

Bespoke Supportive Tenancies

Business Plan 2021-26

Strategic Direction

Prior to entering into regulatory engagement with the Regulator of Social Housing (RSH) during the summer of 2019, Bespoke Supportive Tenancies (BeST) had a comprehensive set of ambitious strategic objectives. The strategy was firmly predicated on growth throughout England and Wales and set out to provide excellent services to customers. Due to BeST's regulatory engagement the current focus has shifted completely to achieving compliance with the Regulatory Standards and ensuring the Charity's ongoing financial viability and fitness of purpose.

Every organisation needs to have a strategic direction and BeST has refocused its undertakings to meet the Regulatory Standards, and this includes revisiting its initial objectives. The Executive Team has considered several strategic routes for BeST at present. The proposed strategies are summarised below. The overriding conclusion was that currently the Charity must be focused on meeting its regulatory obligations. These other strategic directions can be revisited at a later stage once BeST has a clearer understanding of its position.

Strategy	Pros	Cons
1. No growth	Become more efficient Opportunity to review costs Gain greater control over operations	May need to downsize to remain viable Impact on relationship with funders
2. Remain static but consider geographical spread and consolidation	Greater control due to closer proximity Greater efficiency/cost control Able to enhance relationship with specific local authorities and funders	Costs associated with stock swaps/transfers Reputational impact of no longer being national
3. Retain size but exit lease only model over time	Reduce financial liability Withdraws from unpopular lease model	Sustainability issue Impact upon tenants
4. Growth	Meet demand for stock Achieve charitable objectives	Viability of model not confirmed
5. Merge or enter a joint venture	Bring in additional support and expertise Could secure future of the Charity	Loss of identity Unlikely to be attractive as no assets

The Board continues to fully support the 'no growth' strategy for the next 12 months but acknowledges that this position may not be tenable in the long-term. BeST has handed back a certain level of stock over the past two years through various means and headcount remains static to service the business needs due to its complex modelling and geographical spread. A full organisational review is planned throughout 2022 but until clarity has been reached with the Regulator then any decisions arising from the review may not be taken.

BeST has undertaken several key projects that provided a clearer picture of where the organisation is financially and operationally. Some of these projects will not be completed until the end of the 2021-22 financial year.

Strategy option 2 (remain static but consider geographical spread and consolidation) will continue to be considered as an option as various major projects progress, such as negotiations with funders over leases. The opportunity to consider stock swaps with some major funders may exist and will be considered, although BeST will always ensure that the views and security of tenants and their support provider are taken into account and consulted during any process.

The strategic objectives for the Charity at present remain focused on three key messages:

- To meet and maintain compliance with the Regulatory Standards;
- To improve operational efficiency whilst delivering a quality service to tenants;
- To establish and maintain a financially viable position.

These objectives will ensure that the Board and Executive are focused on meeting the requirements of the Regulator and moving BeST onto a more secure footing to be able to achieve its original charitable aims and objectives.

Financial background

BeST operates a leased based model which the RSH has raised concerns over due to the length of the finance and operating leases that have been entered into. When compared with the length of the support contracts that support providers have secured with local authorities, there is a mismatch between the period of guaranteed rental income and the lease agreement. Recent publicity has also focused on how the risk-reward metric seems to heavily favour the funders, who are often large investment funds, due to index-linked increases in the lease payments.

There is no doubt that the sub-sector of lease-based supported housing providers is meeting a desperate need in the country arising from a lack of funding by government, but the Regulator has clearly stated its position by placing a significant number under regulatory engagement. The concerns range from the mismatching of income and liabilities, the high rents being charged and the ability of providers to maintain high levels of service, especially in relation to maintenance, when such a large proportion of the rent is taken up in lease payments.

The initial assessment against the Regulatory Standards undertaken following regulatory engagement identified that BeST was unable to confirm compliance with the Rent Standard. A significant project has been undertaken to evidence why BeST's properties meet the requirements of the Specialist Supported Housing (SSH) criteria and therefore is exempt from the Rent Standard and that the core rent is below market rate levels. The current project has achieved significant success. The non-registered stock portfolio was broken down into two categories to help influence the budget and 30 year business plan.

Category	% Schemes
1. Schemes where BeST is currently certain of compliance with the SSH criteria and Where BeST is able to evidence core rents at below market rate levels	81
2. Schemes where BeST is not yet able to confirm compliance with the SSH criteria	19

This establishment of two categories acknowledges the work done to date in ensuring compliance with the Rent Standard and the further work required. BeST are currently in discussions with the Regulator over their expectations in terms of the evidence required to meet the SSH criteria, particularly in relation to commissioning by Local Authorities.

Currently, BeST is unable to confirm compliance with the SSH criteria for 19% of its stock and no rent increase was applied from April 2021. Work continues on securing that evidence, even though some Local Authorities are proving unhelpful in assisting BeST.

BeST has also undertaken RICS valuations for a small sample of properties, so that the impact of using formula rents could be modelled. The sampling identified that RICS valuations are unlikely to be suitable in all cases and a 'mixed bag' approach would be more appropriate given the varied locations and type of properties.

Alongside this work, BeST will also shortly begin a process of negotiations with its major funders to review the current lease arrangements.

Financial plan assumptions

BeST has been prudent and cautious in its financial assumptions for its 30-year business plan. The key assumptions have been set in year one for the budget and generally rolled forward and these are covered in more detail below.

In relation to the number of units, the model follows the no growth strategy, with Thorntree Farm being the last scheme to go live in June 2021. 2020/21 saw a significant number of handbacks, as various schemes were handed back (33 units) including three management only schemes. For 2021/22, BeST is budgeting to lose a further 37 units during the year.

The reactive maintenance costs and rental income are unit specific and so do reduce over time in line with stock numbers therefore it is imperative that the structure meets the needs of business.

Until full compliance with the Rent Standard has been achieved, BeST is aware that its income may be variable. For those units where BeST has yet to evidence

The key assumptions used in the financial plan are:

- CPI+1% rent increase till 2024 and then CPI thereafter.
- Repairs inflation running at CPI+1% for the life of the plan.
- Schemes come to an end at their lease end date, which sees the stock reduce to 581 units at the end of the plan.
- Income, direct costs and compliance maintenance are flexed to scheme end dates.
- Reactive maintenance is flexed to average unit numbers.
- Capital expenditure is per the 2020 stock condition survey.

The budget and financial plan build in efficiency savings including a 3% reduction in voids following the appointment of the new Void Manager, a £300k maintenance budget challenge and £200k of efficiencies (either increased income or reduced costs) arising from Project Dolly. The long-term financial plan has further savings around headcount and consultancy costs.

The base plan is cash positive from 2023 and profitable from 2025. Stress tests have then been applied to the base plan. Key stress tests are linked back to the risk register, with the focus being on reduced rental increases, the loss of SSH status and maintenance cost increases. The current plan struggles to maintain a positive cash flow under the key stresses but mitigations ranging from overhead cost reductions to renegotiation of leases could be applied. The organisation could also look to increase its portfolio to help spread risk and also utilise the current capacity available, to maximise its efficiency.

Properties

The Charity ended 2020/21 with 1,771 units, which were split as follows:

- Finance lease – 548
- Operating lease – 1,177
- Management only – 46

Over the course of the of the plan, there is a gradual reduction in stock size down to 581 at the end of the 30 years. This stock reduction is modelled through the plan, which sees income reduce in line with the stock reduction.

BeST has focused much of its efforts over the last 12 months on its properties, as this was an area of immediate concern when regulatory engagement commenced as BeST was unable to confirm that it had met all its responsibilities in relation to landlord health and safety compliance. BeST has made much progress in this area and continues to do so to a satisfactory level. An internal audit of the gas servicing process received moderate assurance.

A major review of BeST's maintenance provision is underway. Following this review, BeST will undertake a full tendering process to establish a cost-effective, high quality maintenance provision that can be closely monitored to deliver the outcomes that BeST requires.

The Charity has identified that, with its vulnerable customers, the revised provision should be focused on first time fixes. This will minimise the disruption to tenants, which is particularly important during this period with the coronavirus pandemic and many vulnerable tenants shielding.

BeST has also identified the need to drive down its void properties and the appointment of a Voids Manager has enabled the target for the year to be reduced from 15% to 12%. The better utilisation of stock will reduce rent loss and also ensure better relations with care providers and commissioners as BeST will be maximising its available resources.

The key projects that will be undertaken over the next 12 months that affect BeST's property portfolio include:

- Complete the review of the maintenance function and undertake a full tender of the maintenance provision.
- Undertake a review of the landlord health & safety compliance processes.

Customers

BeST as a charity has its customers at its heart and its overriding mission has been to 'support vulnerable people to attain quality and affordable accommodation that matches their specific needs'. The recent regulatory engagement has highlighted that BeST has not been meeting the Regulator's Standards.

To enable the Charity to provide excellent, locally accountable services to all customers that maximise the choices available to them, BeST has undertaken a root and branch review of its processes and policies ensuring that all updated policies and procedures are fit for purpose.

BeST has implemented a programme of self-assessments against the Regulatory Standards and any actions arising from these reviews have been incorporated into the existing Regulatory Recovery Plan. A major milestone was the completion of a detailed satisfaction survey that obtained a significant response rate, which has provided the organisation with a wealth of data on its tenants. Progress has also been made by the team in setting up a tenant forum but BeST is aware of shift in tenant empowerment and engagement activities following the publishing of the Social Housing White Paper.

The key projects that will be undertaken that affect tenants include:

- Improve the information available to tenants on the website and make it more interactive.
- Establish a tenant engagement and empowerment framework.
- Establish clear service standards following a consultation process.

Finance

BeST did not have fit for purpose financial systems and models when regulatory engagement commenced but BeST now has a 30 year business model using the industry standard BRIXX software. The budget and financial accounts provide an accurate picture of the Charity's financial position, with many old accounts and balances cleared, and budgets being established for individual schemes, which provides a granularity of financial information which was previously missing.

Key projects that will be undertaken by the Finance team include:

- Further development of the stress testing and resilience plan;
- Establish a comprehensive asset and liability register;
- Establish a clear Value For Money Strategy, with measurable outcomes, that is embedded within the Charity's overall Business Plan.

Value for Money

BeST is aware that there is a journey to be started in relation to meeting the requirements of the Value for Money Standard. Significant improvements have been made over the last year. The organisation is undertaking a range of projects this year, led by Heads of Department, all of which have an efficiency, value for money aspect.

BeST has also established a range of key performance indicators which allow the Board to monitor performance against the targets that have been set. Benchmarking within the leased-based sub-sector has been difficult due to a lack of information. BeST has joined Acuity which will provide access to benchmarking information from other small providers, which can

be used to compare operational performance. The Charity is also in discussions with other lease-based providers which may enable sector specific indicators to be shared to help drive efficiency and improvements within the Charity.

Once the Charity has a clearer picture regarding its financial position following the lease re-negotiations with funders, a more structured VFM Strategy can be incorporated within the Business Plan.

Governance

The governance of the Charity continues to improve. The small board membership that started last year have continued in post and are committed to working through the regulatory engagement. As the period of regulatory engagement extends, members continue to provide a skilled and conscientious Board during a period of turmoil. Three members are currently employed with other registered providers and therefore their time commitment may be limited in the longer term, especially with the Board currently meeting monthly.

BeST had not put in place charitable, regulatory and governance policies and so the major task in relation to governance has been to put policies and documentation in place. It has been acknowledged that the current Board may only be in place for the short term and therefore undertaking effectiveness reviews and similar governance tasks have been delayed until the Board is on a more stable footing.

The Board has adopted the 2020 NHF Code of Governance and undertaken a full self-assessment against the Code. The number of areas of non-compliance has reduced during the year and although there are areas of improvement still to make, the Board are aware of them and have prioritised other work to ensure that key elements of financial viability are secured first, before finalising the governance tasks.

Key projects that will be undertaken within Governance include:

- Undertake a Board succession review and carry out a recruitment process to fill vacant posts once decision on current Board's tenure agreed.
- Put in place new Board member documentation once appointed.
- Set up governance registers.

Technology

BeST is aware that its current structure and technology may not be fit for purpose with the need for a greater level of control due to its complex operational base.

Further work will also be undertaken to consider how BeST can make better use of technology to improve its services to tenants. With the development of assisted technologies, there are more opportunities for providing efficient, customer-focused services. The increased use of technology may also allow BeST to become more efficient and drive cost savings.

The issues of Covid remain ever present, with various cases being recorded amongst staff and further restrictions being brought in by the government. Covid remains a risk on the risk register in various ways but the development of a hybrid working model has offered more flexibility to staff and also allows home working to be implemented promptly and more efficiently if required by the government.

Key projects that will be undertaken within these areas over the next 12 months include:

- Undertake an organisation wide job evaluation process;
- Update SASSHA with diversity information on customers;
- Implement a performance management system.

Plans and KPIs 2021/22

To achieve the objectives set out in the Strategy, the Charity has developed a Regulatory Recovery Plan. Key elements of that Plan were undertaken during 2020-21 and further work in 2021/22 form the building blocks of this Business Plan. An element of the Regulatory Plan is to develop a broad performance management system. The Executive are still developing new processes within the organisation to deliver services that are compliant with the Regulatory Standards and understanding what good performance will look like for BeST. Performance indicators are necessary though, to provide staff with targets and allow management and the Board to monitor performance.

The KPI table below covers the main areas of the business. As part of the Regulatory Recovery Plan, BeST will establish a suitable peer group, against which to benchmark itself.

To aid understanding of the Business Plan for readers, the key projects are detailed below and linked back to the strategic objectives. With the focus currently being to really understand the business and meet the regulatory requirements, the plan is not as detailed as it could be due to the duplication with the Regulatory Recovery Plan but provides readers with an overview of the key projects, alongside the expected outputs and outcomes to be achieved by the end of the financial year.

Key Performance Indicators 2021 to 2022

Maintenance	2020/21 Target	2020/21 Forecast	2021/22 Target
Emergency same day repair	99%	96%	99%
Urgent 24 hours	95%	93%	95%
Routine within agreed timeframe	95%	91%	95%
1st time fix	90%	95%	95%
Total elapsed void period to re-let stage	8 weeks	8.3 week	8 weeks
Satisfaction Survey	4	N/A	4
H&S			
Asbestos certification	100%	100%	100%
Legionella certification	100%	96%	100%
Fixed wire certification	100%	99.8%	100%
CP12 (Gas)	100%	100%	100%
PAT	100%	84%	100%
FRA	100%	99.7%	100%
Housing			
Voids	13%	14%	12%
Occupancy	87%	86%	88%
Void turnaround once lettable	*28 days	N/A	*28 days
HR			
Staff Retention	NEW	N/A	90%
Annual sickness days per employee	NEW	N/A	7
Finance			
Static Arrears	£65,000	£91,788	£65,000
Current Arrears	£893,235	£954,179	£893,235
Former Arrears	-£30,000	-£42,031	-£30,000
Rent Restrictions	1.5%	1.81%	1.5%
Tribunals	0	2	0
Average Week Arrears	2.5 weeks	2.7 weeks	2.5 weeks
HB to Target Rent	0.75%	0.95%	0.75%
Void Arrears	£350,000	£579,721	£350,000
Recharge Arrears	£60,000	£106,022	£60,000
Sage Debtor Days	55 days	192 days	55 days
Compliance			
Number of formal complaints	NEW	N/A	22/23
Formal complaints elapsed time to final response	28 days	N/A	28 days

Operational Plan 2021/22

Strategic Objective	Work plan	Key outputs/outcomes by 2021	Team	Lead Officer
To meet and maintain compliance with the Regulatory Standards	Finalise Rent compliance position	Establish an agreed approach for ensuring compliance with the Rent Standard for each BeST properties through a variety of approved methodologies to meet SSH status.	Housing	SH
To meet and maintain compliance with the Regulatory Standards	Identify key areas for negotiations with funders and commence negotiations	Pending the outcome of the rent and lease review, negotiate lease costs, liabilities, and obligations with all key funders.	Finance	SH
To meet and maintain compliance with the Regulatory Standards	Develop a Tenancy Engagement Strategy for implementation	Explore opportunities currently available to our residents and develop a plan to enhance engagement and communication to meet the standards	Housing	SB
To meet and maintain compliance with the Regulatory Standards	Explore, develop and implement a suite of VFM metrics to evidence historic trends	Collect VFM data from historic information and incorporate within the 2022/23 budget proposal.	Finance	IB
To improve operational efficiency whilst delivering a quality service to tenants	Review the maintenance function	Establish a robust structure for the team and identify which functions are retained and which are outsourced. Undertake a tender exercise for all outsourced functions.	Maintenance	SB
To improve operational efficiency whilst	Complete full job role evaluation across the organisation	Implement recommendations pending the outcome of the evaluation in order to meet the no	HR	SB

Strategic Objective	Work plan	Key outputs/outcomes by 2021	Team	Lead Officer
delivering a quality service to tenants		growth strategy and become fit for purpose.		
To improve operational efficiency whilst delivering a quality service to tenants	Evaluate geographical coverage and overall quality of service delivery	Engage with tenants, service providers, key stakeholders to ascertain areas of improvement. Consider establishing peer groups to improve the quality of feedback.	Housing	SB
To establish and maintain a financially viable position	Undertake a stress testing exercise of the updated financial plan	Use the BRIXX model to apply various scenarios to the plan and identify outcomes. Then produce mitigation plans to deal with stresses that cause BeST to be unviable.	Finance	IB
To establish and maintain a financially viable position	Generate recovery/resilience plans from stress testing	Utilise mitigations to the stress testing results to develop recovery/resilience plans for specific scenarios.	Finance	IB
To establish and maintain a financially viable position	Evaluate, develop and implement improved internal controls improving visibility	Explore nominal coding, use of SAGE and SaSSHA for the purpose of accurate reporting to avoid manual data collection.	Finance	IB