

# HASTOE CORPORATE PLAN 2019 – 2022



## FOREWORD

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Ed Buscall, Chair of the Board, and Andrew Potter, Chief Executive

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*The last year has been one of change for Hastoe.*

*We said a fond farewell to our previous Chief Executive of 11 years, Sue Chalkley, and welcomed our new Chief Executive, Andrew Potter. This has given Hastoe the opportunity to reflect on its key objectives and to strengthen its governance so it is well placed to achieve its future ambitions.*

*Hastoe remains committed to building high-quality, affordable and energy-efficient homes for rural communities. We are determined that Hastoe should continue to lead on quality design among social landlords as the sector responds to the recommendations in the Hackitt review on building safety and the Government's Building Better Commission which is expected to put an increased focus on the quality of new social homes.*

*We expect, and welcome, greater scrutiny of the customer service standards provided by housing associations.*

*Through stronger engagement with our residents, we aim to improve the quality of our customer services and deliver better performance.*

*We will also be prioritising investment in our assets and fire safety programme. Resident safety continues to be our top priority and we want to ensure we continue to have homes that our residents can take pride in.*

*With the continuing economic and political uncertainty and stalling housing market, we have decided to reduce our financial risk through a smaller development programme. However, we believe this will put us in a stronger position in the long term and leave us better placed to take up opportunities in the future.*

*In short, Hastoe will continue to work with rural communities to build and manage the high-quality and affordable homes they need. The Corporate Plan outlines how we will achieve this.*



## WHO WE ARE

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Established by the Sutton Dwellings Trust in 1962, Hastoe is a specialist rural housing association. We own and manage over 7,500 homes in over 70 local authority areas. Our homes are spread across the south of England from Norfolk to Cornwall.

After almost 30 years of supporting rural communities, we are the leading provider of affordable homes in Rural England. However, as a large number of our original homes were built in urban areas, we still have a significant presence in these communities too.

We have charitable status and any surplus we make is invested back into the communities we operate in.

### Our purpose

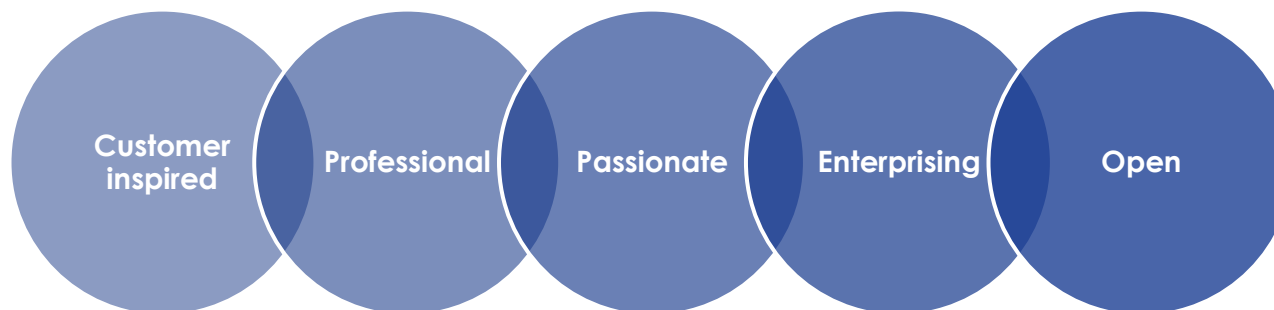
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Our purpose is to work with rural communities to build and manage high-quality, energy-efficient and affordable homes that meet a local need. These homes enable local people to remain within their communities and help keep rural services sustainable.

### Our values

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Hastoe's five values are a vital part of our identity and describe the way in which our staff operate and relate to others.



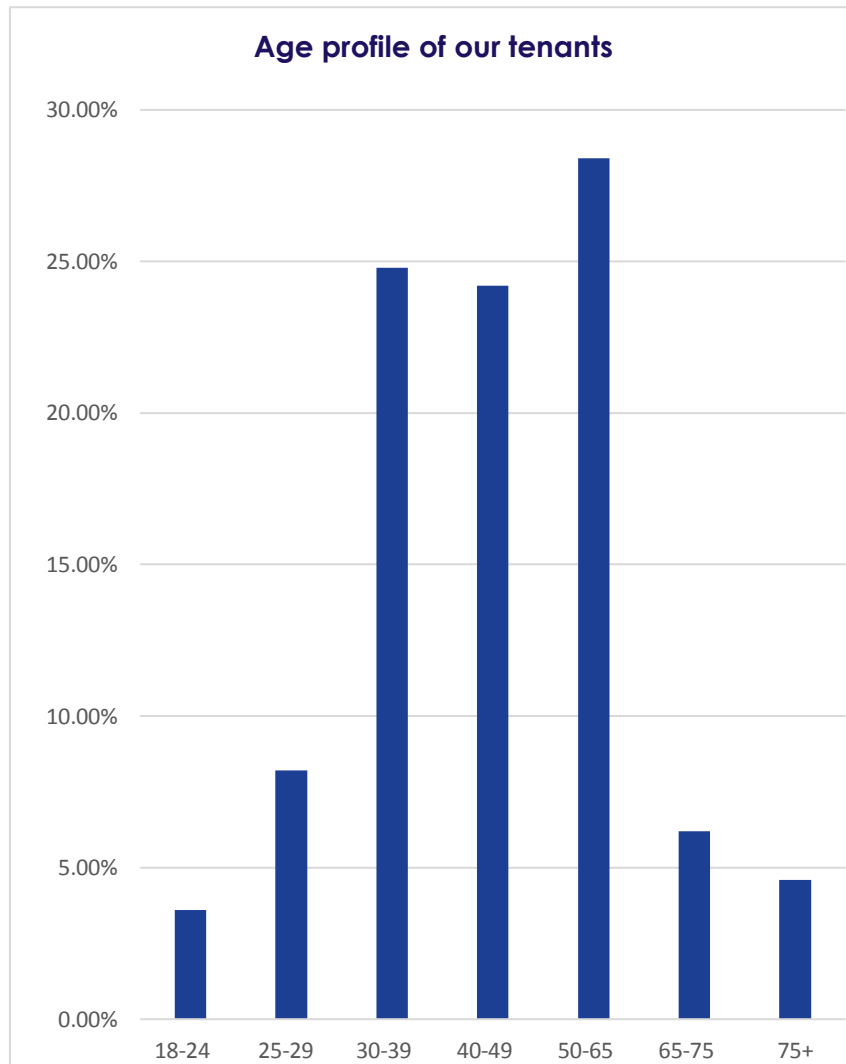
## WHERE WE WORK

Hastoe owns and manages over 7,500 homes in over 70 local authority areas. The 16 local authorities in which we manage more than 100 properties are listed below:

	LOCAL AUTHORITY	HOMES
1	Uttlesford, Essex	416
2	South Somerset	291
3	Aylesbury Vale, Bucks	273
4	Milton Keynes, Bucks	265
5	West Dorset	215
6	Kings Lynn & West Norfolk	191
7	Chichester, West Sussex	169
8	Mendip, Somerset	142
9	East Devon	139
=10	Havering, Greater London	125
=10	South Norfolk	125
12	Breckland, Norfolk	124
13	North Devon	116
14	Stevenage, Herts	114
15	East Cambridgeshire	107
16	Mid Devon	105



Age profile of our tenants and housing stock by tenure



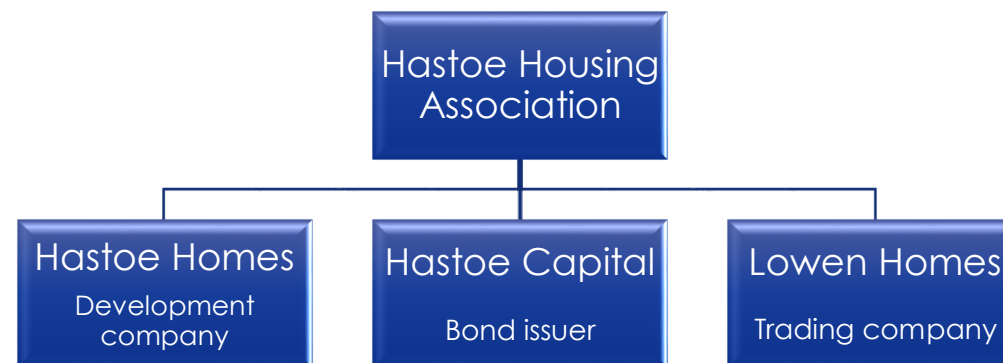
**Hastoe housing stock by tenure**

Affordable	<b>647</b>
Fair Rent	<b>105</b>
Fixed Term Affordable	<b>133</b>
Fixed Term Affordable Probationary	<b>61</b>
Freehold	<b>290</b>
Ground Rent	<b>1884</b>
Hostels	<b>5</b>
Leasehold	<b>453</b>
Market Rent	<b>9</b>
Mortgage Rescue	<b>10</b>
Rent to Home Buy	<b>2</b>
Shared Owner	<b>816</b>
Social Post 2005	<b>2333</b>
Social Pre 2005	<b>805</b>
Starter	<b>18</b>
Traveller	<b>16</b>
Voids	<b>15</b>
	<b>7602</b>

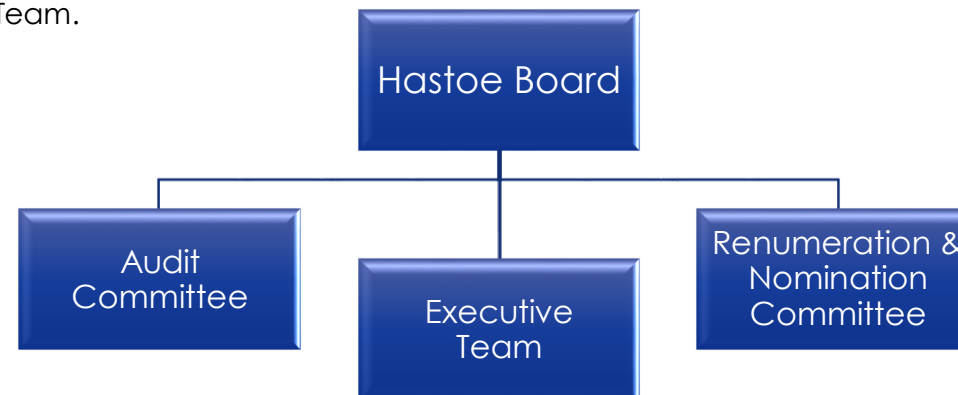
## HOW WE ARE RUN

Hastoe is regulated by the Regulator of Social Housing. In October 2018, Hastoe's G1 rating was reconfirmed by the Regulator – the highest possible governance rating. The Group complies with the National Housing Federation Code of Excellence in Governance.

Hastoe Housing Association is the charitable parent of three active subsidiaries:



The Hastoe Housing Association Board has ultimate responsibility for how we are run. It is supported in this by two sub-committees, the Audit Committee and the Remuneration and Nomination Committee. The Board delegates day-to-day management of the organisation to the Executive Team.



## Our Board

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We are governed by a Board of 10 non-executive directors. Our Board Members are highly experienced and passionate about rural communities and the environment. The Board meets nine times per year and works closely with the Executive Team to ensure Hastoe delivers on its strategic objectives. [A full list our Board Members and their profiles is on our website.](#)

## Our Executive Team

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Responsible for the day-to-day running of the business are:



**Chief Executive, Andrew Potter**

Responsible to the Board, and for the Directors and Communications & External Affairs



**Finance Director, Will Roberts**

Responsible for Finance, Business Performance, Governance, IT and Human Resources



**Operations Director, George Parkinson**

Responsible for Housing Management, Asset Management and Customer Service



**Development Director, Ulrike Maccariello**

Responsible for Development and Sales



## OPERATING ENVIRONMENT

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### Internal

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**Customer Services:** There is a strong, sector-wide focus on improving customer service. The National Housing Federation (NHF) has launched the 'Together with Tenants' programme to make social landlords more accountable to their tenants, for which Hastoe is an early adopter. We will review our customer service strategy and our service standards. We will seek to provide the right balance of self-service with a personal service, recognising some rural communities don't have reliable access to broadband.

**Repairs:** We recognise this is an area we need to improve to ensure customers are more satisfied with our repairs service. We have invested more resources into this area, set challenging targets to drive improvement and will monitor performance and complaints closely. We want to ensure our repairs' service is efficient and effective, but also recognise there is cost pressure in the current market. Separately, we will also improve how we respond and manage defects in new homes.

**Assets:** Will we continue to maintain our stock at decent homes levels or above. Despite being a rural organisation, Hastoe has significant urban stock, e.g. 125 homes in the London Borough of Havering and 114 homes in the Stevenage Borough. We will review this urban stock and its value to the organisation. We will also look to maximise our asset performance to identify opportunities for improved financial performance.

**Fire Safety:** In the light of the Grenfell fire and the Hackitt Review into building regulations and fire safety, Hastoe will continue to prioritise work on fire safety. We are investing more in fire safety works and are installing sprinklers in our high rise blocks of flats where appropriate. Resident safety remains our top priority.

**Finances:** After a decade of successful expansion, Hastoe is looking to consolidate its financial position. Hastoe's financial viability rating was downgraded from V1 to V2 by the Regulator of Social Housing in October 2018 because of our debt levels and exposure to open market sales.

We recognise the need to ensure our long-term financial viability and put Hastoe on a secure financial footing for the next decade. We have already reduced our exposure to market sales.

**Development and Sales:** Hastoe has completed a new Development Strategy. It reflects the Board's appetite for a prudent approach to sales and development, in order to increase Hastoe's financial resilience. Hastoe is considering the merits of our 'trickle sales' programme (selling void stock in urban areas) based on our priorities and in light of a subdued housing market in southern England.

**Staff:** Our staff are our greatest resource. Recruitment to attract and retain the right talent is challenging, with the UK at almost full employment and some sector-wide skill gaps. We will invest more in our frontline service, skills and succession planning to ensure we have the right capacity to deliver. We will continue to promote and reward high performance.



## Political Environment

The current political environment is unstable. The Government lacks a Parliamentary majority and has focused the majority of its attention on Brexit. This instability is expected to continue into 2019/20. As a new Prime Minister is chosen in summer 2019, it is unclear which direction housing policy will take.

Significant housing policy changes since the last Corporate Plan include:

### **National Planning Policy Framework (NPPF):**

The new NPPF, published July 2018, contains a new policy for Entry Level Exception Sites. Although we successfully lobbied Government to amend the policy, it has the potential to affect Hastoe's rural exception site development model and raise land values. We will continue to monitor the policy's impact in Rural England.

### **Building Better, Building Beautiful**

**Commission:** The Commission was launched by the Ministry of Housing, Communities and Local Government in November 2018 to promote better design, style and community consent in new housing. Hastoe will seek to influence the work of the Commission from a rural perspective and promote quality design and working with local rural communities.

### **Social Housing Green Paper:**

Published in August 2018, the Paper focuses on social landlords improving customer services to tenants and providing quicker and more effective redress when problems are found. It commits to a review of the Decent Homes Standard, a more proactive Regulator of Social Housing and considers new league tables for social landlords. A Government response to the Green Paper consultation is expected in summer 2019.

### **Future Homes Standard:**

In March 2019, the Chancellor announced a 'Future Homes Standard' to mandate low carbon heating and world-leading levels of energy efficiency for all new build homes by 2025. Hastoe will press Government to introduce the highest possible standard and show rural housing associations are already leading the way on quality and energy efficiency standards.

### **Housing Funds:**

In October 2018, the local Government abolished the cap on local authorities' Housing Revenue Account (HRA). This could increase Hastoe's opportunity to work with rural councils to build new social homes. The Government has promised social and affordable rent can rise by CPI plus 1% for five years from 2020, increasing Hastoe's revenue to invest in development. There is also new grant for social rent, providing more opportunity for Hastoe to build homes with lower rents and lower debt levels.

## Housing Market and Brexit

After six years of house price inflation since 2013 (peaking at a 9.4% annual rise in 2014) the housing market is noticeably running out of steam. Prices are stabilising or, in some areas, falling across England.

Furthermore, the Bank of England forecasts that a disorderly departure from the European Union could reduce house prices by as much as 30% and increase inflation and interest rates. The Regulator for Social Housing wrote to all housing associations in February 2019 to ensure their plans for dealing with a disorderly departure from the EU are robust.

The letter focused on six key areas:

1. Deteriorating housing market and a fall in house prices and land prices
2. Rises in inflation and interest rates
3. Access to finance and long-term impact on development
4. Availability of EU labour for development and maintenance
5. Access to materials
6. Access to data and cloud-based systems outside the UK.

Regarding these key areas identified by the Regulator, Hastoe has:

- Planned a withdrawal from open market-led sites and developments
- Raised additional capital prior to Brexit
- Adjusted our development programme to reflect uncertain times
- Taken steps to ensure we continue to meet our legal and ethical obligations in using personal data, specifically in relation to transfers of data between the UK and the EU.

## HASTOE'S STRATEGIC OBJECTIVES

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To meet our purpose we have set ourselves five strategic objectives, which underpin our work. These have been amended to focus more on customer service and improving Hastoe's offer as an employer:

Build high-quality and energy-efficient homes

Provide residents with a quality customer service

Be an excellent employer

Work with rural communities and influence policy on key issues

Run an effective and efficient organisation

There are planned actions for 2019/20 under each strategic objective. The Board actively monitors Hastoe performance in delivering the planned actions over the course of the year to ensure successful delivery.

## OBJECTIVE 1: BUILD HIGH-QUALITY AND ENERGY-EFFICIENT HOMES

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Hastoe builds homes that are designed to last for generations and fit comfortably within rural communities. We care about raising housing standards and building homes that rural communities can take pride in. As fuel poverty is higher in rural areas, we develop our homes to an energy-efficiency standard higher than Building Regulations require.

In 2019/20, we will develop a Hastoe Standard, which clearly articulates our design standard for new-build homes and what communities can expect when they work with us to deliver new, affordable housing.

### Achievements in 2018/19

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- Started on site with 41 new homes in rural communities and completed 40
- Approval of a new Development Strategy
- Brought 78 homes up to Hastoe Green Homes Standard
- Shortlisted for three national awards for our Sharnbrook Passivhaus scheme

### Actions in 2019/20

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- Start construction for the Southwold Hospital community project
- Develop a practical and replicable 'Hastoe Standard' for new energy-efficient and quality homes
- Commit to having one Passivhaus development in the development pipeline at all times
- Review the Hastoe Green Homes Standard
- Improve our after-care service on new homes

## OBJECTIVE 2: PROVIDE RESIDENTS WITH A QUALITY CUSTOMER SERVICE

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We are committed to providing quality customer service. We manage homes for the long term in rural communities and want our customers to be satisfied with the service they receive.

In 2019/20, Hastoe will review its Customer Service strategy. We will prepare to benchmark our customer service performance against other housing associations in the Sector Scorecard. The introduction of a new housing management system in 2018/19 disrupted the recording of tenants' satisfaction with the repairs service. These issues are now being resolved and we are targeting satisfaction levels of at least 95% in our contractors' own surveys by March 2020.

Two years on from the Grenfell fire, we continue to prioritise the actions in our Fire Safety strategy and communicate our work with residents.

### Achievements in 2018/19

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- Awarded ServiceMark Accreditation from ICS
- Increased number of frontline staff serving customers
- Invested in new housing system, customer portal and mobile app to allow easier 24-hour access
- Completed a Fire Safety strategy and increased investment in fire safety work
- Significant investment replacing doors and windows in our properties
- Supported the growth of our local Resident Champion initiative – we now have 38 Resident Champions

### Actions in 2019/20

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- Integrate our repairs service with Asset Management
- Improve our performance of the repairs service
- Install sprinklers at Chichester House tower block, Plymouth
- Increase investment in existing stock
- Increase number of customers using the portal
- Be an early adopter for the NHF's Together with Tenants programme to improve engagement with residents
- Review our Customer Service strategy and standards
- Create a standalone Domestic Abuse policy for residents and staff

## OBJECTIVE 3: BE AN EXCELLENT EMPLOYER

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Hastoe's greatest resource is its staff. In October 2018, we retained our Investors in People (IIP) Gold accreditation. Assessors reported 'the stand out feature of Hastoe is, indeed, its unique culture'. We aim to continue to be an excellent employer and this new strategic objective has been added to reflect this. Hastoe has been a Living Wage Employer since 2014. We want to attract the best possible new staff to the organisation and encourage and reward high performance.

### Achievements in 2018/19

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- Retained our IIP Gold Accreditation until 2021
- Completed a tri-annual review of pay and benefits
- Introduced a new payroll and HR system
- Implemented a policy on Modern Slavery

### Actions in 2019/20

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- Refurbishment of Hampton Wick Head Office
- Publish a Gender Pay Gap Report and Executive Pay Ratio Report
- Complete a Mental Health strategy for employees
- Install new video conferencing technology to achieve greater mobile communications
- Greater investment in skills, professional training and succession planning

## OBJECTIVE 4: WORK WITH RURAL COMMUNITIES AND INFLUENCE POLICY ON KEY ISSUES

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Rural England desperately needs more affordable homes. We work with rural communities to build new homes and influence policy in areas that matter to them.

Hastoe also has a clear and distinctive position in the rural housing sector. We seek to influence national policy for the benefit of rural communities on issues where we have specialisms such as rural exception sites, design quality and high energy-efficiency standards.

### Achievements in 2018/19

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- Invested more in our community grants programme
- Lobbied to amend the Entry Level Exception Site policy in the National Planning Policy Framework
- Joint sponsored and influenced the IPPR Rural Housing Policy report and Rural Housing Ageing for an Ageing Population report
- Hastoe scheme, Imby Close, and staff featured on BBC Countryfile segment on rural affordable housing
- Joint rural housing events at Conservative and Labour Party Conferences with CPRE and NHF on affordable rural housing
- The lead sponsor for the Plunkett Foundation Awards 2018

### Actions in 2019/20

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- Welcome HRH Prince Charles for tour of new rural scheme in Powerstock, Dorset
- Create an information video with Homes England on building rural affordable housing
- Influence the Building Better, Building Beautiful Commission from a rural perspective
- Share best practice with rural and housing stakeholders on a new Hastoe Build Standard
- Conduct a joint rural housing and Passivhaus tour with English Rural for the Chief Executive of the NHF, Kate Henderson
- Work closely with partners such as the CPRE, the CLA and Rural Housing Alliance on policy responses and consultations



## OBJECTIVE 5: RUN AN EFFECTIVE AND EFFICIENT ORGANISATION

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Hastoe's governance is strong. However, there is always room for improvement. Arrangements will be kept under review to ensure we have the right skills and capacity within the business to deliver the right level of assurance. This ensures our residents get the best possible service.

Hastoe's financial viability was downgraded from V1 to V2 in October 2018. We will now be taking steps to improve our financial resilience and ensure Hastoe remains on a secure financial footing. We will also review the value of our urban assets and their place in the organisation.

### Achievements in 2018/19

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- Raised £75 million of retained bonds
- Independent review of Health & Safety by BSC
- Independent review of the Audit Committee
- Reviewed financial hurdles for new development
- Appointed a Health and Safety Adviser
- Stopped trading through subsidiary, Sustainable Homes, due to falling revenues
- Transfer of engagements from Hastoe Wyvern to Hastoe Housing Association
- Reviewed our approach to data in line with new GDPR
- Reduced operating costs, whilst providing additional resources for frontline services

### Actions in 2019/20

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- Conduct an independent review of the Board's effectiveness
- Develop a new Hastoe website
- Review our urban housing stock
- Update our Health and Safety policies and procedures

## VALUE FOR MONEY

The Board is committed to delivering Hastoe's strategic objectives in a way that represents value for money. This is driven by an awareness of the responsibility to use our assets and resources wisely, to protect our long-term future and to build and manage high-quality, energy-efficient homes that meet the needs of the varied communities in which we operate.

Hastoe uses the 3 E's model – aiming to increase economy, efficiency and effectiveness – to achieve value for money. The targets within Appendix 1 of the Corporate Plan focus on the effectiveness in delivering Hastoe's ambitions. The table below sets out the Board's other targets for increasing Hastoe's economy, efficiency and effectiveness.

	Hastoe targets			Sector comparison		
	2019/20	2020/21	2021/22	Upper	Median	Lower
EBITDA MRI*** interest cover *	129%	136%	142%	263%	206%	154%
Social housing interest cover **	106%	111%	117%		164%	
Operating margin (exc. fixed asset sales) *	34%	39%	41%	34.1%	28.9%	22.7%
Operating margin on social housing lettings *	42%	42%	44%	37.1%	32.1%	25.5%
Net margin (exc. fixed asset sales) **	5%	7%	9%		14%	
Gearing *	54%	55%	55%	53.1%	42.9%	33.1%
Gearing (debt / revenue) **	6.5	7.2	7.1		3.6	
New supply delivered (social housing) *	1.4%	1.5%	1.5%	2.3%	1.2%	0.5%
New supply delivered (non-social housing) *	0.0%	0.07%	0.07%	0.07%	0%	0%
Reinvestment *	4.4%	6.2%	5.1%	8.7%	6.0%	3.9%
Return on Capital Employed *	3.2%	3.3%	3.4%	5.4%	4.1%	3.3%

\* Sector comparatives sourced from '2018 Global Accounts annex Value for Money metrics'.

\*\* Sector comparatives sourced from the '2018 Global Accounts'.

\*\*\* Earnings before interest, tax, depreciation and amortisation, with capitalised major repairs costs included.

Weaker performance than Sector Median

Stronger performance than Sector Median

## Value for money

Hastoe has built a significant portion of its social housing over the last ten years and, as a result, accumulated comparatively high debt levels. This is reflected in its relatively low interest cover ratios and relatively high gearing ratios. The Board still wishes to meet housing need by building new high-quality social housing. However, for the foreseeable future, development will be at more modest levels whilst Hastoe looks to increase its financial resilience. During the coming year, Hastoe will review its new build standard and enforce a higher investment hurdle rate to increase the value for money of its new developments.

The new supply of social housing is still expected to be above the current median level in the sector. This is not fully reflected in the reinvestment rate, which is below the current median for two years of the plan, due to the relatively high historic cost of Hastoe's properties; a product of building a high proportion of the homes in recent years. The same factor leads to Hastoe having a below median return of capital employed. In the coming year, we will review our urban stock and its value to the organisation. In doing so, we will look to maximise our asset performance to achieve improved returns on our stock.

The Corporate Plan targets increasing levels of interest cover and margins over the period. The effect of selling land to reduce Hastoe's exposure open market sale risk is to dilute the operating margin and gearing (debt/revenue) in 2019/20. Although Hastoe is moving away from development for open market sale, we continue to build a small number of open-market homes. This cross-subsidises our affordable developments to help us deliver our core purpose and maximise our supply of new social housing.

Hastoe's social housing operating cost per unit and margin is in the top quartile for the sector. This is driven by a low management cost per unit. The Group's management model provides an efficient and effective response to the dispersed nature of its stock. Hastoe will aim to control its costs, whilst improving performance, by extracting further benefits from its investment in its new housing management system and online customer portal.

Hastoe's maintenance cost per unit was between the top quartile and the median in 2017/18. The Group is rightly focussing investment on fire safety works. This will be allied with effective procurement to ensure value for money.

### **In order to increase value for money in the coming year, Hastoe will:**

- Prioritise investment in our assets and fire safety programme, as resident safety continues to be our top priority
- Continue to build high-quality social housing for rural communities, whilst enforcing higher investment hurdle rates
- Review our new build standard with the aim of delivering a high-quality product at a reasonable cost
- Review our urban stock and its value to the organisation, with the aim of increasing the return on our assets
- Review our customer service and repairs service, with the aim of increasing satisfaction levels
- Invest in technology to support more efficient service delivery and communications.

Achieving value for money is an ongoing process and the Board recognises its responsibility to drive continuous improvement in the use of the Group's assets and resources. This approach to value for money will enable Hastoe to maximise its potential to provide its customers with high-quality homes and services.

## APPENDIX 1: KEY PERFORMANCE INDICATORS AND TARGETS

Indicator	2018/19 performance	2019/20 target
<b>Customer</b>		
Overall customer satisfaction (next survey is summer 2020)	77%	80%
Satisfaction with repair (contractor survey)	*	95%
Transactions Online	11.5%	13%
Social & affordable arrears (all)	2.92%	2.50%
Social & affordable arrears (UC only)	7.60%	6%
Leasehold service charge arrears	7.60%	4.5%
Re-let time (exc. major works)	16.9 days	16 days
Average home SAP score	75.58	76.0
<b>Compliance</b>		
Residential buildings meeting Decent Homes	100%	100%
Residential buildings with valid fire risk assessment	100%	100%
Communal water facilities with valid risk assessment	100%	100%
Residential buildings with valid gas certificates	100%	100%
Residential blocks with valid asbestos risk assessment	100%	100%
Residential buildings with current electrical certificate	100%	100%
<b>Development</b>		
Average void days for new build property (from practical completion)	112 days	95 days
Number of new build starts	41	77**
Number of new home build completions	40	60
<b>Employees</b>		
Staff turnover	21%	15% (+/-3%)
Staff satisfaction/engagement	*	80%

\*Comparable figure not available for previous years

\*\*This figure consists of 59 homes planned in the 2019/20 programme, plus 18 homes carried over from 2018/19