



Birmingham Civic Housing Association
Annual Report & Value For Money Review
2015

Introduction

I am pleased to be able to report that 2015 was another successful year when we managed to further increase our reserves and enhance the long term viability of the Association. Our surplus for the year is £210,253 and we increased our cash reserves by £31,000. While the surplus is down from the £256,000 achieved in 2014, the reduction is mainly due to exceptional costs associated with securing additional borrowing to finance our improvement programme and the procurement of contracts to deliver our affordable warmth strategy. Under this programme we will ensure that all our homes meet a minimum "C" energy efficiency rating by 2020, in addition, we will complete a cyclical programme of kitchen and bathroom refurbishment to modernize our homes.

The year has not been without its challenges, in particular the government's rent settlement for social landlords announced in the summer which will require us to reduce rents by 1% year on year for the four years between 2016 and 2019. Fortunately, our business plan has sufficient headroom to enable us to respond to the reduction in income without unduly impacting on the quality of services we provide to tenants. In our financial planning we have also made robust assumptions about the implications of the extension of the right to buy to assured tenants and we eagerly await the results of the pilot scheme.

The Board and I remain committed to providing our tenants with high quality services that represent good value for money. We will continue to strive to make further progress in the year ahead and I know that I can count on the chief executive and her team to respond to the challenges we will inevitably meet along the way.

I wish to thank my fellow Board members for their time and commitment over the past year all of which has been on an entirely voluntary basis.

In this report you will find a summary of our performance for 2015 and the progress we made in improving value for money.

K Bridges - Chairman



Our Mission and Objectives

Birmingham Civic Housing Association has been established to provide and manage social housing and provide housing for people in need. The association is an independent charitable organisation governed by a Board of Management. Board members are not paid, they provide their services for the benefit of the community and all profits are re-invested in the association's homes.

Birmingham Civic Housing Association was set up in 1967 as a vehicle to access government funding to acquire and improve dilapidated housing in inner-city areas and bring the properties back into use as family homes. The association remains loyal to the values and beliefs of the founding members and this is reflected in our mission and strategic objectives:

Mission

“ Provide good quality homes for people in need, deliver high quality services to our tenants and ensure that the association continues to run on a sound financial footing”

Strategic Objectives

1. Provide high quality homes and services for people in need
2. Maintain homes to a high standard for the comfort and safety of tenants
3. Demonstrate high standards of governance and business effectiveness to maintain a strong financial position

As a social housing provider we aim to deliver “social value” through the provision of good quality housing which contributes to the wellbeing and life chances of the people who live in our homes.

In order to achieve our aims, the services we provide need to be efficient and effective in meeting the diverse needs of our tenants - doing the right things at the right time and delivering the right outcomes for tenants and the association. Put another way, this means delivering greater Value for Money (VFM).

Our definition of Value for Money (VFM) is to:

“Provide quality homes and cost effective services while maintaining a healthy return on our investments ”

This review provides a summary of our overall approach to improving our performance on VFM and reflects what we have done in terms of achieving our three VFM priorities:

1. Provide quality homes
2. Provide cost effective services
3. Maintain a healthy financial position

Value for Money Objectives

Our approach to VFM is driven by the Board of Management and overseen by the Audit Sub-Committee.

We have a long established track record of successful service delivery and prudent financial management. As a consequence we have substantial mortgage free property assets, a healthy level of financial reserves and an excellent reputation with our tenants evidenced by high level of customer satisfaction.

The most recent externally validated survey at the end of 2014 achieved a return rate of 61% and demonstrated that 95% of tenants are satisfied with the overall service. This places the association in the top quartile of small housing associations and significantly above the median for all associations (85%). The results also show that 83% of our tenants are satisfied with the value for money for the rent they pay.

The Board aim to maintain our position as a top performer on customer satisfaction with the overall service when compared to other housing associations and we also aim to improve satisfaction with value for money increasing this to 89% by 2020.

We are confident that tenant satisfaction with value for money will increase as we implement our Affordable Warmth Strategy - which will improve the energy efficiency rating of all our homes to at least a "C" rating by 2020. This investment in homes will also protect the value of our assets and ensure that we are able to continue to deliver our core objects of providing social housing into the future helping us to achieve VFM for both existing and future tenants of the Association.

The Board accept that as a small housing association we do not have the economies of scale of a larger organization and this is reflected in our operating costs. Our aim is to continue to achieve top quartile satisfaction levels but reduce operating costs to the average of our benchmark group of small housing associations.



Our drive to produce more value for less cost is driven by the business plan for 2016 - 2020 which has a clear focus on improving the quality of our homes and sets efficiency targets for operating costs.

Our VFM priorities for the period 2016 - 2020 are:

1. Improve all our homes to achieve at least a "C" energy efficiency rating.
2. Achieve value for money target savings starting at 4.8% in 2016 stepping up to 13.8% by the end of 2020 - these will deliver recurring reductions in operating costs amounting to over £350,000.

VFM is not just about reducing costs it is also about improving services for the same cost, paying the right price for goods and services and getting the most out of our assets and staff. In other words, operating efficiently and effectively to achieve the right balance between cost and quality. With this in mind we will continue to benchmark our performance on key performance indicators with other small housing associations and share the results with our stakeholders. The results for 2015 are set out in this report.

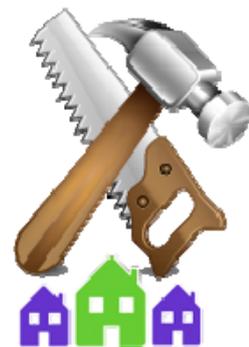
Review of 2015

VFM Objective : Provide Quality Homes

97% of emergency repairs completed on time
93% of all reactive repairs completed on time
90% satisfaction with the repair and maintenance service

In 2015 we completed over 1200 reactive repairs. 97 % of emergency repairs were completed on time and 93% of all reactive repairs were completed on time. The results of the tenant satisfaction survey told us that 90% of tenants are satisfied with the repair and maintenance service, this compares favourably with other small housing associations (84%) and is significantly higher than the median of all housing providers (79% in 2014/15). Our priority for 2016 is to improve the % of all reactive repairs completed in target time to 95% and increase this to 97% by the end of 2017 which is the average performance for our benchmark group.

In 2015 we spent 52% of our net rental income on repairs and improvements (53% in 2014). A key achievement was the improvement in the ratio of spend on improvements such as kitchen and bathroom replacements and new central heating systems compared to the spend on minor repairs such as broken fittings, plumbing repairs etc. In 2015, 51% of our total spend on maintenance was on major improvements compared to 42% in 2014. We aim to sustain and improve on this going forward.



100% Gas Appliances Serviced

2015 was the first full year of our new gas servicing and repair contract. 100% gas appliances were serviced and this was achieved at a lower cost delivering savings of around £10,000 compared to the previous arrangement. In addition, the new contract provides a higher quality service to tenants by offering a wider range of appointment times and an improved quality of information to enable us to accurately maintain property records. The quality of this service has been validated by an independent accredited gas auditor.

Kitchen and Bathroom Renewals and Other Improvements

In 2015 was also the first full year of a new contract for the supply of kitchen units. The Tenant Panel were involved in choosing the range of doors, worktops and handles. The result is a saving of over 40% on the average new kitchen without compromising on the quality of the units. These savings will enable us to renew more kitchens and bathrooms than we would otherwise have been able to do.

In 2015 a procurement exercise was also undertaken for the replacement of outdated boilers. This has achieved cost savings of 10% compared to the prices we were paying in 2014. The new boilers will also help tenants to make their money go further because they are more energy efficient.

The following table provides a summary of the improvements completed in 2015 compared to 2014 and shows the targets we have set for 2016.

Improvement	2016 Target	2015	2014
Window Replacement	12	14	24
External Door Replacement	75	28	16
Kitchen renewal	20	15	5
Bathroom renewal	15	8	5
Central Heating / Boiler replacement	40	25	20
Thermal Insulation	40	15	0

We know that tenants top priority is to reduce heating costs by improving the energy rating of our homes. As most of our homes are of solid wall construction this means insulating the walls as well as providing energy efficient boilers and double glazed windows. In 2015 we improved 15 homes to a “C” energy rating – previously they had an “E” rating which meant they were difficult and expensive to heat.

“C” Energy Efficiency Rating for 15 Homes

Asset Management

Our business is about providing good quality housing for people in need. In 2015 we provided 214 homes for social rent and managed a further property under a lease agreement with a private landlord.

We know that housing factors impact on the health and wellbeing of our tenants and their families. In 2015 we took a major decision in deciding to take out additional borrowing to fund a major programme of improvements which will see all our homes modernized over the next five years.

Under the “Affordable Warmth” programme all our homes will be improved to achieve at least a “C” energy efficiency rating by 2020. This will involve improvements such as PVCU double glazing, replacing external doors, new boilers and insulating the walls. The result will be that tenants find their homes to be warmer and will cost less to heat.



1.22% rent loss on empty homes

During 2015 we re-let 16 of our homes compared to 12 in 2014. The rent lost while properties were empty was 1.22% of total annual rent. This is more than the 1.00% in 2014 which is due to the increase in the number of re-lets and the time taken to complete kitchen and bathroom renewals and other improvements while the properties were empty. While we do intend to continue to improve properties when they are empty we acknowledge that there is scope to reduce the time taken to complete these works.

In 2016 we aim to reduce rent loss on vacant properties to 1.00%.



VFM Objective : Provide Cost Effective Services

99.79% of rent collected

In 2015 we collected 99.79% of the rent due. This is an improvement on our performance in 2014 when we collected 99.66% of rent.

Our performance on rent collection compares favourably with the average for all other housing providers (99.76%) and is marginally below the average for other small housing providers (99.96%). Rent collection remains a key priority for us and we aim to achieve 99.9% rent collection in 2016.



100% of Tenant Liaison Visits Completed

We pride ourselves on delivering a friendly, reliable and efficient service. Our approach centres around an annual programme of tenant liaison visits under which we visit all tenants at least once a year. Through these visits we have established a good relationship with our tenants – they know us and we know them. Tenants have the opportunity to give us feedback on the service we provide and how we can improve. In 2015 we completed 100% of visits. From these visits we know that tenants priorities remain the same as in 2014:

- Reducing the cost of heating homes by replacing old window frames and improving insulation
- A faster response time following requests for major improvements such as new kitchen and bathrooms

In response, we have developed an Affordable Warmth Strategy that will see all our homes improved to an energy efficiency rating of “C” by 2020. In the same period we will modernize kitchen and bathrooms and replace the remaining timber windows with PVCU double glazed units.

95% of Tenants Satisfied with the Service

In 2014 we commissioned an independent company Acuity Research & Practice to survey the views of tenants. 61% of tenants responded to the survey.

The results, published in the early part of 2015, demonstrate that the vast majority of our tenants are satisfied with the services we provide. The headline result of 95% satisfaction with the overall service places us in the top quartile when compared to other associations and satisfaction has remained at this high level since the previous survey back in 2010.



Satisfaction with our service compares very favourably with other housing providers nationally with overall satisfaction in the top quartile and other key ratings 2% - 10% above average. Similarly when compared with a peer group of similar smaller housing associations we are in the top quartile for overall satisfaction (95%) and satisfaction with the home (92%), and the second quartile for repairs (90%), VFM (83%) and listens and acts (77%).

The survey provides us with a valuable insight into those areas where satisfaction is not as high so we can take action to improve. We are confident that satisfaction levels will increase as we implement our affordable warmth programme and modernise the kitchen and bathrooms in our homes – through these we will be able to demonstrate that we have listened to tenants concerns and taken action in response.

The table below provides the results of the survey and how we rank compared to a peer group of other small housing associations (Rankings are Groups 1 – 4 in which 1 is high and 4 is low).

Measure	%	Ranking
Satisfaction with Overall Service	95%	1
Satisfied with the Value for Money of Rent Paid	83%	2
Satisfied with the Overall Quality of the Home	92%	1
Satisfied with the Repairs & Maintenance Service	90%	2
Satisfied that the association listens to tenants views and acts upon them	77%	2

VFM Objective : Maintain a Healthy Financial Position

Operating Costs and Operating Surplus

Our operating costs per property per week for 2015 is £74 compared to £69 in 2014. Our operating cost is lower than the average for our benchmark group at £83. Operating costs as a % of turnover at 75.3% (70.9% in 2014) are similar to the average of other small associations (75.71%) in the 2014/15 year. As a not for profit organisation, all our surpluses are re-invested in our homes.

Another way of assessing financial value is to assess the operating surplus (income less costs of running the business) as a % of turnover. In 2015 operating surplus as a % of turnover is 24.66% compared to 29% in 2014. While there has been a reduction in 2015 because of the increase in expenditure, the assessment demonstrates a healthy operating surplus which, together with the level of reserves we hold, puts us in a strong financial position that we aim to maintain and improve over future years

Return on Assets

Return on assets is a way of calculating financial return for the investment in our assets. One method of expressing this is to compare the operating surplus, which is mainly the rents tenants pay less the cost of running the business, with the net book value of our assets - which are the properties we own. Return on assets is expressed as a % of the net book value of the assets.

Our surplus for the year is £270,824 (£315,432 in 2014) this represents a return on assets of 4.27% compared to 5.00% in the previous year.

The reduction is mainly due to exceptional costs associated with a new loan facility which will finance the improvement programme.



Money Matters

In 2015 our average weekly rents were as follows:

Property Size	Average Rent
1 Bedroom	£73.79
2 Bedroom	£81.69
3 Bedroom	£103.92
4 Bedroom	£122.18

In 2015 we collected just over £1million in rent. This is what we spent it on:

	£'000	%
Repairs and Maintenance	£524,535	52
Managing your Homes	£381,332	38
Debt Servicing and Interest	£84,779	9
Surplus for the Year	£5,394	1
Total	£1,005,763	100

Treasury Management

At the end of 2015 our outstanding loans total £819,000 compared to £870,000 in 2014, however, we plan to increase our borrowing by a further £800,000 over the next 3 years - this will enable us to modernize and improve our homes for the benefit of tenants and protect the value of our assets.

The Board of management regularly review the treasury management policy to achieve the best value for money. Our current policy is to maintain a mix of variable to fixed rate borrowing at a 50:50 ratio. This is mainly because our fixed rate borrowing is at a low interest rate - even compared to the current low base rate. This policy aims to ensure we achieve best value from our financing arrangements.

Accounts 2015

Summary of Balance Sheet

Fixed Assets	£ 6,562,518
Net Current Assets	£ 474,554

Total Assets less Current Liabilities **£ 7,037,072**

Financed by:

Long Term Loans	£ 3,922,789
Provision for Liabilities	£ 130,841
Called up Share Capital	£ 15
Revenue Reserves	£ 2,983,427

£ 7,037,072

Looking Ahead

Over the next 5 years we aim to re-invest over £3 million in our homes. This will improve the health, wellbeing and comfort of our tenants and at the same time protect the value of our homes for future tenants. We also aim to create efficiencies that will deliver over £350,000 of savings in the period up to 2020.

We will continue to work with our contractors and suppliers to review specifications and contract arrangements to achieve best value and establish consistent local supply and price arrangements that reflect our increasing spend on planned works but allow us to continue to use local contractors.

Contact Us

If you have any comments on this report or suggestions on how we can improve our performance on Value for Money please contact us on **0121 382 5105** or at:

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