

STEVE BIKO HOUSING ASSOCIATION LIMITED

Report of the Board of Management For the year ended 31 March 2019

9. Value for money

Our context and purpose

Steve Biko Housing Association (SBHA) was formed by Liverpool's Black and Ethnic Minority (BME) community as a direct result of race discrimination in Liverpool's social housing allocations policy. Registered under the regulators BME strategy to provide quality homes for those in need.

Our Vision "Homes and Communities without Racism" and Mission "To respect our heritage by delivering quality homes and building vibrant multi-cultural communities." sets out clearly the focus of our work.

Our strategic approach to deliver the vision

SBHA's Value for Money Strategy was approved in June 2014, the review and renewal of this strategy was extended until after the social housing regulators own review of the Value for Money Standard. Our Value for Money Strategy will be renewed in November 2019.

As a small BME Housing Association achieving Value for Money has been central to the way we work. The Board and staff team believe that being efficient and effective is crucial to our success in delivering quality services to our tenants. We are committed to ensuring that we are making the best use of our resources and that our business planning and performance monitoring systems and efficiency mind set aid us in our desire for continuous improvement and to ensure we maximise the efficiency and quality of our services and asset base.

Our work then is very much centred around providing good quality homes which represent value for money, empowering tenants and local communities and advocating on their behalf all directly through the equalities lens, our tenant and community regeneration service is recognised as a vital anchor organisation in a very challenging area. We help support and work with numerous community organisations within our neighbourhood. We work in partnership with individuals and a wide variety of community, and statutory organisations to identify issues, develop and deliver tenant engagement and empowerment activities as well as cohesion activities that bring our tenants and wider sections of our diverse communities, young and old, from all backgrounds and sections of the community together sharing experiences, learning and developing people and solutions.

In this aim we have:

- delivered our Young Persons Annual Achievers Celebration.
- delivered a diverse Big Lunch celebrating the diversity of our city.
- organised marches to promote dangers of guns and knives and community responsibility.
- led and participated in community cohesion activities promoting cohesion in the communities within which we work.
- participated in a consultation exercise on the Governments Housing Green paper.
- funded via tenant's panel LGBTQ Young Persons on line project, volunteer support for Team Oasis Children's Club, Golden Gloves boxing club, Writing on the Wall local residents written word project.
- held monthly tenant improvement group meetings enabling tenants to have a critical review of our work.
- information sharing at our weekly tenant coffee mornings.

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Our strategic influencing work:

- Member of Liverpool City Region (LCR) Chief Executive Housing Group.
- Chair LCR Equalities in Housing Group – Sub group of LCR Housing Group.
- Chair Liverpool’s multi agency Strategic Hate Crime Group.
- Member of CitySafe Board – Liverpool’s Strategic Crime and Community Safety Group.
- Member of Liverpool’s Community Cohesion Forum.
- Member of Liverpool’s Inclusive Cities Panel.
- Member of LCR Fairness and Social Justice Board

In April 2018 the Regulator for Social Housing launched a new Value for Money Standard, which includes a set of metrics. Registered Providers are now required to report their performance against the metrics annually in their financial statements.

Our performance against these new metrics is highlighted in the table below.

Business Health & Efficiency & Regulator for Social Housing Metrics

Performance	Indicator	Metrics No	SBHA GN / Support 2016/17	SBHA GN / Support 2017/18	SBHA GN / Support 2018/19	NW Peer Group Median 2018/19	SBHA GN / Support Forecast 2019/20
No. of Units			267	266	275		275
Business Health	Total Operating Margin	6	15.60%	16.20%	13.96%	27.25%	13.58%
	Social Housing Operating Margin	6	15.47%	15.36%	13.35%	27.06%	12.83%
	EBITDA MRI (as a % of interest)	4	126.40%	99.38%	27.70%	299%	-84.00%
Efficiency	Gearing	3	18.96%	21.03%	22.49%	10.9%	21.73%
Efficiency	Reinvestment % investment in properties (existing stock and new supply as % of the value of total properties.	1	1.24%	3.34%	5.06%	2.3%	3.45%
Operating efficiencies	Headline Social housing costs per unit.	5	£4,105	£4,235	£4,728	£3,525	£5,328
	Rent Collected as % of rent owed (excluding arrears b/f)		100.70%	100.10%	99.7%	99.8%	100.00%
Efficiency	Overheads as a % of adjusted turnover		11.86%	11.99%	11.81%	14.9%	11.86%

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Performance	Indicator	Metrics No	SBHA GN / Support 2016/17	SBHA GN / Support 2017/18	SBHA GN / Support 2018/19	NW Peer Group Median 2018/19	SBHA GN / Support Forecast 2019/20
Effective Asset Management	Return on Capital employed % compares the overall operating surplus to total assets less current liabilities	7	1.60%	1.63%	1.45%	3.15%	1.37%
	General Needs Occupancy		98.49%	98.74%	98.84%	99.62%	98.25%
Efficiency	Ratio of responsive repairs to planned spend		0.69	0.70	0.79	0.60 (2018)	0.83
Development Capacity & Supply	Units Developed		0	0	9	0	0
	Units Developed as a % of units owned	2	0	0	3.27%	0.04	0
Effectiveness							
Outcomes Delivered	Customers satisfied their rent provides value for money *2011 survey results *2015 survey results		84%*	86%**	81%	95.8%	86%
	£ invested for every £ generated in new housing units		£0.00	£1.07	£36.31	0	£0
	£ invested for every £ generated in communities		£0.013	£0.027	£0.0168	0	£0.0128
Lettings	SBHA lettings		16	18	32		20
Local Targets	BME Lettings Target set at 45% based on demographics of area.		81.1%	61.1%	84.4%	12.7%	80%

- SBHA has had a reduction in operating margin in 2018/19 this is largely due higher management costs due to a number of factors including; increase in legal fees due to the operating environment in which we operate, increase in professional fees to enable us to enhance our offer to tenants in respect of our repairs and maintenance service, an increase in expenditure for our planned maintenance works and a small increase in bad debt provision that reflects the challenging environment that our tenants are experience due to welfare reform.
- The increase in Social housing costs per unit in both 18/19 and forecast for 19/20, is largely attributable to investment in fire protection works, that SBHA is undertaking across our blocks of flats and older person's accommodation.

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The NW benchmarking peer group includes:

Provider	No. Units	Provider	No. Units
Alpha Homes HA	882	Forum HA	259
Arawak Walton HA	1058	People First HA	275
Arcon HA	1195	Prestwich & NW HA	188
Ashton Pioneer HA	910	Steve Biko HA	275
Crosby Homes HA	430	Warrington HA	1,289
Eldonians Community Based HA	394	Wirral Methodist HA	853
Family HA	383		

Benchmarking

SBHA is part of the Acuity NW Benchmarking Group that oversees the collection of data. This report uses the data taken from NW Acuity Benchmarking Group.

Business health

The Association's operating margin currently stands at 13.96%. SBHA has 275 units and forecast 5 units on site by year end 2020. Our Business Plan shows a period of growth at 7 units per year over five years to enable us to gain critical mass to reduce our costs per unit, which will be funded by grant and additional borrowing of £3m which has been negotiated with SBHA's existing lender in 2019

Operating Efficiencies

The Association's headline social housing costs per unit are currently just over £4,728 per unit. The Association provides an intensive housing management service delivering services in very challenging neighbourhoods. Our size exacerbates the high cost per unit. The Association's growth strategy together with efficiencies will see a reduction in our headline social housing costs per unit. We have added 9 units over the last 3 years to support this aim?

One of the results of our intensive housing management service is achieving circa 100% rent collection rates at a time when welfare reform is having a major impact upon our tenants and the communities in which we work. Princes Park Ward where the majority of our homes are situated has 23% of its wards within the 1% most deprived of the country; 69% of Ward in 10% most deprived wards nationally.

Effective Asset Management

Return on capital employed is currently low, we anticipate that this figure will increase as the Association's growth strategy of developing 7 units per year is realised.

Occupancy levels at Steve Biko Housing Association were nearly 99% occupancy rates which is very and reflects our intensive and housing management service.

Ratio of responsive repairs expenditure to planned spend is 0.79 which is comparable to some of our NW housing association peers but is an area where we need to address the balance.

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Development Capacity & Supply

Whilst we have not completed any 'new supply' developments, SBHA has acquired and completed the significant refurbishment of two large villas, 9 units. We anticipate a start on site of a third acquired villa during the end of this financial resulting in a further 6 units being completed during 2020.

All 3 villas are a result of stock transfers, and had been vacant for many years. We therefore have brought these properties back in to use, helped with solving blight in a neighbourhood and keeping 15 units in the social housing sector whilst meeting our own growth strategy.

Our gearing levels have increased to 22.5%. This reflects the use of our existing resources to fund our new properties.

The Association is in the process of taking out a new loan to facilitate the purchase and refurbishment of properties as they become available to add to SBHA's portfolio of properties.

Outcomes Delivered

During 2018/19 we appointed RAND Associates to carry out a review of our new repairs and maintenance service contracts, reviewing the service of both the repairs and maintenance contractor HMS and the managing agent SLH.

Whilst the association has seen significant benefits from procuring our repairs through one contract, our experience and review findings led the Board to discuss with SLH the discontinuation of the service. It was felt that SBHA would better serve our tenants by bringing the contract management service in-house and appointing a repairs specialist that would oversee this work.

We are also still benefiting from renegotiated utility costs fixed in 2016, with new fixed term utility costs agreed in May 2019 which will avoid future price increases over the short to medium term.

We have:

- invested £151k into our properties by delivering the third year on our five-year planned window replacement programme.
- completed two full years of the new repairs and maintenance service delivered by both HMS and SLH, the savings in repair and maintenance costs compared to the previous contractors enabled SBHA to undertake additional 20% repair works compared to our previous arrangement.
- appointed RAND Associates who completed an evaluation of both services. The review has been completed and the Board is satisfied that it has received value for money from the repairs and maintenance contract.
- commenced year 3 of a 5-year electrical test programme for all properties.

Our last full STAR Survey was undertaken in 2018. Customer Satisfaction by tenants that their rent provided value for money was at 81%.

We currently spend £0.0168p in each £ on tenant participation and community regeneration activities. This expenditure enables the association to deliver against its vision and mission.

SBHA has a target of achieving 45% of our lettings to BME people. This target is set to reflect the 45% BME population in Princes Park and Picton wards, the main wards in which we operate. Our performance exceeded this target, reflecting the fact that we are a landlord of choice for BME communities.