

1. Strategy

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Delivering VFM only makes sense in the context of achieving Saxon Weald's purpose and strategic objectives. It is the "what are we here to do" question. There is no value in being efficient but not achieving our purpose. Saxon Weald defines VFM as "achieving the best possible outcome for the funds we spend and the resources we commit". To Saxon Weald, VFM is about improving customer service, achieving savings through the more efficient and economical use of resources and achieving the best financial and social return from the assets we have.

Saxon Weald was set up to provide both good services and homes to existing residents and to build new affordable homes for those who need them in the areas in which we work, where there is high need for these homes.

Saxon Weald recognises that there is a tension in delivering both of these objectives. If Saxon Weald spends too much on existing homes, there is less to spend on providing new homes. Conversely, if Saxon Weald spends too little on our existing homes and services, we will not meet our goal of providing good services and homes. Saxon Weald aims to maximise the achievement of both objectives by striving to achieve the best VFM we can in providing homes and services to our existing residents and in building new homes.

In the July 2015 budget, the Chancellor announced a number of reforms that will have an impact on Saxon Weald. These include a reduction in rents for social housing of 1% per annum for four years from 2016/17 to 2019/20 and substantial welfare reforms. These reforms have and will have a significant impact on Saxon Weald's plans going forward, reducing rental income by £11m for the period 2016/17 to 2019/20. This significantly impacts on Saxon Weald's VFM strategy particularly in terms of the scale of efficiencies to be achieved and the balance between services to existing residents and building new homes. Government's wider housing policy objectives are to substantially

increase the number of new homes built (by the private sector and housing associations).

Our purpose is to manage, maintain and develop housing for those who are unable to provide for themselves in the market place.

Our values are what we stand for. They guide how we act and the decisions we make. We are committed to:

- Acting with integrity
- Treating people with respect
- Equality and acting fairly
- Valuing customers

These are underpinned by strategic aims which are:

- To deliver excellent customer service
- To grow in the south-east through the delivery of quality homes
- To maintain a vibrant work force and a dynamic, challenging but fun place to work
- To continue to develop our role as a leader in older people's housing
- To remain independent and financially strong

Our strategic aims help guide the organisation to where we want it to be in the future and provide a framework within which Saxon Weald determines strategic objectives, the achievement of which are monitored and measured. Saxon Weald's strategic objectives for 2017-19 are:

- A top performer in customer service.
- Maximise rental income following the roll out of universal credit.
- Develop the talent in our staff to ensure high job satisfaction and achieve our ambitions.

- HomeFix to become an exemplar in-house repairs service.
- Optimise our development programme.
- Determine how best to improve our homes.
- Deliver housing and support to meet the priority needs of our older residents.
- An operational plan setting out how savings of more than £2.3m are to be achieved.

2. About Saxon Weald

Saxon Weald Homes Ltd ('Saxon Weald') is limited by guarantee, does not have share capital and is incorporated under the Companies Act 2006. Saxon Weald is a housing association registered with the Homes and Communities Agency (HCA) and is a charity registered by the Charity Commission.

Saxon Weald was formed to take the transfer of the housing stock from Horsham District Council on 11 December 2000. This included 4,609 social rented homes and the freehold of 360 flats sold under the right to buy legislation. Since transfer, Saxon Weald has built over 1,400 new homes including extra care schemes, demolished 12 outdated retirement (sheltered) schemes, acquired nearly 600 homes from other housing associations and has sold 305 homes under the right to buy/acquire legislation. Although most of the properties remain in the Horsham district of West Sussex, Saxon Weald now owns homes across East and West Sussex and Hampshire.

Saxon Weald operates in areas with a high proportion of older people (21% in West Sussex compared to the national average of 16%), which is forecast to increase over the coming decades. By 2026 it is forecast that 24% of the population in West Sussex will be over 65 and 5% will be 85 or over; Saxon Weald therefore has a high proportion of homes for older people. Excluding leasehold flats (where we manage the freehold) and market rent flats; 30% of our homes are for older people. This includes 11 extra care schemes, which promote independent living for older people in their own flats, with support and care available on site when they need it.

This characteristic has an impact on the average age of our residents, our operating model, staffing numbers, location and our focus. Properties for older people have fewer bedrooms, a higher tenancy turnover and take longer to let because of the multiple agencies involved and the requirement to assess individual needs. In addition, service costs and income are significantly higher; all of which increases our total and average operating costs.

Number of homes by tenure

	GENERAL NEEDS	RETIREMENT	EXTRA CARE	SUPPORTED	TOTAL
Social rent	3,447	1,118	323	20	4,908
Affordable rent	566	52	95	52	765
Shared ownership	145	-	-	-	145
Shared equity	-	23	134	-	157
Market rent	81	-	-	-	81
Leasehold flats	477	-	45	-	522
Total	4,716	1,193	597	72	6,578

Over 5,700 of our homes or 87% are in West Sussex (all but 295 within the Horsham district), 356 in East Sussex and 519 in Hampshire. In addition, we manage the freehold of 522 properties in the Horsham district, mainly sold under the right to buy legislation.

3. The Board

The Board is responsible for ensuring Saxon Weald delivers VfM and decides how limited resources are allocated. The Board receives assurance that VfM is being achieved through:

- The annual resource allocation cycle, where identified efficiencies are built into the financial plan and the allocation of resources determined based on our strategic and corporate objectives and resident priorities. These are monitored and reported to the Board as part of the management accounts suite of information at each of the seven meetings a year;
- The business planning process, which translates the corporate strategy into a long term financial plan, tests the plan against key sensitivities and stress tests the plan to identify the combinations of events that would severely challenge Saxon Weald. This enables mitigation strategies to be identified and key risks monitored;
- The annual risk map, which identifies key risks and counter measures. The Board receives regular reports on key risks;
- The performance management system, within which the corporate strategy based around our purpose and strategic aims and objectives is reviewed and agreed annually by our Board. Individual core objectives flow from the strategic objectives;
- The seven key strategies (which build on the corporate strategy) and the associated actions plans which are approved and monitored by the Board;
- Key Performance Indicators (KPIs) relating to the services we provide are set by the Board, which receives regular reports on our performance against these measures. KPI reports are also received and considered by the executive and management team and service teams;
- The risk appraisal framework, which not only considers risks, payback and net present value but which explicitly requires an assessment of how a project or investment will contribute to the achievement of Saxon Weald's strategic aims and objectives.

4. Approach to VfM

Saxon Weald's approach to achieving VfM is to:

- Embed a culture of achieving VfM throughout Saxon Weald, including Board members, staff and involved residents;
- Use the golden thread of performance management to ensure that everything we do helps to achieve our purpose and strategic objectives;
- Involve residents in achieving and assessing VfM using social media and electronic technology. This enables customers to engage with us on issues that affect or are of interest, at times convenient to them, from the comfort of their own homes and using modern methods of communication;
- Improve customer service and customer satisfaction;
- Regularly select specific services for a SWIPE (Saxon Weald's Improvement Programme for Excellence). This is a detailed review of a service, using lean principles, to identify the value provided to the customer, waste in the system and best in class processes;
- Improve procurement;
- Develop new homes efficiently and economically (including building market rent and market sale homes to cross subsidise affordable homes) that meet the needs of those who live in the areas we work in;
- Understand the financial and social return on our assets and use this to make decisions;
- Understand how we are performing by benchmarking Saxon Weald over time and against others;
- Maximise Saxon Weald's financial capacity to deliver our strategic aims and objectives;
- Make use of external validation; and
- Report on our performance to stakeholders, who include residents, HCA, central government, the local authorities we work with and other partners.

Operating environment

Saxon Weald's approach to achieving VfM takes accounts of the environment in which we operate. In particular, the government's rent and welfare reforms, the lack of housing (particularly affordable housing) in the areas Saxon Weald works, the uncertainties caused by Brexit and the 2017 general election and the lack of long term bank funding.

In the July 2015 budget, the Chancellor announced a number of reforms that will have an impact on Saxon Weald. These include a reduction in rents for social housing of 1% per annum for four years from 2016/17 to 2019/20 and significant welfare reforms. These reforms will have a substantial impact on Saxon Weald's plans going forward. Government's wider housing policy objectives are to substantially increase the number of new homes built (by the private sector and housing associations).

The impact of a 1% rent reduction per annum for the four years 2016/17 to 2019/20 is to reduce rental income, so that in 2019/20, the reduction is £5.0m in the year and £10.9m cumulatively from 2016/17 to 2019/20.

The Board at an away day in early October 2015 considered a number of responses to this and reviewed Saxon Weald's purpose and strategic objectives. Following the away day, the Board were very clear that they wanted to keep developing homes to the maximum possible, allowing for financial and risk constraints and on that basis approved a revised 2015 business plan and corporate strategy which:

- reviewed its purpose and objectives;
- identified £2.3m of recurrent efficiency savings/income generation to be achieved by March 2020; and
- changed the balance of the development programme by reducing the number of affordable rented homes to 40% and increased the proportion of shared ownership, market rent and market sale new homes.

The Board was clear that they wanted to maintain customer satisfaction as far as possible and that these savings should be made from improvements in efficiencies and effectiveness, including income generation.

During 2016/17, savings/income generation of £1.3m was achieved, leaving £1.0m of the £2.3m savings/income generation to be achieved by 31 March 2019. This will be made up of savings of £0.3m through our in-house repairs team (HomeFix), the elimination of Saxon Weald's revenue contingency of £0.3m and by £0.4m of income generated from new developments by 2019/20. The timing of this savings/income generation is planned to be: £0.2m in 2017/18, £0.4m in 2018/19 and £0.4m in 2019/20.

The focus of the Business Development Strategy approved by the Board in March 2017 is to deliver £0.4m of additional net income from new developments by 2019/20 and for other new developments to achieve a neutral or positive financial return as soon as possible. This will require cross-subsidy from the development of some market sale and market rent homes to enable the development of new affordable homes, both for rent and shared ownership. More exposure to market sales, increases risk which will be managed by monitoring cash, loans available for immediate drawdown and development commitments.

5. How have we done?

This section is divided into three parts. The first part (5a) considers the cost and performance of specific services and benchmarks over time and against others. The second part (5b) considers VfM gains in delivering each of our strategic aims. Finally, the third part (5c) summarises what we said we would do last year and what we have achieved.

5(a) Costs, performance and benchmarking

In June 2016, Julian Ashby, Chair of the HCA, wrote to all housing associations about delivering better value for money and understanding differences in unit costs. This also included a summary of Saxon Weald's headline social housing costs per unit (CPU) for 2014/15 taken from the 2015 global accounts data, alongside the equivalent figures for the sector as a whole. These have been updated for the 2016 global accounts comparators and are shown below alongside the 2014/15, 2015/16 and 2016/17 unit costs for Saxon Weald.

Social housing unit costs

	SAXON WEALD			SECTOR LEVEL 2015/16		
	2016/17 £	2015/16 £	2014/15 £	Upper quartile £	Median £	Lower quartile £
Headline social housing costs CPU	3,734	3,905	4,075	4,350	3,570	3,120
Management CPU	604	648	670	1,320	1,020	740
Service charge CPU	918	955	921	600	360	240
Maintenance CPU	929	1,057	1,247	1,180	970	790
Major repairs CPU	1,016	759	995	1,080	810	540
Other social housing costs CPU	267	486	242	450	210	80

The headline social housing cost per unit is between the median and the upper quartile for the sector. This is largely because of the high service charge cost per unit, which reflects the high percentage of homes for older people managed by Saxon Weald. This is further magnified by the fact that housing for older people at Saxon Weald includes 11 extra care schemes (597 homes). Older people's homes make up 27% of Saxon Weald's homes and with other supported housing added, this makes up 28% of Saxon Weald's homes.

The management cost per unit is significantly below both the median and the lower quartile. The maintenance cost per unit has fallen from £1,247 in 2014/15 to £929 in 2016/17 and is below the median cost per unit, but above the lower quartile. The major repairs cost per unit has increased to £1,016 per unit, approximately the same in real terms as in 2014/15. This reflects Saxon Weald's decision to continue to invest in our existing

Costs, performance and benchmarking

homes as well as build new homes. The 2016/17 unit cost of the provision of services for retirement and extra care schemes is almost £2,900 per unit and for general needs homes is just £160 per unit. It is therefore not surprising that Saxon Weald's headline social housing cost per unit is £164 per unit above the median.

Over the last couple of years, the sector has been developing a scorecard to deliver a short set of high-level measures which could be used to demonstrate the efficiency of housing associations. Originally 15 housing associations were involved in the development and design of the sector scorecard. Saxon Weald has now joined with over 200 other housing associations as part of a pilot project for the sector scorecard. The scorecard allows the sector to demonstrate that it is responding positively to the government's challenge on value for money; showing the sector is committed to being as efficient and effective as possible, so that housing associations can play an important role in supporting the national challenge to build more homes. The scorecard includes the unit costs shown in the table above, but also contains a broader range of indicators to help all types of housing associations to demonstrate how they are doing.

The HCA is currently reviewing the VfM standard and a consultation document is expected to be published in the summer/autumn 2017. It has indicated that the VfM self-assessment will be replaced by an extract of indicators from the sector scorecard. This will be used by the HCA to help assess the VfM arrangements/achievements of individual housing associations. A number of the indicators in the scorecard are shown below comparing Saxon Weald to others in the sector:

	SAXON WEALD				BENCHMARK 2015/16		
	2017	2016	2015	2014	Upper	Median	Lower
Operating margin	39.7%	33.5%	32.2%	32.2%	40.3%	33.0%	31.4%
Operating margin excluding sales	41.3%	34.8%	33.0%	33.7%	43.3%	34.5%	32.1%
Operating margin - social housing lettings	39.7%	33.7%	31.8%	33.5%	45.3%	36.9%	32.2%
EBITDA MRI	149.9%	134.9%	108.2%	104.2%	343.1%	208.5%	167.6%
Gearing*	63.5%	69.6%	72.4%	76.2%	46.4%	55.5%	69.4%
Rent collected	100.4%	101.5%	99.7%	99.8%	103.3%	99.8%	99.7%
Overheads	8.7%	9.3%	9.1%	9.7%	9.0%	10.6%	11.8%

* Gearing is calculated by taking loans and long-term creditors as a percentage of housing and investment properties at historic cost.

5. How have we done?

Saxon Weald's 2017 operating margin, operating margin excluding sales and operating margin social housing lettings are good at 40%, 41% and 40% respectively. They are comfortably above the medium for the peer group referred to below.

EBITDA MRI (earnings before interest, tax, depreciation, grant amortisation and capitalised major repairs as a percentage of total interest payable including capitalised interest) at 150% is in the lowest 25% of the benchmarked peer group. This reflects Saxon Weald's history as a large scale voluntary stock transfer that was 100% debt financed and Saxon Weald's bond issue in 2012 to enable it to continue to develop new homes. Similarly, Saxon Weald's gearing (total debt as a percentage of housing and investment properties at cost) at 64% is just better than the lower quartile for the peer group.

Rent collected is 100.4%, which is higher than the medium of the peer group. Overheads as a percentage of turnover at 8.7% places Saxon Weald in the upper quartile of the peer group.

Activity Benchmarking

During 2016/17, a review of our HouseMark benchmarking peer group was carried out. The aim of this review was to ensure that Saxon Weald was benchmarking its performance against the most appropriate organisations. The review has resulted in a peer group which better reflects organisational similarities. The criteria used to select the peer group was: organisations with between 2,500 – 10,000 general needs and retirement properties in management; geographic location in the south of England and organisation type. Historically, Saxon Weald has benchmarked with other LSVT organisations, however; the peer group selection has been opened up to include traditional housing associations that meet our criteria.

The following data was also captured to enable us to drill down further:

- % of general needs properties
- % of housing for older people properties
- Organisation turnover
- Whether or not they have an in-house repairs service (direct labour)
- Whether they are developing and the unit numbers being developed

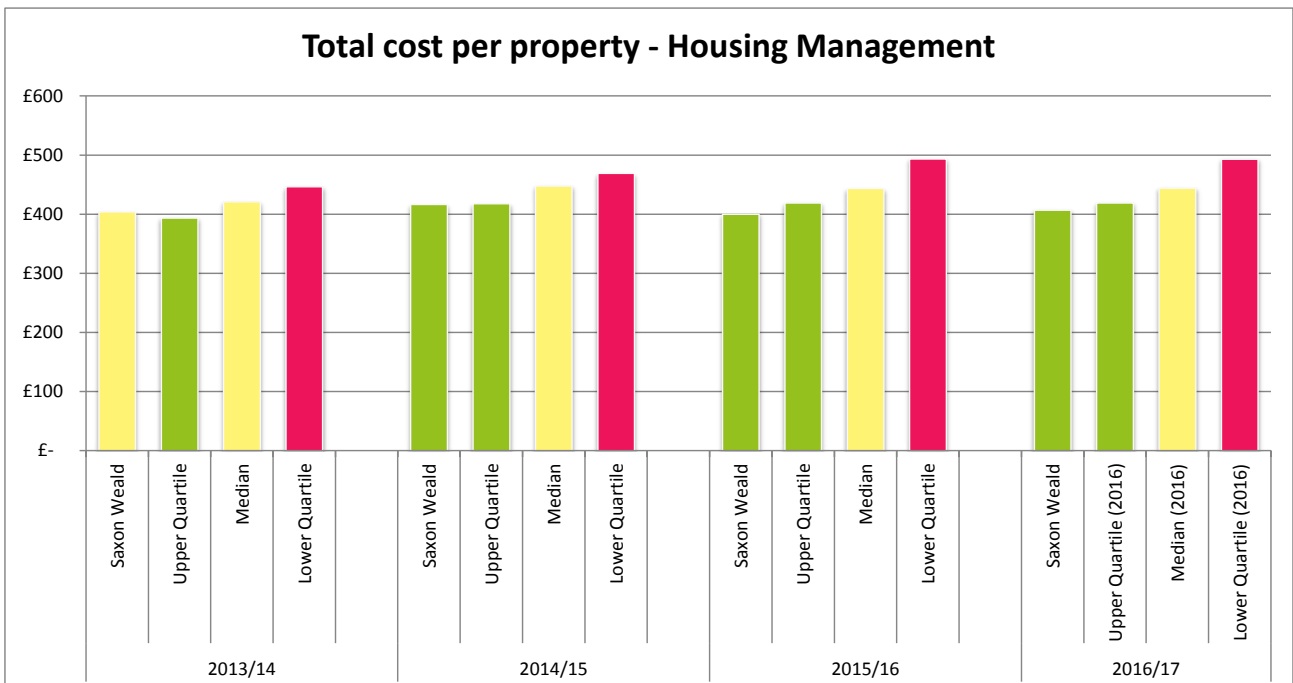
A list of our new benchmarking peer group organisations is attached at Appendix A to this self-assessment.

The following section uses data from HouseMark to benchmark costs and performance over time and against the peer group selected. The HouseMark benchmarking methodology validates each housing association's data, seeks to eliminate the impact of differences in interpretation of definition and aims to collect more detailed and specific activity costs through the allocation of staff time. The charts that follow include an apportionment for overheads in-line with the HouseMark methodology. All this means that it will, for example, produce a different management cost per unit than the one calculated from the global accounts. At the time of writing, not enough other organisations had submitted data for 2016/17 for comparisons to be robust; therefore data from 2015/16 has been used to provide an indication of Saxon Weald's relative performance.

The charts have been colour coded to allow for easy identification of Saxon Weald's performance against the peer group. Where we are within the top 25% of organisations, the upper quartile, Saxon Weald's chart bar is coloured green. Where we are between this level and the median (performance between the best 50% to 74%),

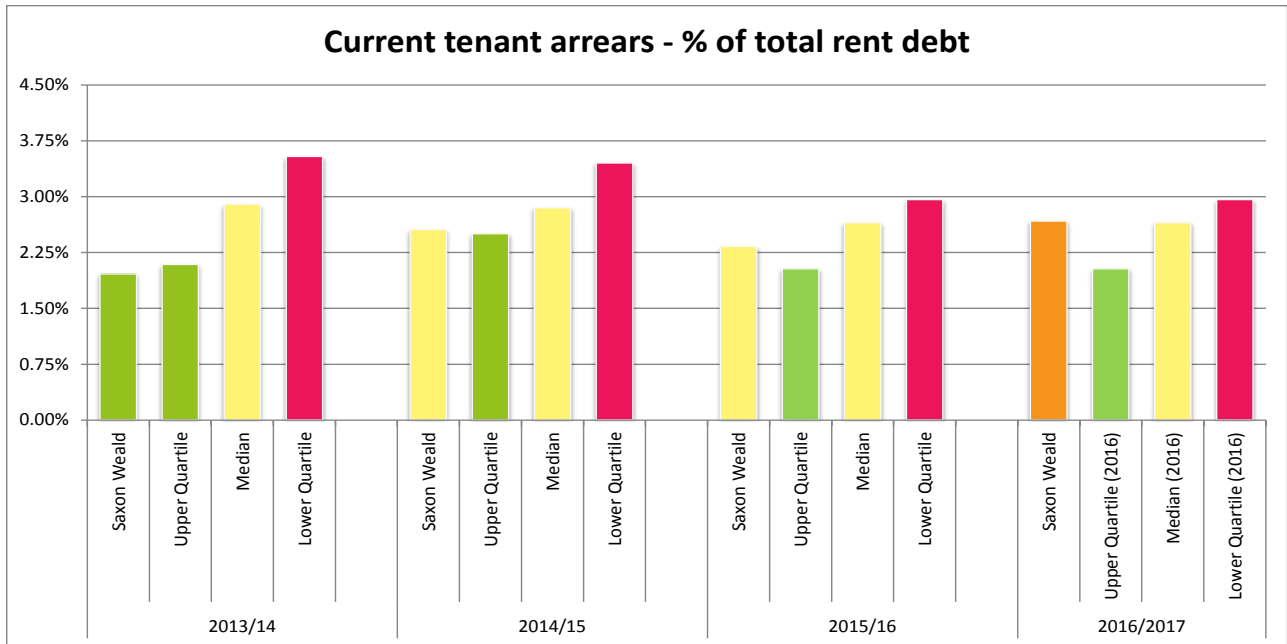
yellow has been used, where our performance is below the median, but above the lower quartile (performance in the range 26% to 49%) the bar is orange and where we are at or below the lower quartile (in the lowest 25%) the bar is coloured red.

Housing Management

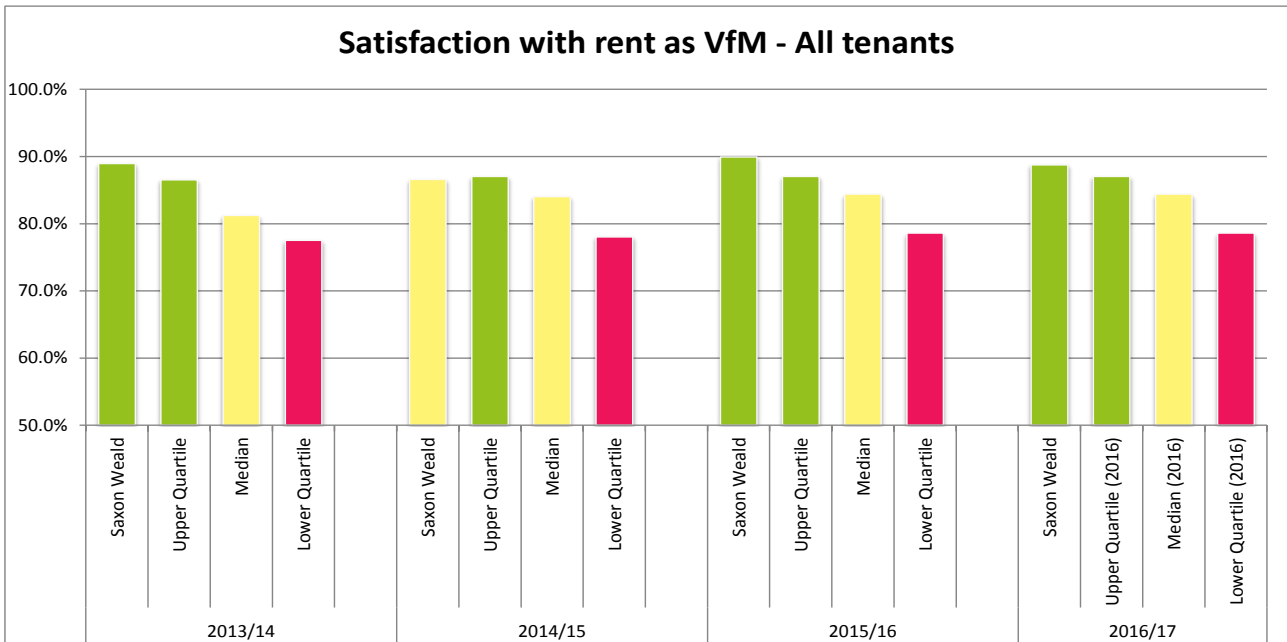


Saxon Weald's housing management cost per property is at or below the upper quartile cost for the three years 2014/15 to 2016/17. This means that at least 75% of the peer group have higher costs.

5. How have we done?

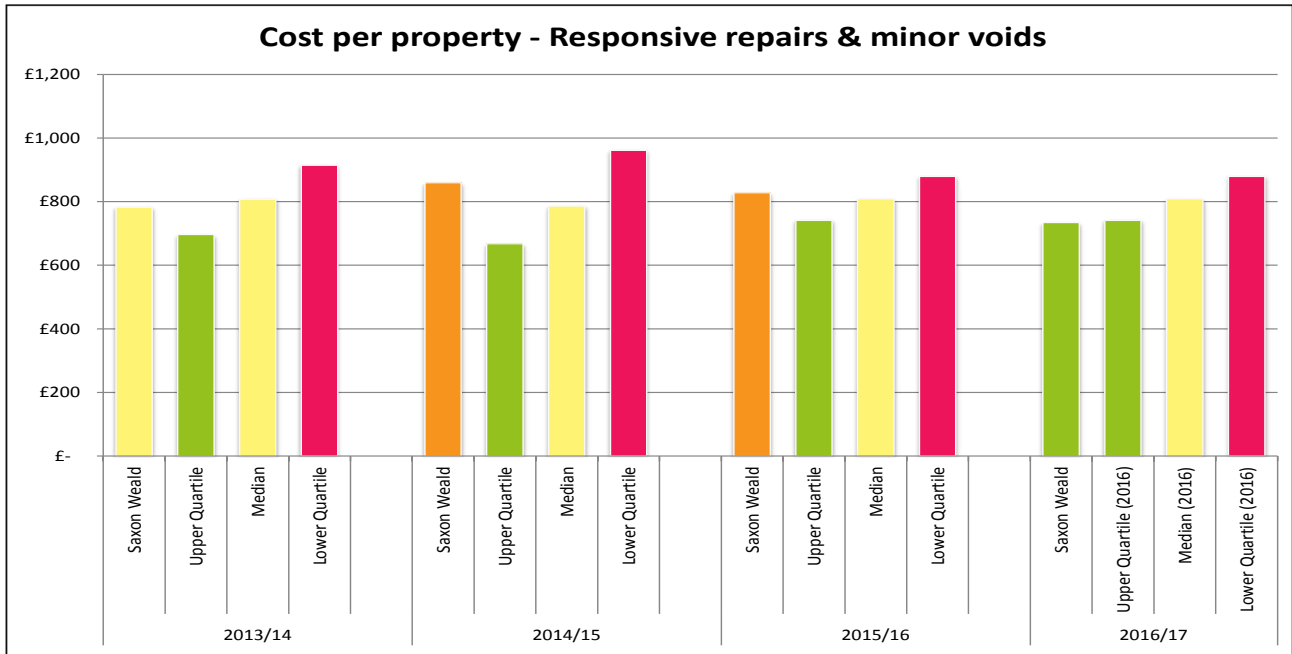


The chart shows an increasing trend over the period for Saxon Weald, but a fairly stable performance for the peer group. Saxon Weald's arrears for 2016/17 at 2.7% are slightly above the median for 2015/16 of 2.6%. This means that just less than 50% of the peer group have higher arrears.

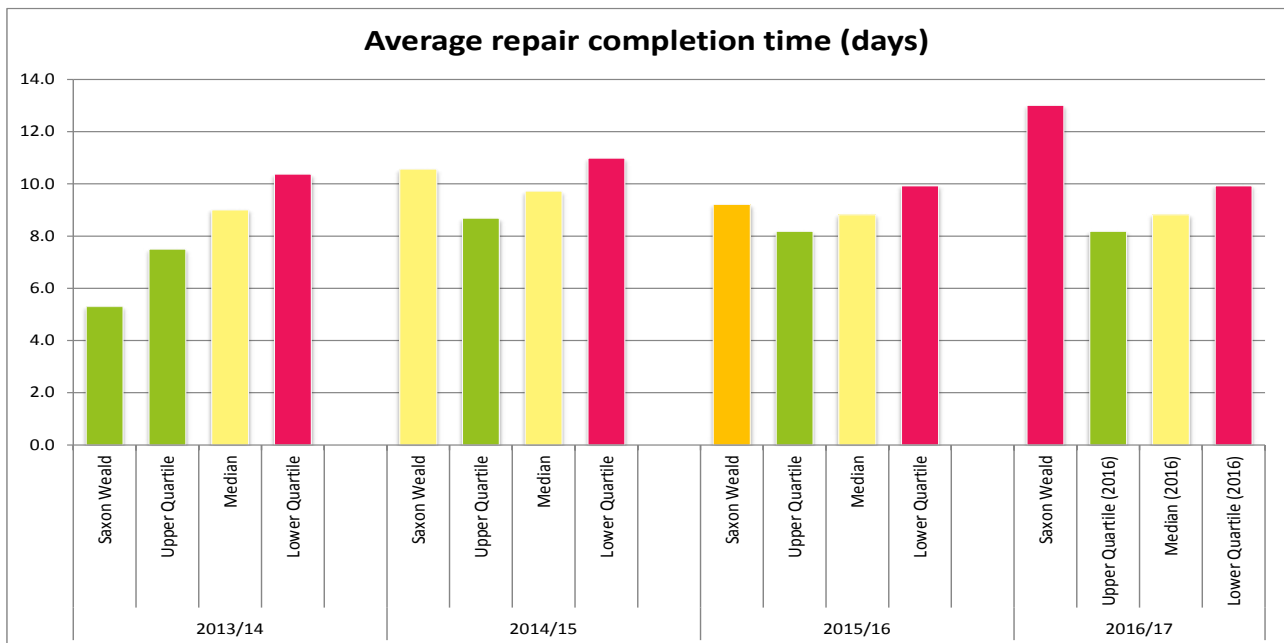


Satisfaction from our tenants that rent is value for money is high over the four years and in 2016/17, 89% are very or fairly satisfied that rent is VfM. This would place us in the top 25% of our peer group.

Responsive Repairs and Minor Voids

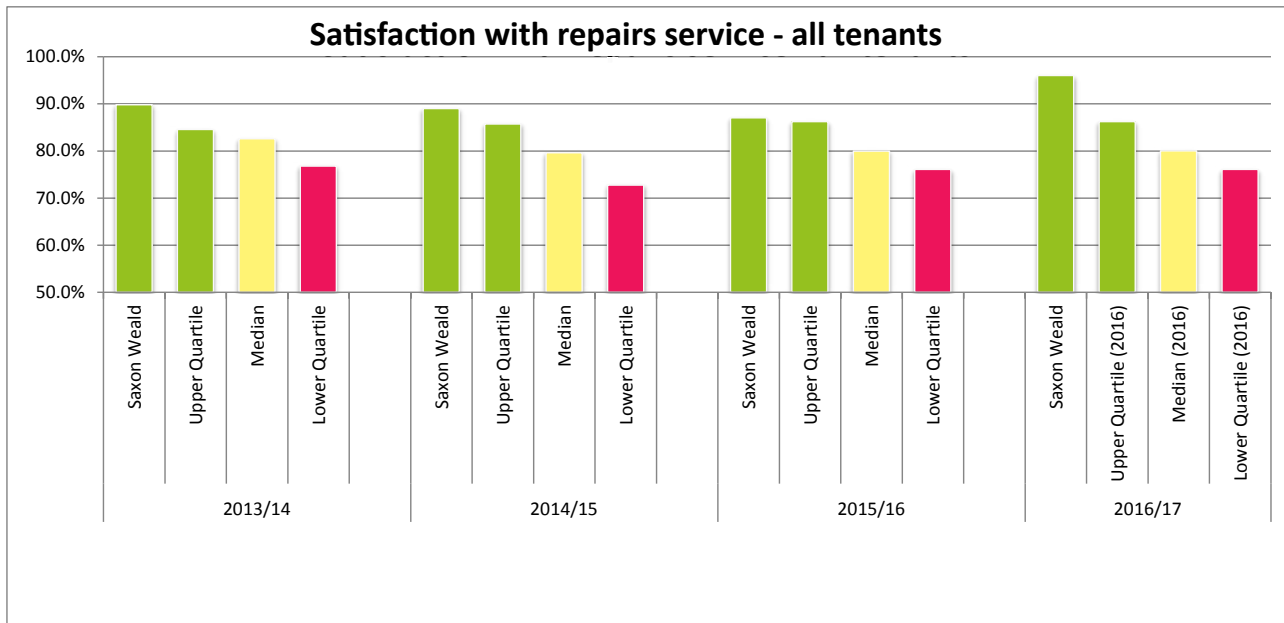


This chart shows that the trend of the cost of responsive repairs and minor voids per property is downwards, with Saxon Weald's cost per property falling in 2016/17 to £734 per property. This is just below the lower quartile for the peer group (2015/16) of £741 per property.

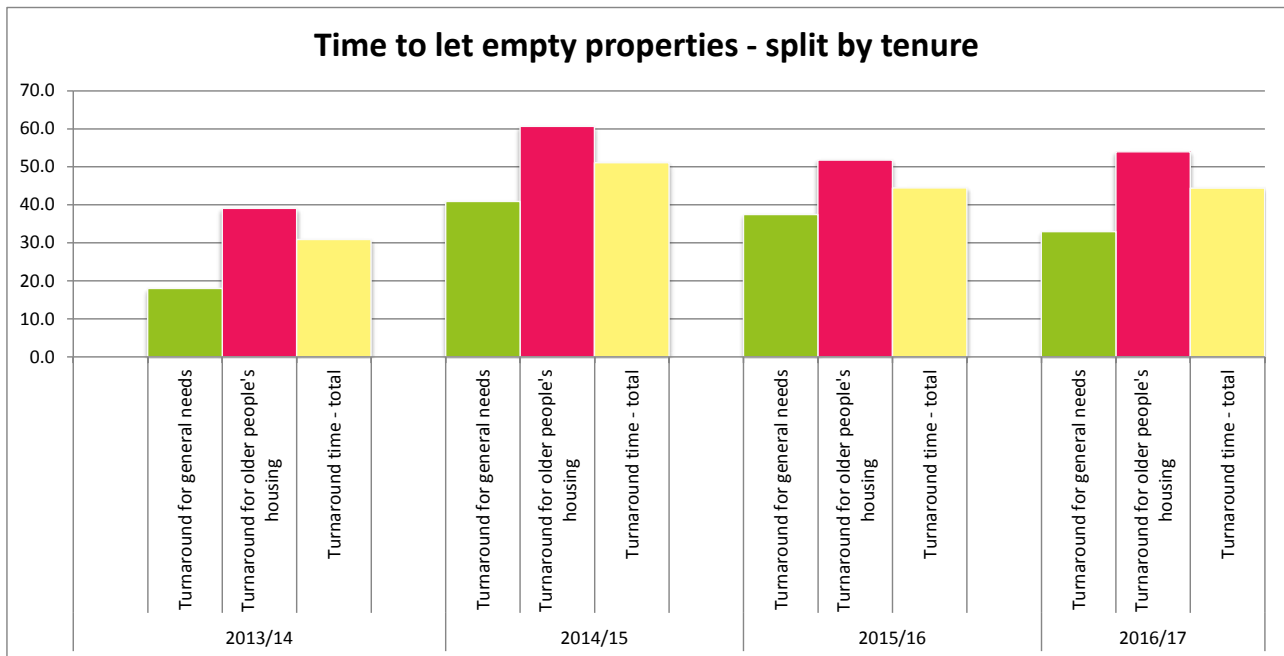


The average time to complete a repair increased to 13 days in 2016/17. This is disappointing, but reflects the high number of fencing repairs caused by storm "Katie" in spring 2016. The percentage of emergency repairs completed within 24 hours improved to 100%, a pleasing performance.

5. How have we done?

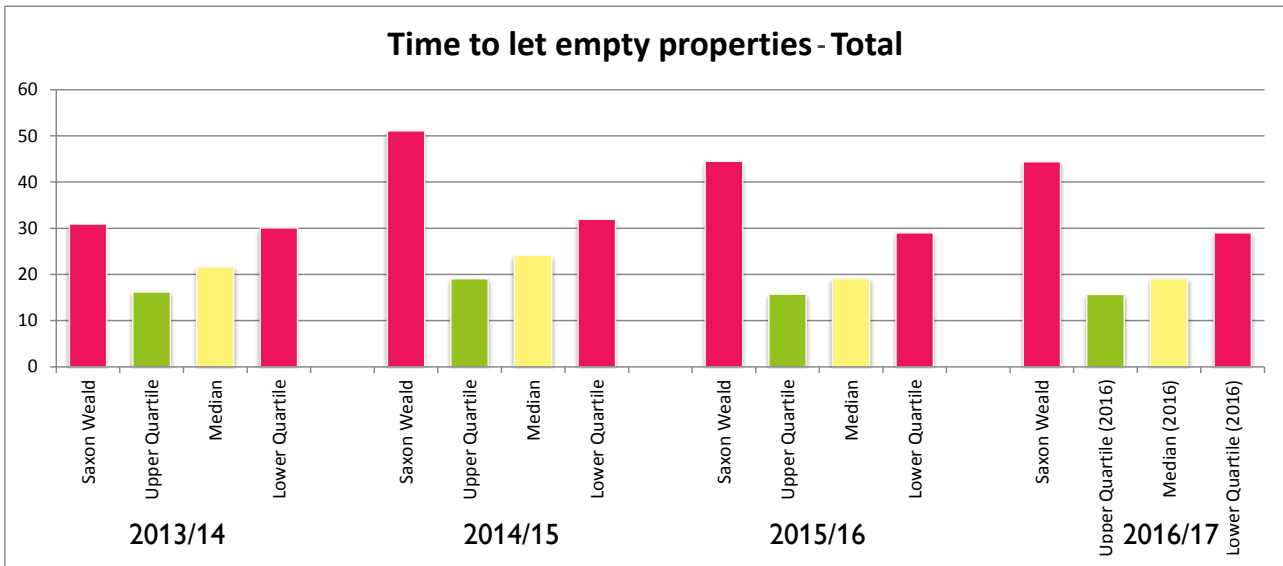


Tenant satisfaction with the repairs service is above the upper quartile of the peer group for all years and at 96% in 2016/17, as measured through the independent (Voluntas) survey of tenants who have had a repair; is comfortably above the peer group upper quartile of 86%.



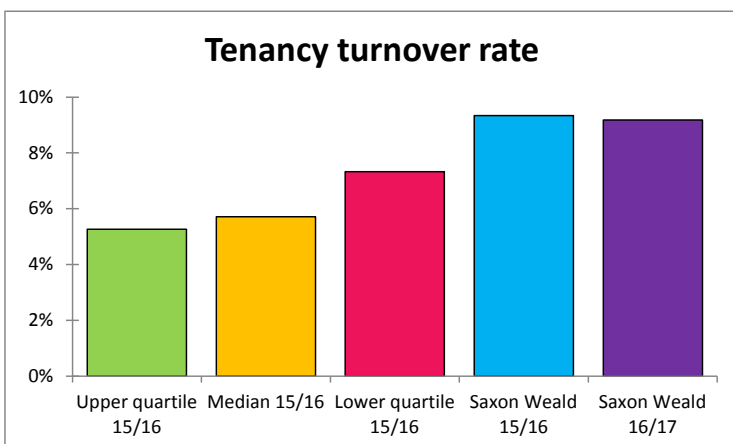
The chart above illustrates that the time to let empty properties for older people's housing is longer than for general needs housing. This is because of the multiple agencies involved in extra care housing and the requirement to assess individual needs. Saxon Weald is atypical for the peer group because 30% of rented properties are for older people, which is much higher than usual.

The increase in the turnaround time for general needs properties from 18 days in 2013/14 to 33 days in 2016/17, whilst it is an improvement on the previous two years, is disappointing. It reflects a focus on ensuring that the lettable standard is met. It also reflects the impact of welfare reform, especially bedroom tax and affordability, and an increase in the level of refusals.



It is welcome to see a slight overall improvement in re-let times in 2016/17, although they are still not where we want them to be. There are pressures inherent in the system with welfare reform, especially with bedroom tax and affordability, the supply of new homes across the Horsham district, and an increase in the level of refusals, along with current high turnover rate (see below). Significant changes have been made, which has seen the merging of the lettings and empty homes team that now come under one manager for the first time. Not only does this reduce costs, but it is intended to provide a more integrated service to help reduce the time taken to let empty properties.

Tenancy turnover rate

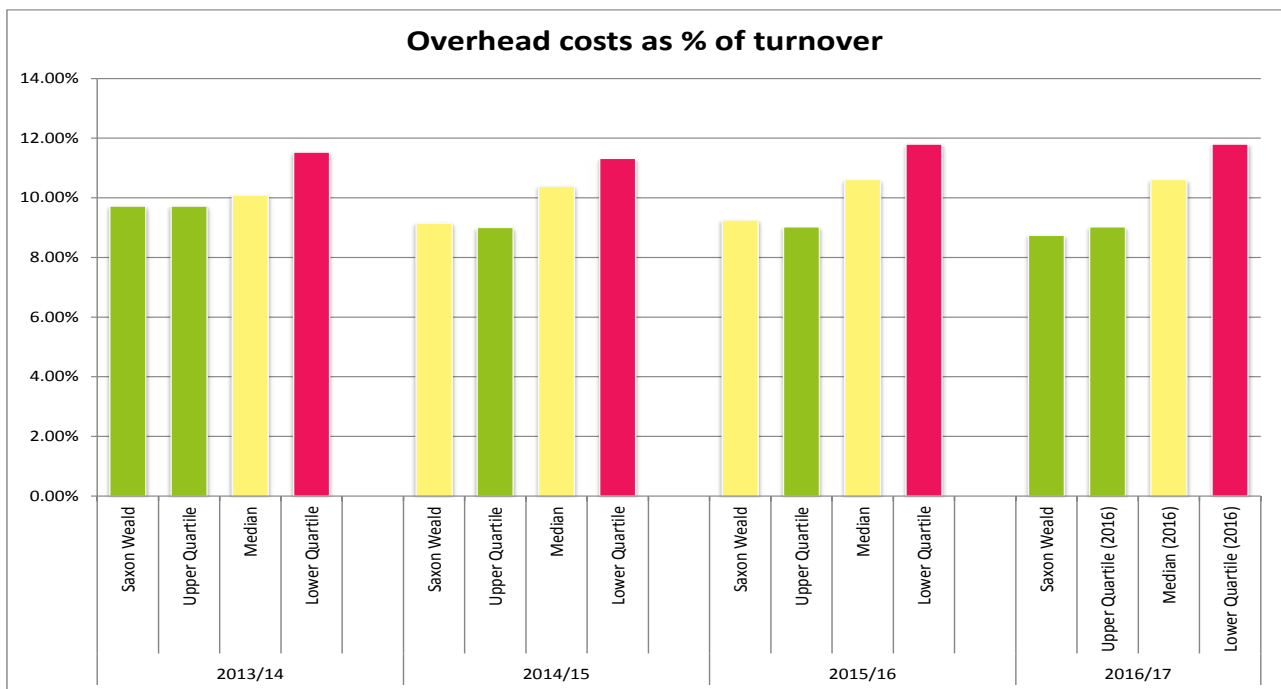


This chart shows that Saxon Weald has experienced particularly high tenancy turnover rate over the last two financial years, significantly over the rates experienced by our peer group. This relatively high number of properties needing to be re-let has hindered the ability to turn them around quickly. Saxon Weald's relatively high number of homes for older people, new build completions and a dynamic housing market in and around Horsham have certainly contributed to the high turnover rates. In order to reduce demand to more reasonable levels, internal transfers are now being actively controlled.

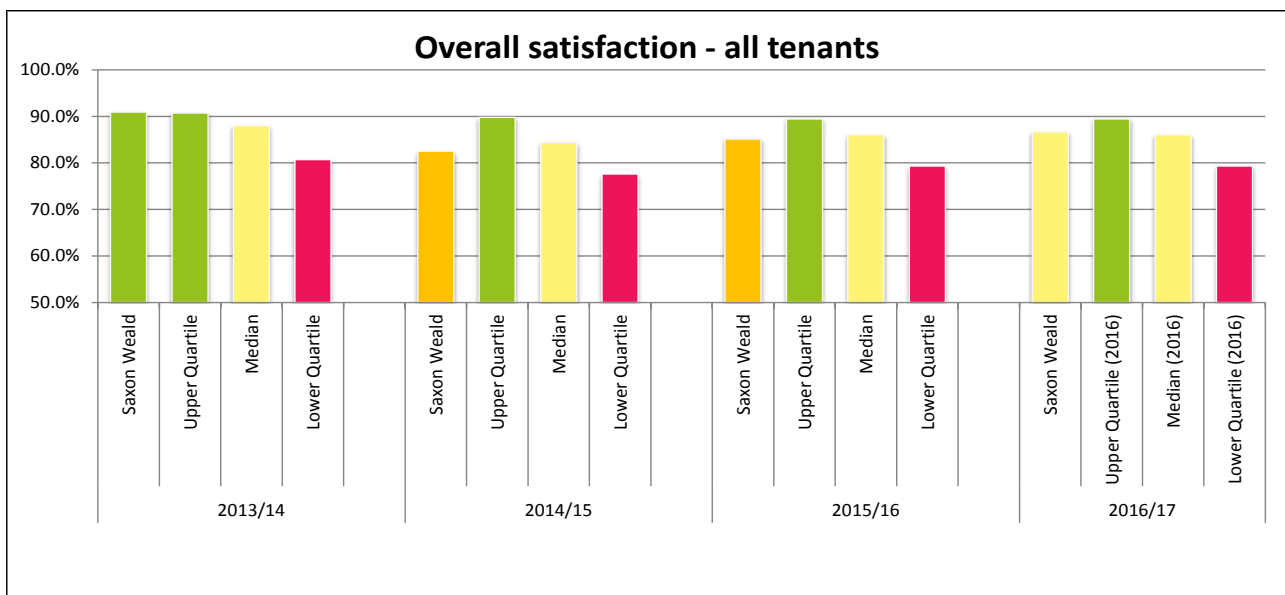
5. How have we done?

Overheads

These are central service costs that do not provide services directly to our residents, such as the cost of office accommodation, IT systems, staff working on policy, human resources, finance etc. Overhead costs viewed against our turnover have steadily fallen over the past four years. This is largely because central staffing costs have remained stable as property numbers have increased through the development of new homes. This has kept Saxon Weald in the top quartile for overheads as a percentage of turnover.



Overall satisfaction with Saxon Weald



Tenant satisfaction with the overall service provided by Saxon Weald is a key measure in determining whether we are providing an excellent service and achieving one of our key strategic objectives. Overall tenant satisfaction peaked at 91% in 2013/14. It fell back in 2014/15, but has gradually improved since then to 87% in 2016/17. This is just above median performance and below the top quartile performance of 89%.

5(b) Strategic Objectives and VfM

This section takes each of our strategic aims and assesses how Saxon Weald is achieving VfM in delivering these objectives.

To deliver excellent customer service

Customer Service

One of the original key aims of the three year customer service strategy approved in December 2014 was to achieve high customer satisfaction levels. The target for customer satisfaction is 85%. The customer service strategy also contributes to helping Saxon Weald achieve efficiencies and cost savings across the organisation.

Overall customer satisfaction reached 85% in July 2016 and remained above target for the rest of the year reaching a high of 92% in January 2017. The overall year end figure was 87%.

The channelling of customer contacts through two customer service teams who have the information and knowledge systems to enable them to deal with calls at the first point of contact is reducing the time spent by specialist staff on dealing with customer queries. The two customer teams were brought together in January 2017 to form a single Customer Support Team. The efficiencies created in this merger have resulted in the reduction of 1.5 full time posts – a saving of £39k (in addition to the £158k year on year savings made through the restructure in 2015/16).

The team have developed in skill and expertise under a new Customer Service Manager. A new 'knowledge base' has been developed to ensure that the CSA's have access to the right information and we are now answering 88% of queries right at the first point of contact. Avoidable contact rates have remained at 2%. The communication systems have been reviewed to ensure that all telephone contacts now come through the Customer Support Team. This has improved consistency and further reduced the number of calls being transferred to other departments.

Saxon Weald's self-service portal went live in March 2016. It is a customer-facing web-based system that our customers will be able to use. The portal allows people to check their rent account, report a repair and make a payment on line. In the first three weeks, 350 households registered to use the self-service portal (the target for 2016/17 is for 650 households or 10% of our households to have registered on the portal). Numbers registered for and using the portal continued to increase in 2016/17 and by 31 March 2017, 900 residents had registered to use the portal, well over the target of 650. Moving customer transactions to automated systems, or channel-shifting, provides a cheaper per-transaction cost. If 10% of payments and 5% of repairs requests are carried out through the self-service portal we expect to save £30,000 per annum.

Services available online have increased in 2016/17 and now include: searching for and applying for garages, permissions for property changes, making payments, access to rent statements and reporting a repair. Despite

5. How have we done?

this, the number of customers switching from contacting us by telephone to using the portal has been low. This will be addressed in 2017/18 through the new Customer Service Strategy.

Since November 2015, we have been using the Orchard text messaging module to measure customer experience with the call service and we are currently consistently achieving in excess of 85% of customers rating us as good or excellent.

Performance measures

	Performance March 2017	Performance May 2015	Target performance
% queries dealt with at first point of contact	88%	83%	80%
Overall customer satisfaction	87%	85%	85%
Avoidable contacts	2%	2%	No target
Text survey – experience of recent telephone call with a rating of good or excellent	86%	89%	85%

The continued focus for customer service will be on quality, dependability and flexibility as well as speed. The key outcome of the project will be to improve customer service measured by increased customer satisfaction and a reduction in incidents of service failure and complaints. The improved structures, operating systems and processes will lead to more efficient and effective ways of working, which will improve customer satisfaction for the same or less cost as Saxon Weald grows.

HomeFix (in-house repairs team)

HomeFix (Saxon Weald's in-house repairs and works team) generally continues to perform well. During 2016/17, it achieved the targeted savings of £0.4m.

The cost savings plan for HomeFix involves increasing the amount of work being done. Whilst costs rise through the employment of additional resources and greater use of materials, the allocation of overheads is spread across greater income. As a result, the overheads become a smaller proportion of a whole and the cost of providing the service reduces. During 2016/17, HomeFix took on additional work in the following areas:

- Gas boiler replacements;
- Kitchen and bathroom replacements;
- Fire door replacements;
- Pelham Court & Waverley Court void works; and
- Cyclical decorating programme.

Strategic Objectives and VfM

Much work has been done to improve financial reporting for HomeFix and a comprehensive suite of management accounts is now produced every month. The three financial measures shown below are detailed in the HomeFix Strategy as being important indicators of how costs are being controlled. The outturn figures for 2016/17 reflect the continuing efforts to improve efficiency and deliver value for money outcomes.

	2014/15 £	2015/16 £	2016/17 £
Average cost per property for responsive repairs service	558	406	351
Average cost per minor void	3,615	2,137	1,664
Average cost per major void	14,277	10,550	9,526

Additional VfM activities have been tracked throughout the year some of which are detailed below. The financial values have contributed to the actual spend for the year and the resultant overall saving.

During the year, half of the kitchen and bathroom programme was brought in-house. The budget for the year was just over £1m and, with the other half of the programme being done by a contractor, a direct cost comparison was possible. This demonstrated lower costs being delivered by the in-house team. The full kitchen and bathroom programme will be delivered by HomeFix during 2017/18.

	HOMEFIX	CONTRACTOR	
Item	Average cost (£)	Average cost (£)	Difference (%)
Kitchen	5,756	6,937	17
Bathroom	3,200	4,178	23
Bathroom/WC	4,400	5,877	25

In addition, HomeFix have worked with Older People's Services to design kitchens and bathrooms fit for their residents e.g. level access showers and specially designed kitchens.

The programme is now completed and resulted in a saving of £70,668 on the allocated budget. As a result, Asset Management brought forward a further 40 replacements.

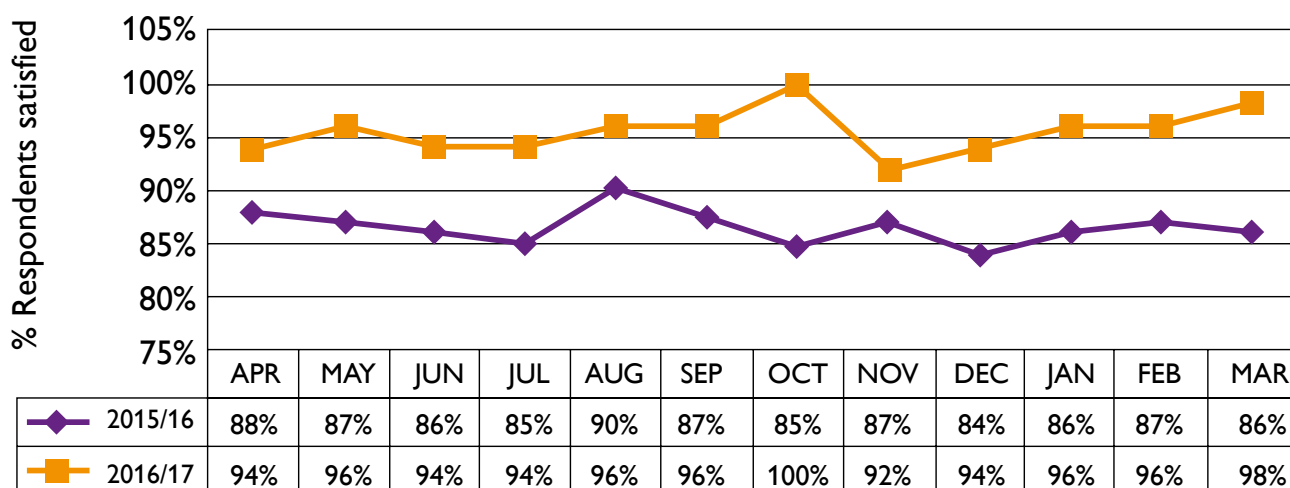
The materials supply chain now provided by Buildbase at our Southwater store has significantly contributed to efficiency. Where the operatives are concerned, this is primarily in reduced travelling time owing to the

5. How have we done?

more central location, but also includes an improved van-stock process and next-day delivery of special orders. During contract negotiations, a comparison of costs with our previous supplier revealed like-for-like savings of at least £50k per annum which we continue to benefit from. The implementation of an electronic ordering and invoicing system with Buildbase has supported the reduction of 1.5 staff in the Business Support Team. Taken together, the value for money outcome is worth at least £150k per annum.

The importance of good customer facing skills within our operative workforce is essential. All operatives attend the company's APE (a positive experience) training sessions. The feedback from our customers is generally positive – during the year 138 compliments were received against 7 complaints. The independent survey of customer satisfaction with the HomeFix service carried out by Voluntas shows an improved position for 2016/17 compared with the previous year.

HomeFix customer satisfaction

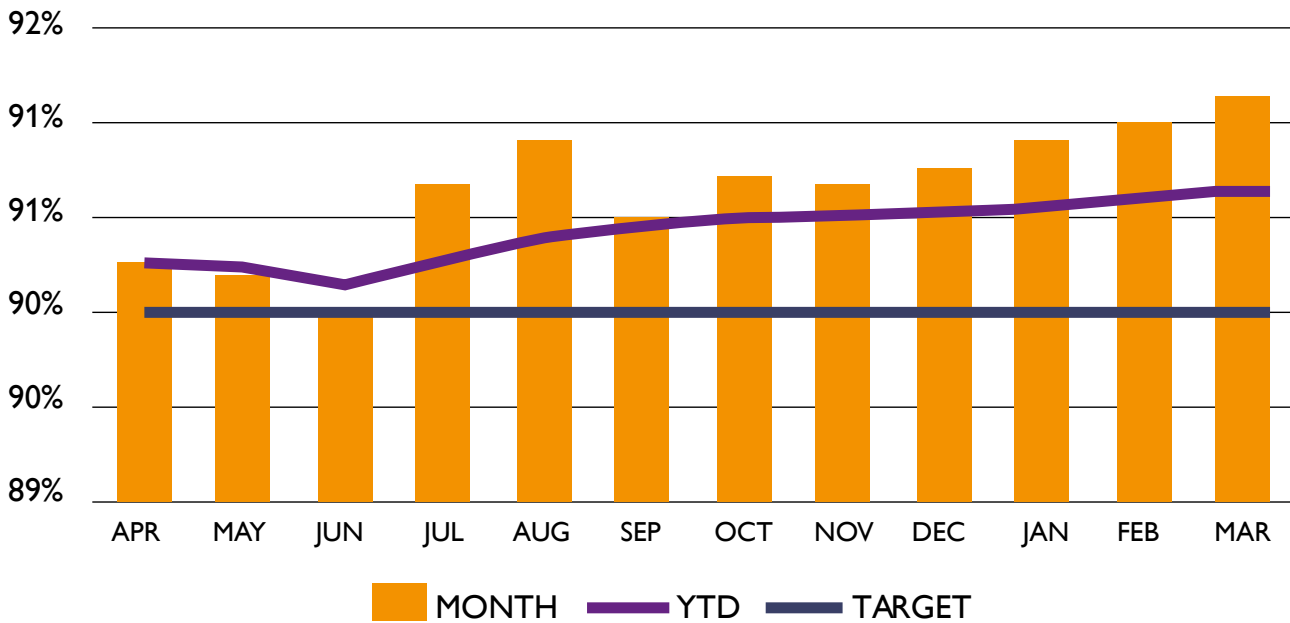


Appointments kept is an important measure of keeping our promises to the customer. This shows how many of the appointments made we turn up to on-time. Strong performance has been achieved this year with an average of 98.1% against a target of 95%.

Whilst not a formal target, we aim to complete jobs in an average of 10 working days. This year we have struggled to meet this target finishing with an average of 13 days for two main reasons. Firstly, we had a backlog of fencing jobs carried over from storm "Katie" in March 2016. In order to control costs, it was decided to do these jobs when resources allowed rather than outsource them to a contractor which extended the completion timescales for some jobs out to three or four months. The backlog has been cleared. Secondly, it has been a challenge to find the right balance between responsive jobs and the additional work that HomeFix now do. As we become more experienced and find the right level of staff resources this should improve. It should be noted that electrical and plumbing jobs, which make up just over three-quarters of all jobs, have been delivered in less than 10 days on average during the year.

Two main measures are used to assess the quality of the work being delivered; first-time fix and recall rates. The first-time fix is a measure of how good we are at sending an operative with the right skills and materials to fix the job at the first visit. The target for the year is 90% which has been achieved in eleven out of twelve months with an average of just over 91% for the year.

First-timefix rates



Recall rate is a measure of how many jobs we need to return to owing to the original visit not solving the problem. This measure is reported for each operative and is discussed at one to ones and in team meetings. High levels of recalls may point to insufficient operative knowledge or skill, or that the operative is not fully aware of the quality standard required; where necessary, additional training, mentoring and support is given. The overall recall rate during 2016/17 for responsive repairs is 1.8% against a target of 5%.

Certain jobs are classified as emergencies and we have a 24-hour response target for them. During 2016/17, 801 emergency jobs were reported and HomeFix attended every one within 24 hours.

Case study – Neighbourhood Assistants (NAs)

What needed improving?

Saxon Weald outsourced a number of functions (c.£80k per year) to contractors and it was

proposed that the NAs would take on this work for HomeFix whilst still continuing their current estate work for housing and neighbourhood services.

NAs were spending too much time on administrative tasks in the office and it was imperative that they were “on the road” for the majority of their time.

What we changed

The Neighbourhood Assistants (NAs) were brought into HomeFix to reduce the use of external contractors. Processes were streamlined, a mobile IT solution was implemented and the scheduling of work was moved to the current HomeFix work planners.

Impact

The NAs are now fully integrated within the HomeFix team and also carry out void tasks such as clearance and garden works which frees up a multi-trade operative to carry out other

5. How have we done?

jobs or to move on to their next job more quickly. This has saved an average of three days for the empty homes team operatives. Contractor spend within HomeFix on clearance and gardening in void properties was £52,000 and this significantly reduced to £8,500 in 2016-17, resulting in a saving of £43,500. Bringing the work in-house has enabled a recycling initiative to start, with over £2,000 being raised with our partner Horsham Matters in the first six months. In addition to this, the team have taken on numerous tasks for the housing management team that would have normally been outsourced, thereby saving more on contractor costs.

To grow in the South East through the delivery of quality homes

During 2016/17, 131 new homes were completed and 81 market rents homes purchased. The new homes comprise 60 affordable rent homes for older people, six general needs affordable rent homes, 20 shared ownership homes and 45 sale homes for eligible older people.

The new focus on revenue contribution as a key outcome of appraisals/schemes has resulted in a wider programme view of schemes and consideration of tenures. The focus has been on delivering the key projects which contribute to the £400k revenue target. These schemes are now either onsite or have planning and are about to go into contract with a start on site in 2017/18.

The schemes contributing to the target and our approach to them evolved over the course of the year and were fine-tuned with the revenue target in mind, thus ensuring value for money for Saxon Weald.

Saxon Weald, as part of its response to the rent reductions, plans to gradually create a market rent portfolio through new build sites. The first development will deliver nine flats and the aim was to increase market rent homes incrementally to

approximately 50 homes by 2019. This approach, whilst offering us time to develop processes and procedures, would have taken a number of years to get to a critical mass. However, the opportunity to purchase Pelham and Waverley Courts arose in early 2016. They are established blocks of 81 flats rented on the open market near Horsham town centre. The purchase of Pelham and Waverley Courts has enabled Saxon Weald to start with a sufficient number of market rent flats to adequately resource an efficient and effective service, which can be gradually expanded. The flats have generated a positive contribution to Saxon Weald's surplus from 2016/17, helping to secure and expand the development programme going forward.

This purchase also included a potential development site which will enable Saxon Weald to develop an additional 21 new homes. Initially, the Pelham and Waverley (P&W) garage site and a proportion of Winterton Court were to be open market sales. Switching these units to shared ownership considerably improved the revenue position and social outcomes on these sites.

Delays were incurred on the delivery of Winterton Court following a second planning refusal (despite officer's recommendations). This delay put the expected revenue well below the £400k target as this site is a significant contributor. The contractor at Winterton Court has recently provided a programme of works which is better than expected with all handovers at the start of 2019/20. This is because a contractor was chosen with the capacity to focus on the site and with a strong approach to collaborative working and VfM. This has pushed the revenue contribution forecast back above £400k.

These delays required us to seek an additional well performing site to bridge the gap and support the business' revenue target and core purpose. The Angmering scheme was identified as meeting this purpose.

The programme approach of combining three sites (Swann Way/Sleets Road/Pelham & Waverley) has enabled various savings. Submission of the three sites as one planning application enabled the tenures to be split rationally across the sites, and more effectively meet local housing needs. There will be one contract for all three sites which will enable economies of scale, a better build cost and will make the schemes more attractive to contractors. With one project manager dealing with all sites, there will also be a saving on staff time. Value engineering of these schemes has been carried out, so that amendments to the specification such as doors, kitchens, appliances etc. will save £56,822 across the three sites.

Saxon Weald is a member of the Housing Association Legal Alliance (HALA). This is an OJEU compliant legal framework. This enables us to access framework rates and HALA have provided the breakdown of savings below:

PANEL FIRM	SPEND FINANCIAL YEAR 2016/17	DISCOUNT	SPEND WITHOUT SAVINGS	SAVINGS ACHIEVED
Capsticks	£15,604	23%	£20,134	£4,530
Clarke Willmott	£695	19%	£862	£167
Pennington's Manches	£6,374	35%	£9,852	£3,478
TOTAL	£22,673	26.5%	£30,848	£8,175

31% of legal instructions through HALA across the organisation have been on a fixed fee which offers cost certainty and savings for us. Within the Business Development department 100% was on a fixed fee basis. 69% of instructions across the organisation were on an hourly rate which was more favourable under HALA than negotiated directly. In addition to cost savings on appointments through HALA, we are able to access a number of free training courses and hold in-house sessions at nil cost. In 2016-17 five individual training sessions were attended..

To maintain a vibrant workforce and a dynamic, challenging but fun place to work

Our staff, Board members and involved residents are some of Saxon Weald's key assets. It is through them that Saxon Weald will achieve its purpose and strategic objectives in a way that delivers value for money and the best return on assets. We had 186 members of staff on 31 March 2017. We were extremely pleased to be awarded, for the second time, Investors in People Gold during 2015. This was despite the assessment taking place when we were going through a restructure in response to the rent reductions and the fact that only 7% of organisations in the UK, who have Investors in People, have the gold award.

Investment in our people through different training and development interventions continues to be a key priority across the whole organisation. It is critical to making the most of their enthusiasm, expertise and experience. We therefore continue to invest in training. As well as technical, management and IT training, this includes training on risk management and VfM. Significant investment has also been made in managers at Saxon Weald. The first cohort of 10 Saxon Weald managers have completed the Institute of Leadership and Management (ILM) level 5 leadership and management programme and the second cohort are progressing through the programme. We are committed to developing a coaching culture at Saxon Weald and we place all new managers on our bespoke in house coaching skills course.

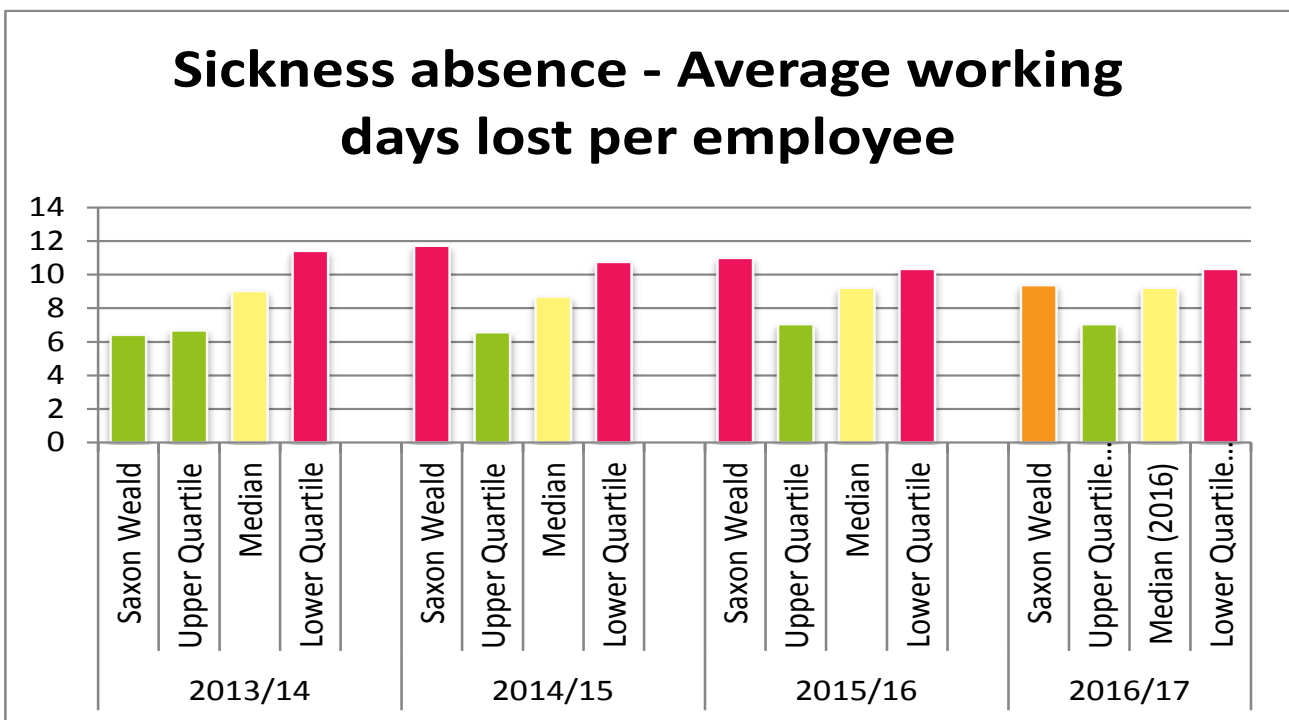
5. How have we done?

In 2015, Saxon Weald carried out a staff survey and it told us that 83% of our staff were either satisfied or very satisfied with Saxon Weald as an employer; 83% believe that their core objectives give them clarity about what they need to do in their job, 93% believes Saxon Weald takes customer service seriously, 98% have a good understanding of equality and diversity issues and 96% believes that Saxon Weald respects individual differences. A new survey will be carried out in early summer 2017.

Staff turnover – The UK average employee voluntary turnover figure reported in 2015 is 15%. Our target for turnover is 15% and is based on a 12 month rolling period. Our turnover as at 31 March 2017 was 13.9% voluntary and 7.2% involuntary. There is no optimal level of turnover as turnover rates deal with emotional and human issues and can never be scientific. Most companies believe that some amount of natural staff turnover is necessary to prevent lack of motivation setting in – and also to inject a company with fresh blood and ideas.

The Chartered Institute of Personnel and Development’s annual survey of sickness absence rates, reported an average of 2.8% or 6.3 days per employee during 2016. Our target for sickness absence is 3% and as at 31 March 2017 our average was 3.5% or 9 days.

The long term absence level is 1.8%, but lower than at 31 March 2016 when it was 2.6%, and is effectively unavoidable. We are working with a local occupational health adviser to make earlier interventions when necessary to assess the ill health problem. We work with the occupational health adviser; the individual and line manager to manage the situation and establish capability and timescales for a return to work. We offer the WPA cash plan and an Employee Assistance Programme for staff to enable them to get medical/physical and psychological help as required and get them back to work sooner.



The short term sickness rate was 1.7% at 31 March 2017, contributing to the higher overall figure. We are taking a more robust approach to reduce the rate by setting up new triggers and actions. Exception reports will raise the profile of sickness absence within the organisation, coupled with the message that we need reduce the levels and achieve cost savings. Our aim will be to get the short term rate under 1% in the next three years and reduce the overall absence rate below the target of 3%.

During 2016/17, Saxon Weald made the decision to introduce a defined contribution pension scheme. The scheme became operational in June 2017 and all new staff are auto-enrolled on to the scheme. The West Sussex County Council Pension Scheme remains open and new staff may transfer to it once they have completed their probationary period. It is anticipated that, in the medium term, the new defined contribution scheme will reduce costs and risk for Saxon Weald.

To continue to develop our role as a leader in older people's housing

From the creation of Saxon Weald in December 2000, specialist housing for older people has been a key social objective, given the high proportion of older people in Sussex, which is forecast to increase.

Retirement and extra care housing make up 30% of Saxon Weald's housing stock. There are nearly 1,800 properties across West Sussex, East Sussex and Hampshire (rent, shared equity and leasehold), which include 39 retirement schemes and 11 extra schemes. During 2016/17, Saxon Weald's new model extra care scheme in Horsham, Highwood Mill, was completed and was ready for occupancy in late January 2017. This is a very high quality extra care scheme and feedback from residents so far has been excellent. This scheme provides 60 affordable rent homes for

older people and 45 sale homes for older people.

The portfolio of housing for older people is now diverse, ranging from housing specifically for the over 55's with no specialist support or facilities, to extra care schemes providing significant levels of care. This diversity is important in reducing risk and ensuring we reflect the differing needs and aspiration of older people. The care is usually provided by care organisations contracted to local authorities and not by Saxon Weald. The exception to this is the new model extra care scheme at Highwood Mill in Horsham. At this scheme, Saxon Weald has contracted directly with Alina Homecare for the provision of care at the scheme.

The scheme management quality assurance system continues to work well. It is based on six monthly 'Scheme Audits' during which the Regional Managers audit compliance with the requirements of the role and the quality of support planning. This has helped support the transformation process and improved the quality and consistency of service delivery to residents. Satisfaction with the scheme manager service remains high, at 86% in 2016/17.

Supporting People funding began to be withdrawn from April 2015. In line with our strategic aim to be a leader in the provision of older people's housing, we re-organised our services to provide enhanced housing management (EHM) in order to retain on-site scheme managers. By April 2016, EHM funding had been secured for our schemes in Hampshire, Southampton and East Sussex. In October 2016, we were successful in implementing EHM across all West Sussex retirement schemes. This allowed us to continue to provide an enhanced service to residents.

In addition, we have been successful in securing £57,000 of Supporting People funding for a new floating support service in the Horsham district. This provides support for our residents as well as

5. How have we done?

older people in the community and will consist mainly of scheme based support, maximising the use of the communal facilities we can offer.

To remain independent and financially strong

Financial Capacity

As a charity as well as a housing association, we retain the surplus we generate to re-invest in achieving our purpose and strategic aims. It is therefore very important to us that we get the best VfM from the resources we use and the best return on the assets we hold to achieve our purpose. VfM gains are used to re-invest in our existing properties and to build new homes in Sussex and Hampshire, where there is great demand for social housing and homes for older people.

We also borrow to help fund the cost of building new homes. In June 2012, we issued an own name bond for £225m for an average of 25 years, that enabled us to repay our existing loans and provided £60m to invest in building new homes. The Board were satisfied that the bond was good VfM because it removed the restrictions imposed by the previous loan syndicate, was long term and was at an interest rate of just below 5.5%, fixed for the term of the loan. In July 2016, Saxon Weald completed a five-year variable revolving loan facility for £20m with the Abbey National. This will enable the continued development of new homes.

A framework for ensuring Saxon Weald maintains a minimum level of financial strength was agreed as part of the approval of the 2017 business plan by the Board in May 2017. The framework below shows the internal financial rules agreed:

- A minimum statement of comprehensive income surplus before sales (underlying surplus) of £2m

per annum;

- A minimum annual operating margin (excluding sales) of 30%;
- A minimum bond cash interest cover of 150%;
- A minimum adjusted cash interest cover (Abbey National based covenant)* of 110%;
- A minimum EBITDA MRI (earnings before interest, tax, depreciation and capitalised major repairs included) of 110%;
- Debt (Abbey National based covenant) – long term loans plus short term loans less free cash, less than 65% of housing properties at cost; and
- Positive cash generation from operating activities.

*Adjusted cash interest cover is adjusted operating surplus (defined as operating surplus + housing depreciation – capitalised repairs – surplus on sales) to interest payable.

Saxon Weald has comfortably achieved these financial indicators in 2016/17 – surplus of £7.8m, operating margin (excluding sales) of 41%, cash interest cover 201%, adjusted cash interest cover of 144%, an EBITDA MRI of 150%, a debt ratio of 61% and has achieved a positive cash generation from operating activities. The EUV-SH valuation of our properties at 31 March 2017 is £380m and our bond liability is £225m. This means that we have an asset cover of 169% which exceeds the target of 120% set by the Board.

The operating margin is the surplus we make from on-going activities (mainly renting homes) as a percentage of turnover. The cash interest cover tells an organisation how many times after depreciation has been added back, the operating surplus will cover the net interest payments due. Asset cover tells an organisation by how much the value of property assets exceed loans outstanding. EBITDA MRI takes operating surplus, adds back depreciation and deducts capitalised repairs to see how many times this will pay

interest costs (including capitalised interest).

In line with good financial management, Saxon Weald will not commit to development schemes until the funding for these schemes is in place. The challenge is to secure additional funding to deliver our development programme, whilst retaining a sound financial position now and in the future. Saxon Weald's capacity to borrow additional funds is limited by three factors – sufficient surplus, interest cover and asset cover.

Saxon Weald has a healthy operating margin from existing homes and also from the newly developed homes. This is because we strive to improve VfM and because of the rigorous risk appraisal procedure prior to committing to new development schemes. This requires them to meet a payback target and assesses the net present value of the schemes.

Saxon Weald wishes to generate a sufficient surplus to hold against uncertainty and risk, whilst at the same time maximising the resources it has to develop new homes. The efficiencies of £2.3m to be achieved over the next four years are a critical part of Saxon Weald's strategy to do this.

Saxon Weald needs to obtain the best return on its property assets in terms of security for loans to build new homes. An assessment of this factor is now an important part of new scheme appraisals and has helped Saxon Weald negotiate changes to section 106 agreements to allow the properties to be valued as security on a market value subject to tenancy (MV-ST) basis, more than double the existing use value – social housing (EU-SH) basis.

Procurement

Saxon Weald's aim is to have a structured approach to procurement which delivers consistency of practice, improved efficiency and VfM. During 2016/17, a review of procurement was carried out.

Case study – Procurement Review

What we did

Reviewed the company's approaches to procurement, examining how efficient and fit for purpose the processes were, how well legal and regulatory requirements were being met and were we achieving VfM.

What we found

The approaches to procurement were not as efficient and consistent as they could be. This was particularly in relation to establishing specific requirements and ensuring that the contract procured accurately reflected them, both in terms of service/works/product delivery and the performance management of contractors and suppliers.

The scale of procurement activity at Saxon Weald does not warrant employing dedicated procurement staff. This being so, there was nevertheless a need to enhance the procurement skills, knowledge and competence of those involved in procurement, to ensure that good procurement decisions are made and contracts are managed efficiently and effectively.

What has changed

A framework for procurement was developed and implemented to provide a more detailed, structured and efficient approach to procurement. This includes a process map, standardised procedure with guidelines and a VfM assessment tool.

Impact

The new procurement framework has resulted in:

- **Improved specifications and quality standards incorporated within contracts and SLAs**
- **Better deals being established with contractors/suppliers**

5. How have we done?

- An updated approved supplier/contractor list and central contracts register
- Better control and management of contractors and suppliers
- Greater reassurance of compliance
- More knowledgeable and confident staff
- Better considered and measured procurement decisions
- Better able to evidence VfM in procurement activities
- The introduction of quality assurance controls into contractor/supplier arrangements helps ensure that our required standards and VfM are achieved.

Return on assets

During 2016/17, the five year external validation (by Savills) of Saxon Weald's projected stock investment cash flows took place. It confirmed Saxon Weald's projected investment cash flows and provides a firm foundation to plan for the future. This investment cash flow is an integral part of the business planning process and is incorporated into the business plan approved by the Board for submission to the HCA.

The net cost of housing properties (after depreciation) on the statement of financial position at 31 March 2017 is £290m and the value of investment properties £24m. During 2016/17, 131 new homes were completed and 81 market rent homes purchased. The new homes comprise 60 affordable rent homes for older people, six general needs affordable rent homes, 20 shared ownership homes and 45 sale homes for eligible older people. The total value of the social housing stock on an existing use social housing basis (EUV-SH) at 31 March 2017 is £380m, with the potential to increase this value by valuing those properties that can be, on a market value subject

to tenancy with voids sold (MV-ST) basis.

During 2016/17, Saxon Weald invested £4.8m replacing components in existing properties (including 257 kitchens, 145 bathrooms, 219 boilers, four commercial boilers, 83 heating systems, 118 roofs and 156 full window replacements) and £3.2m on major repairs and planned and cyclical maintenance.

There is a requirement that housing associations should be formally assessing the return on each asset, as a trigger to identify those assets where an options appraisal should take place. In London, where associations own some extremely high value properties in relatively poor condition, many associations consider whether to and do dispose of some of these properties.

Saxon Weald, as a stock transfer association based in Horsham, does not have extremely high value properties. In addition, the redevelopment on existing sites is problematic in view of the rules which apply to associations which transferred after 1997. Essentially, grant or public subsidy is not available for redevelopment or is only available on 'works only' basis for any additional units. This means that these sites need to be sold on or redeveloped in partnership with developers with a mix of housing for outright sale or shared ownership in order to subsidise the development of rented homes. The approach taken to maximising asset value has therefore been different.

Saxon Weald's approach (starting in 2003) has been to focus on two groups of properties: older retirement schemes with shared bathing facilities and/or bedsits and void properties that required substantial expenditure to bring them up to an acceptable condition. Saxon Weald established a Board member group to review and prioritise retirement schemes. In doing this, the group considered:

- **Financial performance including net present value;**

- Demand and void rent loss;
- Size and site characteristics;
- Facilities including shared bathing and bedsits;
- Locality including transport links and local amenities;
- Re-model – is it feasible and financially viable? Or demolish and rebuild; and
- Alternative uses – sale of site, provision of market sale, retirement, extra care or general needs homes.

The outcome of these reviews were:

- One scheme re-modelled;
- Four demolished and the site re-developed with homes for older people;
- Three demolished and re-developed for general needs;
- Two demolished, site sold and re-provided on an alternative site;
- One sold; and
- One demolished and in partnership with a private developer, developed new homes for market sale, shared ownership and general needs rent.

Saxon Weald is conscious of the need to obtain the best return (financial and social) from our investment in property assets. When a tenant leaves one of our properties, it is inspected and a schedule of required works drawn up. If the property is in an outlying area or needs a substantial amount of money spending on it, we will carry out an options appraisal of the property. This option appraisal will consider:

- Financial performance measured using net present value and including sensitivity to changes in assumptions;
- Cost of works required now and in the future;

- Open market value and how the receipt could be used to achieve our purpose;
- Demand from our target tenants and void rent loss;
- Location both in terms of accessibility to local amenities and impact on management costs;
- How suitable the property is for our target groups; and
- Energy performance.

On the basis of this analysis, a decision is then made about whether to carry out the works, sell the property or do something else.

During 2016/17, £1.5m of receipts was generated from fixed asset land and property sales (excluding RTB and staircasing sales). This was largely as a result of three sales:

- Sale of land adjacent to Highdown Court, Worthing generated a receipt of £1m. All options for developing or using the land were appraised but the best value for Saxon Weald was concluded to be the open market sale of the land. A surplus on the sale of the land of £0.2m was achieved.
- A three bedroom semi-detached property in Marringdean Road, Billingshurst, Horsham became vacant. It was generally unmodernised and in a state of disrepair. After analysing the options for this property, including refurbishment and sale, it was concluded that sale of the property offered best value to Saxon Weald. The property generated a receipt of £0.3m and a surplus on disposal of £0.2m.
- Saxon Weald owned land at the rear of South Street, Partridge Green, Horsham suitable for the development of one dwelling. Again all the options were considered, including development by Saxon Weald, but the best value option was to dispose of the land on the open market. The land generated a receipt of £0.2m and a surplus on disposal of £0.1m.

5. How have we done?

During 2016/17, Saxon Weald worked with Savills to reinvigorate Saxon Weald's return on asset model called the Proactive Asset Management model (PAM). The model was updated and an analysis of all stock carried on the basis of the 2015/16 actual costs and income.

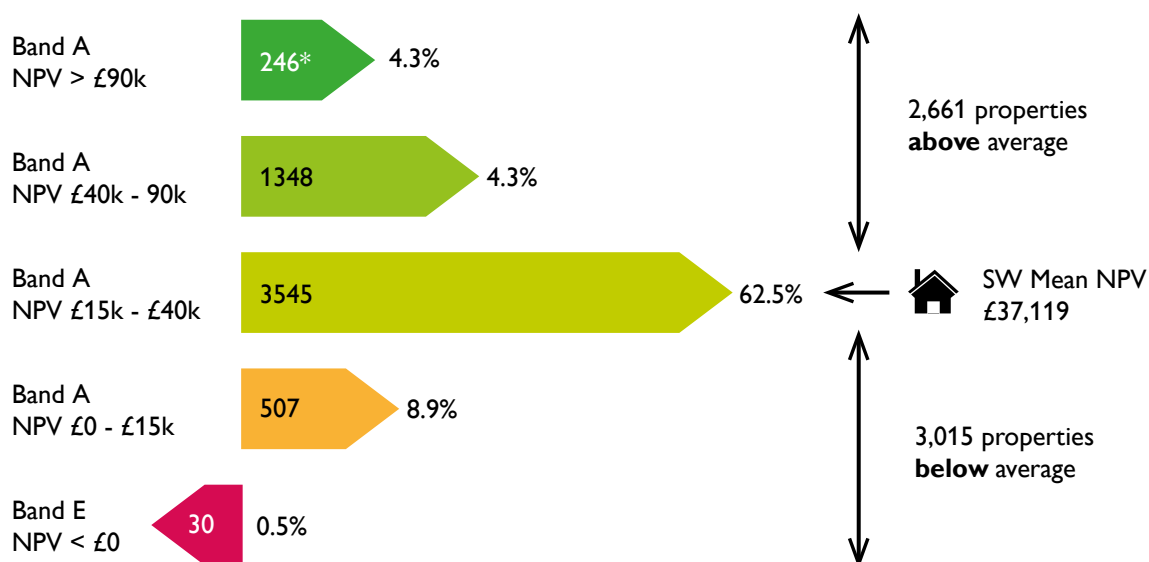
Saxon Weald's PAM incorporates data from 5,676 tenanted homes of a range of different tenancies including general needs, retirement, extra care, supported and market rent. For the purposes of the analysis, the stock has been split into 158 asset groups, based on the physical and geographical characteristics of each property.

Financial Performance

The key outputs from PAM are as follows:

- 30-year net present value (NPV) of the income and expenditure of the units stands at an average of £37,119 per unit, equivalent to £210.69m across the stock.
- Only one asset group of 30 units (0.53%) has a mean NPV of below £0.
- 15 asset groups, containing 618 units (8.93%), have a 'marginal' average NPV of between £0 and £15,000.
- 142 asset groups made up of 5,139 properties, have a 'strong' financial performance over the 30 years, with an NPV of over £15,000.

The illustration below gives a further breakdown and indication of the performance of the asset groups within Saxon Weald's stock:

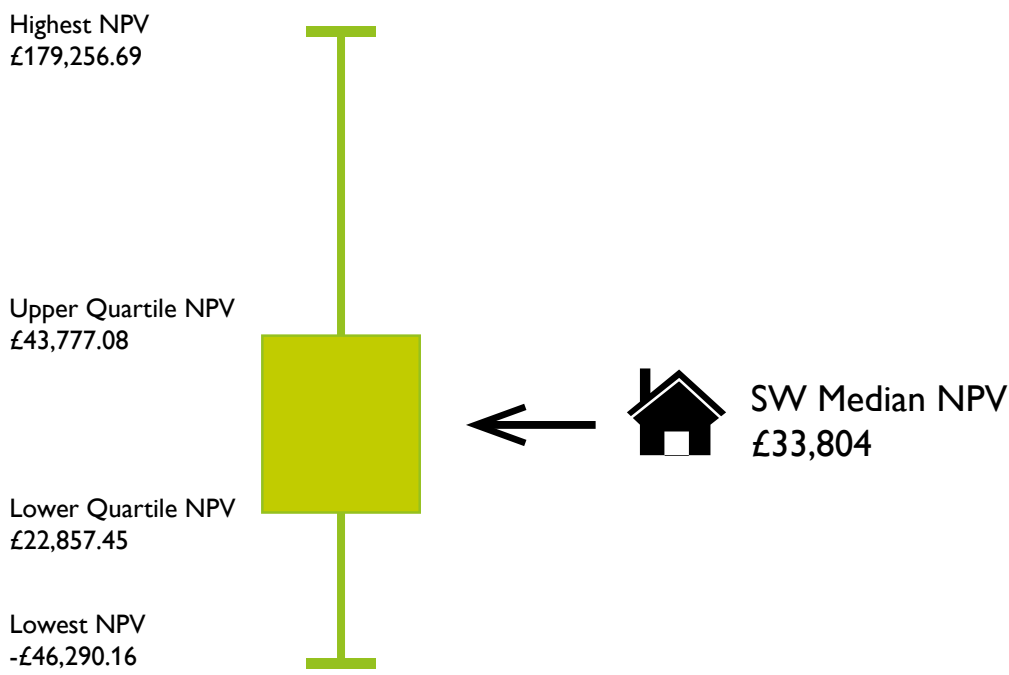


* Number of properties in band, Total properties = 5,676

This division of the stock outlines the areas that require investment and demonstrates the strong performance of Saxon Weald's stock. The reasons why 30 properties have a negative NPV are being investigated further to

determine what action, if any, should be taken. It should be noted that the values above are based on the mean NPVs of the asset groups. A number of properties have a disproportionate effect on the mean NPV. Saxon Weald's 81 units in the private rented sector (PRS) significantly increase the average performance. As a result of these outliers, it was decided that a different metric may provide a more suitable analysis of the financial performance of the stock.

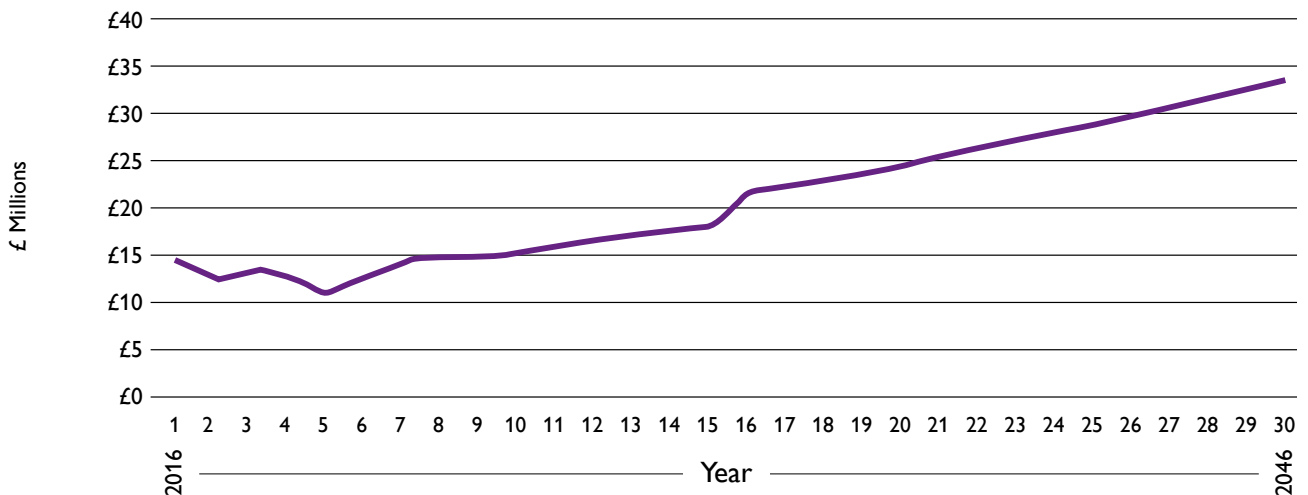
The chart below gives a clearer indication of the spread of the net present values of individual units. Whilst the lowest property NPV is -£46,290 and the highest is £179,257, the lower and upper quartiles are grouped quite closely together. This range is known as the interquartile range (IQR) and represents the 'middle' 50% of Saxon Weald's stock. Using the IQR and median NPV gives a robust measure of variance – this method of analysis is more appropriate when considering the profile of the stock, since it is not affected by the outlying properties – in this instance the PRS units. An IQR of £20,920 demonstrates that a majority of Saxon Weald's stock has a consistently strong financial performance over the 30 year period. As such, although it does not compare favourably to the mean NPV, the most appropriate measure of the performance of Saxon Weald's stock should be considered to be the median NPV - £33,804.



5. How have we done?

The model indicates that across the tenanted stock a total of £225.4m will be required for planned works across the next 30 years. This is equivalent to £39,710 per unit. It is anticipated that this figure will change in future iterations of PAM as the data held is improved and the costs achieved in areas of investment vary over time. Saxon Weald's total weekly starting rent is £647,535. This is equivalent to £114.08 per unit. The impact of the reductions in social housing rents over the next three years is reflected in the value of Saxon Weald's cash flows in the short term, as seen in the overall trend of the chart below. Thereafter the position becomes stronger as restrictions on rent increases are lifted.

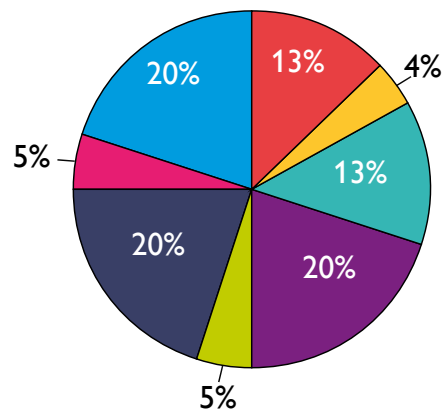
Total Cashflow



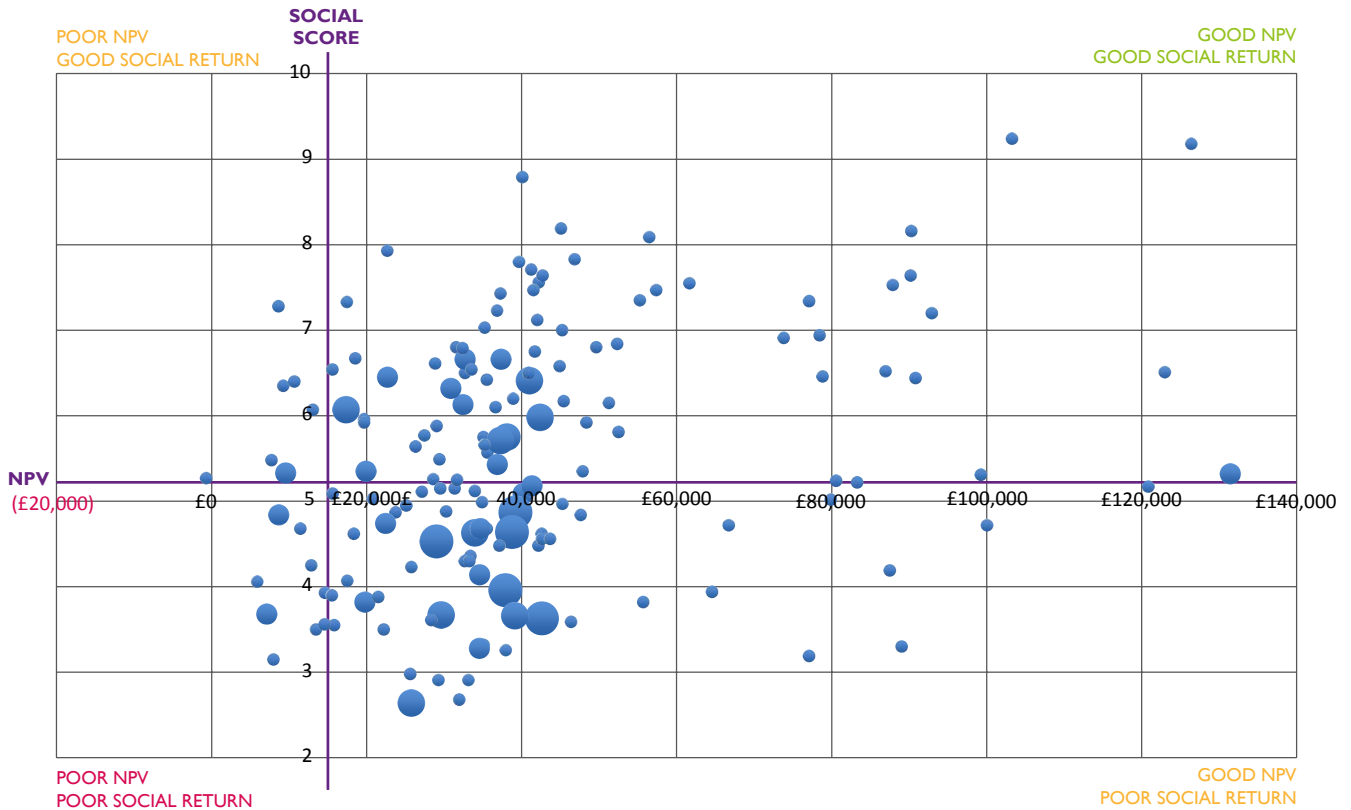
Social Performance

The sustainability score for each property was calculated using the weightings below. These scores are drawn up relative to Saxon Weald's stock – that is to say areas score well or poorly relative to the rest of the portfolio. The highest scoring properties (8.0 and above) are all newer properties; benefitting from improved thermal efficiency, affordable heating, high tenant satisfaction and in many cases lower social deprivation. Conversely, the lowest scoring areas (3.5 and below) are impacted due to the fact that they are situated in low-income areas of higher social deprivation, have lower tenant satisfaction and are perceived to be areas of lower desirability by Saxon Weald's housing team. They also tend to suffer from poor thermal efficiency and as a result higher heating costs due to their age.

Energy efficiency composite indicator - SAP	13%
Energy efficiency composite indicator - Heating type	4%
Energy efficiency composite indicator - Income IMD	13%
Tenant satisfaction	20%
Rates of refusals	5%
Desirability	20%
Proximity to local services	5%
Social deprivation IMD	20%



Plotting NPV and the social return on the same chart indicates clearly which homes have both a low NPV and a low social return, in the lower left quadrant. These are the properties to focus on.



The chart above plots the social return of Saxon Weald's properties against the NPV. Each 'bubble' represents an asset group, the larger the size of the bubble the greater the number of properties that are in the asset group. Social return is scored out of 10 on the vertical axis, whilst the NPV of properties is plotted against the horizontal axis.

Properties located above the horizontal axis have a good social return. The assets that also have a higher NPV tend to be new properties, these properties benefit from having a strong financial performance across 30 years and a high social value. A greater number of properties have lower NPVs but still have a good social return. These make up a large portion of the stock, offering social benefits to residents whilst still representing a good financial return for Saxon Weald across 30 years.

Homes that sit below the horizontal axis all have lower social return. There are fewer properties with high NPVs among those asset groups with a low social return. Many of these properties are of older construction and as such tend to suffer from poor thermal efficiency and as a result higher heating costs.

It is important to note that with all such analysis the quality of the data used is critical. Poor data will substantially reduce the validity of the analysis and output, and possibly be misleading. For this reason, to obtain the most value from this type of analysis requires an iterative process as the quality of the data is improved. It is also important to note that any analysis of return on assets (financial, social and environmental) is simply a starting point, not an end in itself. This analysis

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helps determine relative return and which groups of properties should be prioritised for more detailed analysis and options appraisal.

PAM has been used to validate the programme of work for 2017/18 ensuring that properties in need of investment are prioritised. In preparation for the 2018/19 programme, PAM has identified properties that require investment and this will be validated by survey in the near future.

5(c) What VFM gains we said we would achieve in 2016/17

We said

Inevitably, the reduction of rental income over the period 2016/2019 significantly influences our plans for VFM savings in 2016/17 and beyond. Saxon Weald's strategy is to continue to develop new homes. To do this, substantial efficiencies have been and will be made. The Board has agreed that £2.3m of recurrent revenue savings will be made by 2019. During 2016/17, we will make cash VFM savings of £1.3m. These savings have been built in to the 2016/17 budget and are made up as follows:

	£m
General staffing: gross £0.5m less increase costs of £0.2m to give net	0.3
Asset management non- staff	0.2
Housing management non-staff	0.2
Income generation	0.2
HomeFix including staff	0.4
Total	1.3

We also aim to make non-cash VFM improvements during 2016/17. These are:

- Restructure our customer service staff into a single team which will result in greater efficiencies through improved flexibility and cover arrangements;
- Continue to improve our Customer Relationship Management (CRM) system to include all email contacts and social media contacts;
- Continue to improve our in-house information knowledge system which provides the customer service teams with all relevant information and scripts to deal with customer queries;
- Deliver a new bespoke customer service training programme which will ensure staff have the right skills and tools available to them to deal with queries at the first point of contact. This programme includes training on the behaviours and attitudes required to deliver good customer service but also on the use of the new CRM and information systems necessary to aid the effective resolution of customer queries;
- Heavily promote our self-service portal which is a more efficient way of doing business both for the customer and for us. Over time, we will look to see a reducing number of telephone calls coming into the organisation as more people do business with us via the portal. We will be anticipating associated efficiencies in staff time over a longer timescale as a result;
- For HomeFix we will maximise operatives' productive time and reduce travel costs. We aim to achieve a first time

What VFM gains we said we would achieve in 2016/17

fix rate of 85%, reduce the time to complete a repair to eight days and maintain tenant satisfaction with repairs at 85%+;

- Complete a five-year revolving £20m loan to enable Saxon Weald to continue to make development commitments;
- An independent review of pension provision at Saxon Weald;
- Achieve an operating margin greater than 30% and a cash interest cover of at least 150%;
- Start on site in 2016/17, the development of 122 new homes; and
- Continue to improve our understanding of financial and social return on assets and identify the worst performing homes and understand why, to inform our decision making.

We did

The recurrent savings of £1.3m for 2016/17 identified in the last self-assessment and built into the 2016/17 budget have all been achieved. During 2016-17, Saxon Weald made a surplus of £7.8m which is £4.5m above the target surplus for the year. Most of the improvement in performance against budget reflects one-off events, including better than anticipated surplus on sales, lower interest costs due to a delay in completing the Abbey National loan and an unrealised gain on investment properties.

The two customer teams were brought together in January 2017 to form a single customer support team. The efficiencies created in this merger have resulted in the reduction of 1.5 full time posts – a saving of £39k (in addition to the £158k year on year savings made through the restructure in 2015/16). The customer support team have primary responsibility for responding to all customer contacts received through our main telephone, email and social media channels.

All contacts received through social media (e.g. Facebook) are responded to by a member of the customer support team. These contacts are then

recorded on our CRM system using a new “Web Contact” case category. Email integration (the recording of email contact) commenced in January 2017. The customer support team are trialling this system before it is rolled out across the company. The recording of all customer contact on the CRM system will enable staff to access and check historic communications and therefore provide customers with quicker responses and a more effective service.

Version two of our in-house knowledge base, ‘Harold’, was updated in December 2016. The new system allows users to sign in, highlight information and suggest updates or comment on feedback. This enables us to ensure that Harold is continuously updated to reflect the most common customer issues and enquiries, enabling a quicker and more efficient response to customers who contact us.

Our in-house customer service training programme has been revised to better respond to the specific training needs identified in the 2015/16 staff survey and personal development plans. The new programme is scheduled to launch in summer 2017 and will be delivered by service managers. The induction programme for new staff has also been revised and it includes a new staff induction film. The film, developed in conjunction with colleagues from different departments across the company, introduces new employees to our culture. It will be used to engage them in a relaxed and informal conversation with their line manager about ‘the Saxon Weald way’ at an early stage of their employment with us.

Saxon Weald’s self-service portal went live in March 2016. It is a customer-facing web-based system that our customers will be able to use. The portal will allow people to check their rent account, report a repair and make a payment on line. Numbers registered for and using the portal continued to increase in 2016/17 and by 31 March 2017, 900 residents had registered to use the portal, well over the target of 650. Moving customer transactions to automated systems, or channel-shifting, provides a cheaper per-transaction cost.

5. How have we done?

The materials supply chain now provided by Buildbase at our Southwater store has significantly contributed to efficiency. Where the operatives are concerned, this is primarily in reduced travelling time owing to the more central location, but also includes an improved van stock process and next day delivery of special orders. During contract negotiations, a comparison of costs with our previous supplier revealed like-for-like savings of at least £50k per annum which we continue to benefit from. The implementation of an electronic ordering and invoicing system with Buildbase has supported the reduction of 1.5 staff in the business support team. Taken together, the value for money outcome is worth at least £150k per annum.

The first-time fix rate is a measure of how good we are at sending an operative with the right skills and materials to fix the job at the first visit. The average first-time fix rate for 2016/17 is just over 91%.

This year the average time to complete a job has been a disappointing 13 days for two main reasons. Firstly, we had a backlog of fencing jobs carried over from storm "Katie" in March 2016. In order to control costs, it was decided to do these jobs when resources allowed rather than outsource them to a contractor which extended the completion timescales for some jobs out to three or four months. The backlog has been cleared. Secondly, it has been a challenge to find the right balance between responsive jobs and the additional work that HomeFix now do. As we become more experienced and find the right level of staff resources this should improve. It should be noted that electrical and plumbing jobs, which make up just over three quarters of all jobs, have been delivered in less than 10 days on average during the year.

Tenant satisfaction with the repairs service is above the upper quartile of the peer group at 96% in 2016/17, as measured through the independent (Voluntas) survey of tenants who

have had a repair.

The five-year revolving loan with the Abbey National was completed in July 2016. This loan is now fully secured and available for drawdown when needed.

During 2016/17, Saxon Weald carried out a review of pension provision with the help of independent consultants. The outcome was a decision to introduce a defined contribution pension scheme. The scheme became operational in June 2017 and all new staff are auto-enrolled on to the scheme. The West Sussex County Council Pension Scheme remains open and new staff may transfer to it once they have completed their probationary period. It is anticipated that, in the medium term, the new defined contribution scheme will reduce costs and risk for Saxon Weald.

Saxon Weald more than met all its internal financial rules during 2016/17, including an operating margin (excluding sales) of 41% and a cash interest cover of 199%.

During 2016/17, 131 new homes were completed and 81 market rents homes purchased. The new homes comprise 60 affordable rent homes for older people, six general needs affordable rent homes, 20 shared ownership homes and 45 sale homes for eligible older people. 27 homes started on site, 20 of these were at the site at Cowfold where we are developing general needs affordable rented homes. The other seven were at the Angmering site and these will all be for shared ownership. We expected to start on site at Winterton Court during the year; but due to a second planning refusal the scheme was delayed. Planning approval was obtained at the end of the year, and the homes will start on site during 2017/18.

During 2016/17, Saxon Weald worked with Savills to reinvigorate Saxon Weald's return on asset model called the Proactive Asset Management model (PAM). The model was updated and an

analysis of all stock carried on the basis of the 2015/16 actual costs and income. PAM has been used to validate the programme of work for 2017/18 ensuring that properties in need of investment are prioritised. In preparation for the 2018/19 programme, PAM has identified properties that require investment and this will be validated by survey in the near future.

6. Plans for the Future

In response to the rent reductions and in order to continue to develop new homes, Saxon Weald decided to make efficiencies of £2.3m over the period 2016/17 to 2019/20. £1.3m of these recurrent savings were achieved in 2016/17, leaving a balance of £1m to be made in 2017/18 to 2019/20. HomeFix will contribute £0.3m of this by continuing to improve its operating efficiency and extend the work it does to spread its overheads over a higher volume of activity. The contingency of £0.25m built into the budget will be removed. £50,000 of additional interest will be capitalised, reflecting the development programme. The housing department will make an additional £40,000 of efficiencies. The remaining £0.4m will be generated from new developments making a contribution to the surplus from 2019/20.

The efficiencies to be achieved in 2017/18 are:

	£000
Housing management non-staff	20
Capitalised interest	50
HomeFix	170
Total	240

These efficiencies have been built into the budget for 2017/18 and will be monitored as part of the management accounts. In addition to these

efficiencies, further savings of £250,000 have also been identified and built into the 2017/18 budget.

We also aim to make many non-cash VfM improvements during 2017/18. These are:

- Reduce staffing in the new single customer service team by 1.5 posts and review office opening hours and telephone answering hours to free up time to complete value added tasks and encourage the use of the self-service portal.
- Develop a new customer service strategy building on the existing strategy. This will set out how Saxon Weald will encourage customers to engage with Saxon Weald digitally. This channel shift will reduce both transaction costs and meet the expectations of those customers who prefer to engage with us online at the time of their choosing.
- Further develop the self-service portal to allow much better access from mobile phones to help increase the use of the portal.
- Carry out a full review of the complaints process with the objective of addressing system issues, reduce the administrative time and cost involved and improve the experience for the customer.
- Extend the use of the in-house repairs team, HomeFix, to boiler installations, the programme of fire door replacements, all of the kitchen and bathroom replacements and the cyclical works programme. This will enable HomeFix to spread its overheads over a larger volume of work and provide a better and more cost effective service to asset management.
- Implement a new planned works system for HomeFix to improve scheduling and cost management.
- Implement a new integrated and comprehensive asset management system to enable wider access to the asset management programme and improve the efficiency of programme management.
- Introduce paperless direct debits to speed up the process and plan for the introduction of

5. How have we done?

daily direct debits to help our tenants pay their rent.

- Achieve an operating margin (excluding sales) greater than 30%, a cash interest cover of at least 150% and an EBITDA MRI of at least 120%.
- Start on site in 2017/18, the development of 100+ new homes.
- Continue to improve our understanding of financial and social return on assets and identify the worst performing homes and understand why.

We consider that we perform well in delivering value for money in the context of achieving our strategic objectives. To Saxon Weald, VfM is about improving customer service, savings through the more efficient and economical use of resources, achieving the best financial and social return from the assets we have and delivering new homes for those who need them.

Saxon Weald has an embedded culture of striving to achieve VfM in all we do, guided by our VfM strategy. The Board is responsible for ensuring that Saxon Weald delivers VfM and makes decisions on the efficient and effective use of resources through the resource allocation and business planning framework. We use the golden thread of performance management to ensure that everything we do delivers VfM in achieving our purpose and strategic aims and objectives.

Key performance indicators and financial information are reviewed by and often provoke challenge from the Board at our eight meetings each year. Saxon Weald has a good understanding of its costs and how these and its performance compare with others. We have a track record of using option appraisal analysis to make decisions about retirement schemes and general needs properties. We will make further progress on systematically understanding the return (including social return) on groups of assets. VfM can never be fully achieved, but it is something that Saxon Weald consistently strives for.

By Order of the Board
Simon Turpitt, Chairman

17 July 2017

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Housemark Benchmark Data - Peer Group Housing Associations

Organisation	Total number of all properties	% properties general needs	% properties older people	Organisation annual turnover	In-house repairs team	Number of properties developed
Saxon Weald	6376	63.0%	24.8%	£40,148,843	Yes	150
B3 Living	6034	48.9%	10.3%	£24,744,397	Yes	119
Bracknell Forest Homes	9727	57.2%	3.8%	£39,647,044	Yes	109
Broadland Housing association	5323	76.6%	11.2%	£28,483,000	Yes	2
CHP (Chelmer Housing partnership)	10325	56.4%	21.0%	£51,428,759	Yes	319
Cottsway Housing association	4701	87.6%	3.7%	£29,665,759	Yes	27
Estuary Housing association	4305	77.6%	1.8%	£33,243,415	Yes	160
Greenfield Community housing	11411	65.4%	3.4%	£45,530,307	Yes	64
Hightown Housing association	4925	56.3%	1.6%	£42,828,299	No	393
Housing Solutions	5572	65.2%	4.9%	£38,069,781	Yes	283
Paragon Community Housing	10596	55.8%	10.2%	£55,150,523	No	203
Raven Housing Trust	6393	74.7%	5.5%	£35,538,552	Yes	113
Red Kite Community Housing	8173	49.8%	22.5%	£36,507,023	No	0
Sentinel Housing association	9734	78.7%	4.2%	£56,668,197	Yes	448
Soha Housing association	6478	75.3%	11.1%	£35,197,612	No	276
Swan Housing association	10847	62.1%	0.7%	£56,347,023	No	504
Thrive Homes	4293	74.8%	13.6%	£26,666,202	Yes	0
Town and Country Housing group	9483	79.3%	5.4%	£50,844,626	No	325
Vales of Aylesbury Housing trust	10048	67.2%	5.8%	£44,028,164	Yes	52
West Kent Housing association	6895	77.3%	13.2%	£41,846,876	Yes	140
Worthing Homes	4027	74.3%	5.3%	£20,034,116	Yes	0



Saxon
Weald

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