VALUE FOR MONEY STRATEGY 2017-22

Report for 2018-19

Benchmark 1 = Global Accounts peer group median; Benchmark2 = Global Accounts All RP's Median; Benchmark3 = Sector Scorecard pee group median; Benchmark4 = Sector Scorecard All Participants Median; Benchmark5 = Housemark Peer group median of similar sized English HA's

INTRODUCTION

What Is BCHA?

BCHA is a specialist housing and 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. The Regulator of Social Housing recognises this and requires registered social housing providers like BCHA to comply with its *Value For Money Standard*. Taking the Standard into account, this report sets out how BCHA seeks to provide 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 strategic 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 measuring value for money with a range of metrics used by social housing organisations as well as ones that match our particular priorities (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 our performance in providing our main services (section 8). All of these sections will enable the reader to form a rounded view about whether BCHA is actually delivering value for money. Finally, we consider our corporate resources (section 9) and highlight our next phase of strategic VFM priorities.

Governance & Value for Money

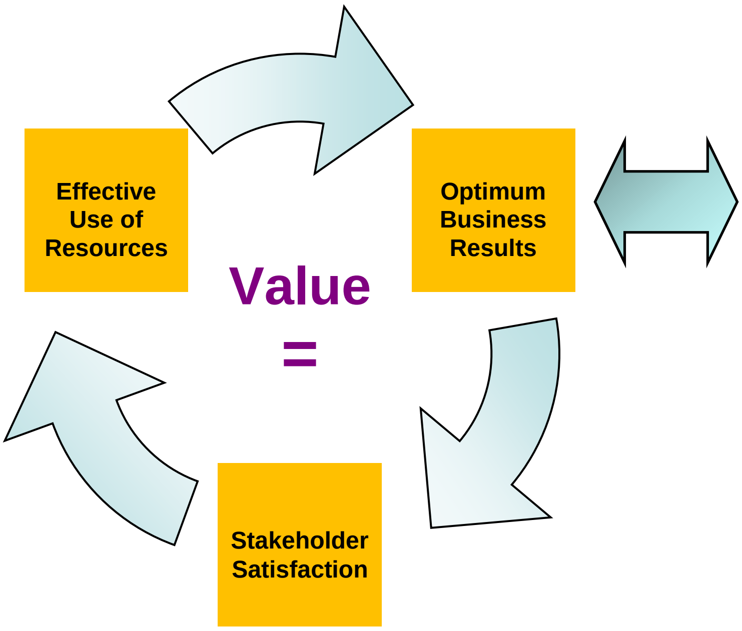
Our organisation is governed by a voluntary board. Part of the Board's role is to approve and monitor strategies and plans to deliver the organisation's mission and key objectives. The development of these strategies and plans, including the consideration of business models required to deliver them, 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 Regulator of Social Housing issued its latest regulatory judgement on BCHA. It re-confirmed our grading as G1 (highest rating for governance) and V2 (compliant rating for financial viability – recognising there are risk exposures due to the short term nature of our care and support contracts). The full judgement can be seen at www.rsh.gov.uk. This grading is compliant with the Regulator's standards and reflects the Board's energies over recent years 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 delivering social value.



Our Strategic Objectives	
B	**Building Resilience:** equipping customers with skills, confidence and opportunities (see section 8)
C	**Creating Opportunities:** seeking to grow the range of community services we provide (see section 4.2)
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 section 9)

1.2 VFM OBJECTIVES

Value for Money is a cross-cutting issue and cannot be seen in isolation. Delivering Value runs through all of our strategic objectives. So each of these is underpinned by common strategic VFM objectives:

- Objective 1: Reduce operating costs to address key income pressures in our business stemming from government cutbacks, government rent reduction policy to 2020 and welfare benefit reforms;
- Objective 2: Achieve better-than-median performance across cost, performance and satisfaction measures when compared to appropriate peer groups; and
- Objective 3: Optimise social value (outcomes for individuals and communities) in our front-line services.

1.3 MAKING VALUE HAPPEN (OUR STRATEGIC APPROACH)

We continue to strengthen our approach to value for money, providing foundations for further achievements in future years. We continue to refine our systems to make our processes more efficient and to support our customers to interact confidently in an increasingly digital world. We are also developing a more formal methodology to review and challenge processes that don't add value and to create more opportunities for staff to develop their own skills.

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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 **Development Strategy** – to focus our efforts and resources on building and acquiring homes for rent and sale across our geography for a range of social needs
- An **Asset Management Strategy –** focussed on maximising return on investment and maintaining the quality of our homes;
- A **Procurement Strategy –** focussed on smarter purchasing to achieve tangible cost savings and social benefits;
- **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 and engagement**
- **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**

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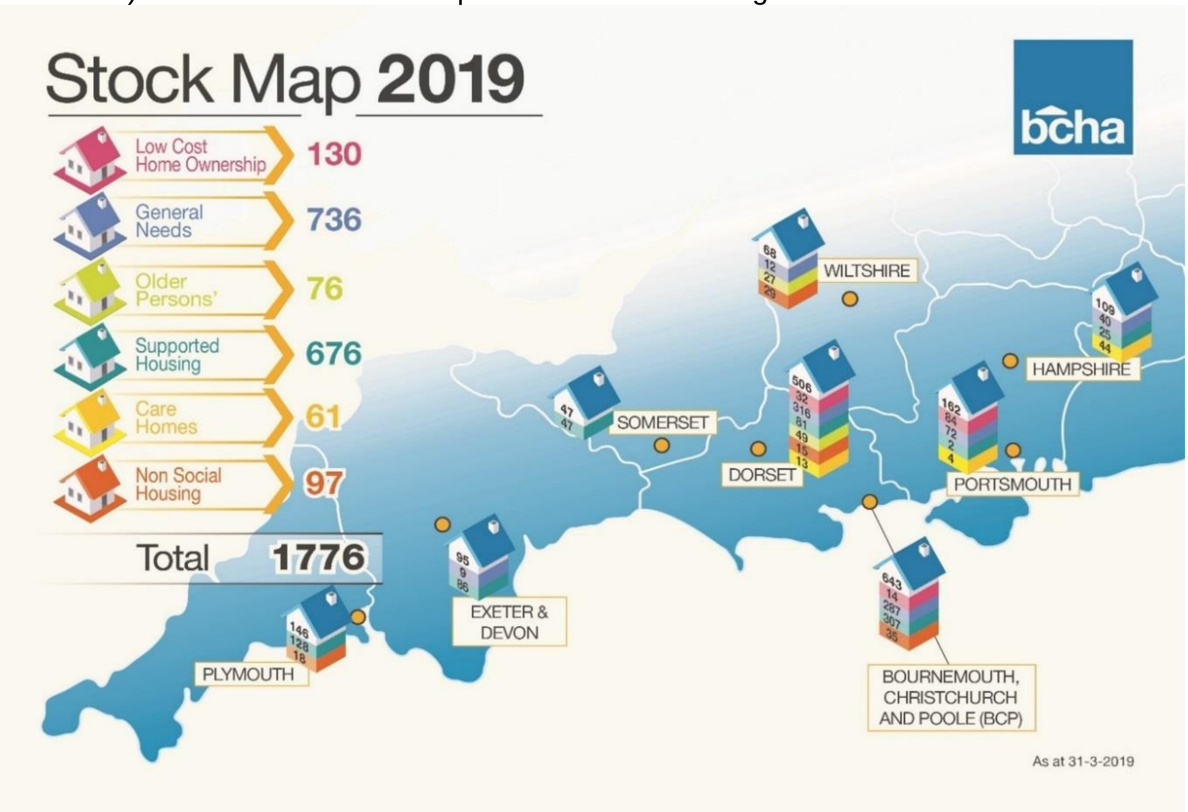
2 - BCHA IN CONTEXT

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 ("employment and skills"). This section outlines these activities. There is also some non-social housing activity – commercial letting and leasing properties from other landlords for rent at market levels.

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

This map shows the social and non-social units that we manage (which may be shared or self-contained). Social rental units comprise 87% of our managed stock.



RENTAL STOCK ONLY

Legal Interest	Size	Turnover
63% owned/leasehold; **13%** leased short term; **24%** managed for other social landlords	**72%** of homes managed are for single people	There were **1,141** lettings in 2018/19 (93% in supported housing)

2.2 LOW COST HOME OWNERSHIP (LCHO)

BCHA currently manages a portfolio of 130 LCHO properties on behalf of another housing association. In order to meet the need for affordable accommodation for first-time buyers, BCHA will be developing its own small portfolio of accommodation for shared ownership sale over 2019/20 and beyond. We also considering the purchase the superior leases of existing shared ownership accommodation as part of a section 106 deal with a local developer.

2.3 CARE & SUPPORT

The map above illustrates where our supported housing provision is located – centred on Plymouth and the Bournemouth-Christchurch-Poole Council area. 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 61 care bedspaces (managed on our behalf by registered care agencies) and various community-based services, including:

- supporting people to maintain their tenancies in non-BCHA property
- institution-based services – for example, supporting older people in prison
- health commissioned services for people with a mental health diagnosis

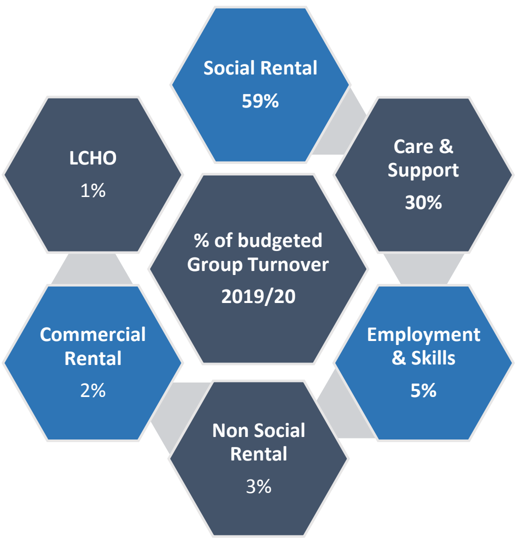
2.4 EMPLOYMENT & SKILLS

BCHA has recognised the importance of supporting Government employment and skills strategies for many years. By providing these grant-funded services to job-seekers and those needing to develop vocational skills, motivation and interests, we are able to create far more community resilience than with just accommodation alone.

2.5 NON-SOCIAL HOUSING & COMMERCIAL

BCHA manages a small portfolio of leased properties let at market level rents to individuals and families. This portfolio is diminishing year on year as properties are actively handed back at lease-end (see section 6). Our non-social housing portfolio also includes properties managed by a subsidiary not registered with the Regulator of Social Housing.

In addition, we lease out office and serviced desk space on a commercial basis at several sites in the Bournemouth-Poole conurbation (not counted in map on previous page).



BCHA activities by turnover

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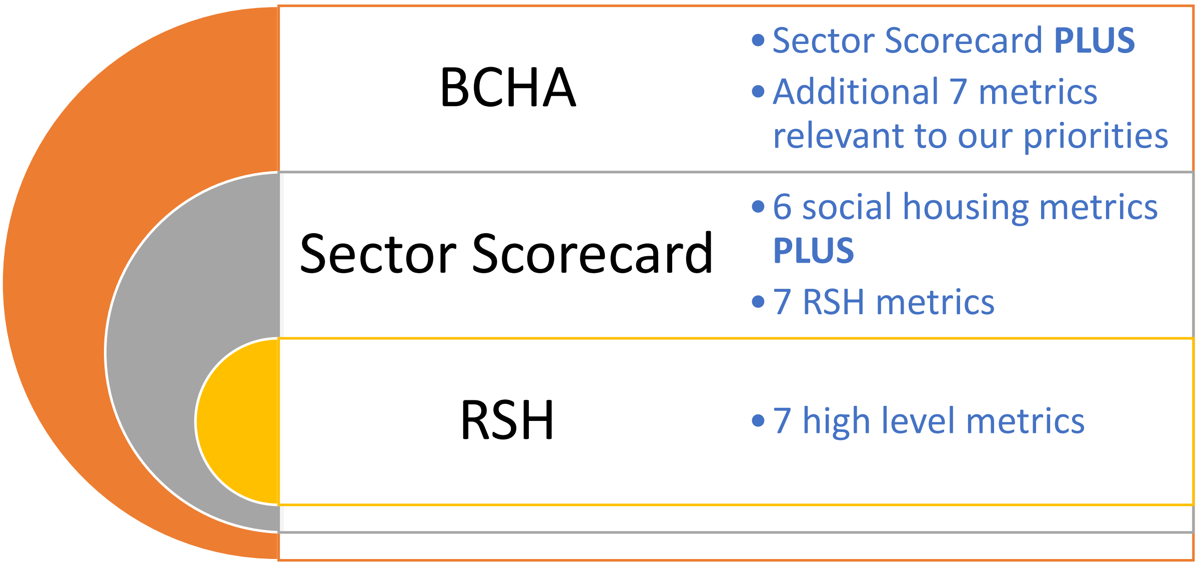
3 - MEASURING VALUE FOR MONEY

In short, there is no simple measure that can easily demonstrate whether "value for money" is being delivered – every organisation is different. But there are now groups of measures used to compare registered providers, like BCHA – a core of seven metrics collected by the Regulator of Social Housing (RSH) and a further 6 housing association-relevant metrics collected by Housemark for its "Sector Scorecard." These and our own choice of additional measures will give a broad view as to how BCHA operates against its own targets and against the performance of other housing providers or groups of housing providers.

MEASURING VALUE FOR MONEY in 20 METRICS



This framework of metrics enables everyone to understand how BCHA is performing in terms of efficiency, cost and outcomes and how this data compares with others. We will publish an annual statement against our Strategy every year, by 30 September, to enable customers, regulators, partners and others to judge how well we're doing.

3.1 2018-19 RESULTS SUMMARY

The table below shows in summary how we're performing against these metrics (note some have been subdivided). We are at or better than our benchmark for 10 out of 23 metrics:

RSH METRICS:	R1a R1b R2 R3 R4a R4b R5 R6 R7
SECTOR SCORECARD:	S1a S1b S2 S3 S4 S5 S6
BCHA METRICS:	B1a B1b B2 B3 B4 B5a B5b B6 B7

At or better than bench-mark

Up to 10% adverse to bench-mark

More than 10% adverse to bench-mark

NOTE: R4b: measures new supply of *non-social housing* and is a contextual metric only. S6: BCHA has chosen not to participate in this metric (see section 8.4);

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3.2 SECTOR SCORECARD

The Sector Scorecard is divided into 5 key themes (which form the sections of this report) and 13 metrics (some of which are subdivided) with brief commentary on why each metric is useful and how you can identify good performance. The Regulator of Social Housing (RSH) collects 7 of the Scorecard's metrics (published in our statutory accounts, using the same basis for calculation) and these are shaded yellow in the diagram below.

Business Health	**Operating Margin** overall R1a Measures amount of surplus generated from turnover on the whole of a provider's activities High % is good	**Operating Margin** social housing lettings R1b Measures amount of surplus generated from turnover on provider's social housing management activities High % is good	**EBITDA-MRI** R2 Approximation of cash generated. As a percentage of interest, it shows level of headroom on meeting interest payments on debt High % is good
Operating Efficiency	**Headline Social Housing Cost** per Unit R3 This cost per unit (CPU) measure is used to assess the relative efficiency of all providers Low CPU is good	**Rent Collected** (general needs only) S1a and S1b Demonstrates the effectiveness of income management in collecting rent due and managing arrears levels High % is good	**Overheads** as % adjusted turnover S2 Shows the proportion of turnover required to pay for overheads. Lean organisations have low overheads Low % is good
Development	**New Supply** social housing R4a Demonstrates contribution to the supply of new homes as % of homes owned High % is good	**New Supply** non-social housing R4b Demonstrates contribution to the supply of new homes as % of homes owned Low % is the norm	**Gearing** R5 Shows proportion of borrowing in relation to size of a provider's asset base. Higher % is good but very high % is risky
Asset Management	**Return on Capital Employed** R6 Shows how well a provider is using both its capital and debt to generate a financial return. High % is good	**Occupancy Rate** S3 Demonstrates how efficient providers are at turning around void stock. Measured at year end point High % is good *Covered in Outcomes section of this Report*	**Ratio responsive to planned repairs** S4 With effective planning works programme based on detailed stock condition surveys, providers can reduce spend on responsive repairs Less than 1 is good
Outcomes Delivered	**Customer Satisfaction** S5 Brings in the customer's perspective; to what extent are they satisfied with the overall service? High % is good	**Reinvestment** R7 Demonstrates extent that providers are investing in existing stock maintenance and new homes (as percentage of stock held) High % is good	**Community Investment** S6 £'s invested in community activities measures Provider's commitment to neighbourhoods High £ is good

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3.3 BCHA METRICS

Below, we have agreed further metrics to demonstrate performance against our business plan and improve on areas of particular focus or concern for us.

BUILDING RESILIENCE	HOMES OF CHOICE	ACHIEVING VALUE
Current Tenant Arrears (%) B1a and B1b Measures amount of rent owed (and hence illustrates how effective landlord is at supporting customers to pay their rent) Low % is good	**First Time Fix** (%) **B2** Demonstrates the effectiveness of the repairs service in completing works at first visit (correct diagnosis, parts in stock) High % is good	**Staff Retention** **B3** Measures the % of staff leaving voluntarily who have been with the organisation for less than 12 months Low % is good
Planned Departures B4 Measures whether customers leaving supported housing (i.e. exc transfers) do so positively. This is a reflection of the quality of support services High % is good	**Average Completion Time for Responsive & Void Works** B5a and B5b Measures effectiveness of repairs service in completing jobs quickly Low number is good	
	Customer Satisfaction **B6 & B7** Brings in the customer's perspective; are they satisfied with (B6) the quality of their home and (B7) the repairs service High % is good	

Note:

- The "Creating Opportunities" strand of our Business Plan (service growth) is not covered by metrics here.

3.4 BENCHMARKS

BCHA uses two main information sources for benchmarking itself with other housing providers:

- **PLACESHAPERS** – this alliance produces analysis based on the RSH's **Global Accounts**, published annually.
- **HOUSEMARK** – a subscription benchmarking service for housing providers including local authorities, ALMO's and traditional housing associations.

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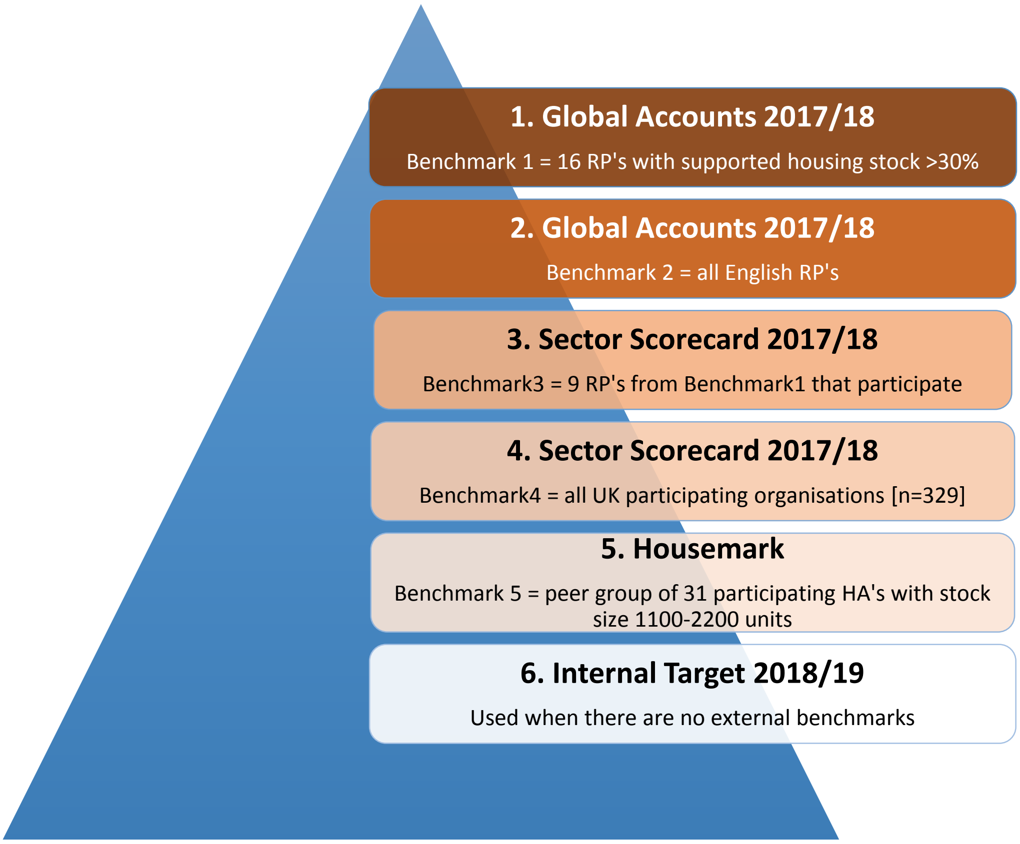
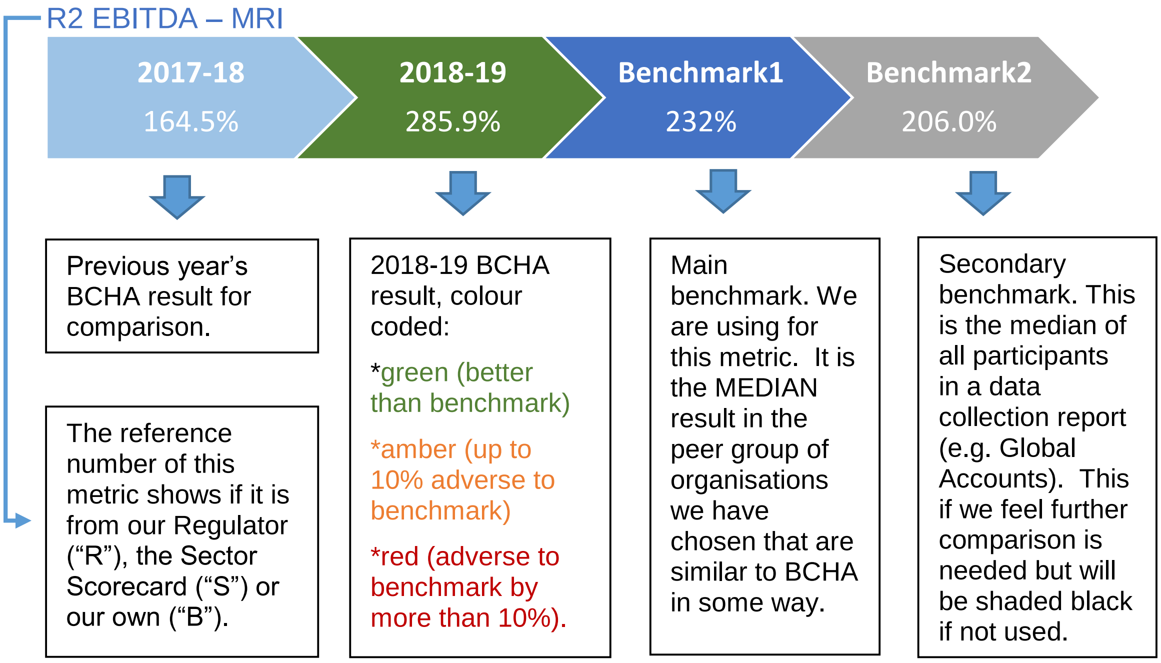
Of the 20 metrics we use in this report, there is no one single source of benchmarking data. Hence, we use a number of benchmarking groups or – in the absence of data from other providers – our own internal targets.



Performance Diagram - explained

Throughout this report, we use a diagram like this to explain our performance results.



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4 – BUSINESS HEALTH

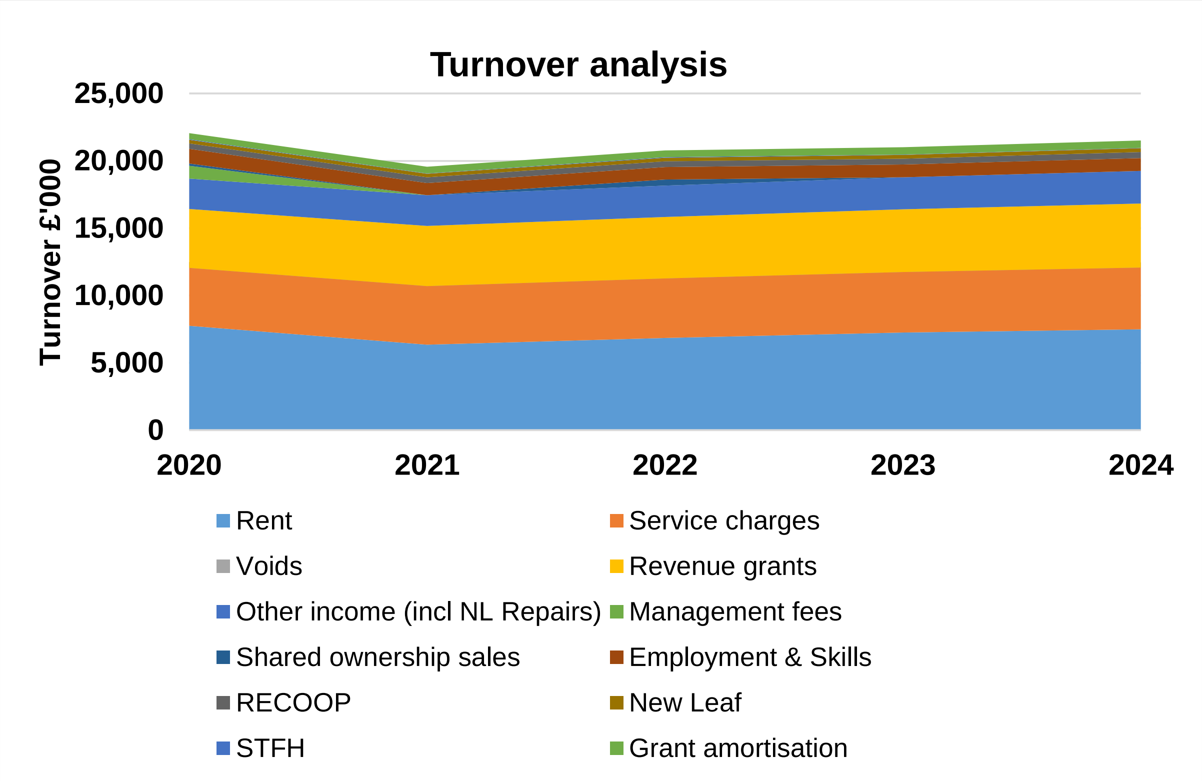
This section looks at some of the key elements of business health.

4.1 TURNOVER

Year	Group Turnover	Operating Costs	Operating Margin
2014/15	£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%**
2018/19	£19.961m	£18.021m	**9.7%**
Change (5yr)	-19.3%	-23.5%	

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 a material effect. Operating costs across all activities are now nearly one quarter lower than they were five years ago.

For 2019-20, we are budgeting Group Turnover at £22m. Thereafter, turnover for the period to 2024 is forecast to fall to £21.5m by Year 5, a decrease of 2.3%. This is due to the assumed loss of the stock management contract with registered provider, LiveWest, at the end of 2019/20 (= 4.4% of our turnover). The major income streams by 2024 will rent and service charges (58% of turnover), revenue grants (22% of turnover) and Employment & Skills income (4.5% of turnover).



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4.2 BUSINESS GROWTH

BCHA remains committed to working with statutory agencies to support some of the most vulnerable people in our communities. Over time, needs and demands change and so do commissioning priorities. Therefore, our turnover forecasts to 2024 remain realistic in terms of recognising that BCHA will win new contracts from statutory agencies at the same time that some existing services will be decommissioned or awarded to other providers. One of the 4 strands of our Business Plan is "*Creating Opportunities*" i.e. seeking new, additional or continuation funding to provide or retain care, support and learning services for our customers. An example of new business won in 2018/19 is the *Community Front Rooms and Recovery Beds* service – a £600k per annum contract funded by Dorset Healthcare University NHS Foundation Trust to provide people with mental health support at time of need away from clinical settings.

4.3 OPERATING MARGIN

This metric assesses profitability before exceptional expenses are taken into account, both overall and for social housing lettings ("SHL") only. The Regulator does accept that "specialist" Registered Providers such as BCHA are likely to have lower margins.

BCHA recognises that it operating margin is tight and as part of its Performance and Risk Framework has undertaken a detailed business analysis of its activities. This provides a sound and timely basis for decision-making – on whether to subsidise or exit particular activities by taking all the key factors into consideration. Action planning stemming from this analysis then seeks to improve the financial health of the business.

R1a Overall Operating Margin

2017-18	2018-19	Benchmark1	Benchmark2
2.9%	9.7%	5.5%	28.9%

In 2020, we forecast the overall margin at 4.7%. ▼

R1b Social Housing Lettings Operating Margin

2017-18	2018-19	Benchmark1	Benchmark2
25.6%	32.3%	12.1%	32.1%

In 2020, we forecast the SHL margin at 13.1%. ▼

In 2020, we are forecasting margins to reduce. This is partly due to a significant impairment charge referred to below in the Interest Cover section (4.3). Excluding this charge, the overall margin would be 7%. In the medium term, we are forecasting an improving position with our overall operating margin set to increase to 12.8% by 2024.

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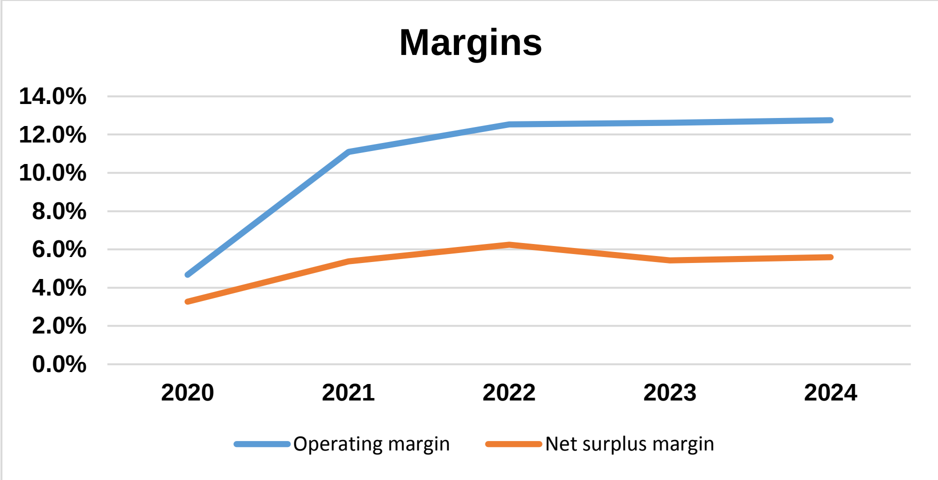


4.4 INTEREST COVER

This metric is a key indicator of liquidity and investment capacity – measuring level of surplus generated compared to interest payable. It provides a good approximation of cash generation. Performance in 2018-19 was significantly better than the previous year, reflecting the increased operating surplus and is now better than the peer group result despite their lower debt (gearing of 17.3%) and hence interest payable.

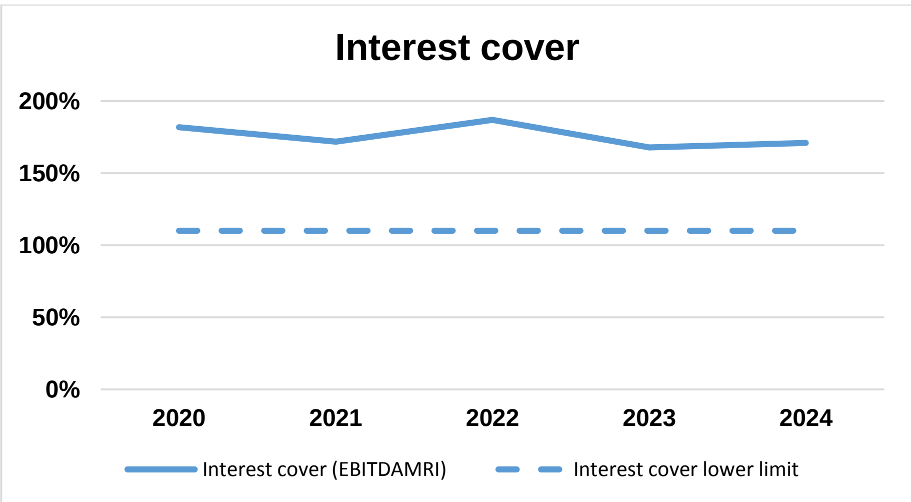
R2 EBITDA-MRI

2017-18	2018-19	Benchmark1	Benchmark2
164.5%	285.9%	232%	206.0%

In 2020, we forecast interest cover (EBITDA-MRI) at 174.8%. ▼

This forecast decrease is partly due to the inclusion of an exceptional impairment charge as we demolish an existing site for redevelopment. If this charge is excluded the measure would improve to 222%.

The chart below shows that our forecast interest cover, a minimum 110% as required by our lenders, will be achieved across the 5-year period albeit at levels under 200%.



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4.5 CHALLENGES

BCHA is not typical amongst Registered Providers 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. As can be seen in 2.1 above, high turnover of tenancies in supported housing particularly drives cost in terms of managing voids, processing referrals, sign ups, cash collection and higher wear and tear.

These range of 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. The uncertainty of the UK's departure from the European Union may also have unexpected economic impacts.

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 operating costs spread over the number of social housing units owned and/or managed. 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 our **Headline cost per unit** is downward - with a 14.6% reduction in our unit costs since 2016/17.

R3 Cost Per Social Housing Unit						
	Headline	**Manage-ment**	**Service Charge**	**Mainten-ance**	**Major Repairs**	**Other**
2016/17 (1632 units)	£9,445	£1,094	£1,330	£1,173	£507	£5,340
2017/18 (1639 units)	£8,223	£974	£1,228	£933	£356	£4,731
2018/19 (1679 units)	£8,070	£908	£1,240	£940	£408	£4,574
2019/20 (forecast)	£8,801 ▲	£982	£1,364	£1,033	£746	£4,675
2017/18 Benchmark1	£8,930	£1,212	£1,395	£939	£481	£3,088
2017/18 Benchmark2	£3,397	£974	£389	£948	£720	£245

On the face of it, BCHA's headline CPU for 2018/19 is significantly higher than the median for all registered providers ("Benchmark2") although some of the components – management, maintenance and major repairs costs per unit are broadly comparable. However, our headline CPU is slightly lower than registered providers that have a large portfolio of supported housing (as is the case with BCHA). There are three primary factors explaining our variation from the sector median for all RP's:

1) **Service charge costs**: at BCHA these include significant levels of communal upkeep and intensive housing management provision for supported housing services, as these are no longer funded through support contracts.
2) **Other costs**: the cost of employing support workers is counted in "other social housing costs" even though these are funded through support contract revenue not rents.
3) **Other costs**: rent payable on leased properties is included in this metric, which is more akin to a funding rather than an operational cost and skews comparisons with organisations with greater levels of owned stock. The effect of excluding this rent is shown below:

	2020 Target	**2019 Actual**	**2018 Actual**	**2018 Benchmark1**
Headline CPU	8,801	8,071	8,223	8,930
Headline CPU excl rent payable	7,300	6,491	6,375	7,206

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The forecast increase in the headline CPU for 2020 is due to increased commitments on landlord health and safety compliance and major repairs programme on the stock we manage for another registered provider.

General Needs vs Supported Housing

With further analysis, it becomes apparent that unit costs for general needs housing are lower on management and services than supported accommodation. Supported housing is accepted as being costlier to provide due to the complexity of needs and greater turnover of occupants. Ignoring rent payable (£2,340) for general needs, the Headline CPU becomes £2,928 which is nearly 14% lower than the median of £3,397 for all English RP's (see Benchmark2, above).

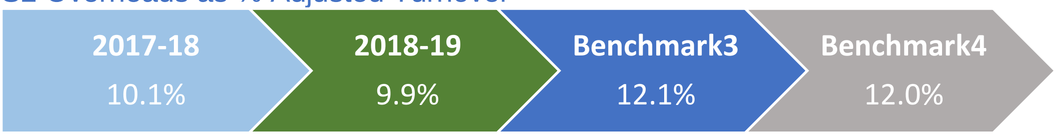
Cost Per Social Housing Unit (% change on last year in brackets for main elements only)						
	Headline	**Manage-ment**	**Service Charge**	**Mainten-ance**	**Major Repairs**	**Other**
2018/19 General needs (942 units)	£5,268 (-1.6%)	£588 (-12.0%)	£719	£1,136	£485	£2,340
2018/19 Supported (737 units)	£11,651 (-2.9%)	£1,318 (-4.4%)	£1,906	£689	£309	£7,429

The Headline Cost per Unit for general needs housing fell by under 2% on the previous year and the costs per unit for supported housing decreased by nearly 3% reflecting planned budget savings made across both housing services.

5.2 OVERHEADS

BCHA's approach for many years has been to seek to control overheads such as the costs of centralised HR, Finance, IT and Premises as these are not income-generating functions. This strategy results in an upper quartile position (i.e. amongst the top 25% best performing organisations) when benchmarked, underlining our lean operational efficiency.

S2 Overheads as % Adjusted Turnover



Our ongoing annual target is to keep overheads at or below 10%

5.3 RENT COLLECTED

One of the key objectives as a landlord is to ensure effective rent collection so that our margins are as healthy as possible. For general needs housing, our levels of collection are as good as our peers and the wider sector. For supported housing, collection rates are the same as the previous year. Performance is under target which is in large part due to a service charge dispute with one of our local Housing Benefit authorities which we hope to resolve in 2019/20.

S1a Rent Collected (General Needs)

Benchmark 1 = Global Accounts peer group median; Benchmark2 = Global Accounts All RP's Median; Benchmark3 = Sector Scorecard pee group median; Benchmark4 = Sector Scorecard All Participants Median; Benchmark5 = Housemark Peer group median of similar sized English HA's

S1b Rent Collected (Supported Housing)

2017-18	2018-19	Internal Target
95.0%	94.8%	100%

Our 2019/20 target for rent collection for both housing types is 100%

5.4 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 on financial health) and parameters on which to assess returns on all activities. Each year, the Board undertakes a comprehensive review of margins on all business streams to identify poorly performing cost centres and agree remedial action in each case.

Benchmark 1 = Global Accounts peer group median; Benchmark2 = Global Accounts All RP's Median; Benchmark3 = Sector Scorecard pee group median; Benchmark4 = Sector Scorecard All Participants Median; Benchmark5 = Housemark Peer group median of similar sized English HA's

6 - DEVELOPMENT

Providing *Homes of Choice* forms one of the four key strands of our Business Plan. In this section, we consider one of the objectives within this strand – increasing the number of homes we own through build or acquisition. Investing in our stock to ensure our homes are fit for purpose for our customers now and over the coming decades (another “Homes of Choice” objective) is covered in section 7.

6.1 INCREASING THE NUMBER OF HOMES WE OWN

There is still significant demand for social housing in our areas of operation along the South Coast. 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.

In 2017, our Board set an ambitious target in our 5-year Business Plan to increase stock in ownership by 500 units (an average of 100 units per year – shared or self-contained). In the first year of the Plan (2017/18), we acquired 192 units - 156 of these purchased from other Registered providers. During 2018/19, we acquired a further 25 units:

- 4 x move-on units in Yeovil for single homeless people (Homes England funded)
- 15 x general needs units in Weymouth (section 106 arrangement)
- 2 x bungalows for people with high care needs (NHS England funded)
- A property to provide 4 x short term recovery beds for people with mental health diagnoses, part of a new community-based partnership commissioned for this customer group (BCHA funded with revenue grant from Dorset Healthcare University NHS Foundation Trust)

New Supply

This metric looks at new social and non-social housing acquired or developed in year as a percentage of stock owned at the period end. Given the nature of our development programme, this metric will fluctuate year to year. Although BCHA made significant investment in the acquisition of property (25 units) in 2019, 6 units of these do not qualify as “new supply to the sector” in the Regulator’s definition. Nevertheless, our new supply metric performance (at 1.6% this year) was still favourable to benchmark medians.

R4a New Supply Social Housing

2017-18	2018-19	Benchmark1	Benchmark2
1.05%	1.6%	0.9%	1.2%

In 2020, we will deliver 31 new social housing units, equating to 2.5% new supply. ▲

The 31 pipeline units that will be delivered next year comprise:

- 12 x new build units for people with learning disabilities in Plymouth
- 12 x new build units for general needs in Exeter
- 7 x new build units for general needs rent and shared ownership in Swanage

Benchmark 1 = Global Accounts peer group median; Benchmark2 = Global Accounts All RP’s Median; Benchmark3 = Sector Scorecard pee group median; Benchmark4 = Sector Scorecard All Participants Median; Benchmark5 = Housemark Peer group median of similar sized English HA’s

- These will be supplemented by ongoing acquisition opportunities in the year – for example we are currently working with Homes England to source properties under its Move-on fund.

We did not develop any "non-social housing" in 2018-19, with none planned for 2019-20 [R4b].

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, removal of local authority subsidy and support as well as higher than average maintenance costs have made this form of provision uneconomic. We have adopted a strategy of gradually handing back properties to owners when leases come to the end of their term.

Short-term leases have fallen from 695 units at 31 March 2011 to 219 units at 31 March 2019 with further handbacks due over 2019/20. 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

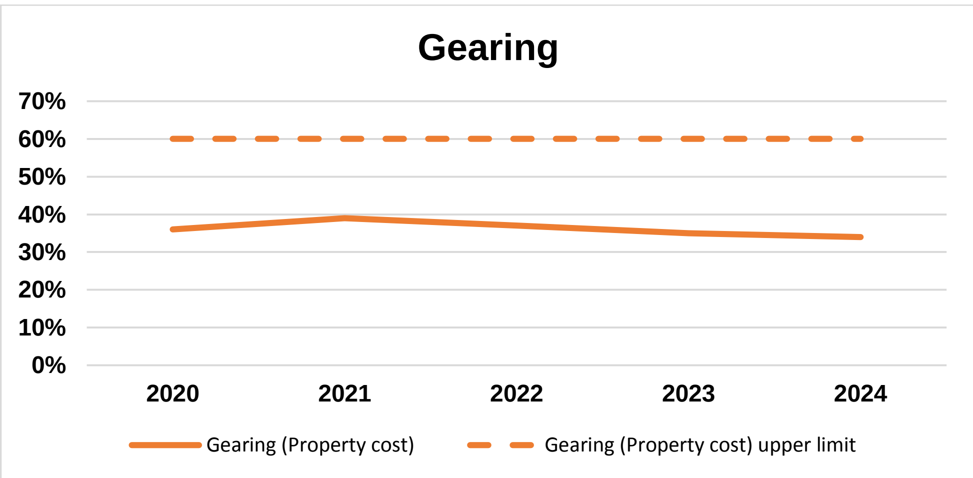
This metric looks at how much of a Registered Provider's assets are made up of debt and the degree of dependence on debt finance. Often seen as an indicator of appetite for growth. Our debt increased by £1.3m during the year to fund our property investment. This increase was proportionate to the growth in the cost of our property assets and hence our gearing remained around 36%. Whilst this level is significantly higher than our peer group median, it is less than the median for all RPs (including those with large development programmes) is 42.9%. We believe all RP's should make every effort to increase housing supply to ensure an end to homelessness and longer term affordable homes for people on lower incomes.

R5 Gearing

2017-18	2018-19	Benchmark1	Benchmark2
37.2%	36.0%	17.3%	42.9%

In 2020, we will borrow to fund development and are forecasting gearing at 39.6%. ▲

As shown below there is ample headroom forecast against the 60% limit.



Benchmark 1 = Global Accounts peer group median; Benchmark2 = Global Accounts All RP's Median; Benchmark3 = Sector Scorecard pee group median; Benchmark4 = Sector Scorecard All Participants Median; Benchmark5 = Housemark Peer group median of similar sized English HA's

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. This is continually reviewed and adjusted as part of Budget planning each year.

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

This metric compares operating surplus to total assets less current liabilities and is a common measure in the commercial sector to assess the efficient investment of capital resources. Our "ROCE" improved from 1.9% in 2018 to 3.0% in 2019 and is better than our peer group. Whilst falling next year owing to forecast lower margins (see section 4), in the medium-term we are forecasting ROCE to increase to 3.2% by 2025.

R6 Return on Capital Employed (ROCE)

2017-18	2018-19	Benchmark1	Benchmark2
1.9%	3.0%	2.8%	4.1%

In 2020, we are forecasting a return of 2.2%. ▼

Options Appraisal

Ongoing Stock appraisal enables 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 the properties sold yielded receipts of £653,000 of social housing grant for reinvestment in our development programme.

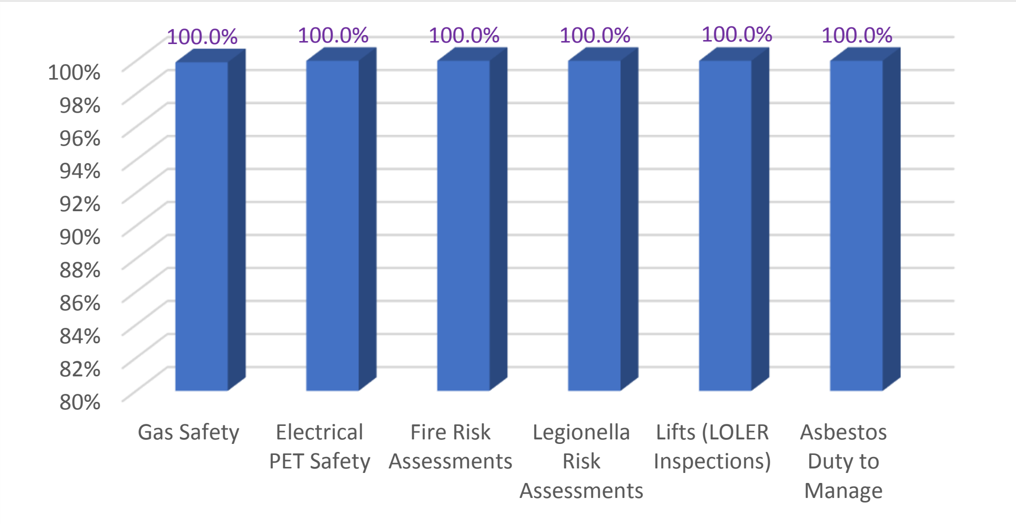
Over the next two years, we will seek to:

- Sell a further 3 x HMO properties which are no longer cost-effective to run to generate cash receipts of £695,000, enabling £218,000 of social housing grant to be recycled.
- Redevelop a hard-to-let sheltered housing site in Weymouth to provide new housing for rent and sale for people in need.

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.

Benchmark 1 = Global Accounts peer group median; Benchmark2 = Global Accounts All RP's Median; Benchmark3 = Sector Scorecard pee group median; Benchmark4 = Sector Scorecard All Participants Median; Benchmark5 = Housemark Peer group median of similar sized English HA's

Health & Safety



BCHA is committed to ensuring its homes meet all legal obligations and puts the safety of its customers who live in them as a top priority. At the 31 March 2019, all residential properties and blocks that we managed had valid certification, where relevant, with a closely managed programme of remedial works, where identified. Commercial properties and empty residential properties just acquired or pending disposal are not included in this tally.

7.2 MAINTENANCE

Maintaining our homes is very much part of our Business Plan – we wish 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 & Cost

The maintenance service (contractor-side) is operated by New Leaf Repairs, an internal division of BCHA. New Leaf Repairs focuses on responsive and voids work, estate maintenance (gardening and communal cleaning) and aspects of the planned programme including decorating and kitchen, bathroom and boiler replacement. Capacity is added by sub-contracting to larger or specialist contractors. Over the last 12 months, we have recruited more multi-trades to the team so that jobs can now be allocated across the whole team so improving internal capacity.

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 increased by 15% on 2017/18 – to a level of spend (£408 per unit) that is broadly in line with the median for the peer group (see Section 5). Compared to the sector median, our spend is much lower, partly reflective of generally good stock condition but also the shared nature of much supported housing meaning a single upgrade benefits a number of units simultaneously. However, we forecast a further increase in Major Works spend per unit of 83% to 2020 primarily as part of our contractual requirements on stock we are managing on behalf of another housing provider.

Expenditure on responsive repairs has increased by 1.5% - with the cost per unit (£940) the same as that of our peer group median (£939). We expect spend per unit to increase by nearly 10% to 2020 due higher budgeted provisions for landlord compliance works.

Is the Service Efficient?

The ideal ratio of expenditure many organisations aim for is 30% reactive repairs, 70% planned (or 0.43). More investment in planned works reduces the need for spend on component failure (reactive repairs). As below, our ratio of responsive to planned spend is much higher in comparison to our peer group and the sector as a whole, but has been improving. Increases in stock investment over the next few years will improve the ratio.

S4 Ratio of Responsive Repairs to Planned Maintenance

2017-18	2018-19	Benchmark1	Benchmark2
1.17	1.02	0.81	0.68

In 2020, we expect the ratio to improve to 0.42 ▲

Another measure of service efficiency is "first time fix" – ensuring repairs are resolved first time due to correct fault diagnosis and having parts or materials on hand. Performance in the last year has improved on the previous year but is well below target due to turnover of personnel in the operative team. Now this has stabilised, we expect the service to become more efficient although recognise we need to improve van stock for each operative as well.

B2 First Time Fix

2017-18	2018-19	Internal Target
42%	65%	90%

In 2020, we expect first time fix to improve further towards our target.

Is the Service Effective?

The main way of looking at service delivery is works completion time and customer satisfaction.

B5a Average Time to complete Responsive Repairs

2017-18	2018-19	Benchmark5
7.4 days	13.9 days	6.0 days

B5b Average Time to complete Void Repairs

2017-18	2018-19	Internal Target
9.8 days	8.6 days	8.0 days

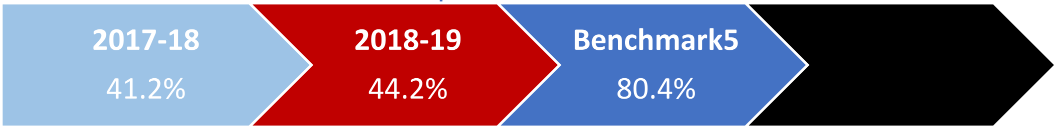
Our 2020 targets for responsive repairs are 10 days and for void repairs 8 days

Benchmark 1 = Global Accounts peer group median; Benchmark2 = Global Accounts All RP's Median; Benchmark3 = Sector Scorecard pee group median; Benchmark4 = Sector Scorecard All Participants Median; Benchmark5 = Housemark Peer group median of similar sized English HA's

In 2017, BCHA began working to improve the performance and efficiency of Responsive and Voids Repairs by appointing the Vanguard consultancy to assist in the redesign all elements of this function using *Systems Thinking* methodology. Owing to staff turnover in the maintenance service and resulting recruitment difficulties last year, it has not been possible to thoroughly embed these new processes in 2018/19. Repair completion times, and hence customer satisfaction with the repairs service, have been consequently impacted. However, there has been improvement in turning around void works (due to having dedicated operatives deployed) and in customer satisfaction with the quality of their home. We recognise more work is still be done to improve the service to the level both we and our customers expect.

B6 Customer Satisfaction with Quality of Home

B7 Customer Satisfaction with Repairs Service



Our 2020 target for customer satisfaction is 80%, increasing to 90% by 2022

7.3 PRIORITIES FOR 2019/20

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 2019/20 continue to be:

- Developing greater efficiency through stocking operative vans with common items
- Improving scheduling of jobs so visit times/dates are efficiently managed and convenient for customers. This will improve customer satisfaction.
- Utilise in-house cleaning staff to service void properties to save on subcontract costs

Benchmark 1 = Global Accounts peer group median; Benchmark2 = Global Accounts All RP's Median; Benchmark3 = Sector Scorecard pee group median; Benchmark4 = Sector Scorecard All Participants Median; Benchmark5 = Housemark Peer group median of similar sized English HA's

8 – OUTCOMES DELIVERED

In this section, we focus on our main 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. *Building resilience* for our customers to cope with the increased financial pressures they encounter today is one of the strands of our Business Plan.

8.1 HOUSING MANAGEMENT

Delivery Model & Cost

General Needs Housing Services are divided into two specialisms – income & 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.

A new Tenancy Sustainment team was established in 2018 to provide centralised housing management across supported housing as a means to be more efficient and effective than delegating responsibility to each service. This team has had a positive impact on rent collection and voids management since its formation.

As has been mentioned earlier, the nature of our stock is the primary cost driver. Temporary and single persons' accommodation generally has a high turnover of tenancies. General needs stock turnover was 6.2% for the year 2018/19 (59 relets), a reduction on the previous year (7.5%) and lower than the Benchmark5 median (7.1%). Supported housing services reported tenancy turnover of 184% on relets for the same period, but this reflects contractual expectations from Commissioners of time-limited support for customers and is part of the model for short-stay supported housing.

With reference to Section 5, **Costs of management** for general needs properties are 12% lower on the previous year (£588 per unit for 2018/19, down from £668 per unit for 2017/18). Management Costs per unit in supported housing have similarly decreased, by just over 4% (£1,318 per unit for 2018/19, down from £1,378 per unit for 2017/18). Both reductions reflect planned budget savings from one year to the next.

Are Services Efficient?

The key aspect of efficiency is the level of occupancy of homes owned/leased by BCHA (homes managed for other organisations are excluded from the calculation of this metric) Compared to peers, BCHA has slightly lower levels of occupancy for general needs accommodation at 96.8%. This is due to some leased properties being vacant pending disposal or being hard to let.

Occupancy for Older People's Accommodation was 92.1% at the year-end, reflecting the emptying of a sheltered housing block pending redevelopment.

Supported Housing Occupancy was 93.2% at the year-end, broadly similar to the previous financial year.

Benchmark 1 = Global Accounts peer group median; Benchmark2 = Global Accounts All RP's Median; Benchmark3 = Sector Scorecard pee group median; Benchmark4 = Sector Scorecard All Participants Median; Benchmark5 = Housemark Peer group median of similar sized English HA's

S3 Occupancy (General Needs Only)

2017-18	2018-19	Benchmark3	Benchmark4
97.6%	96.8%	98.9%	99.4%

As it is difficult to predict or control voids at year-end, we do not set a target for this metric.

When performance in turning around empty properties is also considered, this shows a deterioration in average re-let times for both general needs and supported accommodation in the reporting year owing to referral delays in a number of localities. We need to ensure tight management of voids in order to minimise lost rent due to properties being empty, particularly with the higher tenancy turnovers we experience in single persons' accommodation.

Measure	2017/18	2018/19	Benchmark5
Average Relet Time (general needs)	19.6 days	27.2 days	26.3 days
Average Relet Time (supported housing)	16.7 days	24.8 days	15 days (internal target)

Are Services Effective?

The main measures of good performance in housing management are current tenant arrears (demonstrating whether we are effective in supporting customers to pay their rent and manage on lower incomes – the *Building Resilience* strand of our Business Plan) and customer satisfaction with the service overall.

B1a Current Tenant Gross Rent Arrears (General Needs)

2017-18	2018-19	Benchmark5
4.3%	3.1%	4.2%

B1b Current Tenant Net Rent Arrears (Supported Housing)

2017-18	2018-19	Internal Target
7.3%	4.9%	3.5%

For 2020, targets are 3% for General Needs (gross) and 3.5% for supported housing (net)

Broadly speaking, dedicated Income staff in General Needs Housing and Tenancy Sustainment staff in supported housing have improved (i.e. reduced) levels of current tenant debt. Supported Housing arrears are, however, worse than target due to a dispute with a Housing Benefit authority on service charges which could not be resolved by the year-end.

S5 Customer Satisfaction with Overall Service

2017-18	2018-19	Benchmark3
62.4%	68.2%	86.1%

Benchmark 1 = Global Accounts peer group median; Benchmark2 = Global Accounts All RP's Median; Benchmark3 = Sector Scorecard pee group median; Benchmark4 = Sector Scorecard All Participants Median; Benchmark5 = Housemark Peer group median of similar sized English HA's

The satisfaction levels of customers with the organisation has suffered in recent years and primarily reflects frustrations with the maintenance service. We are committed to reversing this trend and firmly believe the service improvements outlined will have a positive impact on satisfaction levels.

For 2020, our target is 80% customer satisfaction, rising to 90% by 2022

8.2 CARE & SUPPORT

Delivery Model

Supported Housing services are funded by contracts that 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.

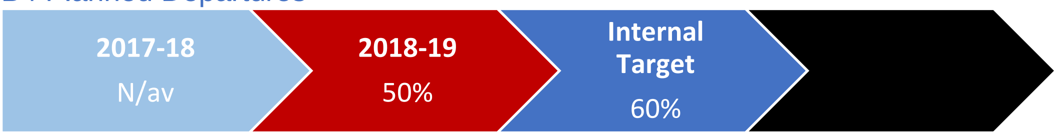
Are Services Efficient?

The unit costs of support services are difficult to assess on average, given different commissioning requirements and different client groups/service models. The pricing of individual contracts does, however, reflect competitive tendering or periodic negotiations with commissioners and can be deemed, with ongoing performance review by these funders, to represent reasonable value to the public purse.

Are Services Effective?

Different commissioners rely on a range of success measures for services they fund. One metric that BCHA considers useful is positive (or planned) departures that measures how well customers have been supported during their time with us to find appropriate, longer term accommodation. If we exclude transfers within BCHA stock, one in two departures from our supported housing is planned although there is high variability from service to service (high support/high throughput services will tend to have higher levels of behaviour management).

B4 Planned Departures



Our target for planned departures for 2020 remains at 60%, rising to 70% by 2022.

Below is a range of other outcomes recorded for customers in housing related support services for 2018/19. Percentages record outcomes for those with a support need in that area with the prior year result also provided:

83.6% supported to maximise income

(86.8% prior year)

70.8% supported to reconnect with friends & family

(83.8% prior year)

88.5% supported to maintain tenancy

(82.6% prior year)

74.1% reported improved physical health due to support

(91.4% prior year)

87.1% reported improved mental health due to support

(87.8% prior year)

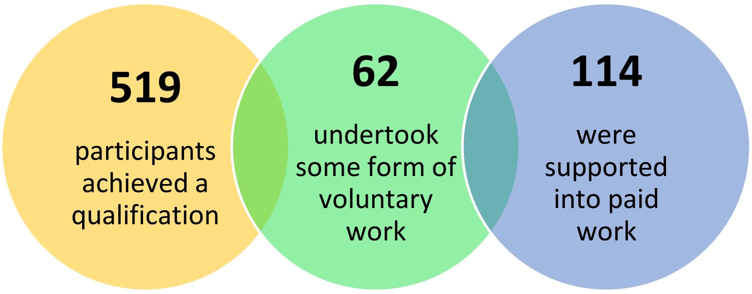
98.0% helped to register with GP

(86.8% prior year)

Our Recoop subsidiary, is a nationally recognised charity funded solely by external grants. Staff engaged with 675 individuals over the age of 50 in prisons across England in 2018-19 with support and wellbeing activities. Recoop staff also trained 131 prison volunteers to offer mentoring and basic assistance to their fellow inmates at time of need.

8.3 EMPLOYMENT & SKILLS

For 2018/19, across our three main programmes (each with a different focus/target group):



On another of our programmes, the National Citizens Service, working with 16 and 17 year olds, 428 young people graduated from their programme having undertaken 13,573 hours of voluntary work, raising more than £3,000 for local charities.

8.4 SOCIAL INVESTMENT

Reinvestment, one of the RSH metrics, looks at the investment in properties, whether existing stock or new supply, as a percentage of the total value of properties held. Given the nature of our development programme, this metric will fluctuate year to year. During the 2018-19 year, we invested a total of £4.3m in the development, acquisition or refurbishment of property and the replacement of property components.

As mentioned in section 6, this included the acquisition of 25 units from developer partners or on the open market as part of our strategy to increase our owned stock. This acquisition investment totalled some £3m representing 4.8% of our property asset base. Investment in our new build programme that was in progress during the year totalled some £1.2m in 2019 equating to a reinvestment of 1.9% when measured against the cost of our housing properties. The overall reinvestment of 6.9% was slightly up down 6.8% in 2018 and above the performance of our peer group 2018 median figure.

R7 Reinvestment

2017-18	2018-19	Benchmark1	Benchmark2
6.8%	6.9%	5.5%	6.0%

In 2020, we are forecasting to spend circa £5.5m which equates to reinvestment of 7.7%. ▲

S6 Community Investment

This Sector Scorecard metric aims to show the value that housing associations bring to the communities where they work. However, it is a very difficult measure to report on given the wide range of activities that associations undertake. BCHA chose not to participate for 2018/19 for this metric as it measures all expenditure irrespective of whether investment is from internal resources or external funding. However, it is worth highlighting BCHA's current work in providing "value added" services to our communities through external funding, e.g:

- £95,000 charitable donations from the public in the year to support the work of our subsidiary, Salisbury Trust for the Homeless
- £0.5M in grants from to provide employment and skills services to a range of customers
- £0.56M in grant to provide the National Citizens Service for teenagers in Dorset
- Funding to assist rough sleepers with temporary shelter during winter months and to assist homeless people to be discharged from hospital to appropriate accommodation.

8.5 PRIORITIES FOR 2019/20

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:

- Focus on greater customer engagement to understand and rectify service dissatisfaction
- Review our voids processes to ensure greater cross-departmental co-operation and improved efficiency and performance.
- Implement a more structured performance framework for supported housing to improve performance on housing management and support outcomes
- Roll out an improved quality framework for supported housing to ensure more consistent service

Over 2018/19 we have been unable to implement better digital/self-service options for customers but will continue to work with our IT providers to develop these facilities over the medium term as such services are more cost-effective to provide.

Benchmark 1 = Global Accounts peer group median; Benchmark2 = Global Accounts All RP's Median; Benchmark3 = Sector Scorecard pee group median; Benchmark4 = Sector Scorecard All Participants Median; Benchmark5 = Housemark Peer group median of similar sized English HA's

9 – ACHIEVING VALUE

Achieving Value forms the 4th strand of our Business Plan which is all about having the right people, right systems and right finances to support our business objectives.

9.1 THE RIGHT PEOPLE

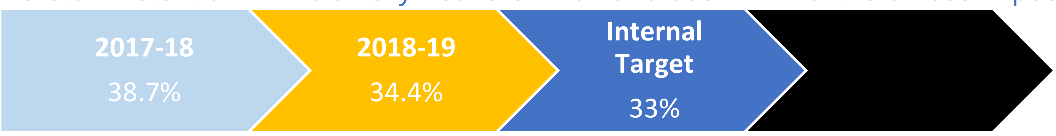
The BCHA Group employed a full time equivalent workforce of 261 at 31 March 2019, based on a 37.5 hour working week. This is a slight increase (of 5.2%) on the previous year. The Group Payroll amounted to £7.3M for 2018/19 (wages, social security and pension costs). A major focus for us in 2019 is the continued implementation of our People Strategy:

- **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).

The Board and Senior Leadership Team have been devoting significant energies to reviewing recruitment and retention in the reporting year. Voluntary staff turnover was 32.8% for 2018/19, slightly down on the previous year (33.3%). Given the wide range of posts across the organisation, it is difficult to benchmark on a like-for-like basis and sector comparisons (e.g. using the care sector to assess turnover of support workers) seems more appropriate. However, it is the case that many employers are experiencing similar issues, particularly filling vacancies across a wide range of disciplines.

Analysing turnover in greater detail, we note that one in three voluntary leavers has spent one year or less with the organisation, leaving for a variety of reasons. This represents a poor return on staff training investment, which is why the Organisation is implementing measures to improve retention over coming years.

B3 Staff Retention: % Voluntary Leavers who have been 12 months or less in post



For 2020, the target remains unchanged but reduces to 20% by 2022.

9.2 THE RIGHT SYSTEMS

Over 2018-19, BCHA has continued to improve its cloud-based IT infrastructure and core systems. We have re-negotiated our main IT contract to generate future savings to the order of £90,000 per annum.

We are planning to pilot *Smart Building* technology in 2019/20 with a trial installation of 24 remote monitoring humidity sensors at Western Avenue, Bournemouth with an investment of £1,000. This should help us find appropriate solutions to an internal dampness issue. Technology to improve monitoring of emergency lighting and water temperatures in water systems is also being considered as a means to generate cashable savings on health and safety spend with subcontractors.

We also plan to work with Robotic Process Automation (RPA) consultancy to pilot *intelligent automation technology* on certain HR processes. This will require approximately £30,000 investment in 2019/20 but will free up staff time spent on repetitive work and generate savings if RPA is rolled out to other processes in the organisation.

9.3 THE RIGHT FINANCES

BCHA continues to successfully seek new funding to enable the group to deliver its growth ambitions to meet housing need set out in its business plan. A new £10m loan facility with Santander completed on 12 September 2018. This together with the existing Triodos facility, was partly used to repay the Co-op Bank and Dorset LEP loan facilities of £3.8m and £775k respectively in February 2019. Headroom in existing property security enabled our facility with Lloyds Bank to be extended by £1.5m in March 2019. A new £10m loan facility with NatWest received bank credit committee approval in June 2019.

Loan covenants

Loan covenant requirements have previously been renegotiated to provide 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 2019, the tightest interest cover was 220% (higher the better) compared with the covenant of 110% and gearing was 36% (lower the better) compared with the tightest covenant of 60%. Whilst these limits tighten as the business grows they 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 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 NatWest.

Procurement

BCHA appointed a replacement Procurement Manager in early 2019 to continue to drive ongoing savings on third party spend. Full-year effect savings delivered in 2018/19 amounted to just over £37,000 (although we did not have a Procurement Manager in post for the full year) and primarily were the result of renegotiations with a range of existing suppliers.

Following analysis of spend by the new Procurement Manager, there is a potential for £65,000 of full year effect savings – both cash releasing and cost avoidance – for 2019/20. These savings will be accompanied by the development of a Purchase Ordering system, an ethical procurement policy focussing on achieving social value from suppliers and further consolidation of procurement processes.

Budget Savings from 2017/18

In agreeing the Budget for 2018/19, the Board set the Senior managers a target of £585,000 worth of operational savings across the business for the year. £429,000 was achieved (73% of the target) with key areas of saving being on the staffing structure and overheads.

9.4 VALUE FOR MONEY PRIORITIES FOR 2019/20

	2019/20 Priority	VFM Impact
1	Acquire properties to meet development target	• More homes in ownership • New supply for sector to meet social demand • Higher gearing
2	Deliver planned maintenance programme	• Higher reinvestment • Higher Customer Satisfaction with quality of home • Improved Responsive to Planned Spend ratio
3	Dispose of 3 identified properties unsuitable for social housing	• Improved Margins • Social Housing Grant for recycling
4	Implement improvement to van stock and job scheduling	• Improved First Time Fix • Improved Job Completion Times • Improved Customer Satisfaction with repairs service
5	Utilise in-house cleaning staff to service void properties	• Financial Saving (approx. £15,000)
6	Establish cross-departmental review group to streamline management of void properties	• Improved Void Loss and Relet Times • Improved Void Works Completion Times
7	Develop customer engagement	• Improved customer satisfaction with overall service
8	Deliver annual procurement savings	• Cost savings and cost avoidance on third party spend (approx. £65,000)
9	Implement annual People Plan objectives	• Improved Staff satisfaction • Improved Staff retention • Reduced recruitment costs
10	Trial Smart Building Technology and Robotic Process Automation across selected services	• Savings in staff time • Savings on repairs and subcontractor spend

APPENDIX 1 – PEER GROUPS

BENCHMARK1 – GLOBAL ACCOUNTS & BENCHMARK3 – SECTOR SCORECARD

This group was created using the HCA Global Accounts 2017/18 with the following filtering: Supported/Older Person's Housing at least 30% of stock (any size). This peer group contains 16 organisations and has average turnover in Social Housing Lettings was £22M. Only 9 of these participate in the Sector Scorecard (highlighted green) - the "Benchmark3" peer group.

Peer organisation	2017/18 Stock	Peer organisation	2017/18 Stock
BCHA	1639	Prospect Housing	1707
Advance Housing & Support	2293	Railway HA	1431
Framework HA	1155	Reside HA	1276
Golden Lane HA	1851	Salvation Army HA	3996
Habinteg HA	3324	St Mungo Community HA	2425
Inclusion Housing	1814	Sustain (UK) Ltd	2365
Look Ahead Care & Support	2377	The Community Housing Grp	5937
Progress Housing	9434	YMCA St Pauls Group	768

BENCHMARK5 HOUSEMARK PEER GROUP

We compared our results to Housemark benchmarking beta service, using English housing associations with stock between 1100-2200 units (31 organisations) for metrics not in the Sector Scorecard. With a stock average of 1543, few of these provide supported housing.

Peer organisation	Units	Peer organisation	Units
Affinity (Reading)	1280	Local Space HA	1908
Axiom HA	1909	Manningham HA	1343
BCHA		Mercian HA	2104
Black Country Housing Grp	1790	Mount Green HA	1125
Cambridge Housing Soc	2038	Nehemiah UCHA	1187
Central and Cecil HT	1625	Pickering & Ferens Homes	1336
Cornerstone Housing	1284	Plus Dane	1676
Croydon Churches HA	1210	Prima Group	1469
Durham Aged Mineworkers	1702	Railway HA	1502
Endeavour HA	1995	Salvation Army HA	1539
Hundred Houses Society	1175	Trident HA	2191
Industrial Dwellings Society	1432	United Communities	1696
Inquilab HA	1199	Unity HA	1175
Islington and Shoreditch HA	1766	Venture HA	1228
Joseph Rowntree HT	1481	Warrington HA	1136
Leeds & Yorkshire HA	1384	WM Housing Family	1942

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 general needs providers, Housemark is well-recognised and allows a proportionate and cost-effective means of benchmarking.

APPENDIX 2 – CHANGES TO LAST YEAR'S REPORT

Our report for the year 2017/18 included the introduction of the Regulator of Social Housing's metrics. Unfortunately, some of these were not calculated correctly (Guidance has since been published by the Regulator) and references to these 2017/18 results (published in last year's statutory accounts and separate VFM report) have now been corrected in this year's report.

For information, the results stated in **last year's report** and Statutory Accounts and the corrected results (from the FVA) are shown below.

Metric	Corrected Result:	Reported Result:	Comment
	2017-18 FVA	**2017-18 Statutory accounts**	
R7 Reinvestment	6.77%	12%	Classification difference – FVA excludes property acquisitions and uses net property cost rather than gross
R4a New supply - social	1.05%	3.0%	Classification difference re acquisition of street properties
R4b New supply – non social	0.0%	0.8%	Classification difference re acquisition of street properties
R5 Gearing	37.2%	36%	FVA is net of cash and based on net property cost rather than gross
R2 EBITDA MRI interest cover	164%	175%	FVA excludes revenue grants. There was a late change to the amortised grant figure (£456k to £405k) and capitalised repairs (£73k) were added rather than deducted As above but both calculations include revenue grants
R3 Headline Social Housing Cost per unit	8,223	6,375	Classification difference – accounts exclude lease rent payable (£3,029k) whereas treated as "other" costs in FVA
R1a Operating margin (social housing)	25.6%	26%	Same calculation but rounded to nearest whole number
R1b Operating margin (overall)	2.9%	3%	Same calculation but rounded to nearest whole number
R6 Return on Capital Employed (ROCE)	1.9%	1.9%	No difference