

Byker Community Trust - Self-Assessment of performance against the Homes and Communities Agency (HCA) Value for Money (VfM) Standard

1. Our Strategic Approach

1.1 The BCT is committed to delivering VfM in the interests of tenants and the wider community because we want to minimise financial pressures on households adversely affected by the economic pressures which they face, in addition to improving services and customer satisfaction. We believe it is important to establish a culture of continuous improvement and to do so, engage with our tenants and residents to determine their views and priorities.

1.2 To date, BCT have achieved significant one-off (£20.982m) and annually recurring (£535k) financial gains through various actions.

1.3 Following an extensive service review by Board of the contracted services that were put in place at the time of the stock transfer (July 2012) a full options appraisal by Board concluded, in September 2015, to bring housing management and support services in house and to partner with Isos Housing Association in a cost sharing vehicle (CSV) partnership arrangement commencing from July 2016. The objectives of this are:

- Control over standards of service delivery with a focus on improvement in quality & cost;
- Value for money including excellence in service to customers; and
- Completing the stock transfer promises to tenants, including those which highlighted service delivery reviews.

It is estimated that £500k annual revenue expenditure savings will be achieved from the new service delivery arrangements.

1.4 A new 'Byker Approach' model of housing management will be implemented, based on a 'bottom up' customer relationship and asset management programme. The Byker Approach will continue to evolve and improve service delivery by using information provided by our customers to improve service provision, moving forward. That is the context in which we will work to implement the regulatory requirements of the HCA.

This report contains the following information:

Description	Page
BCT arrangements to meet the VfM standard	2
Return on assets	4
Cost comparisons	7
VfM gains achieved	13
VfM gains to be made	16
VfM strategy – VfM development action plan	18

2. BCT Arrangements to Meet the VfM Standard

2.1 The table below summarises the current arrangements in place at BCT.

Requirement	Current Arrangements
<p>BCT shall articulate and deliver a comprehensive and strategic approach to achieving VFM in meeting BCT objectives. BCT must maintain a robust assessment of the performance of all assets and resources (including for example financial, social and environmental returns).</p>	<ul style="list-style-type: none"> • Financial regulations covering procurement rules. • Treasury management strategy with twin aims of: <ul style="list-style-type: none"> ○ Minimising the costs of borrowing. ○ Maximising investment returns. • Conducting service reviews. • Budget setting and business planning. • Corporate plan and action plan. • Monthly management accounts. • Contractor performance reports. • Guidelines to contractors and partners on BCT expectations for delivery of social investment outcomes from the capital investment programme. • Tenant Scrutiny Panel. • Survey of Tenants and Residents (STAR) survey. • Benchmarking of costs and performance. • Benchmarking of staffing structure and remuneration levels. • Developing asset management strategy.
<p>BCT has a robust approach to making decisions on the use of resources to deliver BCT objectives, including an understanding of the trade-offs and opportunity costs of BCT decisions.</p>	<ul style="list-style-type: none"> • Budget process linked to corporate plan and business plan objectives. • BCT use a business case model to make proposals to Finance & Audit Committee and Board for any additional expenditure. • BCT use business plan model to run different financial scenarios and assess their impact. • Budget setting process includes decisions on resource prioritisation, trade-offs and opportunity costs.

Requirement	Arrangements
<p>BCT understands the return on its assets, and has a strategy for optimising the future returns on assets – including rigorous appraisal of all potential options for improving value for money including the potential benefits in alternative delivery models - measured against the organisation’s purpose and objectives.</p>	<ul style="list-style-type: none"> • Current investment programme was developed from a stock condition survey at the time of the stock transfer. • The development of a comprehensive asset management strategy including implementing a net present value (NPV) calculation methodology at individual property level to support asset management decision making to inform future waves of investment and programmes of planned and cyclical maintenance. • BCT are undertaking 100% comprehensive stock condition surveys of all its assets to inform future investment profiling. 41% of surveys are complete with target completion November 2016. • NPV analysis will inform investment decision making but will need to be considered in concurrence with the fact the whole estate property and environment is Grade II* listed with Historic England. • BCT has call on specific development sites on the Byker Estate, and has commenced the process of soft market testing of these assets. To date 1 site has been transferred to BCT from Newcastle City Council at nil cost plus £450k grant aid and a 16 unit residential development specifically for disabled and older people has been completed in May 2015 and is fully occupied. • BCT has a strategy to offer to buyback properties on the estate from those wishing to sell and offer prices are set to achieve payback of the investment within a 10 to 12 year timescale. To date 7 buybacks have been completed at a total cost (including reinstatement works) of £278k and these are part of the BCT social housing stock.
<p>BCT has performance management and scrutiny functions which are effective at driving and delivering improved value for money performance.</p>	<ul style="list-style-type: none"> • Contractor performance is managed 4 weekly at a senior management level and reported quarterly to Board, including progress against Key Performance Indicator (KPI) targets. • BCT Executive Team and Finance and Audit Committee review monthly management accounts which highlight revenue and capital financial performance. • Investment programme performance including cost monitoring is reported quarterly to Board. • Financial performance on capital projects is reviewed at regular site meetings. • Tenant scrutiny and customer satisfaction arrangements (incl tenant scrutiny panel, STAR survey, mystery shopping, customer accreditation, customer reference group) developed supported by Tenant Participation Advisory Service (TPAS). • A performance management framework is in place in collaboration with delivery partners to cover: <ul style="list-style-type: none"> ○ How we set targets. ○ How we measure, monitor, report and manage performance. • The Board Service Transformation Sub Group was setup in April 2015 and continues to oversee the service transformation, value for money gains and benefits realisation.

Requirement	Arrangements
<p>BCT understands the costs and outcomes of delivering specific services and which underlying factors influence these costs and how they do so.</p>	<ul style="list-style-type: none"> • Budgets and business plans give breakdowns into each service area and into individual capital investment projects. • BCT Executive Team and Finance and Audit Committee monitor financial performance through review of monthly management accounts with reporting to Board on a quarterly basis. • Business Plan used for sensitivity modelling of multivariate financial scenarios. • As part of implementation of new service delivery arrangements from October 2016 BCT has achieved full transparency over the costs of all services plus target outcomes and these details are covered in Service Level Agreements (SLAs) for each service delivery area. • All BCT budgets and costings provide for an understanding of fixed and variable costs and what factors influence them.
<p>BCT evidences the VfM gains that have been and will be made and how these have and will be realised over time.</p>	<ul style="list-style-type: none"> • A VfM Register is maintained to record full details of all efficiency savings achieved. • All future service delivery arrangements or business development activities are assessed against the key criteria of providing greater efficiencies, cost effectiveness and improved customer experience/satisfaction, together with an identification of how the realisation of these will be evidenced. All these have been reported to the Service Transformation Sub Group and this group, following business service transformation, will evolve into a sub-committee of the Board to oversee performance and continuous improvement.

3. Return on Assets

3.1 Asset Management Strategy

- 3.1.1 BCT is developing a comprehensive Asset Management Strategy for the Byker Estate with a target completion date of June 2017. This comprises:
- Completion of a stock condition and energy and environmental performance survey of all BCT assets.
 - Taking ownership and management of BCT stock condition data from the current contractor (Your Homes Newcastle).
 - Completing a net present value (NPV) calculation and 'traffic light' style viability assessment of all BCT assets.

Completing the stock transfer promises and developing a 10 year capital investment programme based around delivering BCT's mission and corporate objectives.

- 3.1.2 The 10 year investment programme will be formulated with a full understanding of the return on assets and, through the development of the Asset Management Strategy will have the necessary asset and financial information required to enable rigorous appraisal of options for improving returns on assets within the constraints imposed by the Historic England Grade 2* listing of the Byker Estate properties and physical environment. The listing places specific constraints on the freedom of BCT to make independent decisions

regarding developing new assets or demolishing low performing assets. The planning for delivery of the final stock transfer promise to undertake a comprehensive environmental redesign of the Byker Estate is underway in consultation with residents and Historic England.

3.2. Use of Sale Proceeds

3.2.1 Since stock transfer (05/07/12), BCT has completed 11 right to buy sales (three 2 bed, six 3 bed, two 4 bed) with total income of £363k.

3.2.2 In order to mitigate against loss of operating surplus in respect of units sold under the preserved right to buy arrangements, BCT has a strategy covering buyback of properties previously sold under right to buy that the owners are now seeking to sell. Under this strategy the price BCT offer to the seller is based upon achieving a payback of the investment over a maximum 12 year term. Although this generates an offer price significantly below the price the properties would be expected to be advertised at on the open market, to date BCT has completed 7 such buybacks (three 1 bed, one 2 bed, three 3 bed) at a total cost of £278k including reinstatement costs incurred to ensure the properties meet the BCT standard.

3.2.3 The table below evidences these properties were bought at significantly below open market values as measured by similar properties currently advertised for sale in the same area:

Property Size	Average Buyback Cost	Average Open Market Price	Difference from Market Price	Percentage Difference
1 bed	£40k	£45k	£5k	11%
2 bed	£42k	£59k	£17k	29%
3 bed	£37k	£66k	£29k	44%

3.2.4 This represents a proactive use of sales receipts to invest in replacement stock at below market value with payback achieved within a 12 year timescale.

3.3 New Developments

3.3.1 BCT worked in partnership with Newcastle City Council to secure one of their surplus assets situated on the Byker Estate. The asset was transferred to BCT at nil cost and BCT converted it into a complex of 16 residential apartments (eleven one bed and five two bed including two disabled access specific units) to let to residents aged 50 plus which was a Newcastle City Council objective following welfare reform changes. Newcastle City Council (NCC) awarded £480k empty homes funding which contributed to the overall £1.18m scheme cost. This development was completed in May 2015 and is fully let. This investment reaches a payback position within a 15 year timescale. The additional annual revenue generated from this development is around £58k.

3.3.2 The housing stock transfer included a number of non-residential units called Hobby Rooms most of which were vacant. BCT accessed a £25.2k feasibility grant funding from the Homes & Communities Agency (HCA) to investigate options for these. Resulting from this BCT have developed a programme for conversion of 10 of these units into residential use creating a total of 15 new bedspaces (four studio apartments, two one bed, three two bed, one three bed) and has joined the Spirit Development Partnership to progress an

application for HCA affordable housing grant towards the conversion costs such that the investment reaches a payback position within a 25 year timescale. This development is planned to complete in 2017, subject to securing the required grant funding.

3.4 Investment Programme

3.4.1 In 2015/16 BCT have continued to deliver the stock transfer promises:

- The 2 year comprehensive Byker Wall external regeneration project was successfully completed and has significantly improved the energy efficiency for that building containing 648 units. The consequent reductions in energy demand will help BCT maintain its freeze over district heating service charges to customers, whilst allowing these units to still achieve the required level of operating surplus. As part of this regeneration project a total of over 350 tonnes of asbestos has been removed from the building.
- In renewing the Concierge system infrastructure, BCT has been able to install a fibre optic communications infrastructure covering the entire Byker Wall. BCT plan to offer this infrastructure to broadband service providers who will use it to provide broadband services to residents on the proviso that they offer a minimum free usage allowance, thus providing a valuable social return on assets to BCT tenants enabling them to have improved access to digital services.
- 14 properties have been upgraded to the modern homes standard as these properties had self-omitted from the modern homes programme undertaken prior to the stock transfer.

3.5 Investment in Renewable Energy

3.5.1 In 2015/16 the focus was in 4 areas:

- District Heating Mains Infrastructure.
The Byker district heating system is benefitting from 5.6km of secondary mains replacement to reduce heat loss and improve the system flow, the connection of 3 group heating systems onto the district heating network will provide a more cost efficient way of delivering heat and hot water to the properties in this area of the estate, refurbishment of 15 heating sub stations to install the most up to date equipment to improve the systems efficiency and the installation of a Building Management System to control and monitor the operational performance of the overall system.
- Biomass.
The impact of the 1 megawatt biomass boiler installation has been key in enabling BCT to maintain its freeze over district heating service charges to customers, due to a combination of reduced demand for gas fuel and the additional income from renewable heat incentive tariff that BCT receives as a result of operating the biomass boiler. This also significantly reduces carbon emissions from the Byker system. Further improvements are planned to maximise the output from the biomass boiler and reduce the time required for routine maintenance. BCT are working with an energy provider to potentially achieve the installation of a 4 megawatt biomass boiler. 5 specific installation options have been appraised over a 20 year lifespan, yielding a positive NPV, ranging from £1.3m to £2.3m.
- Proposals for the installation of new and improved controls to the 1986 properties on the network have been developed with a view to the contract for these works being let in 2016/17. These projects have been developed to deliver the stock transfer promise to BCTs tenants to improve the energy efficiency of their homes,

and reducing greenhouse gas emissions from the system and contributing towards tackling fuel poverty.

- As part of the Byker Wall upgrade, 132 photovoltaic panels have been installed and the electricity generated is used to power communal lighting and lifts with any surplus being sold to the National Grid. These have an estimated useful life of 20 years and the total investment cost of £81k reaches a payback position within a 13 year timescale. This helps BCT to reduce overheads in terms of communal electricity costs.

3.6 Asset Valuation

3.6.1 The table below summarises the surplus achieved as a proportion of the value of the BCT assets. This gives an indication of how BCT are performing in using assets to generate a financial surplus. This shows a pattern of year on year performance improvement.

Year	Surplus	Asset Value	Return %
2015/16	£2.654 million	£19 million	14.0%
2014/15	£2.195 million	£17 million	12.9%
2013/14	£1.335 million	£12 million	11.1%
2012/13	£0.979 million	£9.5 million	10.3%

4 Cost Comparisons

4.1 This section contains details of how BCT compare against a range of measures including details of the reasons for any variations, together with a summary of future plans with regard to cost performance.

4.2 Homes & Communities Agency (HCA) – Delivering Better Value for Money: Understanding Differences in Unit Costs

4.2.1 The table below summarises BCT unit costs as against those of the regulated social housing sector as a whole, based on 2014/15 data.

Description	BCT (£k)	Sector Median (£K)	Difference %	Explanation
Headline social housing cost	7.95	3.55	+124%	The difference is the combined effect of the individual cost areas detailed below.
Management cost	1.13	0.95	+19%	Under the stock transfer arrangements, day to day housing management is outsourced for a 4 year period up to October 2016 at a price fixed back in 2012 with an inflationary increase applied to the staff cost element from April 2015. A significant element of this BCT have new service delivery arrangements commencing in October 2016 with a focus on improvement in quality and cost (see details in Service Delivery Transformation section). Over the medium term BCTs VfM strategy includes achieving cost performance at the median of the regulated social housing sector.
Service charge	1.68	0.36	+367%	In Byker tenants receive heat and hot water from the district heating system and pay for this through a service charge. Therefore tenants do not need to source their own supply separately through a utilities provider. In 2014/15 the service charge total was £1.8m (£0.97k per property).
Maintenance cost	1.16	0.98	+18%	Please see explanation for Management cost variance above. The same applies to maintenance costs. A significant cost driver for maintenance on the Byker Estate is external painting due to the unusual design of the estate with substantial timber content and the Grade 2* Historic England requirement to comply with a specific colour scheme which means the paint itself is relatively expensive. This results in significant spend on an ongoing painting programme which amounted to £393k in 2014/15 (£0.22k per property).
Major repairs	3.96	0.80	+395%	As a young stock transfer BCT is currently undertaking a major capital investment programme as part of the stock transfer promises. Spend in 2014/15 was £6.9m (£3.9k per property).
Other social housing costs	0.02	0.20	-90%	For BCT this cost heading only covers the community participatory budget (funds BCT makes available for specific community based initiatives on the estate as part of the stock transfer promises). All other BCT costs are within the other cost categories above.

4.2.2 BCT performance on these costs in 2015/16 shows an overall improved position and this is detailed below:

Description	Unit Cost (£k)	Difference From 2014/15 %	Explanation
Headline social housing cost	£4.28k	-46%	Reduction largely reflects significant reduction in service charge cost and major repairs cost.
Management cost	£1.22k	+8%	Reflects mainly increased size of BCT staff team (£71k increase) due to the service delivery changes. Additional housing management contract costs were applied due to a cost of living rise (£69k). There were other net increases amounting to £26k including increased cost of professional support and due diligence work in reviewing service delivery arrangements.
Service charge	£1.45k	-14%	This is a result of the combined effect of a reduction in service charge cost and impact of the capital investment programme. It reflects a £396k (27%) reduction in costs of the district heating system and energy costs due to investment taken to improve and upgrade the system and increased use of biomass fuel and the receipts of renewable heat incentive and feed in tariff, together with an overall increase of £13k across all other service charge costs.
Maintenance cost	£1.14k	-2%	Reflects ongoing tight management aiming to achieve real terms cost reduction and reductions in repairs and maintenance expenditure due to the capital works improvements.
Major repairs	£2.65k	-33%	Reflects lower volume of capital works expenditure as more schemes in the early years investment stock transfer promises progress to completion.
Other social housing costs	£0.14k	+600%	Reflects increased spend through community participatory budget (up by £155k) together with investment of one off costs of BCT office expansion (£52k) required for new service delivery arrangements from October 2016.

4.3 Benchmarking BCT Performance Against a Peer Group of Other Registered Providers

4.3.1 BCT participates in Housemark and has identified a peer group of 9 other Housing Associations for benchmarking purposes.

4.3.2 The table below summarises BCT performance based on 2014/15 (In the peer group column green represents relatively better performance, red represents relatively worse performance. The trend column is a comparator with previous years performance – where N/A is shown then no comparator is available).

Measure	Peer Group	Trend
Financial Indicators		
Growth in turnover	Green	Green
Adjusted net leverage	Red	Red
Operating margin	Green	Green
Debt per unit managed	Green	Red
Interest cover	Red	Red
Overheads		
Overheads as % of turnover	Green	Green
Housing Management		
Housing management costs per property	Red	Green
Arrears write off as % of rent due	Green	N/A
Former arrears as % of rent due	Red	N/A
Current arrears as % of rent due	Red	N/A
Overall arrears as % of rent due	Red	Red
Average relet time	Red	Red
Rent loss due to voids	Red	Green
Tenancy turnover rate	Red	Red
Vacant dwellings at end of period	Red	Red
Housing management costs and satisfaction	Red	N/A
Responsive Repairs & Void Works		
Costs per property of responsive repairs and void works	Red	Green
Costs per void repair	Green	Green
% of repairs completed at first visit	Green	N/A
Repairs cost and satisfaction	Red	N/A
Major Works & Cyclical Maintenance		
Costs per property of major works	Red	Red
Costs per property of cyclical maintenance	Red	Red
% of dwellings that are non-decent	Red	Red
Dwellings with a gas safety certificate	Green	Green
Major works and cyclical maintenance costs and satisfaction	Red	N/A
Measure	Peer Group	Trend
Corporate Health		
Staff turnover	Green	Green
Average number of days lost to sickness	Green	Green

4.3.3 Some key points from this benchmarking summary are:

- Adjusted net leverage. This is a measure of total debt to total assets. The high position for BCT is due to assets being measured at cost (net of grant) rather

than at value. BCT started with a nil cost for its assets on stock transfer from July 2012.

- Debt per unit managed. The trend increase represents a £3.75m increase in loan drawdown during 2014/15 to fund delivery of the stock transfer promises investment programme.
- Interest cover and major works costs. BCT position reflects the significant level of capital investment expenditure in delivery of the stock transfer investment promises.
- Overheads as % of turnover. BCT figure is low as the overhead element of contract set in place on stock transfer are opaque and not readily identifiable so all contract charges are classed as direct delivery costs.
- Arrears write off and level of arrears. The current BCT policy results in minimal write off which will tend to contribute to a relatively higher level of arrears being carried. This policy will be reviewed in 2017 under the new service delivery arrangements.
- Average relet time. 2014/15 performance figures did not have a split between standard and non-standard relets. This will tend to contribute to a relatively higher BCT figure.
- Cyclical maintenance costs. A significant cost driver for maintenance on the Byker Estate is external painting due to the unusual design of the estate with substantial timber content and the Grade 2* Historic England requirement to comply with a specific colour scheme which means the paint itself is relatively expensive. This results in significant spend on an ongoing painting programme.
- Dwellings that are non-decent. This represents all the properties that, to date, have chosen to omit from the decent homes programme. BCT currently have a catch up programme resulting from stock transfer to cover all of these properties.

4.4 Performance Against Key Performance Indicators (KPIs)

4.4.1 These KPIs are the targets set for our Housing Management Services contractor (Your Homes Newcastle) to achieve. The table below summarises 2015/16 performance:

KPI	Target	Actual	Conclusion
Rents			
Former tenants rent and service charge arrears not to exceed £431,231 by 31/03/16	£432,231	£371,949	Achieved
Collect 98.6% of rent and service charges due from current and former tenants (excluding arrears brought forward and void rent loss)	98.6%	98.4%	Not achieved
Lettings			
Average re-let time for standard voids	25 days	24 days	Achieved
Rent loss due to empty properties	0.9%	1.04%	Not achieved
Repairs			
Number of all repairs completed within target (%)	99%	99%	Achieved
Percentage of properties with a valid Gas Safety Certificate	100%	100%	Achieved
Repairs carried out at the first visit	98%	100%	Achieved
Average number of calendar days to complete repairs	5 days	4 days	Achieved

KPI	Target	Actual	Conclusion
Satisfaction with the Repairs and Maintenance service (%)	95%	98%	Achieved
Anti-social behaviour			
Percentage of closed ASB cases that were resolved	95%	98%	Achieved
Investment delivery			
Satisfaction with internal investment work (%)	88%	91%	Achieved
Satisfaction with external investment works (%)	90%	100%	Achieved

4.4.2 Explanations for those targets not achieved are:

Collection Rate

In 2015/16 there were 2 additional challenges impacting on income collection:

- Universal Credit (UC). Of the 47 tenants claiming UC the collection rate was 88.5%.
- Closure of cash payment facility. In November 2016 Newcastle City Council, who are contracted to collect BCT income, closed its cash collection service. In mitigating this increased risk to cash income collection which amounted to £1.6m in 2014/15, Your Homes Newcastle have been successful in supporting tenants to change to alternative methods of payment (during 2015/16 the proportion of tenants paying by direct debit rose from 25% to 44% and the proportion using paypoint facilities increased from 9% to 19% and using paypoint at the post office increased from 7% to 22%).

4.4.3 Rent Loss Due to Empty Properties

The increase in property turnover has contributed to increased void rent loss. In 2016/17 a new approach will be implemented to manage internal transfers once BCT is directly delivering the housing management service when we will be introducing new methods to support tenancy sustainability and reduce turnover. This will help reduce the void re-let time and rent lost from voids as well as decreasing the amount of money spent on void reinstatements.

4.4.4 New Performance Management Arrangements

In 2016/17 The Service transformation Board Sub Group will take forward performance management and a framework will be developed by Board and the Executive Team with a key aim of operating at median sector performance by 2020.

5 VfM Gains Achieved

5.1 To date, BCT have achieved significant one-off (£20.982m) and annually recurring (£535k) financial gains through various actions. These are itemised in the table at the end of this statement. These efficiency gains have been used to reduce BCT's borrowing and running costs, and cashable savings have been invested in additional capital expenditure. Details are:

On Stream Year	Description	Estimated One Off Saving £000s	Estimated Annual Saving £000s
2012/13	Savings on years 1 to 15 capital investment programme via VAT Shelter arrangement	6,472	
2012/13	Fixing of interest rates for current loan facility secured savings against original estimate of loan interest	706	
2012/13	Interest earnings in excess of budget	12	
2012/13	Renegotiation of Street Wardens contract		60
2012/13	Securing Community Covenant grant funding for Avondale House Refurbishment	250	
2012/13	Tender saving against budget on Avondale House contract	134	
2012/13	Revenue expenditure outturn under budget	359	
2012/13	VAT savings years 1 to 5 through agreement of partial recovery special method calculation	68	
2012/13	Securing NCC grant funding towards Stilt Block improvement works	33	
2012/13	Access to Newcastle City Council negotiated discount rates for communal electricity supplies		2
2012/13	Access to Newcastle City Council negotiated discount rates for gas supplies		21
2013/14	YHN contract prices frozen at 2012/13 rates		90
2013/14	NCC contract prices frozen at 2012/13 rates		8
2013/14	Tender saving against budget on Modern Homes Omit contract	10	
2013/14	Tender saving against budget on Byker Wall contract	227	
2013/14	Additional revenue income streams through installation of Biomass boiler		199
2013/14	Negotiation of reduction in employers pension contributions (from 27.5% to 16.2%)		27
2013/14	Interest earnings in excess of budget		44
2013/14	Securing YHN funding contribution towards Byker Wall upgrade	65	
2013/14	Securing YHN contribution towards Stilt Block improvement works	25	
2013/14	Securing reduction on investment programme fees against budget	482	

On Stream Year	Description	Estimated One Off Saving £000s	Estimated Annual Saving £000s
2013/14	Securing 12% reduction on asbestos removal monitoring fees against original price quoted	19	
2013/14	Securing reduction in Concierge Upgrade contract against original price quoted	400	
2013/14	Securing nil fee on Concierge Upgrade contract	32	
2013/14	Securing VAT reduction through transfer of employees from YHN to BCT		60
2013/14	Accessing HMRC Small Employers Allowance Scheme		2
2014/15	Securing lower interest rate than budgeted for prudential borrowing for District Heating Upgrade	885	
2014/15	Securing NCC grant funding towards Chirton House redevelopment	480	
2014/15	Securing further reduction in employers pension contributions (from 16.2% to 14.9%)		3
2014/15	Securing free banking services		1
2014/15	Securing HCA grant funding towards Hobby Rooms feasibility study	25	
2014/15	Increasing interest earnings from automatic sweep of current account balance to deposit account		2
2014/15	Negotiated reduction in arrangement fee for extended loan facility	50	
2014/15	Revenue expenditure outturn under budget	808	
2015/16	Effect of lower rent increases than originally planned from 2015/16 as per new rent setting rules	160	2
2015/16	Net saving on Housing Management Contract for final year of current contract	6	
2015/16	Saving on finance charges through securing reduction in margin from 2.75% to 1.9% on extended loan facility	3,561	
2015/16	Fixing of interest rates for current loan facility secured savings against original estimate of loan interest	3,877	
2015/16	No cost of living rise allocated to BCT staff		8
2015/16	Loan interest savings through early repayment of Bolam Coyne prudential borrowing loan	411	
2015/16	Feed in tariff income and own use savings from installation of PV panels on Byker Wall roof		6
2015/16	Revenue expenditure outturn under budget	1,426	
	Total	20,982	535

5.2.2 Social Value Gains Achieved - During 2015/16 BCT continued to work closely with delivery partners to achieve a key BCT objective of bringing new training and employment opportunities with 5 new jobs being created and 6 local residents gaining new vocational qualifications.

6. VfM Gains to be Made

6.1 Service Delivery Transformation

6.1.1 During 2015-16 BCT's VfM approach has focused on future service delivery arrangements. In February 2014, BCT initiated a review of the service delivery arrangements which were put in place at the time of stock transfer in July 2012. The work included:

- Examining the service coverage of the current contracts and underlying costs put in place at the time of stock transfer and lasting for a 4 year duration.
- Benchmarking across a range of comparator organisations (outcomes as well as costs).
- Consideration of value for money, efficiency and quality.
- Potential tax efficiency as a contribution to reducing costs through participation in a Cost Sharing Vehicle (CSV).

6.1.2 In the review period additional pressure was brought to bear on BCT's costs as a result of the rent reduction announcement made in the July 2015 budget. The impact of the rent reduction will be to reduce revenue by £2m over the 4 year period and by £9m within the life of BCT's financial facility (to early 2025).

6.1.3 BCT concluded the options appraisal in September 2015 and decided:

- To bring housing management and support services in house from October 2016.
- To extend the current contract with Your Homes Newcastle (YHN) & Newcastle City Council in relation to concierge & cleaning services and the provision of furniture packages from October 2016.
- To join a Cost Sharing Vehicle (CSV) with Isos Complete Support, through which the following services will be delivered: Grounds Maintenance & Environmental Response Services from July 2016; Repairs & Maintenance (including voids); Finance & Income Management; and Older Persons Housing all from October 2016.

6.1.4 BCT are clear on the objectives to be achieved by the service transition and they are:

- To bring housing management and support services in house from October 2016.
- Control over standards of service delivery with a focus on improvement in quality and cost.
- Value for money including excellence in service to customers.
- Completing the stock transfer promises to tenants, including those which highlighted service delivery reviews.

6.1.5 The Service Transformation Programme has target annual revenue savings of £0.5m (6.2% of our operating costs). In addition BCT will aim to achieve median unit costs as per sector data by 2020.

6.1.6 As part of these new service delivery arrangements Isos are providing the required ICT infrastructure to BCT. Through this significant cost efficiencies have been secured

through the negotiation of favourable rates with the suppliers of the ICT services.

Examples are:

- Purchasing of Capita OpenHousing and OpenAccounts software for £70k as against purchasing outside of the Isos arrangement which could have been as much as £250k.
- Sharing server hardware with Isos means BCT benefits from over £300k investment in state of the art servers, networking and storage solutions for a minimal cost.
- Any systems developments implemented for Isos by Capita will be available to BCT at no additional cost.
- Isos processes and policies are being adopted by BCT, saving potential consultancy costs or internal effort to develop separate policies and procedures for BCT.
- All the Isos core systems are fully compliant with Data Protection and this comes at no additional cost to BCT.
- Document management using Office 365/Sharepoint will be available to BCT as part of Isos internal systems development.
- Shared services to provide external remote access, system monitoring and desktop deployment are provided from the Isos infrastructure at no additional cost. It is estimated own development of this would be approximately £25k.
- ICT systems strategic direction, assistance in working with 3rd parties and guidance on best practice implementation have all been given to BCT at either no cost or minimal charge. This would have been an expensive project management resource if BCT had completed this work themselves.

6.1.7 BCT are implementing the service changes through:

- A detailed, costed model of the new staffing structure which will underpin executive and governance functions, housing management, customer engagement, marketing and communication, technical and corporate services;.
- A detailed Pricing Model and Service Level Agreement for each service area delivered through the CSV.
- Ongoing work with YHN to develop appropriate specifications and accurate costs for Concierge, Cleaning and Furniture services.

6.1.8 Together these three aspects of work enable BCT to understand its cost base in greater detail than previously and to predict the impact on budgets in the event of service changes and/or levels of demand. New arrangements are being compared against the baseline costs of service delivery prior to transformation and all savings/benefits are being evidenced.

6.2 Other key BCT targets for future VfM gains are:

Description	Estimated One-Off Saving/Additional Income	Estimated Annual Saving/Additional Income	Timescale
Secure additional Renewable Heat Incentive income through upgrade to existing Biomass boiler		£4.5k	March 2017
Secure grant funding towards Hobby Rooms conversion project	£250k		March 2017

6.2.1 In addition to the above 3 further efficiencies have been identified through the Service Delivery Transformation process:

- Transfer of staff to BCT without any TUPE obligations.
- Avoidance of the costs that would have been incurred through requirements for OJEU tendering for service delivery contracts.
- Avoidance of final salary pension liability obligations in respect of new BCT staff joining from 2016.

7. VfM Strategy – VfM Development Action Plan

7.1 The current BCT VfM Development Action Plan is:

Activity	Responsibility	Timescale
Implement new service delivery arrangements	Chief Executive	October 2016
Establish Service Transformation Monitoring Group	Chief Executive	October 2016
Establish Performance Sub-Committee	Director of Operations	March 2017
Develop BCT Performance Management Framework	Director of Operations	March 2017
Developing a comprehensive Asset Management Strategy for the Byker Estate with a target completion date of June 2017. This comprises: <ul style="list-style-type: none"> • Completion of a stock condition and energy and environmental performance survey of all BCT assets. • Taking ownership and management of BCT stock condition data from the current contractor (Your Homes Newcastle). • Completing a net present value (NPV) calculation and 'traffic light' style viability assessment of all BCT assets. Developing a 10 year capital investment programme based around delivering BCT's mission and corporate objectives.	Head of Property Services	June 2017
Review of overall BCT new business arrangements	Chief Executive	July 2017
Investigate alternative delivery options available for provision of furniture packs to tenants, with a view to reducing costs	Director of Operations	July 2017

Activity	Responsibility	Timescale
Work with partner agencies to develop proposals for land development sites.	Head of Property Services	Ongoing

7.2 The Action Plan is subject to regular monitoring to ensure delivery of current activities and that new activities are added as required to ensure BCT continues to deliver VfM in the interest of its tenants and the wider community.