (as percentage of stock held)	**BCHA:** 12.0% **Median:** 5.8%	BCHA: 7.0%	**Sec 8**

BCHA's results have been colour-coded as follows:

GREEN = BCHA is performing 10% or more better than the median
AMBER = BCHA is performing at/around median level
RED = BCHA is performing 10% or more worse than the median

It is desirable to be green and amber for as many indicators as possible. BCHA's comparative position is variable which is not unusual in itself. Upper quartile (green) in terms of the margin on core business (social housing lettings), overheads, and reinvestment, for example, mid-range in others and lower quartile (red) in some cases due to features or activities not typical of the peer group and which are not therefore negative reasons. For example, some indicators (operating margins, EBITDA and ROCE) are surplus dependent and BCHA's surpluses are much lower than the norm due to high levels of activity in housing-related support and learning and work contracts. Headline social housing costs are better than our "10RP" peer group as some of these providers work with a greater proportion of supported housing stock and community-based support. The key area of concern is a further reduction in customer satisfaction this year which will be a key focus for the Organisation to address next year.

1 – The median for RSH metrics relates to the 10RP comparator group from the Global Accounts 2017 (analysis undertaken by Placeshapers). The medians for this group, closest to BCHA's characteristics, therefore relate to 2016/17. Medians for other metrics are derived from the 29 RP comparator group, via Housemark. We have used the 2016/17 results as that year provides the greater range of data at the time of this report being produced. Comparators are listed in the appendix.
2 – Results for 2016/17 for EBITDA, gearing, and Social Housing costs have been revised due to accounting adjustments.

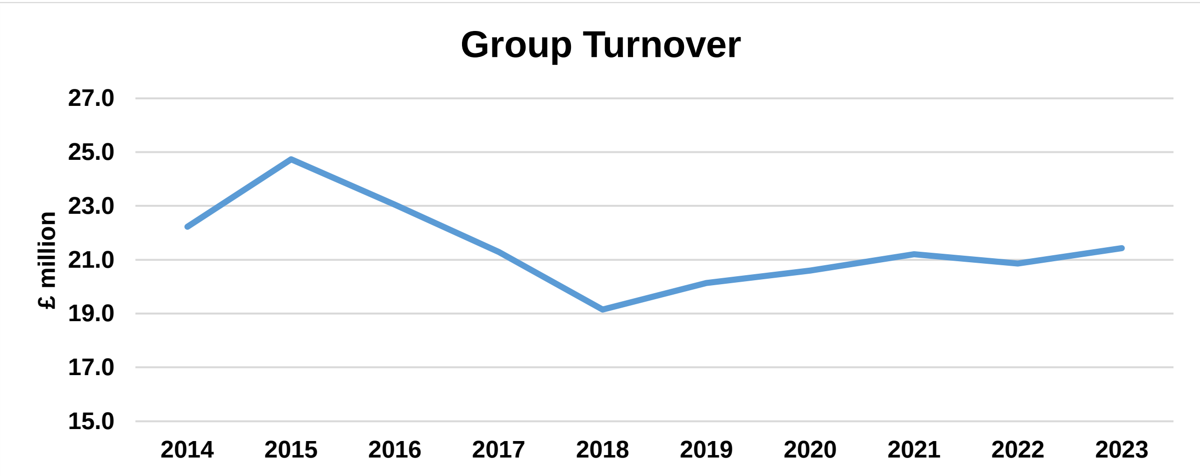
4 – BUSINESS HEALTH

This section looks at some of the key elements of business health.

4.1 TURNOVER

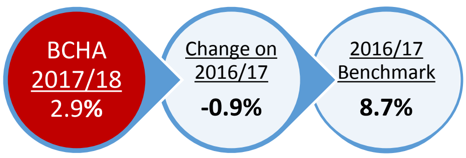
Year	Group Turnover	Operating Costs	Operating Margin
2013/14	£22.223m	£20.341m	**8.4%**
2014/15[2]	£24.738m	£23.555m	**4.8%**
2015/16	£23.044m	£21.473m	**6.8%**
2016/17	£21.292m	£20.493m	**3.7%**
2017/18	£19.147m	£18.592m	**2.9%**
Change (5yr)	-13.8%	-8.6%	

The fall in turnover over the last four years is due primarily to the termination of Housing-related Support contracts (through decommissioning or retendering) although the 1% statutory rent reduction has also had an effect. Operating costs across all activities are now below 2013/14 levels. Despite this, turnover in our Business Plan is forecast with modest growth of 7% to 2023 arising primarily from property acquisition for low cost rented housing.



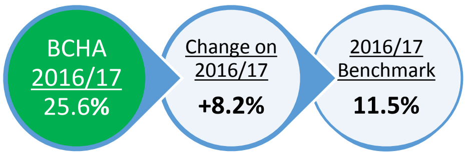
4.2 OPERATING MARGIN

Operating Margin (all turnover)



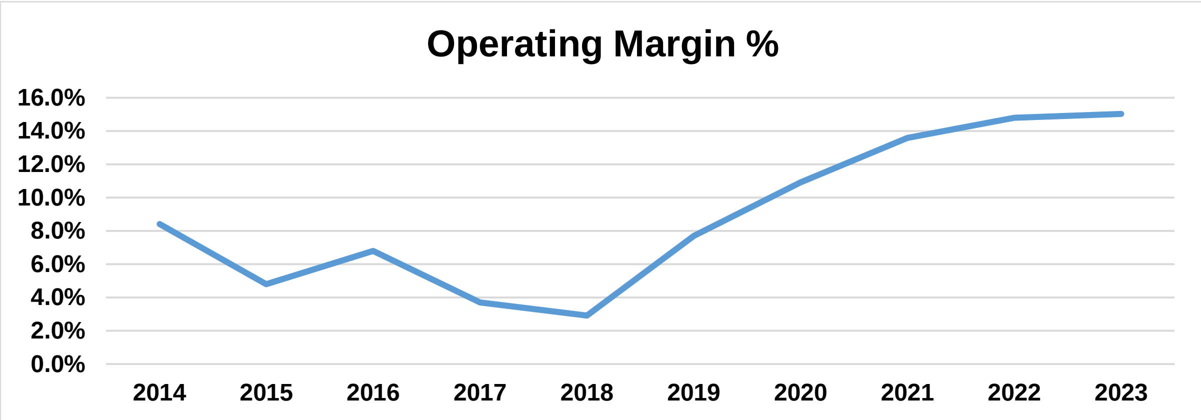
Given the nature of our support activities, our overall operating margin is much lower than that of traditional housing associations. For all RP's, the sector median is 31.2% (HCA 2017 Global Accounts) although for our chosen peer group "10RP" (see appendix), the median is under 10% and much closer to BCHA's.

Operating Margin (Social Housing Lettings)



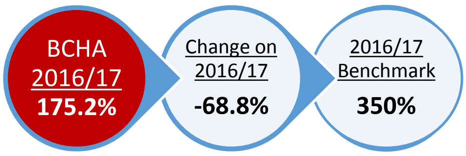
With a focus on more like-for-like activity (social housing lettings), BCHA's margin is much higher than our chosen peers group "10RP" (see appendix). Note that the median for all RP's in the 2017 Global Accounts was 34.3%.

Despite the challenges on our income and accompanying pressures on salaries and property maintenance costs, our Business Plan forecasts an improving position over the next five years.



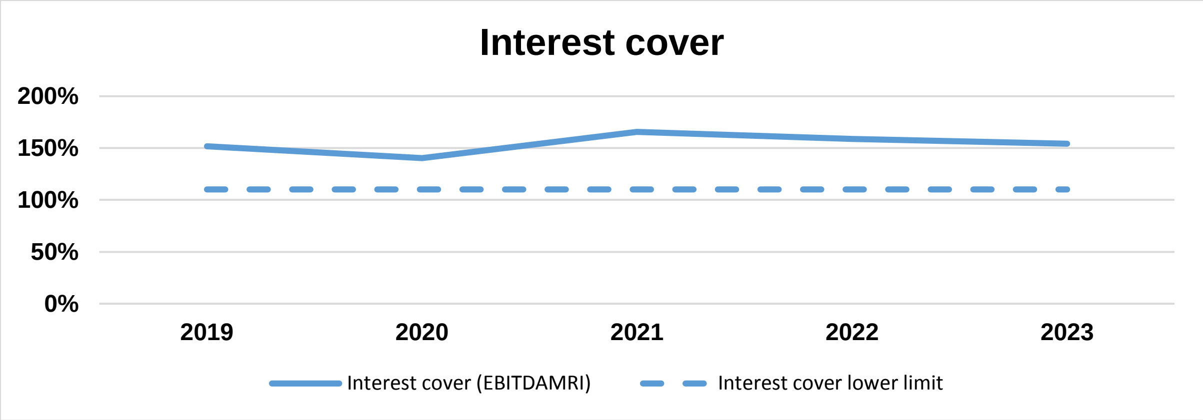
4.3 INTEREST COVER

The organisation has a range of loan covenant requirements with its funders. Interest cover is generally measured on the basis of earnings before interest, tax, depreciation, amortisation with (capitalised) major repairs included (EBITDA MRI). The limit with two of BCHA's funders was renegotiated to 110% in 2016/17.



Our year end results are lower than our chosen peer group "10RP" (see appendix) and reflects our lower surpluses.

However, the chart below shows that sufficient interest cover is projected across the 5-year period of the latest Financial Plan. The tightest position is in 2018 but there is a marked improvement thereafter as a result of cost improvements and the acquisition of managed and leased stock. The Plan prudently assumes steadily rising interest rates leading to a slight tailing off of interest cover in later years. Nevertheless, adequate headroom is maintained throughout the 5-year period.



4.4 CHALLENGES

BCHA is not typical amongst RP's in that it has a high proportion of temporary and high-turnover supported housing, leases a proportion of its stock and provides a range of community based services over and above its social housing provision. These activities are the result of a conscious strategy to provide services to a range of vulnerable groups. Pursuing this strategy does not yield the level of surpluses generated by more mainstream RP's which therefore means direct comparison in some areas may show BCHA in a weaker light.

Despite this, BCHA continues to be an important provider of services in our region and continues to attract investment from lenders. BCHA operates in an increasingly challenging environment with government policy initiatives affecting all strands of our work. Our three key exposures are Local Authority commissioning cuts, statutory rent deflation to 2020 and the Government's ongoing roll-out of Universal Credit which will be financially disadvantageous to many of our customers in general needs accommodation.

Our financial planning and sensitivity analysis on these (and other exposures) will reassure stakeholders that BCHA is confident its business health can be maintained in the future by pursuing prudent strategies to improve margins and seek new business.

5 - OPERATING EFFICIENCY

5.1 OPERATING COSTS

The Regulator of Social Housing focuses on VFM as measured through the lens of operating costs. In its annual Global Accounts, it produces an analysis of unit costs for each Registered Provider (RP) based on the annual FVA Return. Results for BCHA (consolidated) are as follows, showing the trend in **costs per unit** is downwards.

Cost Per Social Housing Unit						
	Headline	**Manage-ment[3]**	**Service Charge**	**Mainten-ance**	**Major Repairs**	**Other**
2013/14 (1938 units)	£9,260	£1,940	£2,190	£1,010	£310	£3,810
2014/15 (2006 units)	£9,890	£2,750	£1,730	£1,040	£380	£3,990
2015/16 (1883 units)	£7,830	£900	£2,620	£1,000	£430	£2,880
2016/17 (1632 units)	£7,206	£1,094	£1,330	£1,178	£507	£3,097
2017/18 (1639 units)	**£6,375**	**£974**	**£1,228**	**£933**	**£356**	**£2,883**

General Needs vs Supported Housing

As we stated last year, this methodology for calculating operating costs for the sector creates distortions for RP's like BCHA. The main distortion which makes like-for-like comparison more difficult is the placement of **housing-related support contracts** in "other" costs (these contracts **do not** fund social housing provision).

With further analysis, it becomes apparent that unit costs for general needs housing (including Older Persons' accommodation) are more typical of the norm (service charge costs excepted) when compared with the sector median, as the vast majority of RP's provide general needs social housing only. Supported housing is, as is generally recognised, more costly to provide due to the complexity of needs and greater turnover of occupants.

Cost Per Social Housing Unit[4] by Type						
	Headline	**Manage-ment**	**Service Charge**	**Mainten-ance**	**Major Repairs**	**Other**
2017/18 All RP median	£3,298	£941	£372	£925	£683	£241
2017/18 General needs (932 units)	£2,778	£668	£750	£920	£438	£2
2017/18 Supported/care (707 units)	£11,116	£1,378	£1,857	£952	£249	£6,679

Headline costs per unit have seen a reduction of 26% for general needs units and 22% for supported housing. This is largely the result of a major review of service charge costs in the previous financial year.

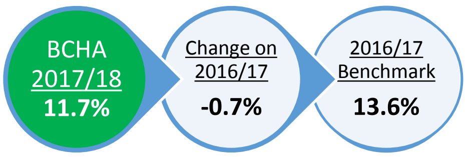
Comparison with Other RP's

In addition to comparison against the sector median we can also look at more bespoke benchmarking using three peer groups created from the latest Global Accounts 2016/17:

- "**SHRP**" – Registered providers where their stock is at least 35% supported housing. These 22 organisations show a median headline cost per unit broadly similar to BCHA although BCHA has higher *other costs* (i.e. support contracts).
- "**Stock**" **–** 32 Registered providers which manage a portfolio of social housing ranging from 1100 to 2200 units (+/- 500 to BCHA) shows more variations.
- "**10RP**" - comprises 10 Registered providers, excluding BCHA, which share **two or more** of the above features (see Appendix). BCHA, *other* costs excepted, performs very favourably or similarly to the median results for this peer group.

Cost Per Social Housing Unit						
	Headline	**Manage-ment**	**Service Charge**	**Mainten-ance**	**Major Repairs**	**Other**
2016/17 SHRP median	£7,116	£1,358	£1,807	£963	£806	£820
2016/17 Stock median	£3,526	£1,247	£486	£991	£601	£166
2016/17 10RP median	£9,329	£1,362	£1,091	£1,003	£561	£1,558
2017/18 BCHA (1639 units)	**£6,375**	**£974**	**£1,228**	**£933**	**£356**	**£2,883**

5.2 OVERHEADS



BCHA's approach for many years has been to carefully control overheads such as the costs of centralised HR, Finance, IT and Premises. This results in an upper quartile position (i.e. amongst the top 25% best performing organisations) when benchmarked against our "10RP" peer group (see appendix), which is another aspect of operating efficiency.

5.3 BOARD OVERSIGHT OF COSTS & RETURNS

On a like-for-like basis, BCHA's operating costs are not significantly dissimilar in terms of management and maintenance from traditional RP's even given the much higher turnover of its stock. However, it is still the case that our operating environment requires careful, ongoing monitoring in order to manage costs and maintain margins particularly as mandatory rent reductions are applied to 2020. In 2017, the Board agreed Golden Rules (early warning triggers) and parameters on which to assess returns on all activities. In early 2018, the Board undertook a comprehensive review of margins on all business streams and identified a small number of poorly performing cost centres and agreed remedial action in each case.

3 – the reduction in management costs from 2014/15 to 2015/16 is due to the exclusion of rents payable on leased stock.

6 - DEVELOPMENT

Providing homes of choice forms one of the four key strands of our Business Plan. In this section we consider the two main objectives within this strand – increasing the number of homes we own through build or acquisition and investing in our stock to ensure our homes are fit for purpose for our customers now and over the coming decades.

6.1 INCREASING THE NUMBER OF HOMES WE OWN

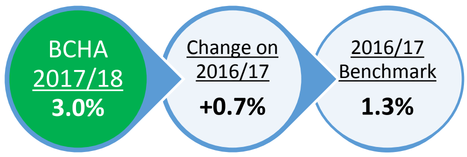
There is still significant demand for social housing in our areas of operation. This level of social need underpins our development strategy which seeks to:

- Improve the organisation's financial strength by increasing the number of homes in ownership (a shift from leasing stock from others).
- Ensure Development is net positive to BCHA and focusses on flexible, great value, modern, low running-cost products.
- Build on our current geography.

Over the course of **2011-2016**, BCHA added 419 social rent units to its owned stock holdings. Building on this success, BCHA added social/affordable housing during 2017/18. This growth has included:

- Purchasing 156 units of supported and general needs housing from other RP's;
- Acquiring 5 off-the-shelf properties as move-on housing in Plymouth and Yeovil;
- Purchasing 2 properties as shared accommodation in Winchester;
- Building 12 units to maximise capacity on an existing site in Bournemouth;
- Refurbishing a newly acquired former care home in Bournemouth to provide 12 units of supported accommodation for homeless people.

Compared as a percentage of stock owned, the addition to new social housing supply (i.e meeting housing need) equates to 3%. This is significantly better than our "10RP" benchmark group median of 1.3% additions to stock in 2016/17 (see appendix). The Global Accounts 2017 identify that for all RP's the median addition to stock owned was 1.2% in 2016/17.



One of the Regulator's other standard metrics relates to the addition to stock managed of "non-social housing." This was 0.8% for BCHA over 2016/17 due to new lease acquisitions at market level rents. There is no programme for non-social housing development so measurement from year to year or between peers is only contextual.

Pipeline

By the end of May 2019, we will have added 39 additional units to our owned stock portfolio as new supply including a 12-bed scheme for people with learning disabilities in Plymouth, further move-on units in Yeovil and a section 106 site in Dorset. An additional s106 gain in Dorset will come into management in later 2019, with further opportunities being sought to meet our 500-unit acquisition target over the lifetime of our current business plan 2017-22.

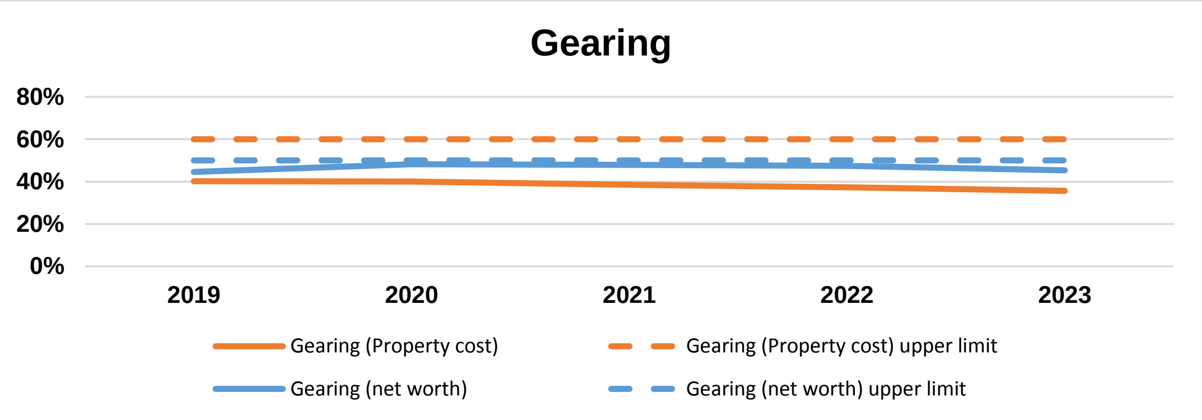
6.2 LEASING

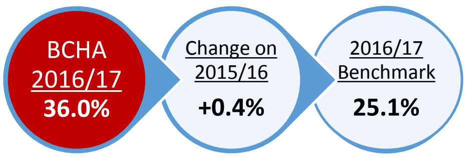
Historically, BCHA has actively sought to lease properties short-term from the private sector for social housing use as the ease of entry and exit has made leasing a flexible model for meeting the needs of local authority partners. However, of late, removal of local authority subsidy, Housing Benefit rent caps and higher than average maintenance costs have made this form of provision uneconomic so we have adopted a strategy of gradually handing back to owners when leases come to the end of their term.

Short term leases have fallen from 695 units at 31 March 2011 to 217 units at 31 March 2018 with further handbacks due over 2018. BCHA may still seek to retain or acquire new leased units particularly if these form part of the service delivery model for housing-related support contracts but only where such acquisitions are financially viable over the lifetime of the lease.

6.3 GEARING

Gearing measures the proportion of debt to the assets or "net worth" of the business. BCHA currently has two different measures across its funders as shown below. There is ample headroom against the property cost measure. The net worth (grant plus reserves) basis, measured against the most restrictive limit (with the Co-op), is achieved but becomes tight towards the end of the 5-year period. The majority of the Co-op debt will be repaid by this point and discussions continue with the bank to re-negotiate this limit or fully repay the loan.





BCHA's level of gearing, has been incrementally increasing over recent years in line with our building and acquisition of more homes for rent. Our gearing is higher than our chosen "10RP" peer group (see appendix) but is not of itself "poor performance" – being of a comparable level to general needs RP's with a similar stock size. Large developing RP's typically have significantly higher levels of gearing – the upper quartile for the Placeshapers network being 55.4%.

Gearing is projected to rise modestly (as shown in the graph above) as we seek to acquire more property into ownership funded through loan finance.

7 - ASSET MANAGEMENT

7.1 STRATEGIC MANAGEMENT OF STOCK

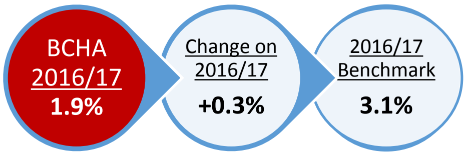
BCHA's existing stock comprises purpose-built and acquired properties, the latter of varying ages but traditional construction. We last undertook a major Stock Condition Survey in 2015/16 in order to enhance our knowledge of our assets for intelligent future planning.

Stock investment

The Stock Condition Survey revealed that investment required over the next 30 years will be of the order of £1M per year (smoothed out over the 30-year period). This figure is close to historic levels of spend and our financial forecasts have adjusted this for inflation.

Return on Assets

The overall return on assets [Return on Capital Employed] for BCHA stock is 1.9%. This return for 2017/18 is an improvement when compared with the previous financial year but is still lower than the median return for our chosen peer group "10RP" (see Appendix). The situation should improve over time as operating margins increase in line with our Business Plan.



A more detailed appraisal at individual building level is conducted on the basis of 30-year net present value (NPV). Using a scoring methodology provided by a property consultancy based on Decent Homes compliance, rental income and planned maintenance commitments we have determined that 58% of stock owned is rated as "good" in relation to NPV and 26% as "reasonable" – hence 16% is performing below expectation. The analysis also shows:

- Average NPV is £28,200 and Median NPV is £25,798;
- No owned stock has a negative NPV (which would be undesirable) although some units with a long lease (term of 21 years or more) do;
- Value is highest in self-contained freehold stock (Average NPV = £37,170) and value is lowest in shared long leased stock (Average NPV = £4,567).

Whilst there is little variation in performance by geographic area, performance on stock which is owned is generally rated as "reasonable to good", irrespective of use or building age. The lowest levels of performance are seen in properties which are leased on a term over 20 years[4].

Options Appraisal

This analysis has enabled BCHA to seek to optimise the use of its assets. Over the last 4 years, we have disposed of five properties of varying sizes, improving the median NPV of remaining properties by 2%. Four of these properties sold yielded receipts of £653,000 of social housing grant for recycling for reinvestment in our development programme.

Over the next two years, we will seek to:

- Redevelop a hard-to-let sheltered housing site in Weymouth to provide new housing for rent and sale for people in need, which now has planning approval;
- Generate £4M cashflow for future development by remodelling two high latent value sites to include accommodation for outright sale in Bournemouth. These two projects are currently at an early stage.

Appraisal of the entire stock will be ongoing and investment decisions based on a number of factors including a minimum rate of return, continuance (or otherwise) of support contracts, demand, ease of remodelling and fitness for purpose for intended customer groups.

7.2 MAINTENANCE

Maintaining our homes is very much part of our strategy to ensure our stock is fit for purpose into the future. In this section, we seek to look at our maintenance service to assess whether it is providing value for money on the basis of cost and performance.

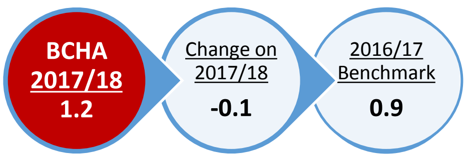
Delivery Model

The maintenance service (contractor-side) is operated by New Leaf Repairs, a division of BCHA, which focuses on responsive and voids work and estate maintenance (gardening and communal cleaning) and aspects of the planned programme including decorating and kitchen replacement. Capacity is added by sub-contracting to larger or specialist contractors.

Is the Service Efficient?

The nature of our stock is a primary driver of cost: the high proportion of supported and single person housing (characterised by high turnover and subsequent wear and tear) and leased stock (characterised by properties of varying types and ages and hence unpredictable maintenance needs). Leased stock also requires end-of-lease dilapidation works prior to handback to the owner.

Spend on cyclical and major works has reduced by 18% on 2016/17. Major Repairs spend per unit is now significantly lower than the median for our peer group (see Section 5 and the Appendix). This is partly reflective of generally good stock condition and the shared nature of much supported housing meaning a single upgrade benefits a number of units simultaneously.



Expenditure on responsive repairs has also reduced (by 27%) with the cost per unit median similar to that of our peer group. More efficient investment in planned maintenance would be beneficial in order to reduce expenditure on component failure (reactive maintenance). The ideal ratio of expenditure that many organisations aim for is 30% reactive, 70% planned (or 0.43). BCHA's result is higher ("worse") than the median level with the "10RP" peer group (see Appendix) as too much emphasis is on reactive spend. More active planned investment for 2018/19 and beyond will address this.

4 - stock leased on a term under 20 years is not included in this analysis as this product uses a different feasibility model based on anticipated spend over the term of the lease and dilapidation costs at handback.

Are services performing?

Repairs			July 2017	3 April 2018	Internal Target
Value demand (as opposed to failure demand which is chasing work still not completed)			40%	88%	**85%**
First Time Fix (all work completed on first visit by operative)			Not collected	42%	**90%**
Voids	2014/15	2015/16	2016/17	2017/18	29RP Housemark median
Avg Re-let Time (Gen Needs)	23.0 days	30.9 days	36.1 days	19.6 days	**34.1 days**
Avg Re-let Time (Supptd)	17.9 Days	15.6 Days	12.9 Days	16.7 days	**16 days** (internal target)
Customer Satisfaction	2014/15	2015/16	2016/17	2017/18	29RP Housemark median
Repairs service	95.8%	78.5%	67.7%	41.2%	**80.9%**
Quality of Home	92.8%	86.3%	82.1%	70.0%	**87.7%**

Last year BCHA began working to improve the performance and efficiency of Responsive Repairs. In July 2017, we appointed the Vanguard consultancy to assist in the redesign all elements of this function using a systems thinking methodology. The initial focus involved forensic analysis of processes - including communication with the customer, programming and planning, delivery of repairs, processing of payments, delivery within budget and timescales, and monitoring completion and customer satisfaction. This then led to a roll out of redesigned processes in January 2018 with improved performance already evident at year end.

Regarding void turnaround, referral delays continue to be an issue in some locations, but overall re-let times are continuing to improve. Plans are progressing to redevelop a sheltered housing site in Weymouth which will address low demand in that area.

Satisfaction for repairs has continued to decline and is below the benchmark median. The STAR survey of residents shows issues with repair completion being a key driver of dissatisfaction and is the main priority that customers cite for service improvement. However, satisfaction reported *at each job completion* shows an upward journey with customers scoring their contentment at 9.75 out of a maximum 10 for the whole of the April-June 2018 period.

7.3 HOW WE PLAN TO IMPROVE

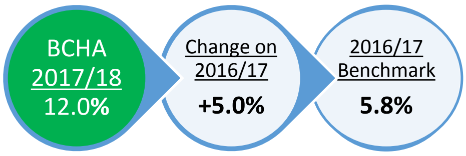
Our goal is to ensure unit costs, performance and customer satisfaction are all consistently above median (when compared with other providers) or our internal target where no comparable information is available. Priorities for resolution in 2018/19 include:

- Developing greater efficiency through stocking operative vans with common items.
- Improving fault diagnosis so operatives attend and complete repairs at first visit. This and the objective above will improve First Time Fix.
- Improving “live scheduling” of jobs so visit times/dates are efficiently managed and convenient for customers. This will improve customer satisfaction.

8 – SERVICE OUTCOMES

In this section, we focus primarily on our housing services to assess whether these are providing value for money on the basis of cost, performance and customer satisfaction, the elements contained within the diagram in section 1.

8.1 REINVESTMENT



This metric measures investment in maintaining homes and increasing the supply of new homes. BCHA activity in acquiring homes into ownership and building new accommodation reflects a high level of reinvestment this last year. This result will fluctuate as not every year will prove so fruitful but nevertheless BCHA performance is exceptional when compared with the chosen “10RP” peer group (see appendix).

8.2 HOUSING MANAGEMENT

Delivery Model

General Needs Housing Services are divided into two specialisms – income and financial inclusion and tenancy management. The former focuses on rent and arrears collection and financial support to customers. The latter focuses on other tenancy matters – lettings, tenancy and neighbourhood matters. The strength of this model is close engagement with customers and back-up support from the income team to enable proactive intervention when tenancies are at risk. There is some use of digital “self-service” options for customers –reporting repairs or paying rent via the website, with scope to significantly increase usage/take-up over time.

Supported Housing services are funded by contracts which specify the capacity (number of clients) and support input (usually staffing levels or hours of support to be purchased). Staff are either scheme based or visit a patch of units. Each service is required to be self-sufficient and staffing structures require regular review in the light of service contract repricing, decommissioning and retendering. A new Tenancy Sustainment team has been established to centrally provide housing management across supported housing as a means to be more efficient and effective than delegating responsibility to each service, no matter how small.

Are Services Efficient?

As has been mentioned earlier, the nature of our stock is the primary cost driver. Temporary and single persons’ accommodation has a high turnover of tenancies. General needs stock turnover was 6.8% for the year 2017/18 (62 lettings), an increase on the previous year but in line with Housemark’s 29RP benchmarking median (6.4%). Supported housing services reported tenancy turnover of 145% for the same period, slightly lower than the Housemark *quarterly benchmarking average* of 206% (too few respondents to calculate a median).

Another significant cost driver is the changing profile of residents as agencies refer prospective tenants with increasingly complex needs requiring more intensive management to sustain their tenancies. This (coupled with mitigating the impact of Universal Credit roll out) means that tenancy management is becoming increasingly intensive.

As can be noted in Section 5, **Costs per unit of *management*** for general needs properties are the same as the previous year. Operating Costs per unit for management in supported housing have been decreasing (23% lower than the previous financial year), mainly due to rationalised operational management.

Are services performing?

GENERAL NEEDS	2014/15	2015/16	2016/17	2017/18	29RP Housemark Median
Rent collected	98.3%	99.1%	99.4%	100.2%	**99.5%**
Current tenant arrears	2.7%	2.1%	1.5%	0.5%	**3.6%**
SUPPORTED HOUSING	2014/15	2015/16	2016/17	2017/18	Housemark Median [5]
Rent collection	97.8%	87.7%	99.3%	95.0%	**98.1%** (2015/16)
Current tenant arrears	4.0%	9.5%	6.4%	6.1%	**3.6%** (2015/16)
Customer Satisfaction (GN and SH)	2014/15	2015/16	2016/17	2017/18	29RP Housemark Median
With Landlord overall	92.5%	84.8%	74.7%	62.4%	**87.2%**
Landlord listens to views & acts on them	88.4%	77.4%	69.1%	45.6%	**71.5%**

With significant focus on rent collection and arrears recovery, performance was good in 2017/18 for general needs housing. Rent collection and arrears recovery is more of a challenge in supported housing although arrears levels have reduced slightly on the previous year. Centralised tenancy sustainment across supported housing services will improve performance. However, the satisfaction levels of customers with the organisation has suffered and seems to reflect frustrations with maintenance. We are committed to reversing this trend and believe that the service improvements outlined below will have a positive impact on satisfaction levels.

Delivering Outcomes

Below is a range of outcomes recorded for customers in housing related support services for 2017/18. Percentages record outcomes for those with a support need in that area.

86.8% supported to maximise income

65.9% supported into training & learning

82.6% supported to maintain their housing

91.4% reported improved physical health

87.8% reported improved mental health

86.8% helped to register with GP

Priorities for 2018/19

Our goal is to ensure unit costs, performance and customer satisfaction are all consistently above median (when compared with other providers) or our internal target, where no comparable information is available. To achieve this, priorities are as follows:

- review customer satisfaction surveys to ensure better participation rates;
- further develop on-line "self-service" for customers to manage their tenancies;
- Widen our Financial Inclusion support so that early intervention can be put in place for customers at most risk of tenancy failure;
- Ensure all our supported housing environments are inspiring places to live so internal refurbishment plans will conform to the Psychologically Informed Environment model. http://www.rjaconsultancy.org.uk/6454%20clg%20pie%20operational%20document%20aw-1.pdf.

5 – due to few providers with material portfolios of supported housing participating in Housemark, 2015/16 benchmarks are used.

9 – ACHIEVING VALUE

Achieving Value forms the fourth strand of our Business Plan which is all about having the right people, right systems and right finances to achieve our business objectives.

9.1 THE RIGHT PEOPLE

The BCHA Group employed a full time equivalent workforce of 248 at 31 March 2018, based on a 37.5 hour working week with BCHA itself employing 84% of FTE's. The Group Payroll amounted to £6.7M for 2017/18 (wages, social security and pension costs). Owing to the planned termination of some contracts and staff transfers to other providers, the FTE workforce shrank by 16% on the previous year.

A major focus for the organisation for 2018 and beyond is on implementation of a new People Strategy. The Strategy is divided into six strands:

- **People Services –** developing an efficient and customer-focussed HR service
- **Recruitment –** ensuring we attract and select outstanding employees of the future
- **Career opportunities –**helping individuals develop their career and excel at what they do
- **Leadership & Development –** giving our leaders the confidence and support to excel
- **Recognition & Reward –** creating a high-performance culture
- **Positive Working Environment –** creating a great place to work (an employer of choice).

9.2 THE RIGHT SYSTEMS

BCHA has continued to refine its cloud-based IT infrastructure initially rolled out in August 2016. Moving away from on-site provision was necessary to enhance system performance, particularly at remote sites, and to strengthen system support and disaster recovery. In March 2017, we also rolled out new housing management software to improve the scalability and functionality of our tenancy and repairs management systems. The implementation of these systems has proved challenging and whilst some benefits have been achieved they continue to be refined to generate more efficient working.

In the autumn of 2017 we selected a new Workforce System, BreatheHR, after a market review. This was launched in January 2018 and removed a number of our manual systems, introduced automated workflows and consolidated our Workforce data and reporting.

In the spring of 2018 we also implemented new payroll and invoice processing systems to improve performance information and streamline processes.

9.3 THE RIGHT FINANCES

Treasury

New funding

In the summer of 2016 BCHA issued a funding prospectus seeking proposals for facilities of up to £20 million to fund its business plan. The various proposals were considered by the Audit, Risk and Treasury (ART) Committee and it was agreed that the best offer came from the association's main funder, Triodos, as this offered both £10.5m of new funding at a competitive rate together with the re-financing of the existing loans on more favourable terms. It was agreed to park the association's longer term funding requirement for the time being albeit to maintain contact with key funders to pursue their funding offer at the appropriate time.

The new facility with Triodos was completed in March 2017 and has enabled a reduction in the minimum interest rate from 3.5% to 1.85% generating a saving of circa £190k pa on the existing £11.5m loan based on rates at the time.

During 2017/18 the association followed up negotiations with other banks and selected Santander as the most competitive offer. A new 10-year £10m facility was signed in September 2018 to enable the association to deliver its growth ambitions set out in its business plan.

Loan covenants
Loan covenant requirements with two of the Association's main funders were renegotiated in 2017. This provides additional capacity for future growth in line with the business plan ambitions. Performance against the two key covenant tests remains within comfortable limits. At 31st March 2018 the tightest interest cover was 197% (higher the better) compared with the covenant of 110% and gearing was 40% (lower the better) compared with the tightest covenant of 50%. Whilst these limits tighten as the business grows they remain manageable and have been extensively stress tested as part of the Financial Plan.

Treasury strategy
The Group's treasury strategy and policies have recently been reviewed and updated in line with best practice. The Treasury Management Strategy has been reviewed in the light of the new Financial Plan and incorporates proposals for additional interest rate fixing to achieve an appropriate level of risk mitigation through interest rate hedging. The strategy also proposed following up more detailed negotiations for new funding in advance of future growth commitments and, as mentioned above, this has now been delivered through a new facility with Santander.

Procurement

Given the more challenging pressures on income faced by the organisation, BCHA appointed Capita to lead on delivering £350,000 of procurement savings on 2015/16 baseline spend (this represents a 3% annual reduction) to be achieved primarily through renegotiating or re-tendering, invoice rationalisation and supplier consolidation by May 2017. BCHA has now appointed a Procurement Manager in house to continue to drive ongoing savings on third party spend from August 2018 onwards.

9.4 VALUE FOR MONEY OBJECTIVES

Social landlords are working in challenging times particularly with a number of key risks to our income streams. For that reason, operating efficiently has never been so crucial. However, whilst savings can be made on budgets from year to year, creating structural efficiencies - that is re-engineering how we work - may take a number of years to realise the full benefits.

The Board is currently in the process of considering and agreeing its strategic priorities to deliver value for money in line with the new regulatory VFM Standard. This exercise will be completed over the course of 2018/19. However, the Board is keen to focus on generating sufficient margins in line with the Business Plan and plans ongoing review of cost centres across the business to ensure sufficient cost recovery on social housing property (including maintenance and service charge costs) and housing-related support and intensive housing management costs.

APPENDIX – PEER GROUPS

RSH METRICS (SECTION 3) & OPERATING COSTS (SECTION 5)

"10RP" This group was created using the HCA Global Accounts 2016/17 with the following filtering: Supported/Older Person's Housing at least 35% of stock, Stock size 1,100-2,200 (with an average of 1,615 units). This close peer group has average turnover in Social Housing Lettings was £16.6M.

Peer organisation	Type	2016/17 Stock	Region
BCHA	Traditional	1632	South West
Central and Cecil Housing Trust	Traditional	1963	London
Croydon Churches HA	Traditional	1506	London
Golden Lane Housing	Traditional	1775	Mixed
Inclusion Housing	Traditional	1285	Mixed
Pickering and Ferens Homes	Traditional	1278	Yorkshire
Reside Housing Association Limited	Traditional	1155	Mixed
Salvation Army Housing Association	Traditional	1694	Mixed
Sustain (UK) Ltd	Traditional	1953	West Midlands
The Abbeyfield Society	Traditional	2015	Mixed

OTHER BENCHMARKING - SECTION 3 (NON RSH METRICS), SECTIONS 7 & 8

"**29 RP**" We compared our results to Housemark benchmarking beta service, using organisations with stock between 1100-2200 units (29 organisations). Few of these provide supported housing, however.

Peer organisation	Peer organisation
Axiom HA	Leeds & Yorkshire HA
BCHA	Local Space HA
Black Country Housing Group	Magna West Somerset HA
Byker Community Trust	Manningham HA
CBHA	Mossbank Homes
Central and Cecil Housing Trust	Mount Green HA
Cornerstone Housing	Pickering & Ferens Homes
Croydon Churches HA	Plus Dane
Durham Aged Mineworkers HA	Railway HA
Endeavour HA	Rosebery HA
Hundred Houses Society	Salvation Army HA
Industrial Dwellings Society	The Cambridge Housing Society
Inquilab HA	Tower Hamlets Community Hsg
Islington and Shoreditch HA	Trident HA
Joseph Rowntree HT	Warrington HA

Providing a significant proportion of support and learning services makes it more challenging to find organisations of a similar profile for making meaningful comparisons. Whilst the list of comparators above may not be ideal, as many are mainstream providers, Housemark is well-recognised and allows a proportionate and cost-effective means of benchmarking with a range of social housing providers.