



Saffron Housing Trust

Value for Money Self-Assessment

Year ended 31 March 2017

Co-operative & Community Benefit Society Registration No. 32427R
Homes and Communities Agency No. LH4412

Saffron Housing Trust Ltd
Value for Money Self-Assessment for the year ended 31 March 2017

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Executive summary

Saffron has faced a year of significant change and also achievement. Thanks to our committed and loyal staff, strong foundations and our partnerships with local organisations and customers, we have delivered new homes, maintained strong operational performance, and have set about strengthening our governance structure, whilst our financial position continues to be very strong. We did what we set out to do. We are successfully reshaping Saffron, positioning it well for sustainable growth, so that we can continue to fulfil our purpose and provide good quality homes for those in housing need.

Our corporate strategy has been refocused to support a new customer centric culture and make structural changes to further improve our customers' experience. We have also revisited our development aspirations and refocused them to match our new direction. The return on assets work now includes stock option appraisals on a focused group of properties to ascertain the best investment approach. Further analysis is being undertaken for the Board to review.

We are pleased to note that our cost measures have remained below the median for both peer organisations and the national assessment for all last year's financial measures. However, with our new plans we are now challenging ourselves to consider placing further investment to support the longer-term success and sustainability of the Trust, such as major investments in our housing stock, infrastructure, and people development. Alongside this we will continue maximising both customers' and our income streams.

Finally, all staff are engaged in seeking out efficiencies from the work they undertake. This focus will be further embedded through a cultural shift, whilst a balance will be struck with the investment needed to keep Saffron in a strong position to manage future challenges.

Regulatory requirements

The Board of Saffron Housing Trust is responsible for compliance with all the Homes and Communities Agency's (HCA) regulatory requirements. The overarching economic regulation objective is "to ensure that value for money is obtained from public investment in social housing".

Underpinning this is the Value for Money (VfM) standard. This sets out required outcomes and specific expectations. One of these is to agree and publish this self- assessment to

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demonstrate to stakeholders how Saffron meets the standard. In addition, it the expectation that this statement:

- Enables stakeholders to understand the return on assets measured against Saffron's objectives.
- Sets out the absolute and comparative costs of delivering specific services.
- Evidences the value for money gains that have been and will be made and how these have and will be realised over time.

Return on assets has made use of the Asset and Liabilities register and other stock data to develop the Active Asset Management approach. Investment and divestment are linked through actively managing assets and the development programme to make best use of Saffron's stock and financial resources, efficiently manage the major repairs programme and plan for sales and acquisitions.

The comparative costs have been compiled from various sources. The HCA's Global Accounts for year end March 2016 have been used to compare "headline social housing costs" against a peer group of 17 other registered providers within the Eastern Region. Housemark's benchmarking group of the same peers and the new sector scorecard enables Saffron to further understand its performance against this peer group. Finally, bespoke analysis of published financial statements and the HCA's Statistical Data Returns for this peer group completes the picture.

These various sources of data allow Saffron's performance and costs to be compared fully and highlight both good return on investment and areas for improvement. It shows Saffron to be in a strong financial position to move forward with its transformation programme, particularly its investment in existing housing stock and infrastructures.

Value for money gains have been compiled over the year by all teams ensuring that VfM is embedded within Saffron, approaches have been followed through within the services and continue to offer good value, whilst new initiatives from the staff themselves been brought to the fore.

All these expectations will be addressed further through the revised corporate strategic approach.

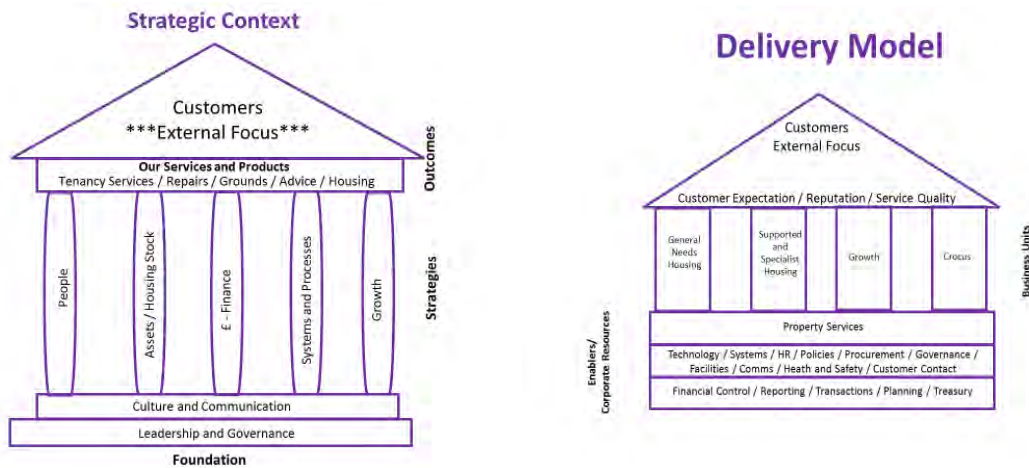
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Corporate Strategy

During the year the Homes and Communities Agency (HCA) downgraded Saffron's governance rating to G3 following defects in Saffron's governance processes and a failure to comply with the rules. The Board learnt valuable lessons from the investigation, and we moved rapidly to strengthen our governance processes by developing new and enhanced assurance and risk frameworks. We have set a new strategy, realigned the business plan, completed rigorous stress testing and we have mitigation strategies in place.

Our purpose remains to provide affordable housing to people in housing need and our offer to customers is underpinned by a new delivery model placing total emphasis on the needs of our customers. Over the next 12 months the Board and executive team will be driving a change programme to deliver and embed a new customer centric culture. The following models show the approach the Board and Executive Team will be taking to move the Trust forwards:



Structural changes throughout Saffron are continuing and staff are being supported as the new culture emerges. We are proud to have made great progress in many strategic and operational areas, but we are not complacent and will seek to continually improve and provide great value to our customers and communities.

The European Union referendum result and the recent General Election have created a high degree of uncertainty. With a shifting housing policy and reduced rental income, it has meant we have had to, and will continue to, work hard to improve efficiencies.

Looking forward the future is bright, we have developed a new strategy which reprioritises investment in front line services, infrastructures and current homes whilst developing a reduced, but still above sector average, number of new affordable homes.

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We are still driven to deliver excellent services for our customers. Our services are locally focused between Norfolk and Suffolk and we are achieving above sector average levels of customer satisfaction and we have developed a very strong set of strategic performance indicators. We are delighted to have completed 278 new homes during the year, playing a significant part in meeting local housing need. Our strong operating margin of 45% means that we can invest both in new homes and improved service delivery for our customers.

We have continued building our successful relationship with NorseCare over the past 12 months, enabling the delivery of first class services at The Meadows Care Village in Norwich. This excellent work has been recognised at the highest levels both politically and by the HCA, who recently noted how impressive the commitment and openness both parties have demonstrated in delivering such a successful scheme. We also continue working very closely with our local authority partners in delivering the growth and sustainable communities that make our homes great places to live in.

The regulatory and political landscape is changing, and, along with others in the housing sector, we continue evolving to ensure our customers are safe in their homes. We firmly believe that the work we are undertaking to strengthen our governance will hold us in good stead to deliver to our customers

Absolute and comparative costs

Saffron uses two sources to benchmark and analyse its service delivery – the HCA led Global Accounts and financial statement analysis, as at the year ending 31 March 2016 and published in Statistical Data Returns by the HCA. The sector wide HouseMark benchmarking data as at 31 March 2016 is also used to further reinforce and validate the above benchmarking analysis. The former has been enhanced since the HCA's own published advice about Costs Per Unit to finesse the comparison and enrich benchmarking information.

We selected a bespoke peer group of 17 other housing associations from the Eastern Region. This peer group comprises organisations with a regional social housing stock presence greater than 50% of their total social housing stock, and ranging from 50% smaller to 50% larger than Saffron. This was then replicated for the HouseMark data analysis, although it should be noted that 2 of the peer group organisations are not members of the HouseMark benchmarking club.

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The following list details each housing association within this peer group, including their number of social housing homes and regional presence as at 31 March 2016:

Housing Association	Total number of social homes in their group	Total number of homes in the Eastern Region	Regional presence as % of homes in their Group
Aldwyck Housing Group Limited	8,436	7,793	92.4%
B3 Living Limited	3,738	3,738	100.0%
Broadland Housing Association Limited	4,876	4,876	100.0%
Chelmer Housing Partnership Limited	8,135	8,135	100.0%
Cross Keys Homes Limited	10,429	10,317	98.9%
Estuary Housing Association Limited	3,882	3,201	82.5%
Freebridge Community Housing Limited	6,867	6,867	100.0%
Grand Union Housing Group *	9,883	6,500	65.8%
Greenfields Community Housing Association	7,905	7,905	100.0%
Luminus Group Limited	5,915	5,848	98.9%
North Hertfordshire Homes Limited	8,459	8,459	100.0%
Orwell Housing Association Limited	3,462	3,462	100.0%
Saffron Housing Trust Limited	5,504	5,504	100.0%
Swan Housing Association Limited	7,775	4,858	62.5%
The Havebury Housing Partnership	6,156	6,156	100.0%
Thrive Homes Ltd *	3,771	3,727	98.8%
Victory Housing Trust	4,973	4,973	100.0%
Watford Community Housing Trust	4,723	4,723	100.0%

* Note – Housing associations not included in the HouseMark peer group since they have not subscribed to HouseMark.

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Analysis from Global Accounts

Using the peer group as a relevant comparative, weekly rent on Social Housing Lettings at 31 March 2017 amounted to an average £95, being £1 above the previous year's average and still considerably below the peer average. The increase of £1 from the previous year is the net effect of the 1% rent reduction reform and an additional 278 new homes added to the portfolio during the year.

The lower weekly average in rental income compared to the peer group is attributable to the rural location of our social housing stock - South Norfolk is our biggest market and at 4,811 properties, this represent 81% of our total housing stock.

Operating margin on social housing lettings of 46% showed a decrease of 2 points when compared against the previous year, but the Trust is still performing well above upper quartiles when compared both against the national median and the median of the other housing associations in the peer group. The reduction in operating margin is due to the investments the Trust has placed and continue placing in additional management costs to overcome the governance shortfalls and address the delivery of a new strategy.

The table below illustrates financial ratios and trends for the Trust over the past five years, both against the national median (where applicable) and the peer group of 17 other organisations:

Financial Ratios - VfM Analysis	Measure	March 2017	March 2016			March 2015*			March 2014*		March 2013*	
		Saffron only	Saffron	Peer Group Median	National Median	Saffron	Peer Group Median	National Median	Saffron	Peer Group Median	Saffron	Peer Group Median
Closing social housing units managed	homes	6,009	5,731			5,483			5,214		5,036	
Average weekly rent - SHL	per home	£ 95	£ 94	£ 102	n/a	£ 90	£ 96	n/a	£ 87	£ 92	£ 84	£ 91
Average weekly operating surplus - SHL	per home	£ 44	£ 45	£ 35	n/a	£ 45	£ 32	n/a	£ 43	£ 30	£ 39	£ 29
Operating margin - SHL		46%	48%	35%	n/a	50%	34%	n/a	49%	33%	46%	32%
Headline social housing cost	per home	£ 2,607	£ 2,624	£ 3,511	£ 3,549	£ 2,736	£ 3,581	£ 3,550	£ 2,835	£ 3,668	£ 2,895	£ 3,533
Management	per home	£ 925	£ 438	£ 961	£ 1,018	£ 479	£ 862	£ 950	£ 460	£ 795	£ 591	£ 834
Service charge	per home	£ 226	£ 195	£ 384	£ 372	£ 228	£ 391	£ 360	£ 221	£ 357	£ 228	£ 353
Maintenance	per home	£ 938	£ 1,183	£ 1,020	£ 982	£ 1,202	£ 1,013	£ 980	£ 1,132	£ 970	£ 1,118	£ 980
Major repairs	per home	£ 388	£ 628	£ 816	£ 809	£ 632	£ 753	£ 800	£ 519	£ 868	£ 524	£ 874
Other social housing costs	per home	£ 130	£ 180	£ 211	£ 260	£ 195	£ 153	£ 200	£ 503	£ 266	£ 434	£ 306

Key:

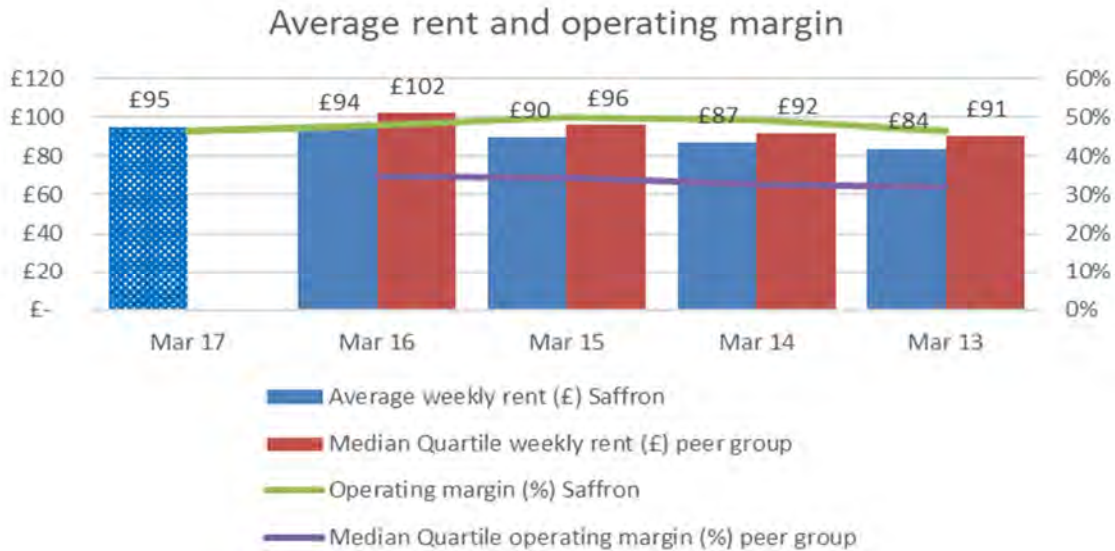
	Worse than Peer Group
	Same as Peer Group
	Better than Peer Group

*Note:
Data up to March 2015 is based on GAAP

Each of these financial ratios is supplemented and further analysed in more details with a separate chart below.

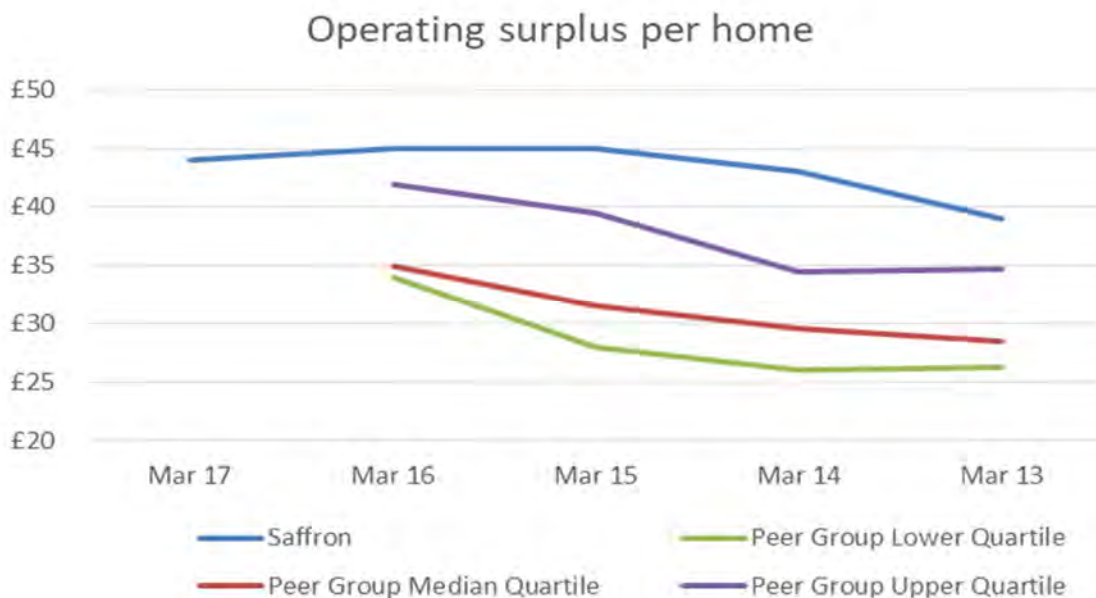
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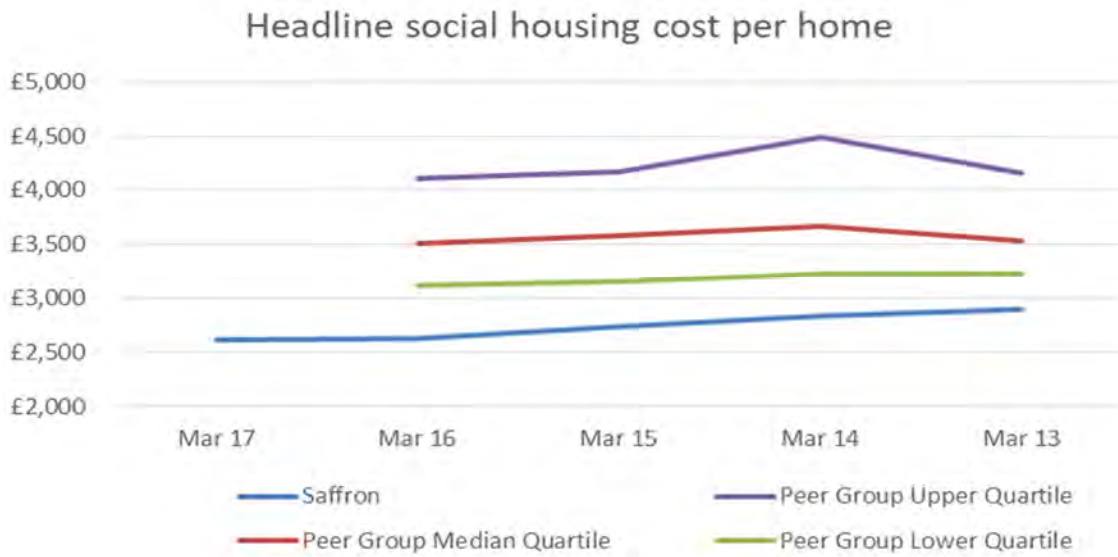
At March 2017, the average weekly rent increased by £1 to £95 when compared to March 2016. Operating margin* reduced by 2 points to 46% at March 2017 compared to a peer group median of 35% at March 2016, confirming the very strong financial position of the Trust.

* Operating margin is defined as operating surpluses from social housing lettings as a percent of turnover from social housing lettings, and it is a measure of core business profitability.



Operating surplus per home for Saffron at March 2017 dropped by £1 when compared against March 2016, although this is still £2 above the peer upper quartile and £9 above the median for March 2016.

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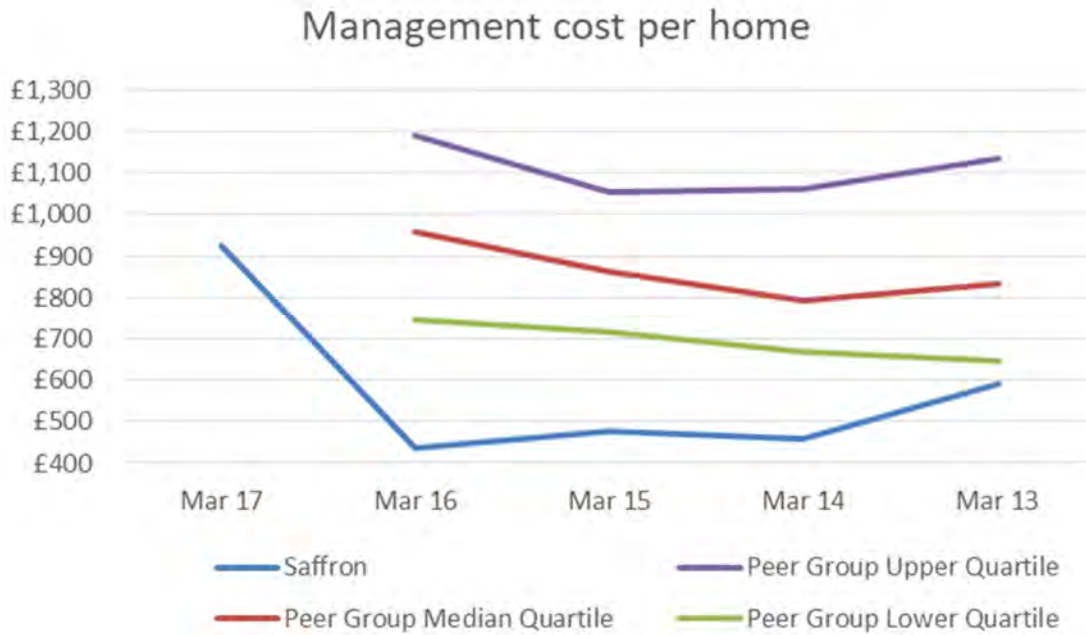


Headline social housing costs per home is composed of several cost lines reported in the Global Accounts. The unit cost per home is made up of the main components of management and service charges, maintenance, major repairs, and other social housing costs. It is sufficiently broad so as not to be affected by different cost apportionment approaches that can cause significant variance in narrower cost lines reported by housing associations.

The aim of this measure is to estimate 'proxy cash' costs of running social housing per annum, and as such it excludes costs of sales (e.g. capital costs of building new social housing) and notional expenditure items – depreciation, impairment, and bad debts – that can be sensitive to different accounting approaches and presentation of data within financial statements, which can lead to wide divergence in reported costs. It includes capitalised as well as expensed major repairs.

Headline social housing cost per home at Saffron reduced by £17 at March 2017 to £2,607, being £512 below the peer group lower quartile of £3,119 at end March 2016.

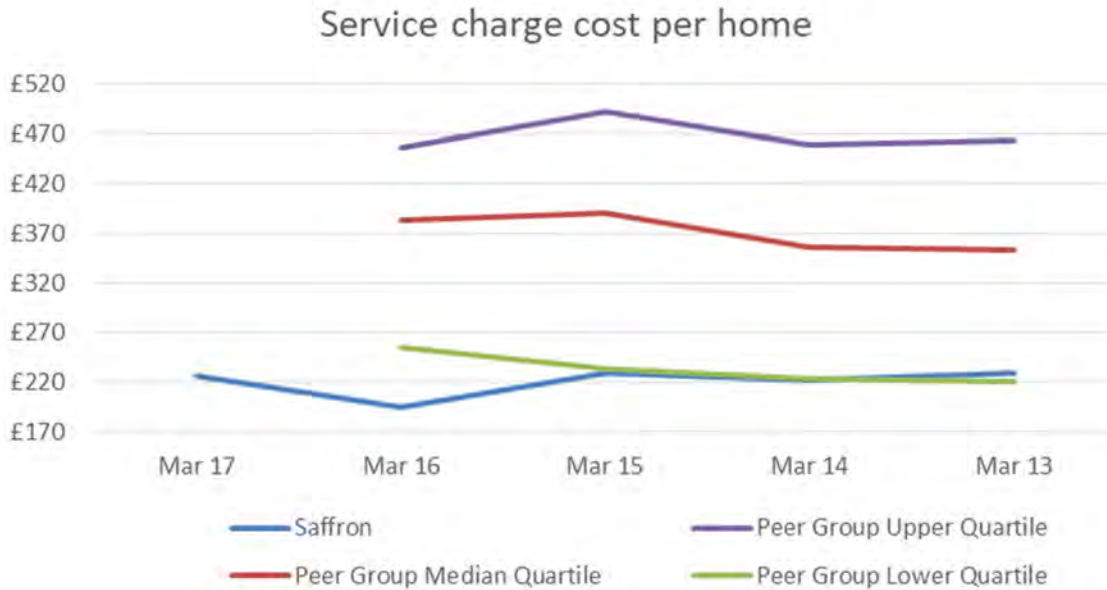
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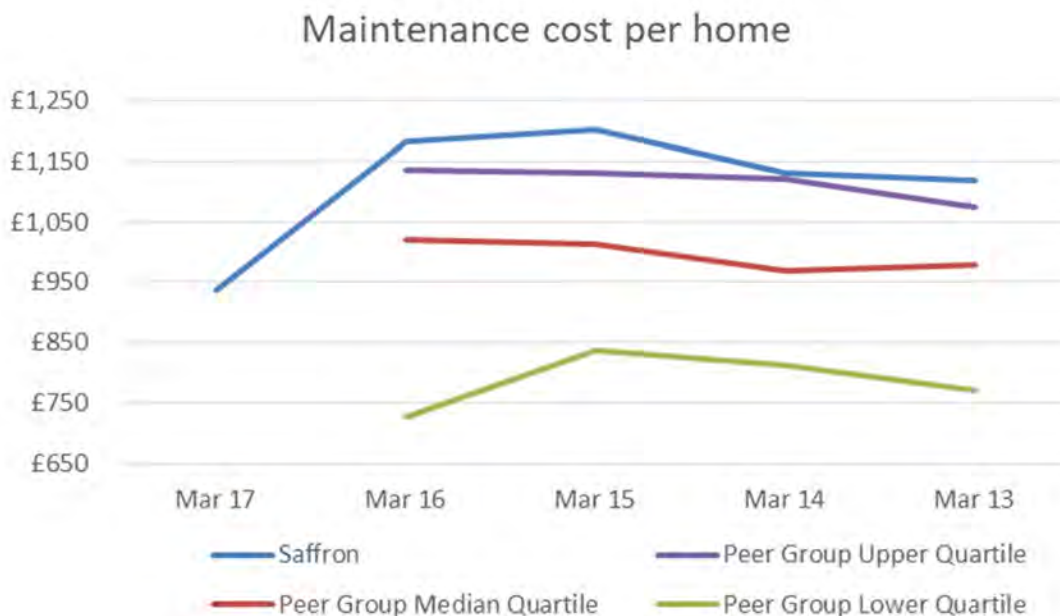
Management costs per home at £925, more than doubled at March 2017 when compared against March 2016. As mentioned above, this increase in cost is mostly driven by the mitigation plan put in place following the regulatory downgrade and restructuring provisions at March 2017 to comply with a legally binding Voluntary Undertaking with the HCA.

Despite this increase, average management costs at March 2017 are still below the peer group median quartile at March 2016. It is anticipated that in future years, average management costs are likely to reduce and match the lower quartile for the peer group.

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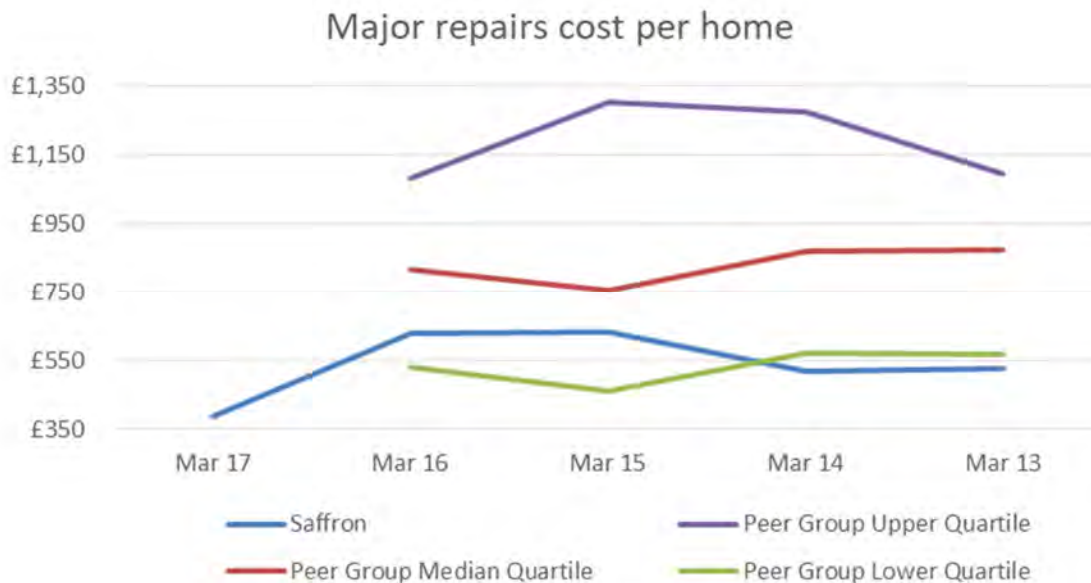
Whilst Saffron’s service charge costs per home at March 2017 increased by £31 to £226 when compared against March 2016, these are still £29 under the peer group lower quartile of £255 reported at March 2016. This is mostly driven Saffron’s stock profile which is predominantly made up of general needs housing and Saffron can provide more competitive services through its Direct Labour Organisation to the Shelter Housing portfolio of 680 homes (11% of total stock) and a few General Needs homes with communal areas.



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Maintenance costs is made up of a combination of routine and planned maintenance. At March 2017, Saffron's maintenance costs per home reduced compared against March 2016 by £245, to £938 (being £82 below the peer group median quartile at March 2016). The average maintenance cost per home of £938 is in line with an acceptable standard for the age and dispersed geographical location of the housing stock.



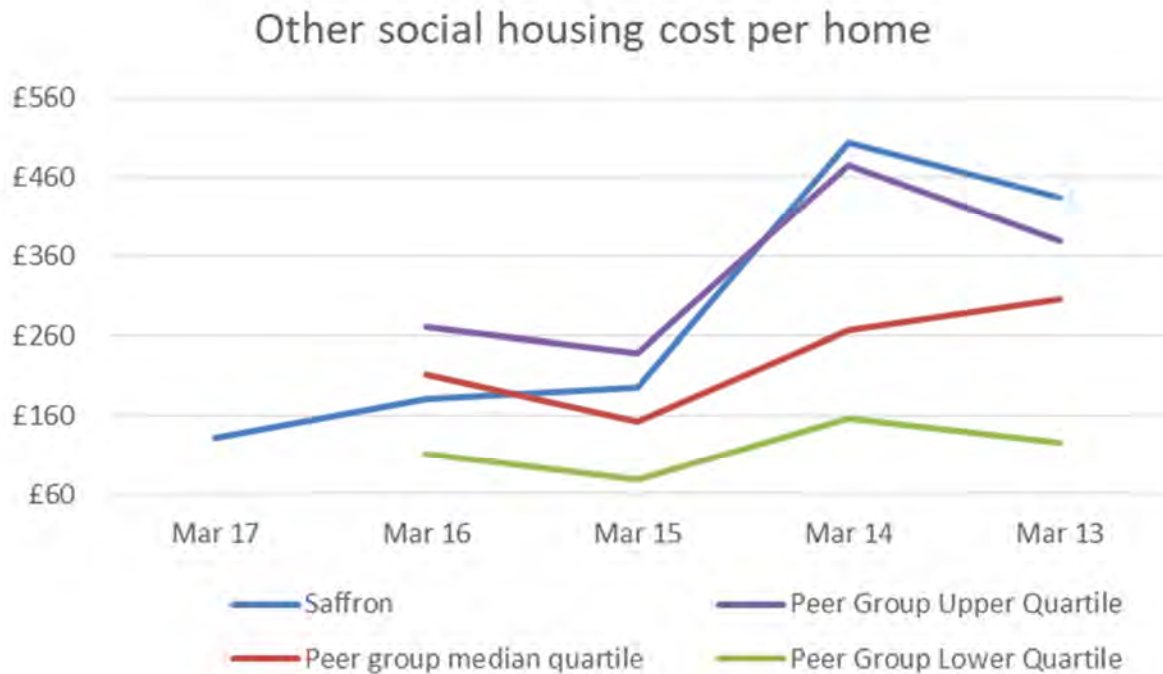
Major repairs cost per home is made up of a combination of major routine expenditure expensed in the income & expenditure account and capitalised major repairs and re-improvements in the balance sheet. The aim of this ratio is to measure the level of investment placed by housing associations in their social housing stock for long-term benefits and returns.

Saffron's major repairs costs per home reduced when compared against March 2016 by £240, to £388. (this was also £142 per home below the peer group lower quartile at March 2016). This reduction in cost is not perceived as positive by the Trust, and albeit reduced costs might benefit the Trust short term financial performance, the Board is aware that in the long-term the lack of re-investment in major repairs and components replacements will have an adverse effect to the longevity and financial performance of its housing stock. This is likely to also affect our customers' experience, causing satisfaction level to drop.

In May 2017, the Board approved a new strategy which places greater long-term investments in the existing housing stock, whilst reducing development of new affordable homes to more sustainable levels, albeit still above sector's average.

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It is anticipated that in future years this ratio is likely to settle within acceptable margins of the median quartile against the peer group.



Other social housing costs per home is made up of a combination of “other costs” in social housing lettings, “other expenditure” within other social housing activities and “charges for support services” within other social housing activities. The analysis shows a reduction at March 2017 to £130 per home, being £19 per home above the peer group lower quartile.

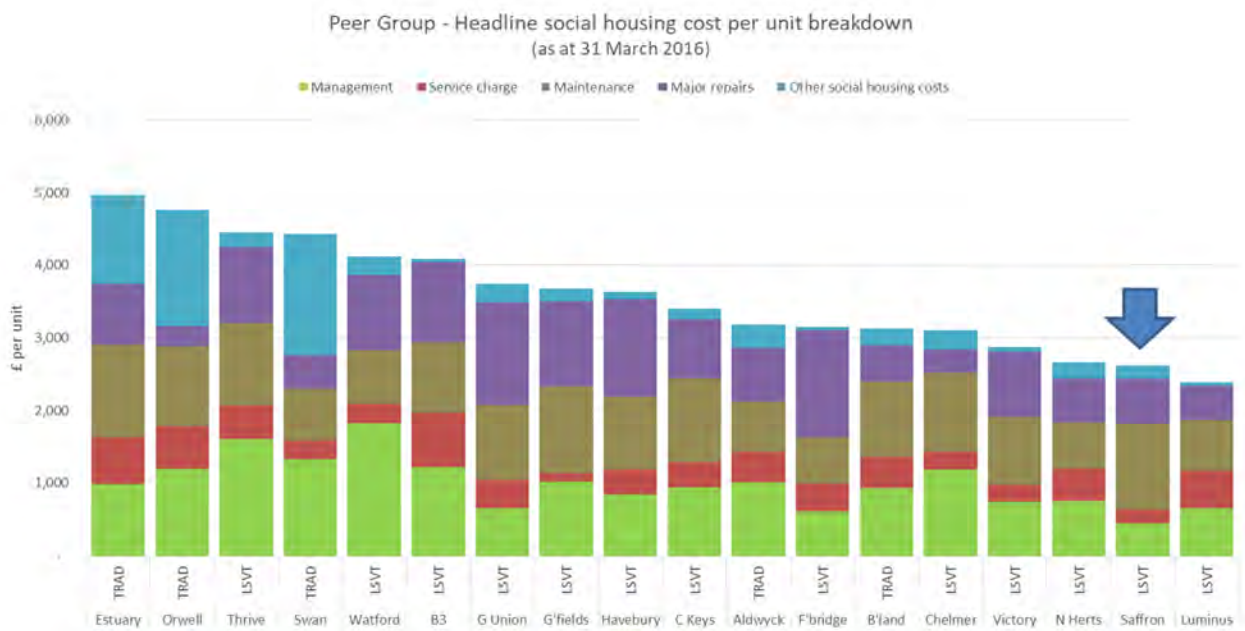
The following series of graphs provide a comparison of the headline social housing costs and their components, as defined by the HCA, against each member of the peer group. To better interpret some of the variations in unit costs, the initial graph shows total social housing stock owned by each housing association as at 31 March 2016 against the previous year.

Against the name of each housing association there is a clear indication of Traditional Housing Association versus Large-Scale Voluntary Transfer (LSVT). Saffron is a LSVT, following the transfer of South Norfolk District Council housing stock in May 2004.

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This information provides useful context around the overall size of each registered provider in the peer group as at 31 March 2016. With 6,009 social housing homes in total, Saffron is in the mid-range for this peer group.



The key message from the data in the above chart is that Saffron has very low unit costs for its size at a total of £2,624 per unit and is in fact only £232 above Luminus, the provider with the lowest headline social housing cost per unit – Estuary reported the highest headline social housing cost per unit at £4,961.

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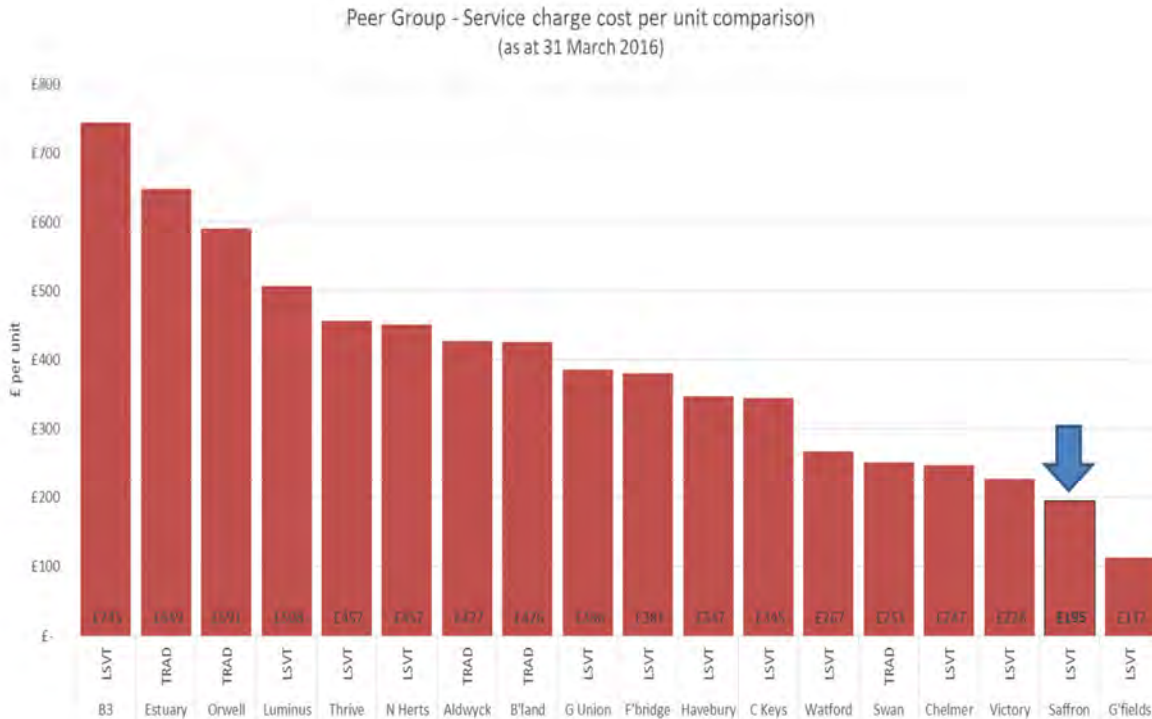
However, it should be noted that in future years Saffron will be investing additional funding in management cost and major repairs, increasing its baseline costs towards the middle of the range. It is useful to further analyse this comparison – as at 31 March 2016 - within each component as illustrated in the graphs below:



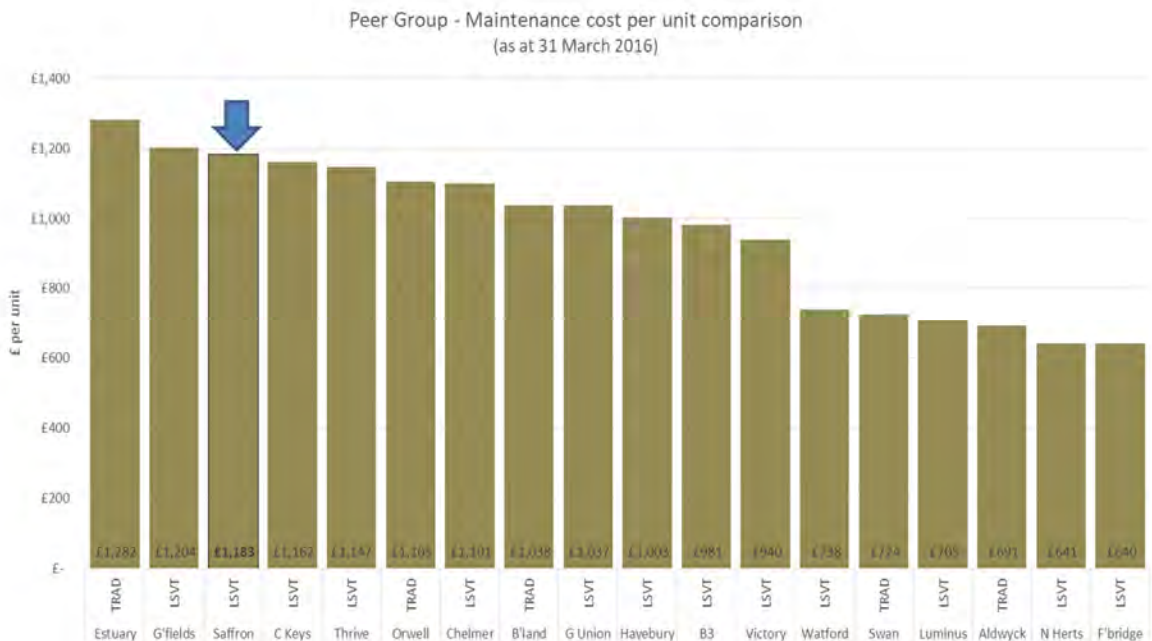
Management costs per home increased to £925 at March 2017, placing Saffron Between Broadland and Havebury in the above analysis.

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Service charge costs per home increased to £226 at March 2017, leaving Saffron Between Victory and Greenfield in the above analysis.

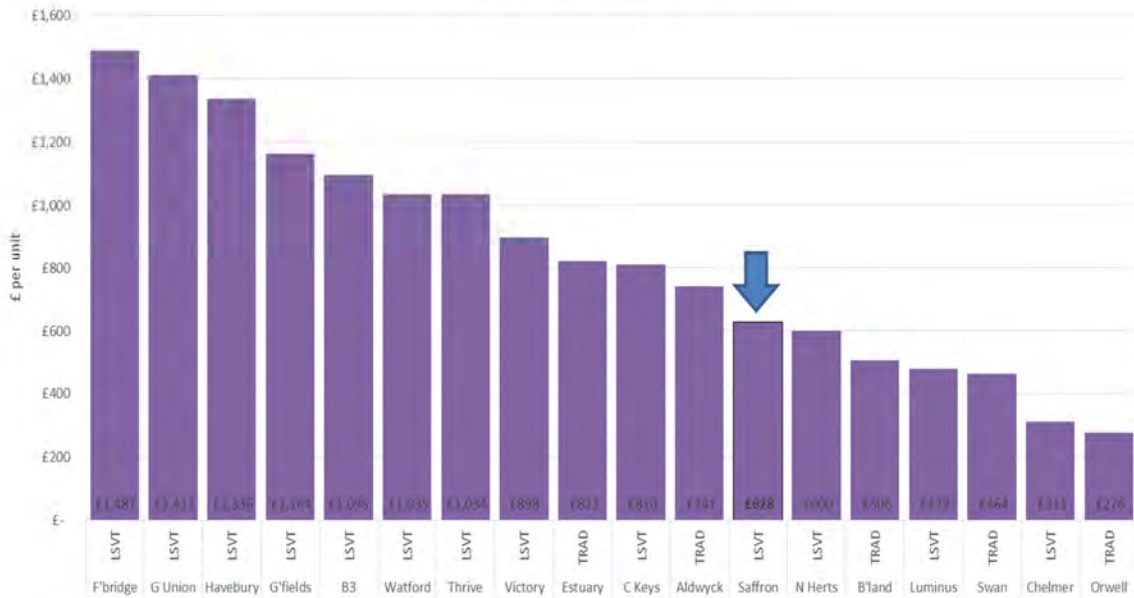


Maintenance costs per home decreased to £938 at March 2017, placing Saffron Between Victory and Watford in the above analysis.

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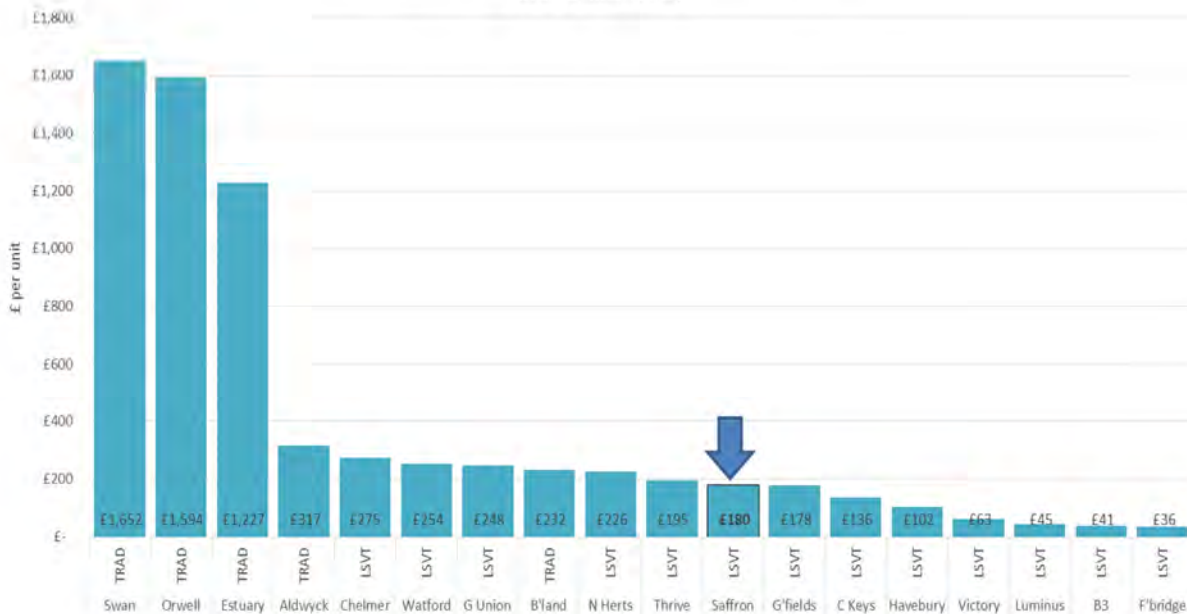
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Peer Group - Major repairs cost per unit comparison
(as at 31 March 2016)



Major repairs costs per home decreased to £388 at March 2017, placing Saffron Between Swan and Chelmer in the above analysis.

Peer Group - Other social housing cost per unit comparison
(as at 31 March 2016)



Other social housing costs per home decreased to £130 at March 2017, placing Saffron Between Cross Keys and Havebury in the above analysis.

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Source of income and expenditure analysis

The following table shows the arrears performance within Saffron for the last 5 years:

	2016/17	2015/16	2014/15	2013/14	2012/13
Arrears at year end %	2.81%	2.44%	2.23%	2.48%	2.10%
Benchmark performance	Quartile 3	Quartile 2	Quartile 1	Quartile 2	Quartile 1
Median arrears %	2.80%	2.85%	3.06%	3.43%	3.17%

Alongside all providers of social and affordable housing Saffron is affected, as are its customers, by the impacts of the Welfare Benefit Reform. The second year of the 1% rent reduction continues to reduce income from rent, but we are confident that we have the right interventions and support in place with customers to help maximise both their and our income. As part of a new change programme, we are putting in place a new service delivery model which will enable earlier and better targeted contact with customers, ensuring that those who are likely to experience problems paying their rent, sustaining agreements and/or who move onto Universal Credit, are contacted at the earliest stage and receive either direct or signposted support to resolve payment problems.

We are also reviewing our IT systems with a view of placing financial investments to enhance and modernise our interaction with customers. Specifically our rent arrears software will be subject to a complete overhaul, to ensure that housing officers can effectively support our income collection and recovery processes with the new delivery model.

The table below shows the voids days performance over the last 5 years:

Days to relet	2016/17	2015/16	2014/15	2013/14	2012/13
General needs	30.8	23.9	24.9	35.7	25.9
Housing with Care	57.9	77.9	43.1	41.9	55.9
Others	25.2	20.9	25.2	24.8	20.7
Housemark standard relet times	29.7	31.1	27.8	35.1	28.9
Quartile - actual or anticipated	Quartile 3	Quartile 3	Quartile 3	Quartile 4	Quartile 3

The re-let time for General Needs voids have increased from 23.9 days at March 2016 to 30.8 days at March 2017. Major works to properties in this period, and number of refusals by applicants have impacted on this turnaround time. Going forward we will be re-

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examining our void standards in conjunction with our customers, to ensure that properties are let in a condition which helps to reduce refusals and improve the life style of our customers. We will also be working within our 'Active Asset Management Strategy' to identify at an earlier stage where properties may need extensive work or are more difficult to let and appraising their continued retention.

The new delivery model places more investments in frontline services which, alongside our Active Asset Management Strategy, will be designed to provide greater and earlier intelligence around the condition of our occupied properties, and also to build closer contact with applicants for housing so we can understand their needs at an early stage and work with this information to limit property refusals.

The letting times for Housing with Care properties reduced from 77.9 days at March 2016 to 57.9 days at March 2017. We continue working with Norfolk County Council to streamline processes in this area and further reduce these re-let times.

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Benchmarking

As noted above, the same peer group used for the Global Accounts analysis was used for the HouseMark comparators, except the 2 peers who do not use HouseMark's benchmarking services.

Sector scorecard

Saffron is pleased to have been involved in the work to develop a sector wide VfM scorecard. The comparatives against the peer group are illustrated in the following table:

Sector Scorecard				
	Saffron	Top Quartile	Median	Lower Quartile
Operating Margin	45.0%	37.6%	35.0%	30.6%
Operating Margin (social housing lettings)	46.0%	42.5%	37.4%	35.2%
Interest Cover - EBITDA (MRI)	164.0	274.23	201.35	167.75
Units Developed (absolute)	278	197.5	86.5	46.5
Units Developed (as a % owned)	5.0%	2.76%	1.49%	0.88%
Gearing	71%	49%	56%	68%
% of respondents very or fairly satisfied with the overall service provided (GN & HfOP)	91%	91%	89%	81%
Pounds invested for every Pound generated - in new housing supply	0.63	0.64	0.83	1.26
Pounds invested for every Pound generated - in communities	no data	0.01	0.02	0.04
Return on capital employed (ROCE)	7.0%	7.0%	4.1%	3.8%
Management cost per unit	£852	£789	£935	£1,145
Service charge cost per unit	£244	£253	£349	£510
Maintenance cost per unit	£932	£737	£870	£955
Major repairs cost per unit	£438	£412	£699	£834
Other social housing costs cost per unit	£277	£77	£112	£424
Headline social housing cost per unit	£2,743	£2,737	£3,160	£3,523
Overheads as a percentage of adjusted turnover	no data	9.34%	10.60%	12.45%
Ratio of responsive repairs to planned maintenance	1.79	0.49	0.59	0.88
Occupancy	99.0%	99.7%	99.5%	98.9%
Rent collected from current and former tenants as a percentage of the rent due (including arrears b/f)	98.9%	99.8%	99.6%	98.9%

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The scorecard, alongside the Global Accounts, reinforces Saffron's strong financial performance at March 2017 when compared against the peer group. The strong operating margin and general financial achievements place Saffron in the upper quartile, or above, in most areas.

Return on Assets

Saffron's housing stock is extremely diverse in terms of property type ranging from one bedroom flats to five bedroom detached houses, aged from 1900 to brand new, traditional solid wall construction to concrete and timber frame and even some thatched properties.



This wide range of properties presents its own individual challenges in terms of investment requirements and to help manage investment decisions we use an Active Asset Management Strategy.

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Saffron's rolling stock condition survey, Total Property Management (TPM), ensures that with 99% of the stock covered we have reliable, accurate stock data to inform investment decisions for the next 30 years. TPM gives a detailed picture of the quality of all assets, the anticipated cycle of major repairs and cost in use for residents. Having such data at an individual property level enables Saffron to understand each individual asset and make robust, evidence-based decisions. It means Saffron does not waste money by replacing components before the end of their life and it is able to spot repairs that may not have been reported but which may affect the value of the property in the long-term and increase costs to repair.

ISO55000:2014 defines asset management as the "coordinated activity of an organisation to realise value from assets" and as such our strategy includes a framework for assessing which properties are core stock, and therefore relatively inexpensive to maintain and popular with customers, and those which are non-core, i.e., relatively expensive to maintain, do not meet modern day space and thermal efficiency standards and are therefore less popular with customers.

The strategy also includes an appraisal toolkit (Stock Option Appraisal Process – SOAP) which we have used, at individual property level, to make recommendations as to whether the property should continue to be invested in or disposed of at the point it becomes empty. The recommendation brings together data on values, future rental streams, and demand with the individual asset profile. We can then determine the Net Present Value (NPV) for each individual property. Saffron reviews this data by geography, stock type and other factors, allowing the profiling of assets including the identification of poorly performing assets (non-core stock) and uses this data to make decisions about investing, disinvesting (through disposals or stock rationalisation) or consider estate regeneration, as appropriate. This information all contributes to our Asset and Liabilities Register.



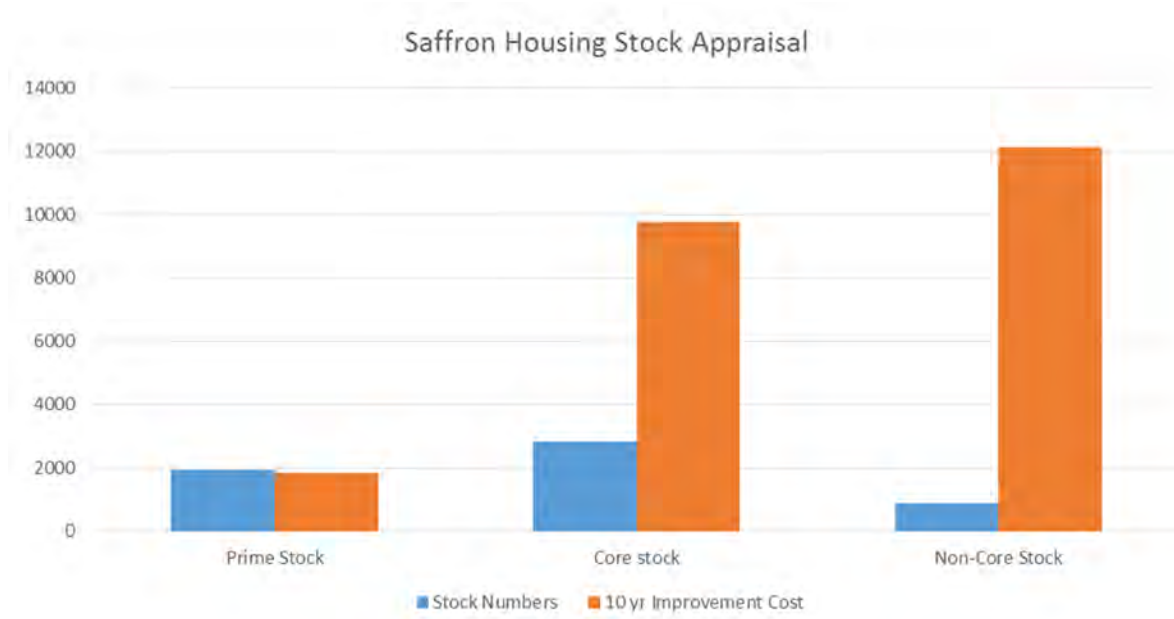
During 2016/17 a desk top exercise was carried out to identify core and non-core stock from the data we currently hold. This has identified 883 potentially non-core properties requiring around £11m investment over the next 30 years with an estimated market value

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of around £80m - £100m (dependent on market conditions). These 883 properties are now the subject of a more detailed SOAP, which will confirm options for the Board to consider.

The following table sets out the 3 stock types, numbers of units and current estimated values:



- Prime stock – 1,927 properties, total investment required £3.5m
- Core stock – 2,829 properties, total investment required £27.5m
- Non-core stock – 883 properties, total investment required £11m

Voluntary Right to Buy (VRTB) Pilot Scheme

Saffron was one of five housing associations taking part in a VRTB pilot scheme allowing the sale of certain properties to certain tenants who did not have a preserved right to buy and who had 10 years tenancy as a public-sector tenant. A total 33 properties were sold under the scheme (29 in 2016-17 and 4 in 2017-18) and Saffron has received the full proceeds of sale, of £4,465,843 (net surplus), with the government making up the discounts given to tenants.

The pilot work was monitored and analysed by Sheffield Hallam University with the following table giving some of Saffron's highlights:

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Interest in and Demand for VRTB pilot from Sheffield Hallam analysis	
Total number of households in pilot area	4,800
Households in potentially eligible properties within the pilot area	1,600
Expressions of interest from potentially eligible tenants	116
Applications processed	37
Applications withdrawn	4
Proportion of total households expressing an interest	2.4%
Proportion of potentially eligible households expressing an interest	7.2%
Applications as a proportion of total households	0.8%
Applications as a proportion of potentially eligible households	2.3%
Average discount for completed sales	£70,100
Average date properties built	1946
Average length of tenancy	9 years
Average age of tenant	46

The replacement process for VRTB has progressed, with the Local Authority agreeing with it and starting to identify the correct locations, with several sites nominated (9 sites covering 30 homes where further work underway) to prepare Planning applications with a view to better the 1 for 1 replacement principle. The first replacement homes should be completed during 2018/19, under 3 years from sales being confirmed.

New housing development

We work with partners in the e2 development consortium with Orwell, Freebridge and Greenfield and also others to build new homes. The e2 consortium was set up to access HCA development funding, so as this funding stream declines we will look to continue to purchase more section 106 properties. Saffron continues delivering new affordable housing above the sector average, and there were 278 properties completed in 2016/17 compared to 249 completed in 2015/16.

	2016/17	2015/16	2014/15	2013/14
Number of properties completed	278	249	269	224
% increase	5.0%	5.1%	5.2%	4.5%
Sector median	NA	1.1%	1.4%	0.9%
Sector upper quartile	NA	2.1%	2.3%	1.8%

Over the next three years we have plans to deliver a further 450 new homes, showing a slight reduction compared to previous years, but maintaining an above sector average in proportional terms. Past March 2020, the Trust will be reducing its development activity to more modest value to ensure the balance sheet remains sustainable and the Trust can continue delivering services to its customers.

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Value for money gains and past efficiencies

All teams at Saffron have a responsibility to make the best use of resources and to drive out efficiencies without compromising the quality of services to customers.

As planned the Service and Standards Review Group (SSRG) formed in July 2015 undertook reviews of some services to take into consideration the value of the services to customers, include tenants in the decision-making process, through the Customer Advisory Panel (CAP) and to seek out savings.

The Board was updated with progress in January 2017 and the following table shows year end results:

Service Review	Outcome	Savings achieved	Notes
Review of Total Property Management (TPM) Inspection Regime	Increase the TPM survey cycle from 3 to 6 years and remove empty homes and new build properties from the survey.	£144k	Annual saving.
Review of minimum energy Standard Assessment Procedure (SAP)	Saffron homes will all meet a minimum SAP rating of 'E'.	£100k	Annual saving.
Review of provision of starter pack	That the provision of starter packs was discontinued.	£12k	Annual saving.
Community Improvement Budget	Savings to budget through efficiencies	£22k	Annual saving.
Extended external redecoration cycle	The cycle for external redecoration and repairs was extended from 6 to 7 years.	£121k	Annual saving.
Re-let paint packs	Cap the value of each pack to a maximum of £100 per property.	£12k	Annual saving.
Review of empty homes standard	Savings to budget through efficiencies	£52K	Annual saving.
	Total	£463K	

During the year there were also some service reviews where decisions were made not to reduce costs such as the free redecoration service, which would have unduly impacted on the elderly population of our customers. A few reviews were subsequently overtaken by the wider operational model changes.

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Outside of the SSRGs teams were also challenged to seek savings. The planned programme achieved substantial during the year of £361,151, which is detailed below, and such efficiencies will continue to be the focus in the current year.

Planned works savings	
	£
Kitchen Improvements	32,262
Bathroom Improvements	31,215
Windows Replacement	19,848
Doors Replacement	23,407
Central Heating Replacement	90,994
Solid Walls	30,731
Condensation/Damp Works	30,891
Aids & Adaptions (Minor Works)	33,201
Aids & Adaptions (DFG)	68,602
Average improvement cost across all works in 2015/16 = £2,316 as opposed to an average cost of £1,969 in 2016/17.	Overall saving of £347 per improvement

Other teams also contributed with the following initiatives:

Department	Initiative / activity	Efficiencies/ savings 2016/17	Efficiencies/ savings ongoing
Development	Employers Agent professional fees	£214,200	Per annum
Asset management	Review of repeat repairs	£14,000	Per annum

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Next steps – The Saffron Change Programme

The significant challenges and changes faced by Saffron in 2016/17 have allowed a reshaping of the executive team and a renewed focus on infrastructure improvements and services to customers. These are already underway with integration and embedding planned over the next two years.

Saffron's new offer to its customers

South Norfolk is our core operating area – over the past nine years we have grown outside the original South Norfolk boundaries into all Norfolk authorities and within Suffolk, Essex and Cambridgeshire. We are still the second largest growing housing association in England, and we are projecting a stock holding of 6,500 homes by 2020 (an estimated increase of 50% from the original stock transfer in 2004).

Saffron mostly operates in rural areas, and has a varied customer profile leaning towards middle age to older people. Over 65% of our customers receive benefits of some kind and they are fully reliant on Saffron for their basic housing needs. There are, however, clear signs of additional vulnerability within the entire spectrum of our customers, with a greater proportion suffering from physical and mental health disabilities. This has a risk of reducing our customers independence whilst increasing their reliance on others to maintain an acceptable and safe standard of life.

The above is further heightened by funding cuts from Norfolk County Council, where with effect from 1 March 2018 Saffron will no longer receive housing related support in the sheltered housing schemes - a loss of funding of £152k per annum.

The need for innovation, modernisation and technological investment supporting a new offer to customers and further efficiencies is now greater than ever. In May 2017, the Board approved a new business plan which is underpinned by a new model of service delivery to all customers which has at its centre the concept of customer focus, with levels of engagement based on the needs of our residents, ensuring that alongside providing good quality services to all, we can also make sure that resources and people are available to those who need most help and support to build successful lives and continue living independently in their homes.

The new vision is to create a resilient, agile and customer centric organisation driven by customers' needs - new investments will prioritise our new offer to customers by addressing the following three key areas:

- The increasing reliance and level of our customers' needs whilst ensuring their homes are safe and fit for purpose.

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- Investment in people and infrastructures.

- A lower volume of development of new homes to maintain a sustainable business plan.

Change Programme

The change programme will be underpinned and driven by customer experience. There is a strong link between customer satisfaction and financial performance - customer experience is about all interactions with a company and investing in customer experience will yield fast and tangible results. Great customer experience creates positive word of mouth and PR. In the case of Saffron, good repair services and adequate complaint handling predominantly drive these qualities.

The Change Programme is being designed using the following four key steps:

1. Vision – share with staff and customers a new vision of a great customer centric organisation whose purpose is to help lives. The vision will be built on a set of new values anchoring all our decision making.

2. Engagement – engage passionate staff and consult with customers to help redesign our standards and services to create a positive customer experience.

3. Standards – go back to basics and redefine all our service standards and offerings to external and internal customers.

4. Implementation – invest in people and adequate infrastructures to successfully execute the change programme.

During 2017/18 Saffron will develop further a VfM register capturing and evidencing where one off and ongoing efficiencies are being made and how the Change Programme will influence operations within Saffron. Integration with financial planning and mapping of the returns made is an ongoing exercise and this work will be further enhanced during the current year.