



# Seven year strategy

2016 to 2023



# Seven year strategy



2016 to 2023

# Introduction

**We are a mature (2006) LSVT association based in Broxbourne, Hertfordshire, owning over 4500 homes. We are well governed, financially sound and offer good value and services to our residents.**

We are committed to addressing the acute shortage of affordable homes in our locality through providing a range of sustainable places to live to those who cannot afford the market ensuring that we help create cohesive communities through supporting our residents. Statutory rents reductions over the period 2016-2020 have made our desire for continuing growth more challenging, but we are committed, through our VFM agenda, to reduce our revenue costs and increase our income to enable us to sustain growth. At the same time, we aim to continue to deliver efficient and effective services to our residents.

Our business plan sets out our ambition for development and growth over thirty years and our debt requirement to manage that. The years after year

six are populated with "Indicative schemes" because the pipeline for those years cannot be certain. It is also difficult to plan for certain the cost and nature of the debt portfolio, the nature of the growth in stock and therefore the shape of the organisation going forward. The business plan is predicated on rational and careful assumptions and hypothetical modelling to the best estimates based on market intelligence and historic knowledge.

**With this in mind we have set out below our vision for B3Living for the next seven years starting April 2016 through to March 2023. We feel this timeframe is helpful to propose a vision and from there draft strategies which can deliver that vision. So within this document we set out:**

- Our purpose
- Our vision
- Our values
- Our corporate strategy

**Elsewhere and referred to in this document we have more detailed policies and strategies which cover:**

- Portfolio management – including asset management, maintenance and disposals
- Development and growth
- ICT
- Merger and acquisition
- Community engagement
- Organisational development
- HR
- Risk Management
- VFM
- Business planning assumptions
- Communications
- Customer care
- Diversity & inclusion
- Income management
- Procurement
- Stronger neighbourhoods
- Tenancy support

# Purpose

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Work done with the Board in 2016 and the input of the whole organisation created the following purpose for the whole of B3Living:

“To provide a range of sustainable places to live for those who cannot afford the market ensuring that we help create cohesive communities through supporting our residents.”

# Vision 2023 – what we will see hear and have achieved by 2023

B3Living is a housing organisation based in, and in relationship with, a specific community. We have consolidated our holdings of affordable housing in the borough of Broxbourne and neighbouring areas, allowing us to relate to the people and communities we house. We have grown significantly but we ensure sustainable communities by providing a range of housing, meeting the needs of those people completely sustained by state benefits, through to working households and people wanting to join the home ownership ladder and everything in between. This is because we understand that there is an endemic shortage of housing in our area of operation and any intervention to change that is part of our mission.

We are a commercially focussed organisation, generating subsidy from property activity and selling services, in order to provide affordable housing. We are viable without any additional government funding and therefore we have a level of independence with which we are able to closely follow our mission of delivering social good through the medium of affordable housing.

We have recalibrated our relationship with our residents to form "adult – adult" relationships where residents are no longer inadvertently treated like applicants and our team respect them

as partners in a transactional relationship. Because of this we have great feedback and market intelligence from our customers which helps us deliver the efficient and effective service we constantly work to improve. The other part of this on-going improvement is the development of our staff team who now manage most of the service from the front line.

Managers support and develop the team, enabling them to do the job they know best how to do. They change systems, processes and structures, fully understanding the parameters within which they must work, to deliver our clear mission and holistic objectives. The team are proud of their organisation and what they have achieved and hope to achieve.

B3Living is known by stakeholders, partners and customers as a high performing organisation which acts with integrity, compassion and commerciality. We are an innovative and collaborative team who enjoy our work and do not take ourselves so seriously that we cannot inject humour into our day-to-day work. People know about us from what they see and how we act rather than what they are told.

# Values

The Executive team have spent some time working on a shared understanding of which values drive our behaviours and we would like to see prevalent in the organisation. We recognise that values cannot be imposed on the organisation but rather need to be shared. The Executive work hard to model these values and have spent time explaining what they mean to us in the hope that others see them as important too and in anticipation that the organisation will be influenced by them.



# Monitoring and delivery

This strategy will be owned and monitored by the Board. The executive work plan will relate its activity to the objectives set out in the strategy and Board reports will identify how any strategic proposals fit with and deliver the strategy.

The strategy will be reviewed annually to ensure that it remains fit for purpose and to measure whether the objectives are being delivered.





# Corporate Strategy

# Our customers

B3Living has a close working relationship with our customers. We pride ourselves on the fact that all our team members, whatever function, engage with our customers, which is important to ensure whatever contribution a team member makes professionally, they recognise and relate to the purpose of our organisation.

We promote "adult-adult" relationships between our team and customers in a way which promotes honesty, transparency and integrity. This moves us away from the more traditional housing association approach of paternalism and assumes our customers are capable, independent and aspirational individuals who can manage their lives but need safe, dry, warm, affordable housing because, in the main, they are currently unable to afford the market. The vast majority of our stock is after all for people who can live independently.

With these things in mind we will segment our customer base to properly understand and record the needs of our customers which will enable us to tailor the delivery of our service to their needs. All customers will receive the same level and standard of service however, where we have identified customers with particular needs, we will make reasonable adjustments to meet those needs to sustain their tenancies and assist in helping create cohesive communities.

We will develop and promote as much web based service delivery as is possible for ease of access and devise communication channels for customers that are the simplest and most efficient for customers to use. We intend to measure the level of customer energy required to access our key services and work over the period of this strategy to reduce that energy.

Market intelligence is vital to all businesses. It is important to know and understand our customers and their expectations. We link this with the Tenant Involvement and Empowerment Standard of the Regulatory Code and as such will be reviewing and adjusting the existing framework of resident participation to ensure that it is broad, deep and live.

By "deep" we mean a thorough interrogation of services we deliver by a smaller group of customers who have recently experienced that service. This information will form part of a service review and the customers' views and outcomes will be reported to the board.

By "live" we mean that we are receiving simple feedback from very many customers every month. This will not be in enormous depth but will act as a barometer for customers' satisfaction and, in the future, customer energy.

## Our seven year Customer objectives



- Have defined customer segments which are easily accessible to all teams, contractors and partners. These will highlight any particular needs our customers have in terms of service delivery, such as a physical disability, mental health issue or other support need.
- To be able to deliver all of our standard customer interactions via the internet or other automation and to have success measures in place which demonstrate that 75% of the transactional interactions are undertaken this way, which would prove that the systems are accessible and popular with our customers.
- Have an accepted and understood measure of customer energy which has been applied to all our customer facing functions so that as each function is reviewed the customer energy required to access that service is reduced.
- To have an embedded service review methodology which is applied to a series of our services each year and includes engaging with a different cohort of customers each review, reporting directly to the board on each occasion. There should be 2 significant reviews each year and up to 4 more minor areas of service reviewed.
- Systems in place which automatically collect live feedback from customers and can be reported each month to allow trends in satisfaction or customer energy to be tracked.

## Corporate Strategy

# Our team

We have a One Team philosophy which means that we engender ownership of the whole business throughout all teams and encourage cross functional working and understanding as often as is possible. We believe the knowledge and wisdom to deliver the services are found in the front line and require these team members to shape services to deliver efficiently and effectively what customers need. This approach is enabled by managers who understand their role is to facilitate, coach and share direction and parameters rather than direct and control.

B3Living recognises that the people who work in our teams are holistic beings for whom work is only one facet of their lives. Therefore we work flexibly and with trust to accommodate the lifestyles of team members as they deliver their roles, which both suit the business and their other commitments.

We recognise that while it is important to attract the correct skills and attributes it is our responsibility to develop skills and share knowledge and experience. We understand that an environment where people learn, develop and grow adds value to them and the business simultaneously and therefore this is at the heart of our offer to our team.

We are an organisation which recognises good performance, and rewards value added to the business. We will develop pay and reward structures which recruit and retain the people with the aligned attitude and have the correct skills and experience or potential. Our pay structures will be driven by market forces and talent. Bonus payments will be based on the one team ethos and success of the business. However individual exceptional performance in a specific task or project will be recognised.

## Our seven year team objectives



- Review pay structures to ensure payments which are shaped around understanding the market and recruiting in line with those salaries. The understanding of the market will also be reflected in a programme of salary reviews and an annual review considering inflation.
- Whole team bonuses will be introduced around key cross business indicators and bonuses will be paid with a direct relationship with how the organisation performs financially and operationally.
- Flexible working will be introduced for all posts and managed locally to ensure service delivery based upon the business requirements, contracted hours and the needs of the team. Time measurement will be abandoned in favour of outcome measurement and managers will be accountable for this.
- Leadership development programmes will provide opportunities for the leaders in the organisation to align, develop and grow into more conscious, compassionate and effective leaders thus creating similar development opportunities for those with the wider team.
- Each year organisational development goals will be established, founded upon the annual team survey and emergent business requirements. Each programme will identify measureable outcomes sought and the outcomes will be reported demonstrating cultural change and improved value.

# Our buildings

Our buildings form the core of our business. The value in our business is our buildings. Our capacity to deliver more homes is dependent on our buildings. Our customers' health and safety is dependent on our buildings.

It is therefore essential that we ensure that we own the right buildings for our needs and maintain them to the appropriate standard while they are in ownership. That standard is partly determined by our customers' expectation and partly by the cost and value relationship within maintenance. We recognise that we are providing a 'value' product in terms of what we charge. We are keen to provide safe, dry warm homes.

Because our buildings are at the core of the organisation's value it is right that the largest part of the business expenditure is on the maintenance of our buildings. This does not mean all spend is good spend. We must seek value for money in all we decide to spend and then in its implementation.

B3Living will have a property standard understood and implemented by all related parts of the business from responsive maintenance, planned and cyclical maintenance and development of new homes.

The standard will have input from all areas of the business including housing management and cleaning services. The uniformity and standardisation will generally help create efficiency and effective cost management.

Procurement methods can ensure securing competitive contracts and components however approaches to procurement must be reviewed and market tested frequently. We also understand that management of contracts, even when procured well, can add or reduce cost, and assiduous monitoring and reporting will help ensure value for money.

We recognise that while it is important for B3Living to maintain our assets from a property value perspective, there is also a requirement for a maintenance service from the tenants' perspective. These two delivery outcomes will sometimes be in tension and must be resolved through joint working and shared understanding.

## Our seven year buildings objectives



- Review of procurement including comparison of a number of procurement clubs, to be undertaken twice in the period of this plan and percentage of achieved savings to be reported to Board.
- Review of the property standard to be undertaken by an interdepartmental group and articulated as part of the Asset management strategy, including a comparison of cost with a greater and reduced standard to the one selected, so that there is transparency regarding the outcome.
- Ensure this standard is built into responsive maintenance and void policies.
- All the work on our properties will be undertaken to this standard within 7 years.
- Establish regular and detailed reporting post contract to set out performance against budget, time and satisfaction.

# Our finances

The key to B3Living delivering our mission is robust financial health. This means adequate surpluses, maintaining a premium Moody's credit rating and a strong HCA Viability rating through demonstrating the delivery of strong finance performance ratios, and access to debt to deliver growth whilst maintaining suitable liquidity. We must manage within our covenants but nevertheless make good use of our borrowing power and earning potential to deliver new homes, particularly while rates are advantageous.

We will continue to plan on the basis of prudent and realistic assumptions whilst maintaining strong liquidity through adequate lines of credit. (Ref Appendix or link to Budgeting & Planning assumptions and Treasury Strategy 2016)

We will manage our financial plan with a close awareness of and careful monitoring of our key corporate risk exposures which are recorded in our corporate risk register under broad headings of financial risk, development & sales risk, operational risk, legislative risk and reputational risk. Our plan recognises that greater sales risk exposure will be required with a greater proportion of shared ownership development activity than in previous years and market sales through our new subsidiary structure. (Ref. Appendix/Link : Risk Management Strategy 2016/ Corporate Risk Register / Development Strategy)

Our 2016 business plan supports our corporate strategy by identifying and maximising growth through internally generated surpluses and further borrowing of up to £200m to deliver up to 800 new homes by 2023. The plan demonstrates a commitment

to VFM, in particular the delivery of £1m savings during the 7 year period. (Ref / link VFM Strategy 2016). Our continuing focus on VFM has, indeed, enabled us to sustain growth of our housing stock during the current period of statutory rent constraint (i.e. year on year 1% p.a. rent reductions 2016-20). We will continue to support our growth through our £30m revolving credit facility with Lloyds which is currently at a competitive 1.1% over libor. In 2016 we will explore options to extend this facility by up to a further £40m to deliver the growth projections within our 2016 plan and to enable us to operate on the basis of sound financial performance and suitable liquidity (as defined within our Treasury Strategy). We will also look at options for introducing more certainty and capacity into our plan through conversion of the current £30m RCF into a long term bond. In order to better sustain our business over the longer term, we will be making limited investments in commercial and PRS property. This will make us less reliant on the risk of further statutory rent constraints beyond 2020. We will also use our newly formed subsidiary companies to (i) maximise VAT savings on B3's development activity and (ii) generate an income from market sales activity, the profits from which will feed into the charity's business plan through a gift aid arrangement. We recognise the risks associated with the sales subsidiary and will ensure that we have suitable skills and appropriate strategies to mitigate them.

We may also seek other forms of funding for regeneration schemes which may come to fruition during the period of this strategy. This may take the form of scheme finance

through one of our two newly formed subsidiaries.

Our financial strategy however is underpinned by simplicity and transparency and the Board will have clear lines of sight through any borrowing through including all exposure within the business plan.

## Our seven year financial objectives



- Secure additional short term bank funding of, initially, up to c.£40m taking peak debt to c.£200m to support further planned growth.
- Review the conversion of short term bank debt to bond debt within the period of this plan to add greater stability and certainty to the plan.
- Seek to negotiate an increase in the current £5m on-lending limit to subsidiaries, as imposed by our bond investor and bank.
- Investigate the impact of scheme finance on the business plan for at least one substantial regeneration scheme.
- Meet existing borrowing covenants to investors and lenders.
- Maintain robust financial health, sustaining suitable HCA viability and governance ratings and a prime Moody's rating. We recognise that introducing more risk into our business may lead to challenges in this context.
- Deliver on our budgets and business plan
- Establish risk parameters with Board for investment in commercial or PRS property and develop a property strategy which identifies other parameters for investment to be agreed by Board.
- Develop, suitably resource and sustain the new group subsidiary structure with particular focus on sales and development risk.

# Our new homes

We largely deliver new homes through S106 obligations of developers. While such developments are low risk, they are also largely low value and non-standard to manage and maintain, building unnecessary cost into the future of the business. It is also true that changing legislation and policy may reduce the number of opportunities of this kind. It is with this in mind that we are seeking to acquire land and develop ourselves which increases risk and may also increase value, removes future cost, and allows B3Living more control over what we provide and where. In order to achieve this and make sites viable we have a requirement to reduce our build costs and our capacity to develop product other than affordable rent.

We will review and redefine our core geographical area based on a sound rationale from across the business and again, from a point of information, determine some clearer parameters regarding the nature, size and tenure of what we are seeking to provide in the areas in which we operate. We want a strategy which starts with an objective and ends up looking at viability and not the other way round.

Our new homes will take their specification and design from the property standard we have set out from elsewhere in this document. This will ensure a uniformity and standardisation of the nature of what we build. This will be high quality in terms of longevity but will have aesthetic and design aspirations optimized in order to balance cost control, thus producing more, but still sustainable homes.

Presently our risk exposure is confined largely to social rented and affordable rented homes. This is destined to change to incorporate some limited market sale but significant exposure to market through shared ownership development. In order to mitigate both of these related and narrow markets B3Living will develop an investment portfolio of commercial and PRS property.

We have identified several sites already in ownership which may be suitable for regeneration due to the nature, density and condition of the existing homes on those sites. These will be addressed in the life of this strategy.

## Our seven year new homes objectives



- Reduce build costs by at least 10%
- Investigate off site construction systems for efficiency.
- Be more selective with partners to employ the new property standard to more of our build specifications when negotiating S106
- Devise a property investment strategy
- Devise a new development strategy to set parameters for geography, split and mix
- Deliver 800 new homes
- We intend to have undertaken two large scale regenerations within the life of this strategy
- Consider any further stock transfer opportunities within our core business areas

## Corporate Strategy

# Our governance

We recognise that the Board lead our organisation. Our Board work closely with our executive team and in a supportive and collaborative way, understanding that we are one team with the same objectives and outcomes but playing different roles to deliver them. Our board is selected on a skills based criteria and we have a matrix which sets out the organisational requirements and is reviewed regularly. Each year the board assesses its performance and the individual performances of the members.

Within the period of this strategy we will be seeking a new chair and vice chair and we intend to develop our search widely to ensure that B3Living secures the best fit to lead the board. Succession planning is important and so the process will commence in plenty of time.

We will also review our standing orders and committee structures during the period of the strategy. We will be establishing two subsidiaries in the period, a development company and a property company to facilitate our ambitious development plans. This will add some complexity to our governance arrangements and regular review for clear lines of sight and board control will be undertaken to ensure that the Board primacy remains intact and the organisation is not put at unseen risk.

We provide board training and development regularly so that our board members have the relevant knowledge as well as skills to deliver the lead the organisation requires.

### Our seven year governance objectives



- Appoint a new Chair
- Appoint a new vice chair
- Review committee structures
- Review and assess functionality of the subsidiary governance arrangements and relationships with Board
- Biannually review skills matrix and measure board self-assessments against that
- Review Board appraisal approach to modernise it in line with the objective and development reviews used elsewhere in the organisation

**Notes**



A series of horizontal dotted lines spaced evenly down the page, providing a template for handwritten notes.

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