



**Broadacres Housing Association
Value for Money Report
2017/18**

GREAT HOMES, GREAT PLACES, GREAT CUSTOMER EXPERIENCES

Value for Money Report

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Introduction

Welcome to the annual Value for Money (VfM) Report of Broadacres for 2017/18.

The Broadacres Board holds the ultimate responsibility for VfM, and this report sets out the group's performance over the last year and looks at what plans we have for the future.

It provides evidence of our approach to VfM and how it links to our mission, vision and strategic objectives.

The report will be published on our website and referenced in our annual accounts and Annual Performance Report to tenants.

If you would like to give us any feedback on this statement, we would welcome it and you can do so via finance@broadacres.org.uk

How have we done?

The Broadacres' Group is changing. A new Corporate Strategy has been approved together with a Corporate Plan for 2018/19, and we are working with the Regulator of Social Housing (RSH) to regain our compliant status.

The 7 Metrics

We have assessed our performance during 2017/18 against the metrics approved by the Regulator. These are designed to show performance in 3 key areas:

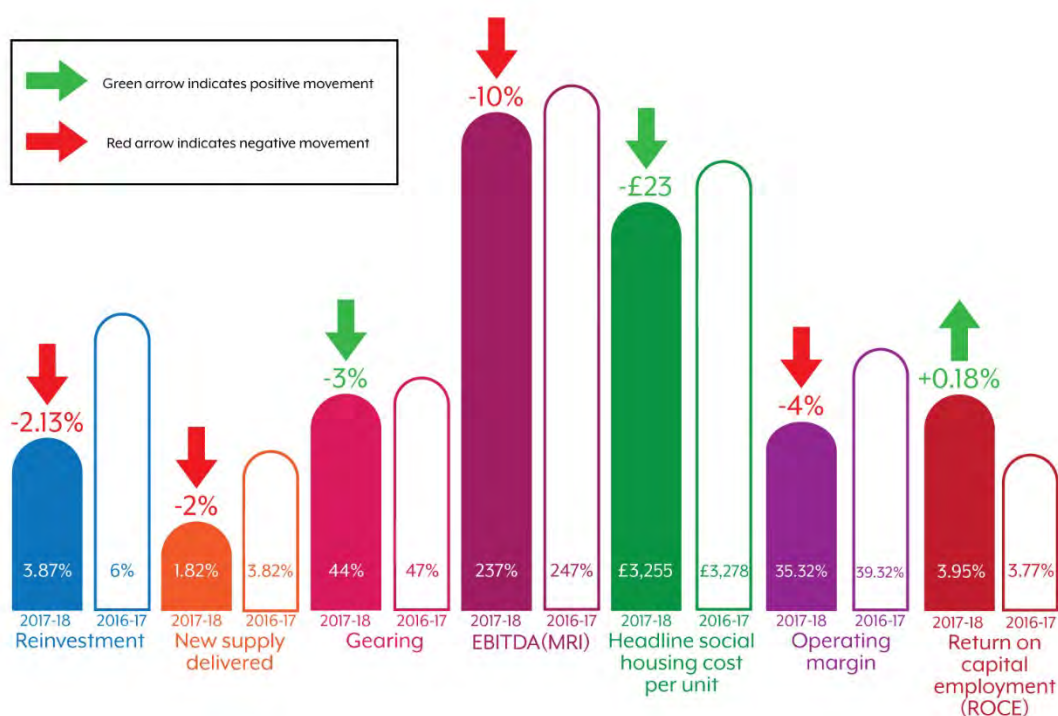
Economy – looking at our inputs, keeping our costs to a minimum while making sure the services we provide are high quality

Efficiency – looking at our output, measuring the value we provide against the inputs it uses

Effectiveness – looking at the outcomes we produce

VFM Area	Metric	2016/17	2017/18
Efficiency	Reinvestment	6.06%	3.87%
Effectiveness	New Supply Delivered Social Housing Units	3.82%	1.82%
Effectiveness	New Supply Delivered Non-Social Housing Units	0%	0%
Efficiency	Gearing	47%	44%
Efficiency	Earnings Before Interest, Taxes, Depreciation and Amortization (Major Repairs Included) - EBITDA (MRI)	247%	237%
Efficiency	Operating Margin Social Housing Lettings	39%	35%
Efficiency	Operating Margin Overall	33%	29%
Efficiency	Return on Capital Employed	3.77%	3.95%
Economy	Headline Social Housing Cost per Unit	£3,278	£3,254

The diagram below shows the movement between 2016/17 and 2017/18 in chart form:



Reinvestment – measures our spend on new homes and capital investment on existing homes.

We invested £5.8m (2017: £5.4m) in our existing homes; however, our spend on new social homes declined from £22m to £8.7m. This was due to adverse weather late in the year and the profile of development schemes planned for the year.

In 2018/19, we will spend £13m on new homes, and increase our levels of investment in our existing stock.

New supply delivered - how many new homes we provided.

In 2017, we provided 232 new homes (including a 53-home supported housing scheme). In 2018 this declined to 112 homes for the reasons noted above.

In 2018/19 we will deliver 170 new homes.

Gearing – shows how our borrowing compares to our assets (homes)

This improved (got lower) in 2018 as we used our income from land sales to repay debt.

This will enable us to borrow more in the future to support increased investment, while minimising our interest costs.

EBITDA (MRI) – looks at how easy it is for us to pay our interest costs.

This reduced slightly due to the impact of the rent cut on our surplus (1% rent cut was imposed by central government for the last three years).

Our plans to invest more in the future will reduce this measure further but maintaining significant headroom against our funders targets (of 110%) will remain a key measure of our performance.

Headline Social Housing Cost per Unit – the total cost of our services by each home we manage.

This reduced in 2018 as we continued to find savings to offset the impact of the rent cut (more details on some of these is provided in the next section).

As we invest more in our properties and new homes, we expect the cost per unit to increase. Some of the activities we will be providing will be grant funded, but this is not taken into account in the calculation.

Operating Margin – our surplus against our total income.

This reduced due to the impact of the rent cut.

Return on Capital Employed - our surplus against our assets.

This improved slightly due to £1.8m profit on land sales

Understanding our costs and how we compare

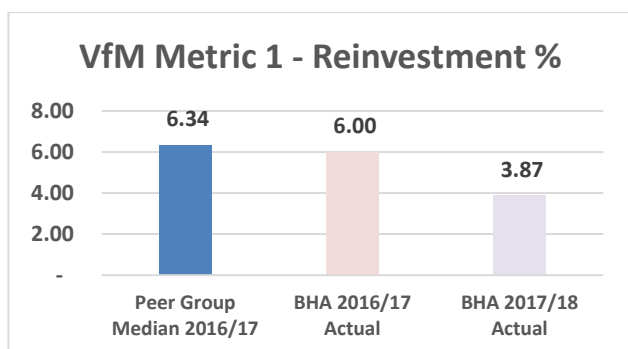
As well as reviewing our performance against the targets we set and our historic data, Broadacres is a member of a number of benchmarking groups.

In 2017/18 we became members of the Placeshapers organisation, who are a national network of 116 community-based housing associations. They have 4 main themes; We Build, We Work, We Care and We Share; As one of Broadacres objectives is 'Great Places' then joining an organisation that is focussed on local involvement is likely to give opportunities to learn.

Broadacres focus on regulatory compliance over the last 12 months means that our main measures have been against our previous performance. Being part of Placeshapers gives us the opportunity to review against other community focused organisations. We recognise that these organisations vary considerably in terms of size and scope, and from 2018/19 onwards, Broadacres will determine a peer group that better fits with the group aim to be the best rural housing association.

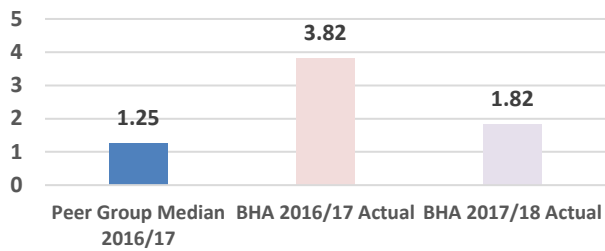
We have looked at how we compare on the 7 VfM Metrics, against the other 116 members of Placeshapers using the 2016/17 Global Accounts and the following graphs show our performance against the median for the group: -

- Median for the Group 2016/17
- BHA 2016/17 Actual
- BHA 2017/18 Actual



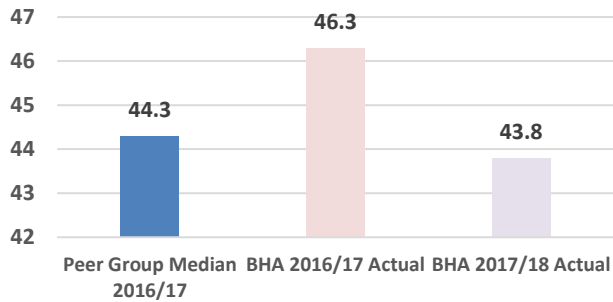
Broadacres' reinvestment is slightly lower than the Placeshapers median for 2016/17. It reduced further in 2017/18 due to the lower number of new homes provided.

VfM Metric 2 - New Supply %



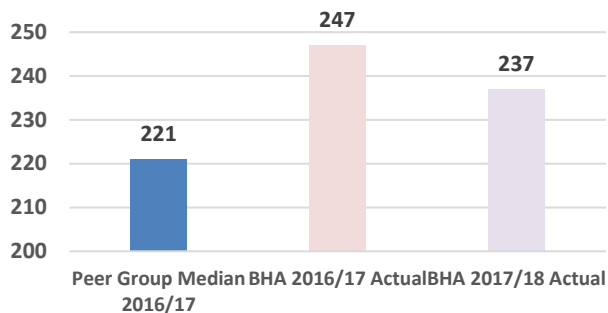
Broadacres' builds more homes than the median, even with the drop off in 17/18.

VfM Metric 3 - Gearing %



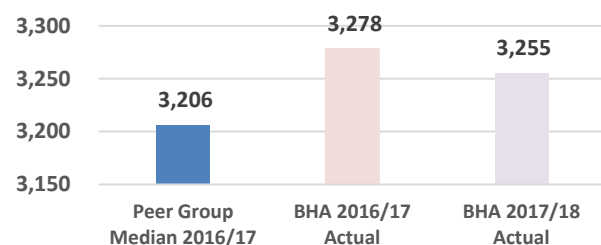
Broadacres' gearing has reduced to below the Placeshapers average through the repayment of debt over the last year.

VfM Metric 4 - EBITA %



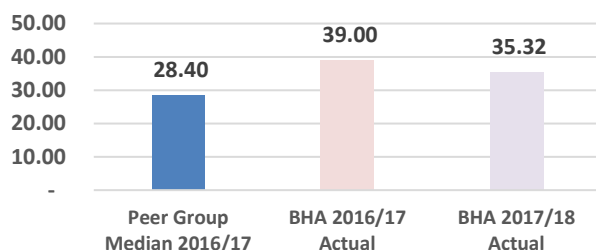
Broadacres' performance has reduced due to the impact of the rent cut but remains higher than the Placeshapers average.

VfM Metric 5 - Headline Social Housing CPU £



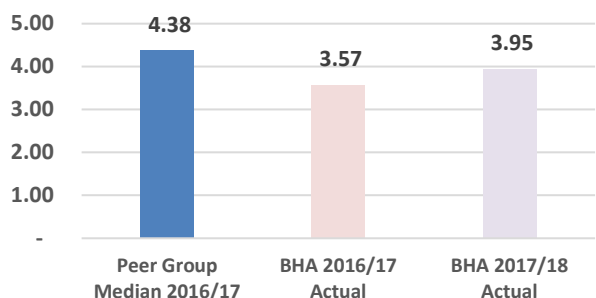
Broadacres' is relatively more expensive per unit than the Placeshapers average and is increasing its planned spend per unit in line with Asset management and Growth strategies.

VfM Metric 6 - Operating Margin %



Broadacres' operating margin has reduced but remains higher than the Placeshapers average. This is based on our Social Housing Units.

VfM Metric 7 - Return on Capital Employed %



Broadacres' return has increased but remains lower than Placeshapers average

These metrics are based on the performance of the association.

Our subsidiary organisations (Mulberry Homes Yorkshire limited (MHYL) and Broadacres Services Limited (BSL) contributed to VfM through generating returns on properties developed for sale and land sales. Both subsidiaries performed in line with expectations in 2018/19. MHYL returned a profit through land sales, which was an improved position on the loss it had made previously. BSL made a loss as it continues to build out a scheme of properties for sale. It will return to profit in 2018/19 when sales are completed.

In reviewing our VfM performance, we also consider additional measures alongside those prescribed by the RSH, and which tie into our corporate objectives. We want to know how happy our customers are with our performance, and how well we are turning around properties and collecting rents.

KPI	Status	17/18	16/17	15/16
Satisfaction with Service Provided	●	92.9%	87.9%	88.3%
Satisfaction with Repairs and Maintenance	●	98.2%	98.7%	81.6%
Rent Collected (Excluding Arrears)	●	99.6%	99.1%	99.0%
Rent Arrears (Current and Former)	●	4.8%	4.9%	4.2%
Rent Loss due to Voids	●	1.4%	1.4%	1.8%

As part of our new corporate plan (see "A New Plan and Vision", page 10) the board will be reviewing our key performance indicators.

During the last year the tragedy at Grenfell happened. This reminded us all that the most important role we play in our communities in keeping our customers safe. As a consequence, we have

independently reviewed our approach to health and safety. We are content with our approach but will be introducing some changes in 2018/19 which will require investment.

VfM starts with the Board, who are ultimately responsible for the delivery of VfM, but all staff have a role to play. Working together staff are encouraged to identify the savings they have made or highlight areas of waste where we could improve and enter on our “Efficiency Register”.

Items have been logged giving an annual operational efficiency saving of £247,522 in 2017/18 (£235,266 in 2016/17) which is in excess of the £140,000 target. The progress against targets is reviewed on a monthly basis as part of the associations performance indicator suite.

Examples of some initiatives identified are:

Example	Frequency	Saving (£)
Technology improvements	Ongoing	11,500
Procurement framework membership service savings	Ongoing	31,480
Development framework negotiated savings	One off	132,500
Procurement savings	One off	21,270

In 2017/18, Broadacres has worked with the regulator to regain our compliant status. Following issues in our subsidiary development company in 2016/17, Broadacres was subject to a governance downgrade. We have reviewed and refreshed our governance structure and board skills. We have also taken actions to ensure that the risks in the development company do not impact on our ability to provide VfM. We now own 100% of Mulberry Homes.

In line with our 17/18 VfM plan, the Broadacres group generated efficiencies through:

- Selling land previously identified for development at a profit (working with developers to ensure that the provision includes affordable homes delivered with Broadacres).
- Active asset management, disposing of inefficient properties to generate funds
- Reviewing our back-office functions

These allowed funds to be reinvested in new homes and our existing properties.

In 2017/18, we also set out on some longer-term projects that will generate savings in the future. These included:

- Reviewing the vehicle fleet and proposing replacement vehicles
- Investing in IT to improve how we provide services
- Appointing an Environmental Officer to generate savings through environmental management

Progress on these projects will be reviewed throughout 2018/19 and the VfM they generate will be reported to board and in this report next year.

Social Value

We provide a wide range of services, alongside management of our homes including: -

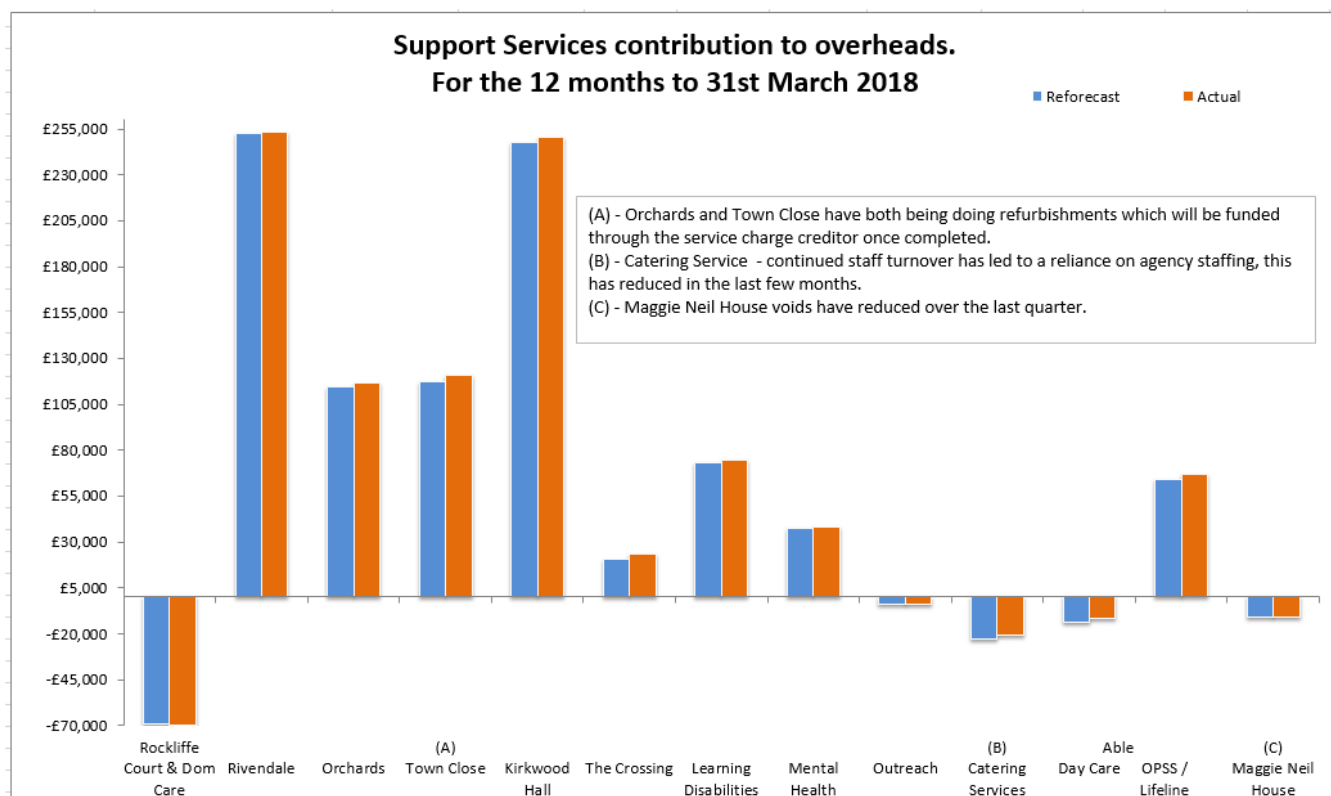
Support Services

- Physical and Sensory Domiciliary Care
- Extra Care (Rivendale, Orchards, Town Close and Kirkwood Hall) including Catering
- Young Homeless
- Learning Disabilities
- Mental Health & Outreach
- Ability Based Learning Experience (ABLE) day centre
- Older Persons Support
- Women's Refuge

Other Services

- Money Advice Service
- Internal Support (SOS) Service

The graph below shows each of the support services and its financial performance.



We review where these non-social housing services are being subsidised. In 2018/19 we will review the Older Persons Support Service/Lifeline Service to assess the implications of the loss of the Telecare contract and also the decision by the local authority to withdraw Supporting People (revenue) funding for clients from September 2018.

We have continued to support our customers in these services and case studies which demonstrate the added value are available via the website. We believe that our actions within the community will ultimately benefit VfM measures

Welfare Reform

- We strive to produce good quality accommodation that supports the creation of sustainable communities. Currently less than 50% of our tenants are in receipt of housing benefit and of these only those of working age are currently affected by the reform. As at the 31st March 2018 we have 707 customers in receipt of universal credit (2017 - 329). Although this remains a minority nevertheless we are conscious of the increasing risk and we need to remain conscious to ensure the affordability of properties for the people who live in them. As a result, we endeavour to offer properties that meet a range of housing needs.
- We have three money advisors and two tenancy support officers, who work with our customers to assist them in the challenges they face in maintaining their tenancies successfully. We also offer a floating support service to our vulnerable tenants to deal with issues such as hoarding, substance abuse and emotional problems. Income generated for clients in 2018 £1.2m (2017 £1.1m).

This year we have also attributed a "Social Value" amount using the HACT Community investment values from the Social Value Bank to our services. This compares the amount spent on a service against the social value that it generates. In effect for every £1 we spend we get £7 (1:7.19) back in Social Value.

A New Plan and Vision

In 2017, the Board began consulting with customers, colleagues and our key stakeholders on the future direction of Broadacres. The outcome is our new Corporate Strategy to take us to 2023.

It is clear our customers and colleagues want Broadacres to focus on the rural, market and coastal towns of North Yorkshire. It is our area of expertise and where our customers aspirations are.

Our new mission is to be:

The best rural housing association in the country

The Association's objectives are set out in our new 2018-2023 Corporate Plan. Progress against the objectives is reviewed regularly by the Board. The strategy was formulated by the Board and the delivery targets involve all of Broadacres staff.

Broadacres Corporate Plan objectives are to create:

- Great homes
- Great customer experiences and
- Great places,

Underpinning these outcomes are three foundations, which need to be in place to achieve these objectives:

- Great people
- Great governance
- Great finances

The Plan was adopted by the board after taking account of and having identified via surveys and other feedback our customers' greatest concerns for the future, which were:

1. Making sure homes are warmer and more energy efficient
2. Lack of affordable homes in our area
3. Inadequate support for the vulnerable

Based on these, we have identified these projects to begin in 2018/19:

Activity	Strategic Objective	Outcome
Affordable warmth	Great homes	Use warm homes funding of £860k to increase the SAP rating of our properties. This is likely to broadly fall in line with the government's target if EPC Band C (SAP of 69) by 2030.
Deliver New Homes	Great homes	170 New Homes in 2018/19
Improve customer digital access to services	Great customer experiences	Develop customer portal that allows access to online repair appointments, increasing customer online access and reducing contact centre calls by 10%
Increase mobile working in the Housing Team	Great customer experiences	Saving of £50k a year

Review our Older Persons Support Service	Great Places	A service that helps sustain tenancies
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The board have approved a Growth Strategy (to deliver 1,250 homes over the next 5 years), and an Asset Management Strategy (to invest £20m over the next 5 years in improving our existing stock.)

The cost of these investments is included in our business plan and next year's budget.

The key metrics based on the approved budget are as follows:

VFM Area	Metric	2017/18	2018/19	What is our plan?
Efficiency	Reinvestment	3.87%	5.51%	We are investing in our existing properties through the Warm Homes Fund. We plan to deliver a further 170 units in 2018/19
Effectiveness	New Supply Delivered Social Housing Units	1.82%	2.69%	
Effectiveness	New Supply Non-Social Housing Units	0%	0%	
Efficiency	Gearing	44%	45%	Gearing will increase as we drawdown planned loans in advance of need
Efficiency	EBITDA (MRI)	237%	198%	The rent cut will again reduce our operating margin
Efficiency	Operating Margin Social Housing Units	35%	29%	
Efficiency	Operating Margin Overall	29%	25.7%	
Efficiency	Return on Capital Employed	3.95%	2.81%	
Economy	Headline Social Housing Cost per Unit	3,254	3,562	Our costs will increase (by £1.5m) as we invest more in our existing stock through our Asset Management Strategy

By investing more in new homes and our existing properties, our performance will improve in the Reinvestment and New Supply Delivered metrics. This is in line with our strategic vision to provide Great Homes, Great Places and Great Customer Experiences.

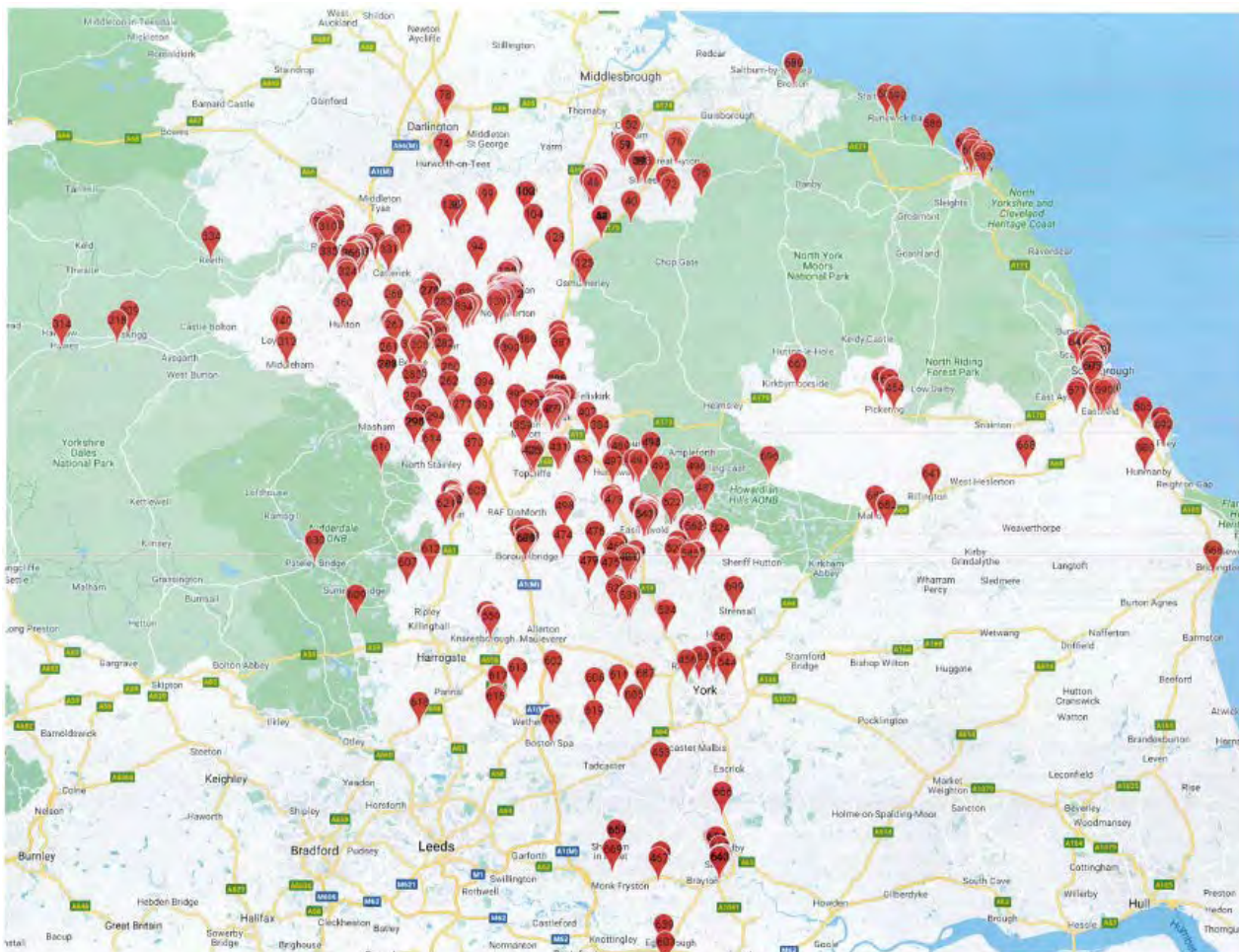
The consequence of spending in these areas is an increase in costs which will worsen our performance in the other VfM measures.

A VfM action plan is included at annex 1. This shows the areas we want to improve in over the life of our corporate plan.

Optimising our assets

Broadacres owns and manages 6,161 homes (as at March 2018), with the majority located in the district of Hambleton. There are significant areas of concentration in the major market towns of Northallerton, Thirsk, Easingwold, Stokesley and Bedale. Over the past 20 years Broadacres has developed new homes across North Yorkshire and into parts of County Durham, Leeds, Harrogate and Teesside. We have a wide range of tenures including social rent, affordable rent, shared ownership, leasehold and specialist schemes providing support and care to customers that are more vulnerable.

The map below shows the locations of our homes:



Broadacres Asset Management Strategy 2018-2023 is centred on a core purpose of:

- To maximise the whole life value of the assets we keep in line with our charitable objectives, including by minimising whole life costs.
- To support the business to maximise its balance sheet capacity
- To identify those assets that are not performing, so that action can be taken
- To identify the appropriate standards for our homes and ensure that those standards are met.
- To ensure our assets remain compliant, safe, meet legal and regulatory requirements and remain an attractive, value for money option to our current and future tenants/residents.

We do have a sound knowledge backed by data of what assets we have, where they are, the ownership status and what they are worth.

Accurate information on the condition of our assets informs planned programmes of investment and helps achieve the right balance between planned and responsive expenditure. Currently 60% of spend is upon planned expenditure and component replacement.

The development of our base level GIS system will enable us to view all our asset data in one place and geographically by patch. By adding layers of information relating to financial and social value, sustainability, repairs, investment etc. we will be able to more effectively target our resources, reduce operating cost and take action where it is most likely to add value

In 2018/19, Broadacres will begin a programme of investment supported by funding from the warm homes fund. We will spend over £1.5m as part of this project. Separately we are developing an Affordable Warmth Strategy which will set the vision for the energy efficiency of our homes in the future. In addition, we will continue to invest in improving our homes, with a total of £20m to be spent on major works over the next 5 years.

Conclusion

Broadacres focus in 2017/18 has been on the safety and welfare of our customers and on regaining our compliant status.

We are committed to providing VfM in our services, and this report demonstrates how we have done this in 2017/18, and, more importantly, where we want to be in the future.

Our ambitious plan to be the best rural housing association means that we are investing in our current homes through our affordable warmth programme and providing 1,250 new homes over the next 5 years.

This investment will mean that our VfM performance against some of the VfM measures will worsen, but we will be spending the money in order to provide Great Homes, Great Places and Great Customer Experiences in line with our corporate objectives.

Annex 1 - Value for Money Action Plan

Link to Strategic Objective	Activity	Outcome expected	Update
Great Customer Experience: Digital Strategy	Mobile Working	Implemented across all Housing Teams – saving of £50k per annum	March 2020
	Improve customer digital access to services	Develop customer portal that allows access to online repair appointments, increasing customer online access and reducing contact centre calls by 10%	March 2020
Great Homes Growth Strategy – A successful subsidiary that delivers profitability	Successful completion of Richmond House Scheme	Generation of £1m gross profit on scheme	March 2019
Great Homes Asset Management Strategy	Affordable warmth	Use warm homes funding of £860k to increase the SAP rating of our properties	March 2020
	Improved rate of return	Develop a disposal policy that identifies the economic rationale for active asset management decisions	July 2018
Link to Strategic Objective	Activity	Outcome expected	Target Date / Update

Great People and Great Finances	Review the peer group for benchmarking in line with our ambition to be the best rural housing association	Improved comparative data for assessing our performance	March 2019
	Review of back office services (including new HR / Payroll system and Finance system)	Assurance on efficiency of current operations or decision on future provision of service. Achieve efficiencies from technology and self-service (£20k)	March 2020
	Review of financial reporting framework	Fit for purpose financial reporting leading to improved financial decision making	July 2018
	Review of reward and recognition	Improved staff retention and recruitment	Jan 2019
	Promote understanding of unit costs throughout the business	Job costing for BPS Unit cost analysis and VFM metrics	March 2019
	Pensions Strategy	Reduction in future costs and financial risks	March 2019