



Saxon
Weald

Saxon Weald Homes Limited Group

Value for money self-assessment

For the year ended 31 March 2015



Company Registered number 3847737

Registered Charity Number 1114158

Registered with the Homes and Communities Agency L4299



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1. Strategy

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, savings through the more efficient and economical use of resources and achieving the best financial and social return from the assets we have.

This value for money self-assessment is also available as a stand-alone document on our website.

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.

Our purpose is to improve the quality of life for our customers and neighbourhoods through well-managed, affordable homes.

Our strategic objectives help guide the organisation to where we want it to be in the future and provide a framework within which Saxon Weald determines annual corporate objectives. Saxon Weald's strategic objectives are:

- To become and be acknowledged as an excellent organisation with excellent customer service;
- To grow in Sussex and Hampshire to a target size of 10,000 homes;
- To establish and maintain a vibrant workforce, creating a dynamic, challenging but fun place to work;
- To develop our role as a leader in older people's housing; and
- To remain independent and financially strong.



2. About Saxon Weald

Saxon Weald Homes Ltd ('Saxon Weald') is limited by guarantee, does not have a 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 Commissioners.

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 1,000 new homes, demolished and re-provided some outdated retirement (sheltered) schemes, acquired nearly 600 homes from other housing associations, and has sold 289 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.



A customer repairs adviser at Saxon Weald

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 homes sold under the right to buy/acquire legislation where we retain the freehold; almost 29% of our homes are for older people. This includes nine 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 and 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	3,426	1,122	323	64	4,935
Affordable rent	478	33	-	42	553
Shared ownership	119	-	-	-	119
Shared equity	-	22	124	-	146
Total	4,023	1,177	447	106	5,753

Over 4,900 of our homes or 86% are in West Sussex (all but 260 within the Horsham district), 300 in East Sussex and 520 in Hampshire. In addition, we manage the freehold of 460 properties in the Horsham district sold under the right to buy/right to acquire 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 in to 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 monthly management accounts suite of information;
- The performance management system, within which corporate objectives, which relate to our purpose and strategic objectives, are reviewed and agreed annually by our Board. Departmental and personal objectives flow from the corporate objectives;
- 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, service teams and our involved residents, by way of the Service Interest Groups (SIGs) and our Residents' Action Panel (RAP);
- Key strategies (particularly VFM, procurement, customer service, and continuous improvement strategies) and the associated actions plans which are approved and monitored by the Board;
- The annual risk map, which identifies key risks and counter measures. The Board receives regular reports on key risks;
- 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 objectives;
- Determining the planned programme of business improvement reviews (SWIPes), receiving reports on the findings, the planned improvements and the outcome of the changes implemented; and
- Minutes from Resident Action Panel (RAP).

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;
- 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 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 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.



Residents from Saxon Weald attending a community event at the Drill Hall, Horsham

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 objectives and the third part (5c) summarises what we said we would do last year and what we have achieved.

5(a) Costs, performance and benchmarking

The following table shows key cost and financial measures on a simple and therefore broad-brush basis, over time and using the global accounts for housing associations, the average for traditional housing associations, stock transfers (LSVT) and all housing associations (All).

	Saxon Weald				Global Accounts Average				
	2015	2014	2013	2012	Traditional 2014	LSVT 2014	All 2014	All 2013	All 2012
Management costs per home	£693	£666	£629	£657	£1,032	£936	£990	£952	£908
Responsive repair & void cost per home	£754	£654	£501	£506	£705	£721	£712	£699	£699
Service & support cost per home	£926	£937	£902	£861	£700	£282	£517	£498	£555
Operating cost per home	£4,154	£3,937	£3,499	£3,297	£4,446	£3,472	£4,020	£3,883	£3,331
Operating margin excluding sales	33%	34%	38%	36%	34%	30%	33%	33%	24%
Cash interest cover	160%	146%	163%*	267%	158%	145%	154%	138%	116%

*excluding early repayment and breakage costs.

Saxon Weald's 2013 and 2012 figures have been restated to reflect a prior year adjustment.

The management costs per home are significantly below the average for both traditional and LSVT associations, the cost of responsive repairs (including void works) per home in 2014/15 is above the average for both traditional and LSVT associations and has increased from £654 per home in 2013/14 to £754 per home in 2014/15. This increase reflects the continued impact of the severe storms in late 2013/14 on repairs in the first half of 2014/15, particularly for fence replacement, roofing and for damp issues where root cause analysis took some time and a period of drying out was necessary before repair work took place. This resulted in an overspend of £0.8m (£145 per home) on responsive maintenance. The number of repairs completed returned to normal levels in the second half of the year. The service and support costs per home (which is largely matched by income) is nearly double that of the average of traditional and LSVT associations together (All). This is because housing for older people (retirement and extra care schemes) makes up 28% of our homes, 30% if other supported housing is included. This is atypical for a housing association; for Southern LSVT associations (2,500-7,500 units) the average proportion is 12%. The cost of the provision of services and

support for retirement and extra care schemes is in excess of £2,700 per home per annum and for general needs homes is just £210 per home per annum. It is therefore not surprising that Saxon Weald's operating cost per home is over £600 more than the average for LSVT associations.

Saxon Weald's operating margin (excluding sales) is good at 33% for 2014/15 and at or above the average for housing associations. Similarly, Saxon Weald's cash interest cover at 160% is better than the average for LSVT housing associations.

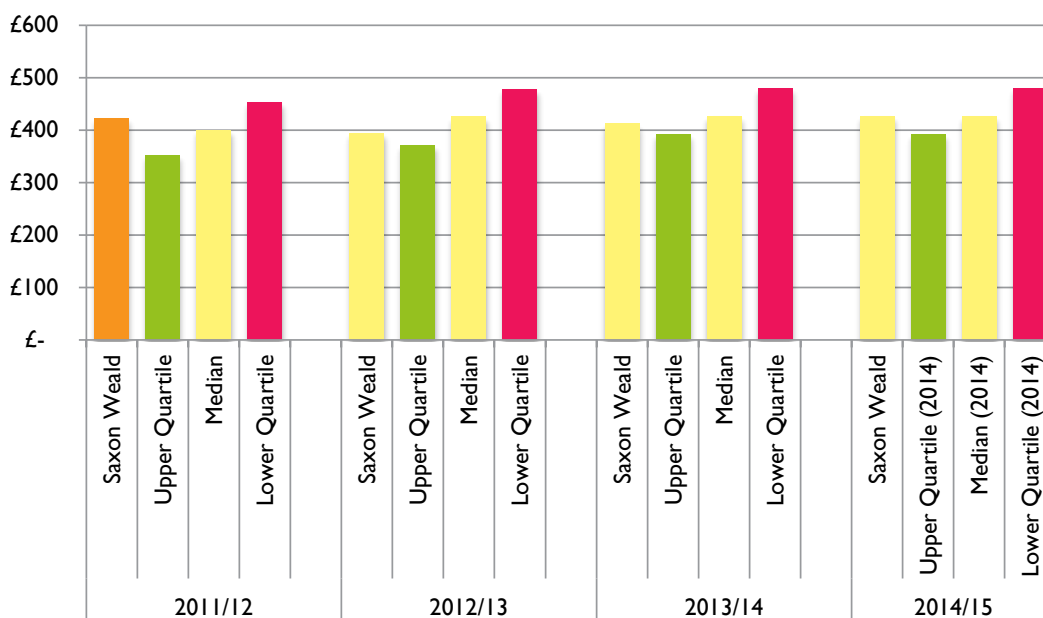
Activity Benchmarking

The following section uses data from HouseMark to benchmark costs and performance over time and against LSVT housing associations in the south of England with stock of between 2,500 and 7,500 units. A list of the comparator housing associations is attached at Appendix A to this self-assessment. The HouseMark benchmarking methodology validates each housing associations 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 2014/15 for comparisons to be robust; therefore data from 2013/14 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.

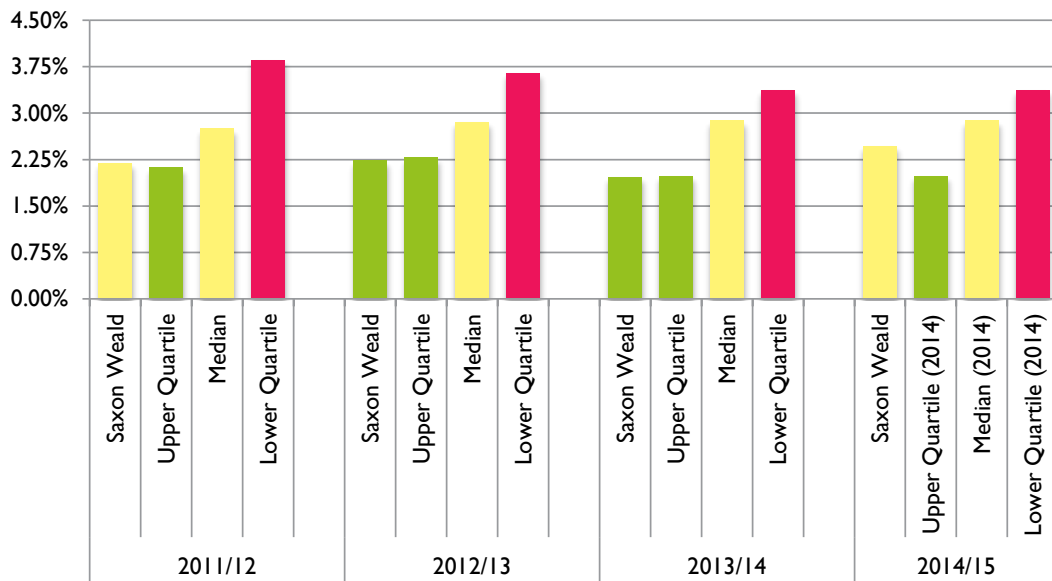
Housing Management

Total cost per property - Housing Management



With the exception of 2011/12, Saxon Weald's housing management cost per property is below the median cost. This means that more than 50% of the peer group have higher costs.

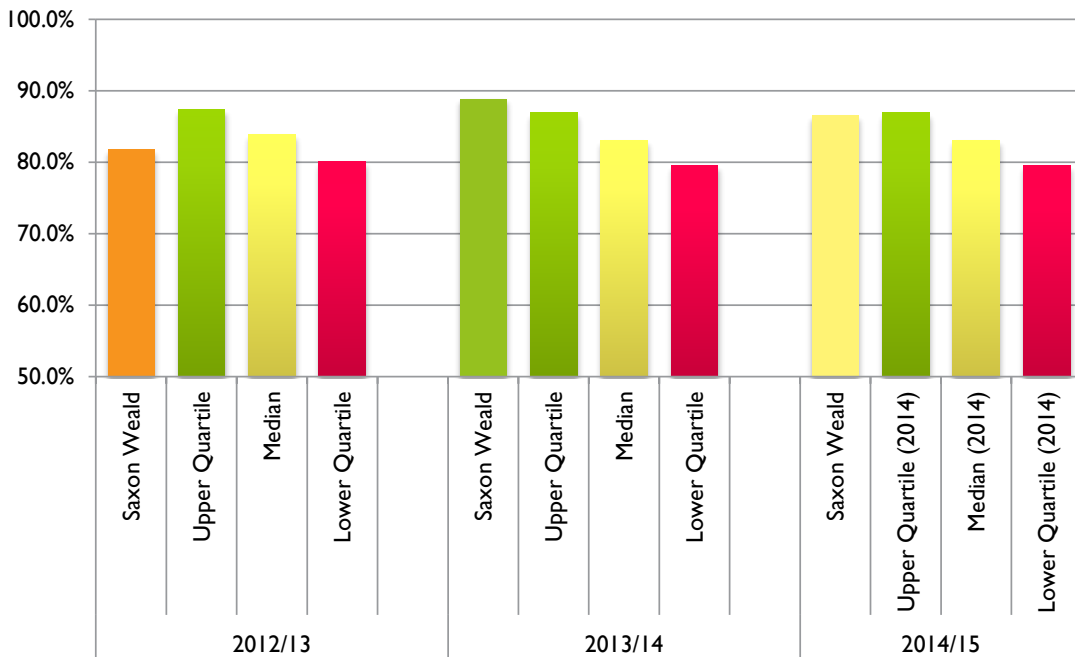
Current tenant arrears - % of total rent debt



Rent arrears as at 31 March.

The chart shows a fairly stable performance over the period 2011/12 to 2013/14, with arrears for 2014/15 at 2.5% which is below the median of 2.9%. This means that more than 50% of the peer group have higher arrears.

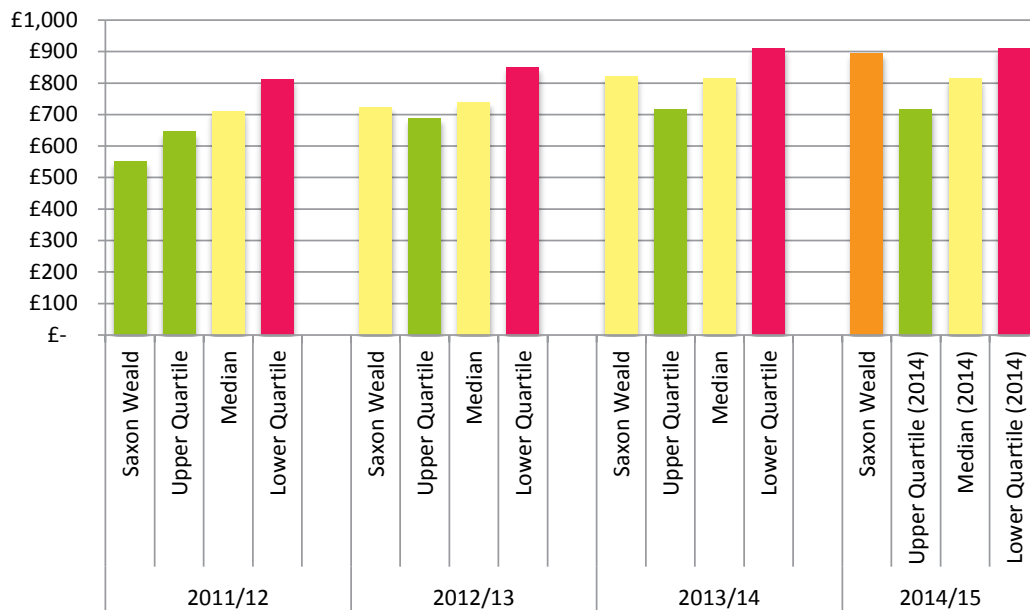
Satisfaction with rent as VfM - All tenants



Satisfaction from our tenants that rent is value for money is high over the three years and in 2014/15, 87% are very or fairly satisfied that rent is VfM. This would place us just below the top 25% of our peer group.

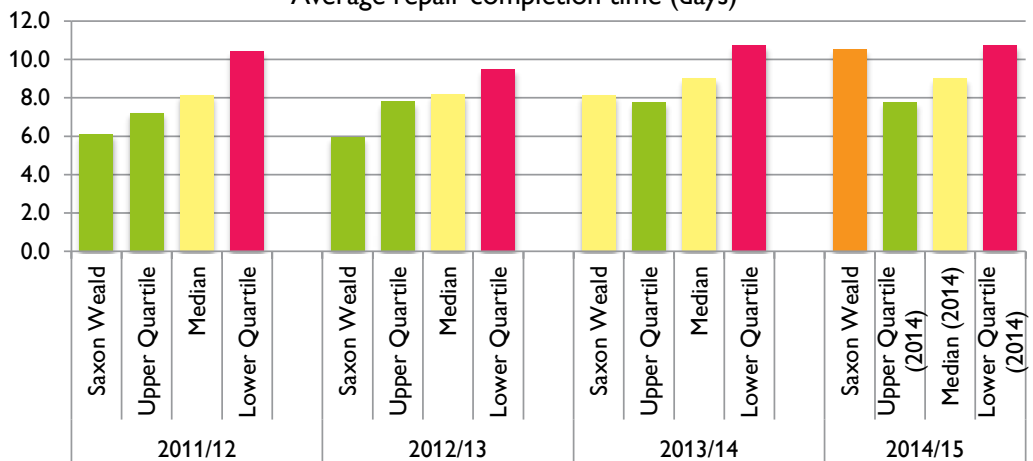
Responsive Repairs and Minor Voids

Cost per property - Responsive repairs & minor voids



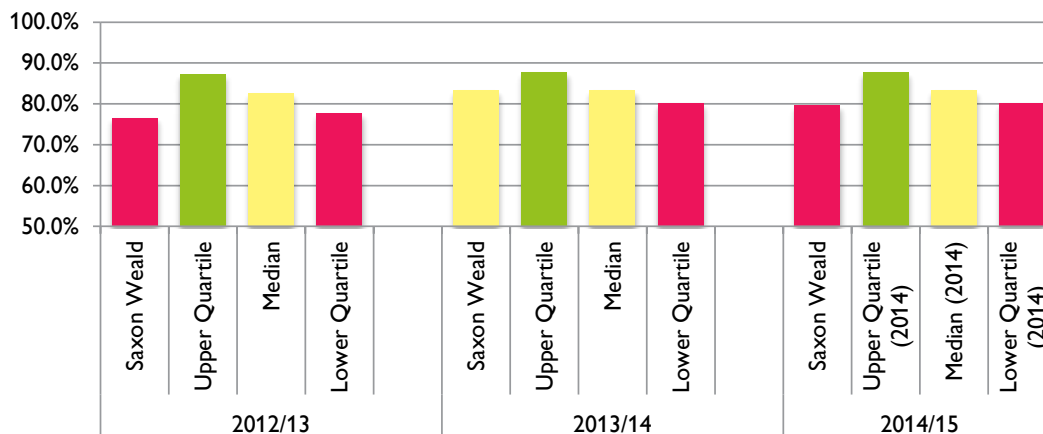
This chart shows that the cost of responsive repairs and minor voids per property was in the lowest 25% of our peer group in 2011/12 and 2012/13. However, cost per property increased in 2013/14 and 2014/15, so that Saxon Weald's cost per property is now higher than the median for housing associations in the peer group. Two key factors have driven this increase: additional work arising from the prolonged period of bad weather experienced during the winter of 2013/14, which led to a 50% increase in demand on the responsive repairs service for a period of some six months; and a higher than expected number of major voids. Whilst this is disappointing, the reasons are well understood and particularly where the severe storms are concerned (the worst in 200 years), are unlikely to occur again. Section 5(b) further considers HomeFix, Saxon Weald's in-house repairs team.

Average repair completion time (days)

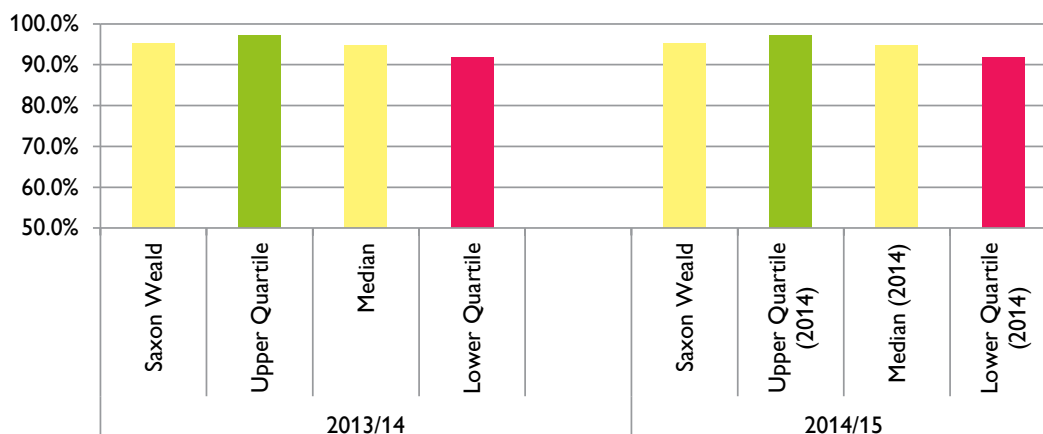


The average time to complete a repair increased from 6.1 days in 2011/12 to 10.6 days in 2014/15, from a position within the best 25% performing housing associations to above median performance and close to, but not in, the lowest 25% of performing housing associations. Again, whilst this is disappointing, it reflects the problems caused by the extreme weather in early 2014 which caused a backlog of repairs jobs in the first half of 2014/15. By March 2015, job completion times had reduced to 8.2 days and are continuing to improve.

Satisfaction with repairs service - all tenants

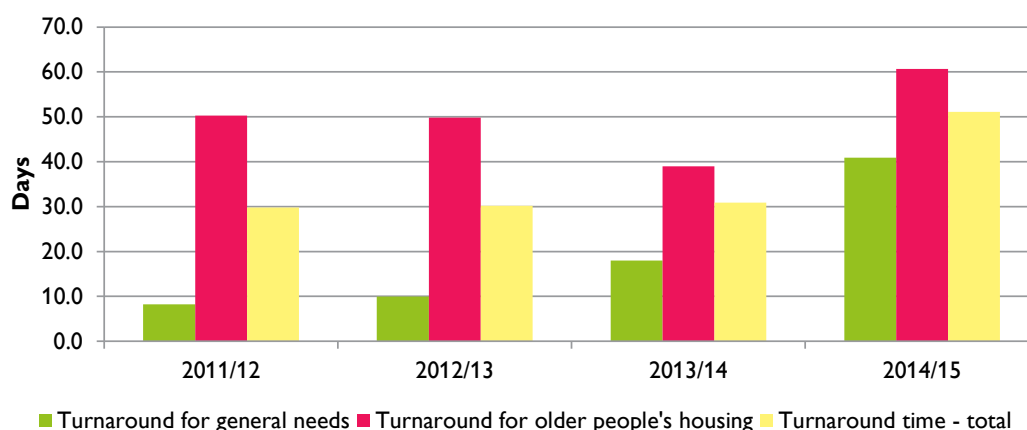


Satisfaction with last repair



Tenant satisfaction with the repairs service as measured through STAR improved in 2013/14 and then given the problems in 2014/15, fell back again. This is disappointing. However, the survey of tenants who had just had a repair completed, shows tenant satisfaction with that repair maintained at 95%, which, considering the difficult operating environment, is pleasing.

Time to let empty properties - split by tenure

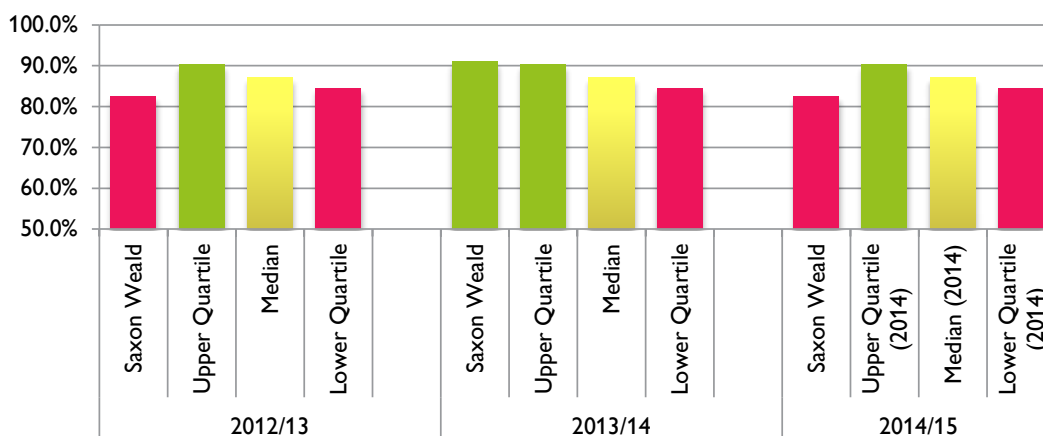


The chart above illustrates that the time to let empty properties for older people's housing is much longer than for general needs housing. This is because of the multiple agencies involved in extra care housing and the requirement to assess individual needs. Saxon Weald is atypical for the peer group, with 27% of rented

properties for older people, much higher than usual. However, over the four years the time to let older people's properties has improved from 92 days to 32 days. This partly reflects a real focus on letting properties quickly and the continuing impact of the asset management strategy of re-modelling, demolishing and selling unsuitable retirement schemes and building new modern schemes.

The increase in the turnaround time for general needs properties from 10 days in 2012/13 to 18 days in 2013/14, reflects the review of the void process which showed that Saxon Weald had not been meeting the lettable standard consistently. This has changed and it is therefore taking longer to complete void works. It is anticipated that general needs turnaround will improve in 2014/15.

Overall satisfaction - all tenants

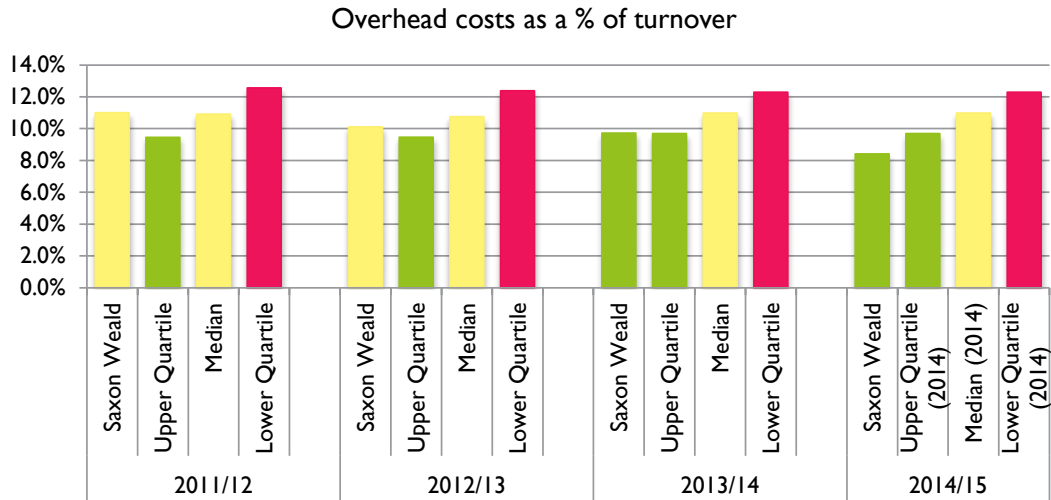


Benchmarking data is not available for the time to let empty properties separately for general needs and older people's housing. Therefore as a result of the high proportion of older people's housing within our stock, Saxon Weald is consistently in the lowest 25% of performers.

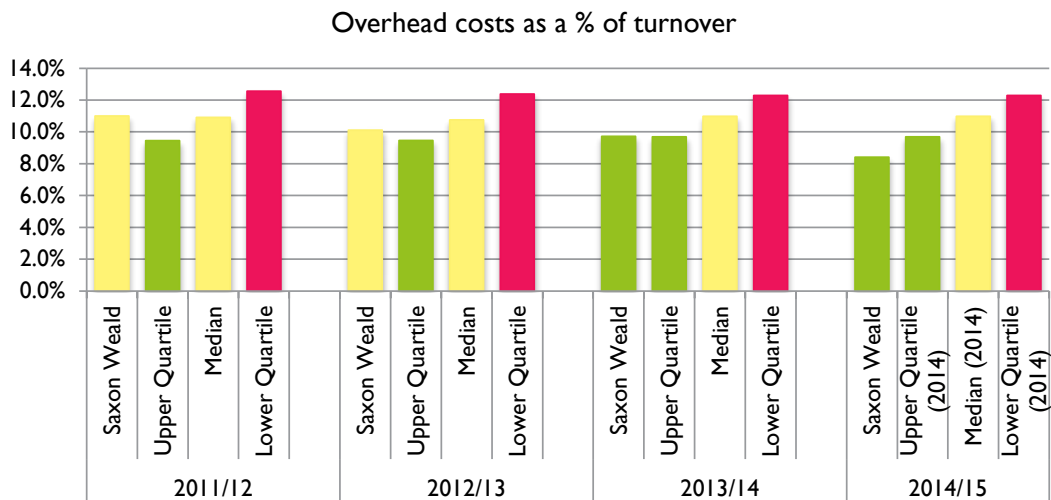
Saxon Weald performs relatively well in terms of void rent loss, which also takes into account the number of properties becoming void. Void rent loss has progressively improved from 2010/11 at 1.6% to 1.2% in 2014/15.

Overheads

These are central service costs that do not provide services directly to our residents, such as the cost of 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 allowed us to move from the median position into the upper quartile.



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 fell back to 82% in 2014/15 from 91% in the previous year. We have always prided ourselves on our customer service – having friendly, professional staff who do their best to effectively resolve customer queries and concerns. So, we were hugely disappointed to see our overall resident satisfaction results falling last year. By November 2014 we had started on a two-year improvement project and in December the Board approved a new customer service strategy.

5(b) Strategic Objectives and VFM

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

To become and be acknowledged as an excellent organisation with excellent customer service

Customer Service

Saxon Weald was disappointed that an independent STAR survey of our tenants and residents (including leaseholders) in April 2012, showed that only 80% of all our residents were very or fairly satisfied with the overall service they receive from Saxon Weald.

What we did

In the summer of 2013, Saxon Weald carried its biggest ever resident consultation exercise (Saxon Weald's "Let Us Have It" campaign) to find out what our residents thought of the homes and services Saxon Weald provides. Almost 2,400 residents took part.

Although the average score given was 8 out of 10, it was clear that we need to improve customer service. This included:

- Improve our communication with customers;
- Improve our knowledge and understanding of the contact we have had with customers in order to provide an improved service;
- Be better able to respond to people's individual needs and circumstances; and
- Improve reliability and dependability in our dealings with customers and ensure we get things right first time.

What we found

The result at a 95% confidence level was that 90.9% (+/- 1.6%) of tenants, excluding leaseholders, were very or fairly satisfied with the overall service provided by Saxon Weald, compared to the 82.6% of tenants in the April 2012 survey. Disappointingly, for April 2014 to March 2015 the corresponding level of overall tenant satisfaction fell back to 82.3% (+/- 2.1%). This was perhaps to be expected. An increase in overall tenant satisfaction of almost 10%, in such a short time period and when Saxon Weald had only just begun to address the issues identified, seemed 'too good to be true'. It may be that the "Let Us Have It" campaign itself, where around 50% of our tenants were directly engaged in a conversation by a member of staff produce a short-term peak in overall satisfaction. In addition, the impact of the severe storms in early 2014 on the performance of the repairs service will undoubtedly have reduced overall tenant satisfaction. Finally, as Saxon Weald stated in the 2013/14 VFM self-assessment "It is possible that customer service and satisfaction will initially fall during the change process and that real improvement will not be reflected in measureable outcomes until 2015/16."

In early 2014, a full review of Saxon Weald's approach to customer service began. A key VFM objective for 2014/15, was therefore a new customer service strategy to help Saxon Weald achieve a transformational improvement in customer service.

In December 2014, the Board approved the new customer service strategy. The key aim of this strategy is to help us achieve customer satisfaction levels of 90% by 2016/17. In consultation with residents and staff we have set out our commitments to customers within the strategy. The most important of these, is a commitment to be able to answer 80% of queries at the first point of contact. This will be delivered through two customer service teams, one for repairs and maintenance and one for all other enquiries.





A customer repairs adviser at Saxon Weald

The outcomes of this commitment will be:

- High levels of customer satisfaction with the service we deliver (this is measured through the STAR survey questions);
- Reduced waste – if we can get things right first time this will reduce the number of times that customers will need to call us back (this will be measured through the number of 'avoidable contacts' that we log);
- Fewer first time service failures (this will be measured through the number of first time service failures recorded);
- Freeing up the time of more specialist staff to focus on those activities that need their expertise *(this will be measured by the number of enquiries that are passed on to other staff); and
- Efficiency gains across the organisation will enable staff numbers to remain the same as the number of properties and customers grow (this will be measured by salary budgets and staff head count).

Repairs, lettings staff, surveyors and the leasehold manager. If the front line customer service teams can deal with high numbers of issues at the first point of contact there will be less need for other staff to respond to these issues. This will free them up to focus on other valuable tasks and therefore improve their effectiveness and efficiency. For example, the housing managers will have more time to spend on dealing with the impact of welfare reform – supporting tenants and maximising rental income.

What has/will change?

In order to implement the strategy we have:

- Restructured our customer service staff across the organisation into two customer facing teams, one team dealing only with repairs and maintenance issues (including all job logging for our in-house maintenance service HomeFix) and one team dealing with all other customer service issues. This has already freed up finance staff and surveying staff from taking the majority of customer calls they used to take. Surveyors are therefore now focusing asset management activities including carrying out stock condition surveys to inform the planned maintenance programme for future years.
- Invested in a Customer Relationship Management (CRM) system (including workflow) which will enable us to record all customer contacts and monitor how effectively we are responding to customers, including recording the number of queries we deal with at the first point of contact. Once fully implemented, this will help Saxon Weald ensure that our customers receive a pro-active, consistent, efficient and timely service.
- Invested in a bespoke, in-house information knowledge system, which provides the customer service teams with all relevant information and scripts to deal with customer queries. This has significantly reduced the number of queries which are passed on to other staff, freeing up housing managers, lettings staff and surveying staff to focus on their key business objectives.
- Improved our telephone system to enable customers to be able to get through to the right team more easily and quickly. The average time currently taken to answer the telephone is under 8 seconds.
- Begun devising a new customer service training programme which will ensure our staff have the right attitude, approach, 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, as well as how to make best use of the new CRM and information systems necessary to effectively meet customer needs and resolve customer queries.

Impact

The scale of change required means that this will take time to fully deliver. We do not expect to see significant improvement in customer service until late in 2015/16. Some of the measures that will be used to assess progress are set out in the table below.

Performance measures

	Current performance March 2015	Target performance
% queries dealt with at first point of contact	Not available	80%
Overall customer satisfaction	82.1%	90%
Was getting hold of the right person easy?	76.4%	85%
Were staff helpful?	84%	85%
Was your query answered in a reasonable time?	76.9%	85%

In addition, we will measure and set targets for: avoidable contacts, first time service failures, number of staff per home managed, and salary costs per home managed.

The focus of 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.

Resident Involvement in Customer Service and VFM

Resident involvement at Saxon Weald includes a Residents' Action Panel (RAP), a series of Service Interest Groups (SIGs), and Service Testing Teams (STT), as well as direct consultation and involvement of individual residents, including three Board members.

The current resident involvement strategy has a focus on:

- Value for money;
- Customer service excellence through continuous service improvement;
- Continuing development of the RAP and SIGs; and
- Improving communication between landlord and residents

Involved residents have taken part in VFM training over the last two years, which has improved their understanding of VFM, helping them to be more effective in service scrutiny and monitoring and decision making. They make a key contribution to the monitoring, development and improvement of key services. This has been enhanced by time spent learning from and sharing their expertise with involved residents at other housing associations.

Some of the specific areas in which residents have contributed to improving VFM are:

- The RAP has referred particular services to the service testing team (STT) as a result of their own experience and the formal information they receive;
- The service inspections carried out by the STTs have a focus on VFM;
- The RAP who decides on the allocation of community grants, specifically consider VFM, including community benefit and social value;
- The SWIPes of Older People's Services and HomeFix;
- The STT identified improvements required in the scheme meals service, contributed to the new specification (particularly on quality and choice), were involved in the evaluation of tenders and the selection of a new contractor;
- Auditing grounds maintenance performance, contributed to the new specification, were involved in the evaluation of tenders and the selection of the existing contractor to continue to provide the service, but at a lower cost and better quality; and
- Contributed to the new specification and evaluation of tenders for the new cleaning contract.

Overall satisfaction with the opportunity for residents to make their views known at March 2015 has reduced from 83% for 2013/14 to 78% for 2014/15. It is likely that the "Let Us Have It" campaign itself, where around 50% of our tenants were directly engaged in a conversation by a member of staff temporarily inflated the results for 2013/14.

A case study looking at the work of the resident service testing team is included in the section considering the strategic objective to develop our role as a leader in older people's housing.

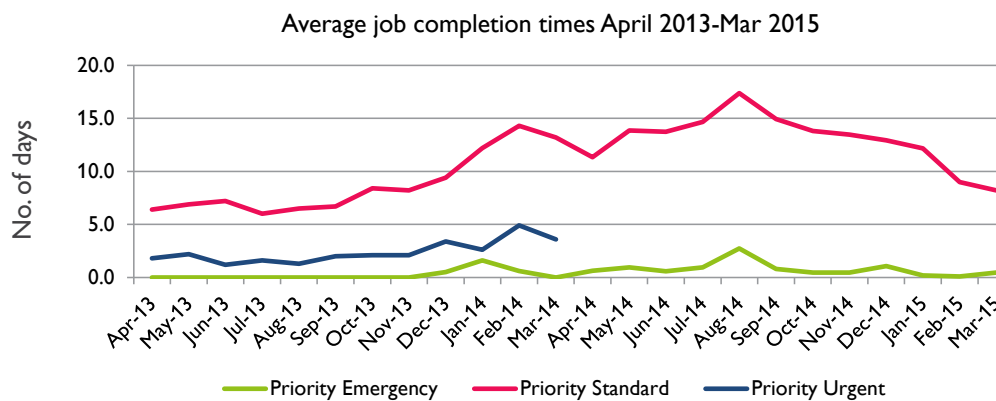
HomeFix (in-house repairs team)

The last year has been a particularly challenging year for HomeFix, our in-house repairs team. Many of the improvements planned for in 2014/15 were overtaken by the need to respond to the consequences of the, for Saxon Weald, unprecedented extreme weather in late 2013/14. These severe storms substantially increased the volume of repairs in the first half of 2014/15, particularly for fence replacement, roofing and for damp issues where root cause analysis took some time and a period of drying out was necessary before repair work commenced. This has adversely affected repairs performance and costs for the year. The implementation of the recommendations from the repairs service improvement review was also delayed by the high number of repairs in the first half of the year. Repairs performance improved in the second half of the year so that in March 2015 the average number of days to complete a repair was 8.2 days.



A pair of our HomeFix operatives

The chart below shows the impact of the severe weather on job completion times, with completion times starting to increase during the winter of 2013/14 and not starting to improve again until around September 2014.



Although the average repair time for standard priority jobs substantially increased, HomeFix continued to respond to emergency repairs promptly. Customer satisfaction with a repair (measured by the independent organisation Voluntas, who telephone a random sample of customers who have had a repair) remained good at 95%.

Despite the challenges in 2014/15, work to improve the performance of HomeFix continued to be an important focus. The improvement in the time to complete a repair towards the end of the year is an early indication of this and it is anticipated that improvements in performance will be demonstrated in 2015/16.

Our materials supply contract is currently being re-tendered and it is anticipated that, not only will this reduce materials costs, but that the improved means of delivery including the provision of a dedicated store in Horsham will increase operatives' productive time. In the back office, there will be significant IT integration, improving the efficiency of material ordering, goods receipting, invoice payment and stock control.

Similarly, indications from the pilot project to zone plumbers demonstrate a substantial reduction in both mileage and time spent travelling (30%+), reducing costs and improving operatives' time to do value work. Next the team of electricians will be zoned and should similar results be realised, zoning will be extended to other teams within HomeFix.

Significant investment in improved IT systems has also been made. Locator+ software is now used to improve initial job diagnosis with standardisation of job description and codes possible by the introduction of the NHF schedule of rates. Our operative scheduling system has been substantially upgraded to the class leading "Kirona Dynamic Resource Scheduling (DRS)" software. A new reporting tool has been introduced which will provide detailed management information helping identify further efficiency gains. Operatives now have tablet computers, replacing smartphones, which improve their ability to access and update key information.

Other areas of improvement are:

- Painting packs from Brewers replacing decorating vouchers – anticipated 50% saving and improved customer service (delivered to site with everything you need to do the job in the pack).
- Move to British Gas for their void care system regarding utility bill payment cards – we don't have to chase the debt, there is minimal administration for us and a quicker resolution of issues.
- Improved rates and supply chain efficiency from Howdens for our kitchens.
- Reduced reliance and therefore cost on contractors through additional operatives.



- After a challenging year, HomeFix is actively working to improve performance in 2015/16 including, for the second year running, the use of Housemark's detailed responsive repairs VFM toolkit. This delivers over 60 cost and performance measures for responsive and void repairs that will be used to plan improvements. In 2015/16 HomeFix will aim to achieve a first time fix rate of 85%, reduce the time to complete a repair to eight days and maintain tenant satisfaction with repairs at 90%+.

To grow in Sussex and Hampshire to a target size of 10,000 homes

Saxon Weald has become an established regional developer of affordable homes. This has evolved as both the expertise and scale has increased over 15 years of development activity.

Saxon Weald focuses its core development activity in five local authority areas. We focus the bulk of our activity in these areas in order to provide our external partners a high quality development service. It also ensures we are able to provide an effective management and maintenance service from our head office in Horsham.

We continue to maintain a diverse development programme that incorporates s106 sites and land led opportunities. It is land led schemes that enable us to maintain a commercial focus through all aspects of the procurement process, most notably through the design and tendering stages. A recent example of this is at our Cowfold scheme, that when completed will deliver 20 family houses.

In addition to buying the land at Cowfold, we also had to acquire a ransom strip in order to access the site. It was our valuer's opinion that the land was valued at £775,000 and the ransom strip at £350,000. After extensive negotiations with both owners we were able to acquire the site for £255,000 and the ransom strip for £175,000. A total saving of £695,000. This saving helped to keep down our subsidy and borrowing requirements at this scheme.

The table below shows key benchmarks for cost and quality for the three years 2011/12 to 2013/14 based on the most recently available Catalyst benchmarking data. Catalyst has 21 members who operate in the broad area of London and the South East. Although all are housing associations, some are part of large groups e.g. three parts of the Guinness Group. The BM (benchmark) is an average of the results from members. BM indicators are not available for 2014/15.

Measure	2011/12		2012/13		2013/14		2014/15
	SW	BM	SW	BM	SW	BM	SW
Housing Quality Indicator score %	62.1	63.0	67.2	63.7	55.2	61.6	59.8
Time to complete new homes after land contract – days*	773	1,036	429	1,072	469	1,027	465
Total scheme cost per unit - £000,s	174	186	157	169	143	198	149
Number of staff per 100 units completed	5.16	4.73	8.98	4.09	2.2	3.8	4.7
Resident satisfaction % - fairly or very satisfied	97.0	88.7	87.0	87.7	100	88	92
Number of homes started	147	N/A	108	N/A	234	N/A	183
Number of homes completed	330	420	100	329	110	300	130

*This is the average time it takes from signing a site acquisition contract to delivery of the completed units.

Whatever the nature of the development, we have chosen to invest in schemes with good design and sustainability qualities. This has benefits for Saxon Weald in that schemes that are good places to live tend to mean they are easier to manage because residents value them. They can also be cheaper to run from a resident perspective if energy usage in particular is efficient. Our performance in terms of independent qualitative measures (HQI scores) is good, despite the challenges presented by many of our more rural locations, and supports our view that good design is a wise long term investment.

Residents also report a high degree of satisfaction with their new homes compared with our peers. The reduction in satisfaction in 2012/13, is largely attributable to a very small sample which reflected scheme specifics largely outside our control.

However, good design, a range of scheme types, acting as the lead developer on controlled sites, maintaining a direct contract with the HCA and being a specialist in older people's housing across a modest programme does carry an extra investment in staff costs. Therefore, on a straight unit output comparison basis, we tend to appear less efficient than some of our competitors. This is exaggerated by the wide fluctuations that can occur in the volume of completions in a moderate programme like ours. We recognise this and are mindful of it, but we believe the other qualitative and favourable financial returns from our schemes are ample justification for the investment in our staff.

Saxon Weald is alive to the level of borrowing associated with the provision of homes at affordable rents and how this impacts on our borrowing capacity. Therefore soon after affordable rents were introduced in 2011, we began looking at how our capacity could be maximised.

This led to closely looking at how we could move from a charging rate based on an Existing Use Valuation – Subject to Tenancy (EUV-ST) to Market Value – Subject to Tenancy (MV-ST). We have now agreed with most of our local authority partners to amend their mortgagee in possession clause on new schemes so that we can secure a charging valuation based on MV-ST.

To illustrate the financial benefit of the move to MV-ST, see the following example:

Type of scheme	Location	Size	EUV-SH	MV-ST	Difference
S106 quota site	Horsham	27 Homes	£930,790	£2,059,710	£1,128,920

We can see from this example that as a result of some changes to the wording of the mortgage in possession clause leads to a forecast increase in the charging valuation of over £1.1m. Maximising the value of security in new developments helps Saxon Weald to maximise the number of new homes it can develop in the future.

Recently, Saxon Weald has secured additional grant over and above that which we originally forecast in our business plan. Across four schemes in Horsham and Wealden we have secured additional grant of £2.04m. This additional grant has helped us to not only deliver high quality schemes but preserves our borrowing for other affordable homes.

Many of the schemes that Saxon Weald develops have a mixture of rent and sale. We see this tenure mix as a key ingredient in helping us to create and maintain a balanced and sustainable community. When we're selling



The table below shows key benchmarks for cost and quality for the three years 2010/11 to 2012/13 based on the most recently available Catalyst benchmarking data. Catalyst has 21 members who operate in the broad area of London and the South East. Although all are housing associations, some are part of large groups e.g. three parts of the Guinness Group. The BM (benchmark) is an average of the results from members. BM indicators are not available for 2013/14.

Measure	2010/11		2011/12		2012/13		2013/14
	SW	BM	SW	BM	SW	BM	SW
Housing Quality Indicator score %	62.1	63.5	62.1	63.0	67.2	63.7	56
Time to complete new homes after land contract – days*	557	830	773	1036	429	1072	448
Total scheme cost per unit - £000,s	185	175	174	186	157	169	141
Number of staff per 100 units completed	5.49	4.60	5.16	4.73	8.98	4.09	5.00
Resident satisfaction % - fairly or very satisfied	95.0	90.3	97.0	88.7	87.0	87.7	92.0
Number of homes started	110	N/A -	147	N/A -	108	N/A -	250
Number of homes completed	156	212	330	420	100	329	110

*This is the average time it takes from signing a site acquisition contract to delivery of the completed units.

homes we use an array of marketing tools to attract potential buyers. One marketing tool regularly used is advertising via Rightmove. Normally advertising would cost around £450 per month. On two schemes we have recently entered into a Service Level Agreement with a local estate agent at nil cost to Saxon Weald. The agent gains their fee income through the potential to sell homes elsewhere in the chain. The primary reason behind entering into the SLA was for the agent to validate that all the homes in the chain were likely to sell, before we committed to a formal offer. However, a bi-product of this arrangement is that we've managed to agree with the estate agents that they will advertise the schemes through their own Rightmove account, thus saving us around £900 per month across two schemes.

During 2015/16, we are anticipating further bedding in of the Housing Association Legal Alliance framework (HALA) through which we are able to procure Legal Services across the business. The framework, as well as providing a pool of firms selected both for cost and quality, should enable better control of legal spend and savings against hourly rates, through the use of fixed fees. Our instructions and spend are monitored through HALA to ensure that we are gaining the best value from this framework. We are anticipating savings of around 5-10% per annum.

As part of our membership of HALA, we benefit from free legal training sessions which all members benefit from. We can also request two bespoke training sessions per year to meet our organisation's identified need. We are anticipating savings of our training budget in excess of £3,000 for the coming year.

This year Sovereign Development Consortium Framework (SDC) has re-procured the contractor framework which will enable us to procure contractors for schemes above the EU procurement threshold without having to tender each scheme individually. This will save both time and money as well as promoting consistency, high quality and cost reductions through operational efficiency. For a number of years, we have been part of the SDC and use this to appoint various consultants. The consultant framework is being re-procured in 2015/16 and we are anticipating reporting an improvement in both cost and quality once this process has been concluded, when compared to what would be available if we were procuring as a single organisation.

We continue to develop the role of our Service Interest Group (SIG). This group of existing Saxon Weald residents is involved in gaining resident feedback on our completed schemes. They do this by meeting residents in person and completing a questionnaire. Whilst this process does not produce instant value for money savings, the interaction provides much improved quality and depth of information which helps us to learn lessons from completed schemes and influence the new homes we design and build.



Staff members go on site at the new Highwood Mill development

During 2015/16, we are commencing the process of reviewing our existing assets to maximise the return for the organisation. This is being assisted through the appointment of an Investment Project Manager who will be commencing a review of our garage sites, looking at existing plots of land that we own and assessing homes, where available, for disposal. This will generate receipts for the organisation as well as reducing planned and reactive maintenance costs.

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

Our staff, Board members and involved residents are one 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 182 members of staff on 31 March 2015. We were extremely pleased to be awarded, at the first attempt, Investors in People Gold during 2011. This external rating of Saxon Weald will be re-assessed in 2015.

We have just implemented a new performance management process. We have moved away from the more traditional approach of annual appraisals and replaced them with regular monthly one to ones, where quality, customer satisfaction, dependability, and value for money are regularly monitored and measured and evidence is provided to support the assessment of individual performance. We want managers to get closer to their staff and have increased confidence their staff are getting the basics right through constant monitoring and feedback.

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 3% of our staffing budget in training. As well as technical, management and IT training, this includes training on risk management and VFM. 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. It is recognised that coaching is not always happening across the organisation in the way that we intended, even though we believe it is one of the essential skills for our managers to have in their 'toolbox'. We need to ensure our managers take more responsibility for developing their people and maximising the potential to improve our services and our overall performance. HR will invest time in discussing 'coaching' with managers to encourage them to use their coaching skills to better effect.

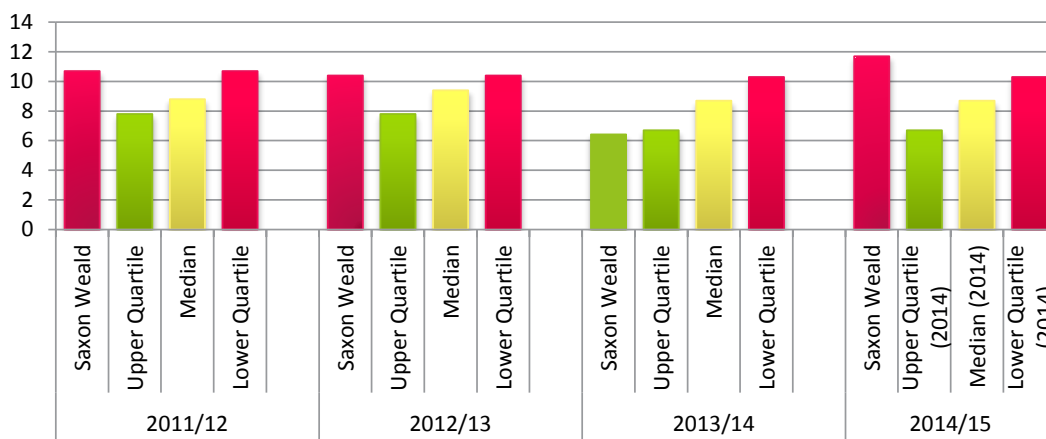
Saxon Weald's improvement programme for excellence is our commitment to deliver value for money throughout the business. The programme is based on embedding a lean thinking culture and a clear focus on

what adds value to our customers. Individual projects focus on key areas of the business looking to remove waste activities and design more efficient processes. We provide training to our staff on lean techniques and actively encourage them to look for ways to improve what they do – we want continuous improvement to be part of everyone’s role.

In 2013, Saxon Weald carried out a ‘Staff Wellbeing’ survey and it told us that 93% of our staff were either satisfied or very satisfied with Saxon Weald as an employer. A new staff survey (the results of which are not yet available) was completed by staff in June 2015. It asked staff for feedback about working for Saxon Weald. A full analysis of the findings will be used to plan for the future.

Our target for sickness absence is 3%. Sickness absence for the year to March 2015 was 4.4 % comprising long term sickness of 2.6% and short term sickness of 1.8%. This long term level is significantly higher than normal and effectively unavoidable. The short term rate is within the expected range. The level of days lost to sickness absence has been fairly stable at around 10 days over the last four years, with a dip in 2013/14. The table below is from HouseMark - LSVT housing associations in the south of England with total stock of between 2,500 and 7,500 units. Our sickness rate for May 2015 has fallen to 2.9%.

Sickness absence - Average working days lost per employee



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 28% of Saxon Weald housing stock. Consisting of 39 retirement schemes and nine extra schemes, there are 1,600 properties across West Sussex, East Sussex and Hampshire (rented and shared equity). The portfolio of housing for older people is now diverse, ranging from housing specifically for the over 55s 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 SWIPE review of older peoples' services in 2013/14, in response to the substantial reductions in Supporting People income and the desire to deliver a more efficient and effective support service, continues to guide the development of the service. In addition to the cost reductions of £205,000 in 2013/14, a further £39,000 of staffing savings have been achieved in 2014/15. This reflects the further implementation of the SWIPE review recommendations including the scheme audit as a performance management tool and new bespoke software to help improve the efficiency and effectiveness of support planning.

Scheme managers now provide a more pro-active and planned approach to support which replaced the "daily check" which traditionally defined the service. The primary functions of the scheme manager, as defined by the SWIPE review, are to:

- **Support residents to live independently and have the best quality of life;**
- **Manage the scheme buildings and equipment (facilities management); and**
- **Provide housing management within the schemes (carry out lettings, manage voids, monitor rent arrears and deal with low level anti-social behaviour).**

The most recent feedback from the STAR survey carried out by Voluntas indicates that 92% of residents, who live in retirement and extra care housing, are satisfied or very satisfied with the service provided by the scheme manager. Rent arrears for older peoples' housing have increased from 1.5% at 31 March 2014 to 1.8% at 31 March 2015. Retirement housing rent loss for 2014/15 is 1.9% compared to 1.3% for 2013/14 and extra care rent loss for 2014/15 is 2.5% compared to 2.7% for 2013/14.

Case study – Service Testing Team – Older Peoples' Meals Service

Saxon Weald's Service Testing Team (STT), is a group of residents who test and check our services and make recommendations for improvements in service and VFM.

What they did

A meals service, provided by an external catering contractor, is offered at 10 of Saxon Weald's schemes for older people, which includes all of the organisations extra care schemes and Page Court retirement scheme. There is a mandatory charge for meals as part of the service charge, so it is critical that the service provides value for money.

Following consideration of complaints received and comments from the "Let us have it" campaign the Residents Action panel asked the service testing team to carry out a test of this service. It was decided to conduct undercover visits during meal times. A total of 13 visits took place.



What they found

The STT found that the service was offering good value for money and meeting nutritional needs in an environment encouraging socialisation. 80% of visits were rated either good or excellent. However, some schemes show significantly worse results. Discussions with scheme manager and service users evidence suggested that it is the quality of the chef manager that determines the quality of the meals service at a scheme.

What changed

The results of the STT's review were included within the new specification for the meals service. Some specific areas for improvement were:

- Chefs should make themselves more visible during meal service;
- More attention should be paid, particularly in terms of presentation, to side vegetables and deserts;
- Water should be served in lidded rather than open jugs;
- Tea and coffee should be served at the end of meals to encourage more socialisation amongst residents; and
- Scheme managers are required to monitor the quality of the meals service at their scheme. They are expected to meet with the chef at least monthly to discuss the quality of the service.

Impact

The changes made will increase customer satisfaction and ensure that a high standard is achieved consistently across all schemes.

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 objectives. 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.

The 2014/15 key financial targets set by the Board to measure financial performance are:

- Operating margin (excluding sales) at a minimum of 30%;
- Asset cover (valuation on a EUV-SH basis as a percentage of long term debt) of 120%; and
- Cash interest cover – a minimum of 135% rising to 150% from 2015/16 onwards.

The table at the beginning of this section (section 5) shows that we are comfortably achieving these financial targets for operating margin (2014/15: 33%) and cash interest cover (2014/15: 160%). The EUV-SH valuation of our properties at 31 March 2015 is £317.5m and our bond liability is £225m. This means that we have an asset cover of 141% which exceeds the target set by the Board.



The finance team having a meeting

The operating margin is the surplus we make from on-going activities (mainly renting homes) as a percentage of turnover. Asset cover tells an organisation by how much the value of property assets exceed loans outstanding. 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.

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 two factors - cash interest cover and asset cover.

Saxon Weald has a healthy operating margin from existing homes and also from the new 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, that requires them to meet a payback target and assesses the net present value of the schemes.

The limiting factor for Saxon Weald in continuing to develop new homes is the property security required to secure additional borrowing. This is not a problem for Saxon Weald at the moment. However, the change in the funding regime for new development requires more debt to be taken on to build new homes. This is putting pressure on the gearing and available security of many housing associations.

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 (EUV-SH) basis.

During 2014/15, Saxon Weald considered the optimum strategy for securing additional loans to fund new development. This strategy aimed to balance the desire to maintain a long term capacity to develop new homes, the cost of the debt and the most efficient use of property security. The outcome was the decision to limit the development of new homes (funded from conventional means) to 185 new homes per annum and secure additional debt to fund this for the next five years. In addition, it was decided to explore the options to develop additional new homes through alternative means. We have sufficient liquidity to support committed development.

Procurement

Saxon Weald's aim is to have a structured approach to procurement which delivers consistency of practice, improved efficiency and value for money. We have:

- A new procurement strategy;
- A robust procurement policy and procedure, along with a clear and simple guide;
- Improved central contracts register;
- Standard templates for contracts and service level agreements;
- Reduced the number of approved contractors and suppliers, from 1,000 to 320;
- Improved the efficiency and internal control of ordering and payment of suppliers and contractors through the implementation of eBis – an electronic purchase to payment system, which links to our financial accounts system; and
- A contractor VFM assessment tool. This enables us to set specific VFM criteria and compare prospective new contractors and suppliers. This helps staff to determine the VFM priorities for a contract, based on the three Es (economy, efficiency and effectiveness) and takes into account social and environmental value.

During 2014/15, three major contracts were re-tendered:

- Grounds maintenance – From 2015/16, the new annual fixed price contract for an improved service is £399k, saving £136K on the previous annual contact price. A majority of this is being reinvested into tree surveys and surgery. In addition, the new contract provides 1,000 hours of gardening for residents who require assistance with their garden, saving £30k from the Saxon Weald budget, a new web based client zone, meet the contractor days for residents, garden workshops for residents and an apprenticeship for a Saxon Weald resident. The effectiveness of the contract will be measured by targeting resident satisfaction at 95%;
- Meals service at extra care schemes – An improved service with an annual contract saving of £54k from November 2014. The new contract also introduces a waiter service at all schemes, an additional starter/desert for £1, increased resident involvement and other added value benefits such as breakfast, morning snack and afternoon tea availability. The effectiveness of the contract will be measured by targeting resident satisfaction at 85%; and
- Building cleaning including all retirement and extra care schemes – From 2015/16 the annual fixed price for the service has reduced by £48k to £543k. This saving has been recycled to part fund a one-off deep clean of general needs communal areas. The contract will also provide work opportunities and training for local residents. The effectiveness of the contract will be measured by targeting resident satisfaction at 95%.

There is still more to do to improve procurement, including better contract management, which has been identified as a priority by our residents. In addition, the intention is to develop e-bis further; to automate paper based systems such as mileage and expenses claims.

Return on assets

Saxon Weald has implemented a new asset management system called Keystone. This system has enhanced reporting capabilities that will enable Saxon Weald to better understand the life-cycle costs of different groups

of our property assets, make the best use of the information we have on our stock and inform decisions to help improve the return on assets. Keystone also links directly with our housing system Orchard, through which all members of staff can access information, so they can for example, tell a tenant when their kitchen is due for replacement. As part of the process of validating the data held within Keystone a 20% survey of properties is currently underway. Following this, the five year external validation (by Savills) of Saxon Weald's projected stock investment cash flows will take place in 2016. 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.



A recently modernised kitchen at a Saxon Weald property

The net cost of housing properties (after depreciation and social housing grant) on the balance sheet at 31 March 2015 is £218m. During the year, we completed 130 new homes and started building 136 new homes. The total value of the stock on an existing use social housing basis (EUV-SH) at 31 March 2015 is £317.5m, with the potential to increase this value by £20m by valuing those properties that can be, on a market value subject to tenancy with voids sold (MV-ST) basis.

During 2014/15, Saxon Weald invested £4.3m replacing components in existing properties (including 294 kitchens, 226 bathrooms, 311 boilers and 35 heating systems) and £4.3m 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 out-right sale or shared ownership in order to subsidise the development of rented units. 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. This seemed to align with customer priorities, be more cost effective and be a better use of resources than attempting to determine the relative return on 5,500 properties.

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. A net present value of the alternative options being an essential part of this assessment.

The outcome of these reviews was:

- 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.

During 2014/15, Cunningham House, a retirement scheme in poor condition, with six bedsits was sold. This followed an options appraisal report which considered a number of options including refurbishment, alternative uses, redevelopment and disposal.

Similarly, Winn Road, two substantial Victorian houses in a good residential location was also sold in 2014/15. Both of the properties had been sub-divided providing 19 bedsits which were let as supported housing. The properties were not in good condition, particularly internally. Given the considerable cost of refurbishment, an options appraisal was carried out and the decision made to dispose of the properties.

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 or sell the property or do something else. As an example: during 2014/15, the decision was made to dispose of 18 Foxfield Cottages (the sale was completed in early 2015/16). The property was originally two properties built in 1947 and converted into a single six bedroom property some years ago. A substantial amount of work costing £53k would be required to restore the property to a suitable condition for letting. A number of alternative options were appraised including converting back into two properties (costing £30k). The net present value of refurbishing the six bedroom property was negative and the demand for six bedroomed properties low. With an estimated surplus on disposal of £370k, which would fund 2.5 new build homes, the decision was made to sell the property.

Asset Performance Evaluation

A firm of property consultants were engaged to help us develop a methodology to model the return on groups of assets. The initial focus has been on financial return. The stock has been separated into properties for older people and general needs properties for modelling purposes. This will enable a different view of acceptable financial and social return for properties for older people and general needs properties, if thought appropriate. The properties for older people were broken down in to 79 asset groups and the general needs in to 187 asset groups.

A methodology for measuring the social return has been developed. For older people's housing the methodology measures social return using five weighted indicators:

- Tenant satisfaction – 25%
- Proximity to local services – 25%
- Social inclusion/activities – 25%
- Energy efficiency SAP rating – 15%
- Index of social deprivation – 10%

For general needs housing the methodology measures social return using five weighted indicators:

- Heating fuel - connected to mains gas – 20%
- Tenant satisfaction – 20%
- Proximity to local services – 20%
- Index of social deprivation – 20%
- Employment opportunities – in receipt of housing benefit – 20%

The data to populate the financial model and social model was gathered together by Saxon Weald. It included:

- Stock data (including addresses, dwelling types, age, house types, use);
- Rent levels;
- Historic void periods (over three financial years, setting out rent loss days in each year)
- This was analysed by asset group;
- Day to day repair and management costs including planned/cyclical, response and void maintenance as well as gas servicing costs;

Chief executive, David Standfast and Site Manager, Paul Dye lay the golden brick at Highwood Mill, Horsham



- Investment required based on data from the stock condition survey, which provides a 30-year cost profile of planned works;
- Tenant satisfaction;
- Proximity to local services;
- Social inclusion/activities for older people's properties;
- Index of social deprivation;
- Housing benefit status

Initial results from the model shows that the 30-year net present value (NPV) of Saxon Weald's older people's properties of 1,456 units is £25,769 per unit and the 30-year NPV of Saxon Weald's general needs housing stock of 3,821 units stands at £39,059 per unit.

On the basis of the NPV profile and experience with other housing associations, Savills determined the following financial performance bands.

Performance bands for asset groups – older people's housing

30 year NPV per unit	Performance	No. of units	% units
Greater than £30,000	Excellent	463	31.8%
Between £15,000 and £30,000	Good	604	41.5%
Less than £15,000	Marginal	389	26.7%
Totals		1,456	

The table shows that overall performance is excellent for 31.8% of the stock and a total of 73.3% as good or better – with only 26.7% with marginal cashflows.

For general needs the results are:

Performance bands for asset groups – general needs

30 year NPV per unit	Performance	No. of units	% units
Greater than £30,000	Excellent	3,321	86.9%
Between £15,000 and £30,000	Good	496	13.0%
Less than £15,000	Marginal	4	0.1%
Totals		3,821	

The table shows that overall performance is excellent for 86.9% of the stock – with only 13.1% with good or marginal cashflows.

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

The return on assets project is a work in progress. There is much work still to be done including:

- The financial data needs to be refined to reflect more local management and responsive maintenance costs;
- The methodology for measuring social return needs to be tested;
- The asset groups need to be reviewed and refined;
- The financial and social return for groups of assets needs to be combined or considered together; and
- The weaker performing groups of assets need to be identified and the drivers of poor performance understood.

Once further developed and refined, the information on financial and social return will be used to inform investment decisions, support option appraisals, focus effort on poorly performing groups of assets and help optimise the return on assets.

5(c) What VFM gains we said we would achieve in 2013/14

“During 2014/15, our aim is to make cash VFM savings of £0.5m, including £0.1m from the procurement of new gas boilers and gas repairs, safety checks and servicing and £0.1m from the implementation of the HomeFix SWIPE. In addition we aim to make non-cash VFM improvements. These are:

- Develop a new customer service strategy and implementation plan and maintain or improve overall tenant satisfaction with Saxon Weald of at least at 91%;
- Implement the HomeFix SWIPE to achieve the £0.1m cash saving referred to above, increase the first time fix rate to 85%, reduce the time to complete a repair to eight days and improve tenant satisfaction with repairs to 90%;
- Complete the Older People’s Service’s SWIPE by implementing new IT tools to improve service and efficiency;
- Determine the optimum funding strategy to secure additional loans to fund new development, which balances the cost of the debt and the most efficient use of property security;
- Start on site the development of 183 new homes; and
- Continue to improve our understanding of financial and social return on assets and use to support asset management decisions.”

The cash VFM savings achieved in 2014/15 total £0.2m. We did achieve the savings related to the review of scheme managers (£40k), gas safety checks (£81k), drain cleaning, sewerage pumping stations and building control fees (£26k) and the meals service contract (£27k). For the reasons considered in section 5 (b), we did not make the VFM savings in HomeFix, although tenant satisfaction with repairs was at 95%. The VFM savings anticipated from the new contract for replacement boilers did not happen and the savings from the new grounds maintenance and cleaning contracts will not be realised until 2015/16.

A new customer service strategy was developed and approved by the Board in December 2014, the Older Peoples Service’s SWIPE was completed, an optimum funding strategy determined, we started the development of 136 new homes and we have continued to improve our understanding of the financial and social return on our assets. We are disappointed that overall tenant satisfaction fell back to 82% for 2014/15 and that we were not able to deliver the improvements in HomeFix that we planned to.



6. Plans for the future

During 2015/16, our aim is to make cash VFM savings of £0.4m, including £50k from the procurement of new gas boilers, £100k from the extension of the cyclical decoration cycle, full year savings of £54k from the new meals contract, £100k from the new grounds maintenance contract and £50k from the new cleaning contract.

In addition, we aim to make non-cash VFM improvements. These are:

- Begin to implement the new customer service strategy. This includes rolling out the customer relationship management system to the whole organisation so that we have a complete history of customer contacts, increase our information knowledge base so that our customer service teams are able to answer 80% of customer queries at first contact, roll out a new customer service training programme and be well on our way to improving customer satisfaction to 90%;
- Implement the new HomeFix materials contract, including a dedicated store, which will reduce materials costs and reduce travelling time for operatives. Extend the process of using zones to other trade teams to maximise operatives productive time and reduce travel costs. Achieve a first time fix rate of 85%, reduce the time to complete a repair to eight days and maintain tenant satisfaction with repairs at 90%+;
- Legally complete a five-year revolving loan to enable Saxon Weald to continue to make development commitments;
- Achieve an operating margin greater than 30% and a cash interest cover of at least 150%;
- Start on site the development of 100 new homes; and
- Continue to improve our understanding of financial and social return on assets and identify the worst 5% performing homes and understand why, so that decisions to maximise the return on assets can be made.

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 and achieving the best financial and social return from the assets we have.

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 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 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 have made good progress on systematically understanding the return (including social return) on groups of assets and this continues to be developed. VFM is never fully achieved, but is something that Saxon Weald consistently strives for.

By Order of the Board
Simon Turpitt, Chairman
20 July 2015

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Appendix A

Housemark Benchmark Data - Comparison Housing Associations

Alliance Homes
Bracknell Forest Homes
Coastline Housing
Cottsway Housing Association
Housing Solutions
Magna Housing Association
Magna West Somerset Housing Association
MHS Homes
North Devon Homes
Ocean Housing
Phoenix Community Housing
Poplar HARCA
Raven Housing Trust
Red Kite Community Housing
Richmond Housing Partnership
Selwood Housing
Sentinel Housing Association
Severn Vale Housing Society
Soha Housing
Teign Housing
Town and Country Housing Group
Two Rivers Housing
Vale of Aylesbury Housing Trust
West Kent Housing Association
Worthing Homes



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