

# Value For Money Statement

2017



## Introduction from the Chair of the Board and Chief Executive

At One Vision Housing Ltd (OVH), Value for Money (VFM) sits at the very heart of everything we do. Ever since our inception in 2006 we have strived to be one of the best registered providers in the country, offering excellent value for money (VFM) in the services we offer to our customers. Our strategic approach to VFM is intertwined into all of our service planning and delivery – this can be demonstrated via our VFM objectives that are strategically linked to the overarching objectives of OVH. This VFM Statement, provides a year-end position statement for 2016/17 in achieving the following VFM objectives for OVH:

- Maximising our social value
- Best use of our assets and resources
- Cooperation and collaboration through self-delivery
- Regulatory compliance and customer involvement
- Maximising opportunities through procurement
- Excellent performance and customer satisfaction

To date we have developed and deployed a robust and challenging approach to the pursuit of VFM. Since 2006 we have made £77m of efficiency savings as well as delivering high quality services that meet our customers' expectations and improve our services to them. This can be demonstrated by our increases in customer satisfaction witnessed during 2017.

Our strong financial position and refinancing deal has underpinned our ambitious development programme, with £26.4m spent on committed development schemes resulting in 240 new units delivered for social rent, affordable rent and shared ownership.

We continue to be committed to our corporate social responsibilities - to maximise our social value (to £55m), reduce our impact on the environment and use our position to make our neighbourhoods a positive place to live.

As employers we are delighted to be recognised for our investment in our people by Great Places to Work, Best Companies and Investors in People. VFM is fully embedded within our organisational culture, with 99% of staff understand how VFM relates to their role. This helps us to achieve our strategic aims and objectives, and enables us to meet the risks, challenges and opportunities that lie ahead.

Details of the outcomes achieved in delivering our VFM Objectives are found within this Value for Money Statement for 2015/16. In our view, this self- assessment does more than simply demonstrate our compliance with the HCA's Economic Standards in relation to VFM. We believe this self- assessment demonstrates that VFM sits at the heart of everything we do and is a key component of our continuing success.

## **What is Value for Money (VFM) at One Vision Housing Limited?**

We are clear that for One Vision Housing Limited value for money is about:

- an excellent customer experience;
- clear outcomes directly linked to the way we spend our money; and
- using the innovative Sovini group business model to drive efficiency through our Sovini group partners.

Due to our clear strategic approach to VFM planning and transparency in reporting VFM to key stakeholders, we believe that the association is compliant with the HCA's Economic Standards relating to Value for Money.

### **What is our vision?**

Our vision is "Thriving inclusive communities'. The way we use our resources is a crucial foundation in our Strategic Plan 2017 to 2022 that allows us to progress our corporate aims and objectives, and therefore this VFM Statement for 2016/17 is reported under our strategic aims:

- Provide the environment to deliver business success
- Provide homes that meet demand, in safe, secure and sustainable neighbourhoods
- Provide excellent services that meet or exceed customer and stakeholder expectations
- Make a positive impact in the communities in which we operate

We are clear that value and excellent customer service are closely entwined. We always aim to excel in the way we deliver services, which runs alongside our Performance Management Framework (PMF), which details the mechanisms for monitoring and reporting performance, costs and outcomes for our customers. We use our Risk Management Framework (RMF) to assess and calculate our risks and stress test our business plan.

Our value for money approach is applied from Sovini group level and directly links to the Sovini group mission "to create capacity for innovative housing solutions". The OVH VFM Strategy sets out how the organisation will drive efficiency. The VFM Strategy was reviewed in 2016/17 and the VFM objectives as set out in our strategy are:

1. Maximising our social value
2. Best use of our assets and resources
3. Cooperation and collaboration through self-delivery
4. Regulatory compliance and customer involvement
5. Maximising opportunities through procurement
6. Excellent performance and customer service

We want to use the VFM savings we make to deliver the highest quality social housing services to our customers and to extend this offer to new customers by building new homes.

## **Planning our future**

OVH continues to face a number of external challenges and financial pressures. Whilst we have mitigated the initial effects of the 1% rent reduction, we recognise the potential impact further reductions post-2020, ongoing welfare reform and wider economic uncertainty as a result of 'Brexit' will all bring challenges.

Against the backdrop of change and financial pressures, we have transformed how our frontline services are delivered, moving to a generic provision of neighbourhood and income services. This is with a view to maximising rental income at the same time as sustaining tenancies.

We are also exploring new service delivery methods that offer VFM, greater connectivity and coverage with other service providers through the development and growth of a charitable arm to the Group.

A further aspect of sustainability planning is our goal of creating safe and secure communities. Our impact in our neighbourhoods and communities is assessed through performance and intelligence at a local neighbourhood level, including direct feedback from customers. This intelligence helps to define future plans.

Our funders and business model are geared towards future business development. We have a fully funded 30 year business plan with our funders which, is delivered through our five year strategic Plan, with key milestones outlined in annual service delivery plans.

Our business plan, which details our income and expenditure forecasts, is reviewed and approved by board annually. This has more prudent assumptions and reflects our strategic risk mitigation.

The 2017/18 base budget sets more stretching financial performance targets than the approved business plan. This is produced using zero based budgeting to ensure that our core operating costs are affordable and to determine what additional resources are available for growth and service improvement priorities as identified in our service delivery plans.

Operational and financial targets have been set for 2017/18 with a view to ensuring the required efficiency savings are achieved and performance aimed at top quartile levels. One area targeted for improvements in 2017/18 is income collection, and specific projects are underway to ensure stretching targets for 2017/18 are achieved.

During 2017/18 Board will be closely monitoring and scrutinising both Financial and Operational performance to ensure targets are achieved, through quarterly reporting.

## **Our local context**

In 2016/17 One Vision Housing celebrated its tenth anniversary and continue to build on our strong reputation as the leading provider of social housing in the North West. The last twelve months has seen us expand our areas of operation through our progressive development programme.

We manage the diversity of our stock profile via neighbourhood areas to reflect the geography of our operations.

The areas our homes are located in continue to be some of the most deprived in the country with well above average levels of benefit claimants, unemployment rates, poor health outcomes and educational attainments.

At the end of the financial year 2016/17 there was 1,660 customers living with OVH and under occupying their home.

Since April 2013 OVH has increased stock, notably when OVH amalgamated with a former RP. That should be considered in an analysis of under occupation.

Our successful approach to addressing the impact of welfare reform has been managed through the following initiatives:

- Proactively Identifying those customers who under occupy their home. This is done using an automated report which Tenants under Pensionable Age, under occupying and Full or Partial Benefit. The customer demographics is broken down to neighbourhood level and is acted upon by Neighbourhood Service Officers.
- Neighbourhood Service Officers Engaging with customers to ensure that they understand their obligations for paying rent.
- Completing Discretionary Housing Payment (DHP) applications with affected customers, prioritising those customers with rent arrears, a DHP application renewal and those customers paying bedroom tax with no rent arrears. Neighbourhood Service Officer will only apply for DHP if their expenditure outweighs their income
- If their DHP is declined Neighbourhood Service Officer would assess eligibility for access to our own DHP hardship fund;
- Arranging a direct debit for the customer's financial responsibility;
- Referring the customer for debt advice if required.

Of those customers affected by the bedroom tax, we have collected 100% of rent due from those tenants during 2016/17, however welfare reform and the roll out of Universal Credit will continue to be a challenge in 2016/17.

In 2016/17 we started the year with 115 voids and throughout the year we have reduced this to 99 by the 31 March 2017. The re-let time in 2016/17 was 22.5 days, in line with top quartile performance and it is anticipated that the re-let time will remain below target of 25 days in 2017/18 as we continue to address and mitigate low demand risks.

## **Managing our risks**

The Board of OVH have approved a 'Risk Management Statement' that was reviewed during 2016/17. Our risks are managed and controlled through our Risk Management Framework. Through our Performance Management System 'Covalent' we are able to ensure that our risks are logged, impacts assessed and prioritised for action and reported to our board at each Board meeting. This approach enables us to identify, assess and monitor risks on a continuous basis.

Through regular reviews, we have made improvements to our approach (for example, reviewing our framework annually to ensure that our approach to risk and appetite for it remains aligned to business priorities). Our risk register is updated upon identification of new or developing risks.

The board regularly stress test the business plan to understand the impact and likelihood of financial forecasts in less favourable operating conditions. Stress testing is undertaken as an integral part of our strategic planning to identify the potential impact of critical changes to the external environment. The board carried out a stress test exercise of the business plan in July 2016.

## **Facilitating improvements to our services**

Our Performance Management Framework (PMF) which was reviewed in 2016/17 enables us to deliver our vision and strategic aims by linking the key objectives to performance measures and targets that are regularly evaluated and reviewed.

The PMF ensures that the arrangement and monitoring of service delivery is undertaken consistently, in a measured way and that our operational objectives and the board's strategic priorities are aligned. Targets are set with key stakeholders and are reviewed annually to ensure that they continue to support the aims and objectives of our organisation and vision “thriving inclusive communities”.

Further evidence of successful service delivery and efficient business processes are the Certifications and Awards we currently hold which include:

- Customer Service Excellence;
- Investors in People Gold Standard;
- Investors in People IIP Health and Well Being;
- Investors in Diversity
- Quality Management System ISO 9001:2015;
- Environmental Management System ISO 14001:2015
- Occupational Health and Safety Management System ISO 18001:2007;
- Contractors Health and Safety Assessment Scheme (CHAS);
- Information Security Management Standard ISO27001:2013;
- Customer Contact Centre Association Global Standard;
- TPAS Quality Assured Scrutiny, Landlord reaccreditation and Contractor reaccreditation;
- Housemark Anti-Social Behaviour Accreditation;
- Income Management Excellence Accreditation (HQN)

The central principle of our IT Strategy is a radical reform of our approach to IT system procurement and deployment, with the emphasis on the design and build of a bespoke ‘in house’ core system, “FLOW”.

FLOW is aimed at reducing duplication, increasing staff productivity, reducing licensing costs and improving the customer experience through more effective ways of working.

FLOW provides our corporate document management facility, a mobile working provision for smartphones and tablets, and a customer self-service portal for customers. Customer enquiries originating in our Customer Service Centre, are sent to the appropriate team via FLOW, giving visibility to all relevant staff and managers, and allowing progress against service standards to be tracked.

Customer Relationship management functionality has recently been developed and core processes, e.g. rent refunds, tenancy audits, starter tenancy visits, are now scheduled and managed within FLOW.

These IT system updates and associated process improvements enable our staff to operate more efficiently, in turn improving our customer experience.

## Our Board

Our approach to VFM is driven from the very top, with the Board strategically leading the organisation through the implementation of an OVH specific VFM Strategy. The board direct VFM through their business planning process. They establish a budget and through regular review and scrutiny throughout the year they assess the quality of service and the performance against the budget. This is supported by a robust business plan that the Board have stress tested during 2016/17 to ensure it continues to meet the needs of the business and is robust enough to take into account any emerging risks. The board always make business decisions with VFM in mind alongside the strategic aims of the organisation.

Our vision is to have ‘Thriving inclusive communities’ and this is delivered through sustainable neighbourhoods, supported by quality services meeting the needs of our customers. The Board regularly receive business intelligence that allows them to understand and deliver to the needs of these neighbourhoods, so that sustainability can be maximised and that the organisation can respond (as necessary) to changes in a timely and effective manner. Below are some examples of decisions that the board have made that directly impact on VFM.

- A New 5 year VFM Strategy (2016-2021) approved by Board in August 2016, defining VFM objectives directly linked to OVH’s Objectives.
- Procurement Plan for 2016-19 approved by Board in August 2016 outlining expected procurement savings over the next 3 years.
- Revised Vision and Mission statement, based on sustainability and growth approved by Board in September 2016
- In 2016/17 the board secured additional borrowing facilities of £20m. It was agreed by the board that this decision was consistent with the existing borrowing strategy and most likely to promote the success of OVH and its ambitious development plans.
- £5.9m of HCA Grant funding approved and secured for development

## Working with our stakeholders

The main stakeholder group for One Vision Housing Limited are our current and future customers, the people who drive demand for our service. However, we operate in a complex environment that means the wider list of stakeholders include:

- Our regulator the Homes and Communities Agency;
- The Government - both nationally and locally;
- Public Health providers;
- Police, Fire and Ambulance Services;
- Education and training providers that operate in our neighbourhoods;
- Third Sector organisations that deliver services in our neighbourhoods;
- Our funders, Royal Bank of Scotland, M&G, THFC and Orchardbrook;
- The taxpayer, through Housing Benefit payments.

We engage with stakeholders through formal and informal mechanisms to understand their needs and deliver services to meet those needs. We think that One Vision Housing Limited offers value, albeit differently, to each of our stakeholders by operating in a professional and transparent way in line with our corporate values.

During 2016/17 we assessed, through a wider stakeholder survey, how we are adding value to the communities in which we operate and how we impact on services and objectives. From this, our stakeholders have given feedback that One Vision Housing Limited has a positive impact in the area in which they operate (52% very positive and 48% fairly positive).

We have implemented a TPAS accredited Customer Empowerment Strategy that facilitates a range of engagement opportunities for customers. It allows them to influence standards of service delivery, review performance and suggest improvements through review and scrutiny. Our Value for Money steering group includes two tenants who are qualified with Chartered Institute of Purchasing and Supply (CIPS) qualified customers.

Following a review of operational performance and customer feedback during 2016/17, tenants involved in our tenant scrutiny, review and inspection members identified the following area for review. The reviews identify further opportunities to improve VFM for our customers:

- Improvements in Decent Homes Kitchen Refusals
- Improved access to Gas Safety Inspections (resulting in £9k neighbourhood saving)
- Reductions in complaint escalations (from 41 to 19) and 11% increase in satisfaction

We publish an Annual Report that includes evidence of our compliance against the consumer standards for housing along with our performance for the year. We continue to develop this approach further with customers, allowing direct input, and each year it has been improved following review and feedback from staff and customers.

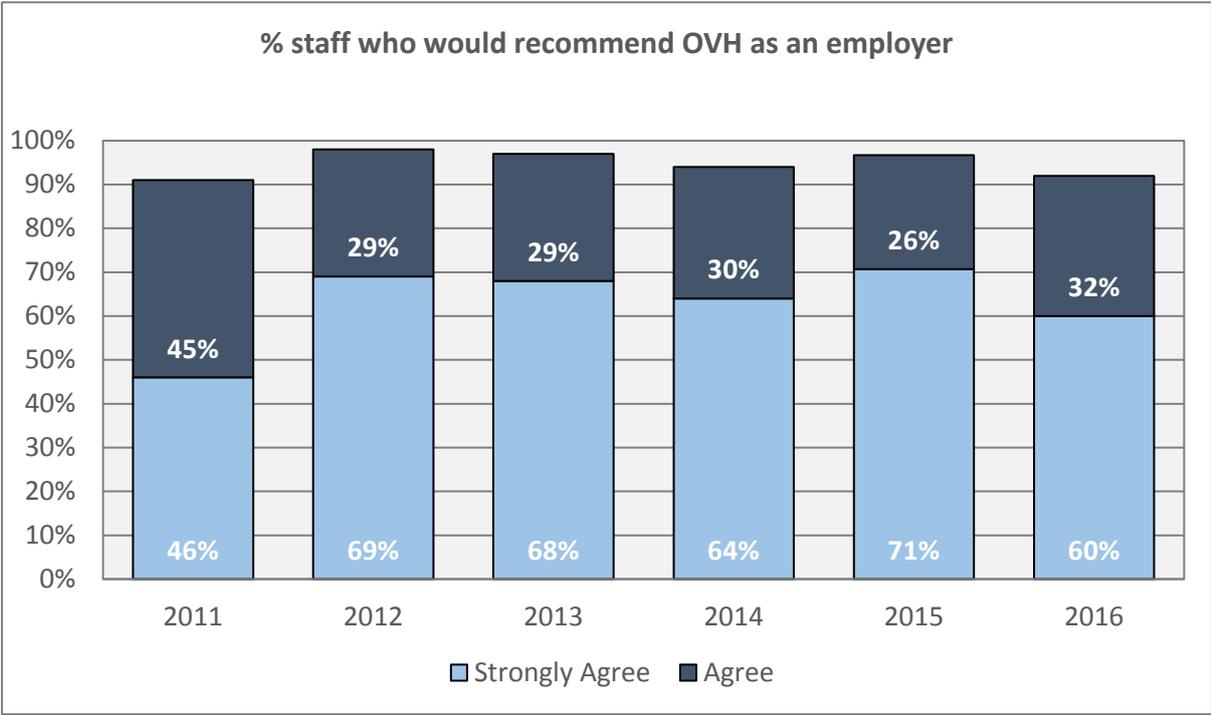
We manage our wider stakeholder relationships, through an open, transparent and inclusive approach by ensuring that our communication and engagement remains active and effective.

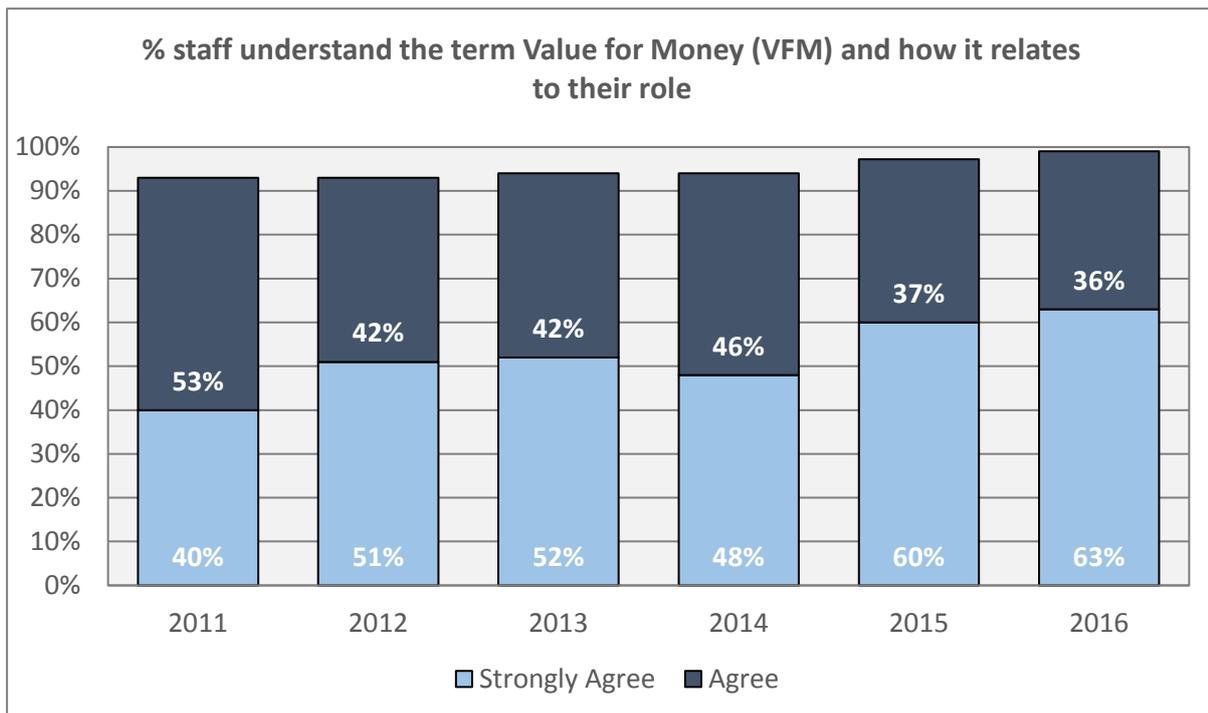
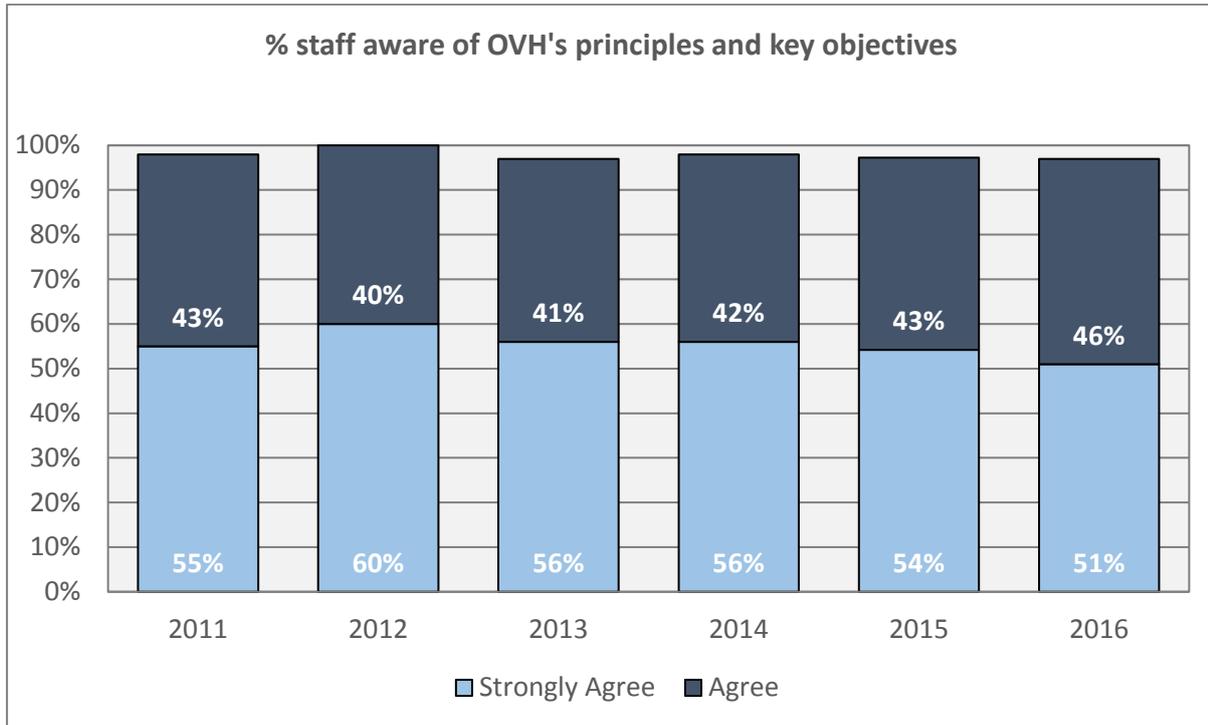
### Recruit, develop and retain excellent people

The recruitment and management of our staff is aligned to the organisational values to ensure we invest where it matters most. Our values are integrated into the recruitment process from identification of a resource requirement (to support the delivery of our strategic plan), through to advertisement of the vacancy and selection of the successful candidate. We assess candidates against the values of the organisation throughout the recruitment process and understand the importance of getting the ‘right fit’ with our culture. An innovative assessment centre has been designed to test potential candidates using team building activities and suitability exercises. Our process now ensures the best possible opportunity for candidates to show their suitability for us and their commitment to our values. We understand that we are only as good as our people and aim to recruit, retain and develop great people that deliver excellent services. Our achievements include:

- Gold Standard Accreditation (Investors in People);
- Health and Wellbeing Award (Investors in People);
- 2017 Great Places to Work;
- Positive about Disability Scheme.

Our staff survey results demonstrate our high staff engagement with VFM and the vision for the organisation, as well as their satisfaction with One Vision Housing Limited as an employer.





On the back of our success in the Sunday Times Best Companies, (No.1 in 2012 and 2013,) and the overall UK Winner of the UK Excellence Awards 2013, we were also first in the UK Great Workplaces Awards 2014 and second in 2015. We were also awarded one of the six special awards for corporate social responsibility. In 2017, we were ranked third as part of the Sovini Group in the large company category.

We value the input of our staff and have a staff suggestion scheme that rewards staff that make suggestions that positively impact on value for money. During 2016/17 some of the best staff suggestions have been:

- That we provide discounted skip hire through Carroll Waste (part of Sovini Limited) to our registered provider tenants and leaseholders
- All mobile devices should have Sovini stickers on them – this was to ensure that if they were misplaced the person who found them would know who to call to return them
- We request tenants sign an authority form at sign-up – this made it easier for neighbourhood officers to get information on the tenant’s housing benefit claim which helped to prevent arrears

Value for Money is a standard agenda item at all team meetings across the organisation.

We have annual performance appraisals and personal improvement plans for all staff which link to our values, strategic aims and objectives through the employee appraisal process. The appraisal process focuses on personal and professional competencies, delivery of targets, and identification of development needs aligned to the strategic plan.

## VFM Objective - Maximising our Social Value

OVH measures its impact on society and the social value it has generated via HACTs Social Value Calculator. This information is reported to Board in detail and certified on an annual basis. The following is summary of the work being undertaken that will generate the social value calculated for OVH during 2016/17.

Our pre-certification process indicates that we have generated over £55 million pounds of social value for the 2016/17 year, which gives a £48 return on every £1 spent. Details of each specific activity, and any methodology used to measure social value, is shown below.

Description of activity	Budget for this activity	Number of beneficiaries	Social value generated	Social value return
Clear Rent Accounts - Able to pay for housing	£663,030	1750	£10,472,831	1 : 15.8
OVH Home Contents Insurance Scheme	£2,717	776	£2,670,806	1 : 983
Financial Inclusion service - Relief from debt	£110,068	4467	£40,082,544	1 : 364.16
Decoration Allowance - Afford to keep house maintained	£83,118	217	£1,052,864	1 : 12.67
Jobs Clubs	£31,956	23	£290,567	1 : 9.09
Employment Training	£75,000	612	£788,080	1 : 10.51
OVH Involved Tenants – Active tenants groups	£178,107	54	£249,319	1 : 1.4
<b>Total</b>	<b>£1,143,996</b>	<b>7,899</b>	<b>£55,607,011</b>	<b>1 : 48.61</b>

All of the social value activity undertaken during 2016/17 will be added to the previous reported social value activities and form the basis of our certification of social value submitted to HACT with the outcomes reported to Board at the Board Meeting in September 2017, after the certification process and social value validated has been completed.

This is in addition to the social value generated during 2015/16 which was certified by HACT in July 2016. They certified our application social value calculated and gave the assessment that we generated £26 for every £1 we invested and these results can be found on the value for money pages of our website: <http://ovh.org.uk/wp-content/uploads/2016/09/HACT-Social-Value-Report-2015-16-OVH.pdf>

We also have an embedded approach to corporate social responsibility that positively embraces responsibility for our actions and encourages a positive impact through all our activities on the environment, communities and stakeholders. We believe that behaving ethically is fundamental to establishing and sustaining relationships with our partners and the development of our business. We won the Great Places to Work special award for Delivering

Excellence in Corporate Social Responsibility in 2015 and this is a reflection of the work we are doing and its importance to the organisation.

We have adopted the ISO 26000:2010 Corporate Social Responsibility framework and supported by our corporate and social responsibility steering group, we developed an action plan for achievement during 2015/16.

During 2016/17 we have further reduced our impact on the environment by:

- Recycling over 99% of our construction waste in comparison with WRAP best practice figures of 70-80%;
- Recycling over 93 tonnes of scrap metal with a monetary value of more than £29,000;
- Recycling almost 96% of all commercial/office waste compared to our target of 85%;
- The installation of the photovoltaic panels onto the roof of Atlantic House and energy efficient IT servers has resulted in a cost saving of almost £10,000 in the year
- Reducing our Carbon Footprint by 41% in comparison with the base years data form 2010/11;
- Reducing our carbon dioxide emissions per full time equivalent reduced from 9.3 tonnes per full time equivalent member of staff to 5.52 tonnes (National average is 9.8 tonnes);

A more detailed report of our gains, achievements and outcomes in relation to our impact on the wider society is contained within our annual report available on our website.

## VFM Objective - Making the best use of our assets

One Vision Housing Limited's stock numbers increased during 2016/17 following the implementation of the Development Strategy, the first notable developments have been handed over and with more homes in Cheshire West and Chester, Cheshire East and West Lancs. There are less General Needs and Supported homes due to Right to Buy sales to tenants and conversions from Supported to General Needs.

	2014	2015	2016	2017
General Needs Homes	10,088	11,224	10,999	10,959
Average rent for a general needs home	£81.42	£85.39	£87.57	£86.61
Supported Homes	912	1,078	1,067	1,060
Average rent for a supported home	£70.32	£73.91	£76.02	£77.56
Affordable rent homes	6	6	49	194
Leaseholder homes	566	573	586	594
Non-social rented homes	69	90	90	90
Low cost home ownership	0	0	29	119
<b>Total homes owned</b>	<b>11,641</b>	<b>12,971</b>	<b>12,820</b>	<b>13,016</b>

Source: Figures are taken from the SDR

As at 31 March 2016 the value of social housing property assets was £148m. This includes properties currently under the course of construction and is net of depreciation. In addition, the association holds investments properties of £8.1m (market rented homes) and £7.2m of office accommodation at Atlantic House and Boaler Street.

During 2016/17, £26.0m was spent on committed development schemes against the approved £27.1m budget. The £1.1m underspend has been approved by the Board to be carried forward to 2017/2018, and is attributable to delays on a small number of schemes within the programme. Two hundred and thirty five homes were completed in 2017-18 of which 71 were shared ownership homes.

There continues to be significant surplus income generated from sales. For 2016/17 the total surplus figure was just over £1m (from gross sale receipts of £3.96m). As of the 31<sup>st</sup> March 2017, there were 29 homes unsold. Of these properties, 26 either had reservations or applications in progress. There were 3 properties with no reservation in place that had been available for 3 months. Board receive detailed updates on sales as part of the Quarterly Development Report, and a monthly update is provided to EMT. Stress testing on sales exposure is an integral part of OVH's Business Planning process. The Board has an agreed sales threshold of £5m. As of the 31<sup>st</sup> March 2017, the sales exposure (net of sales to date), was £4.0m. OVH continued to expand its grant funding programme with the HCA during 2016-17. A grant allocation of £3.2m was secured in January 2017, with an additional £2.7m secured in March 2017. The total grant secured during 2016-17 was therefore £5.9m- which has taken OVH's overall grant allocation since 2014 to £10.21m

The development programme will continue to be reviewed from a contractual / non-contractual perspective to assess cash flow, key risks, and available headroom. A refresh on the current Development Strategy is due in November 2017, and further audits have been scheduled for the 2017-18 period.

OVH's sustainability index has been developed using neighbourhood and asset performance and financial information to ensure it provides a true reflection of the costs and income associated with each individual asset. The index calculates the financial performance of each asset. This information can then be aggregated based on asset archetypes, customer profiles, geographic location or a combination of these.

OVH's Asset Management Strategy sets out the approach taken to maximise the long term sustainability of its physical assets, focusing particularly on the financial and social returns they generate now and in the future. The data and information held within Property Sustainability Index is used to measure long term performance of the property portfolio by establishing a 30 year Net Present Value (NPV), of the income and expenditure relating to the housing stock.

The information from the Sustainability Index is then be used as part of property appraisals and inform in making investment decisions. As at 31st March 2017, the calculated NPV is £413 million (Average of £34k per property), and is broken down as follows:

- Of the 12,158 OVH properties within the index , 11,395 (92%) have a positive NPV
- Of the 12,158 properties, 763 (8%) have a negative NPV

Details of activity for improvement and option appraisals are provided in 6 monthly Sustainability update reports to Board. Where the drivers of poor performance cannot be controlled or influenced, or the cost of doing so does not deliver a positive NPV over 30 years, options to dispose of the assets will be assessed and reported to board. The disposal of assets that do not and cannot deliver value for money enables us to invest in high performing assets through acquisition and new development.

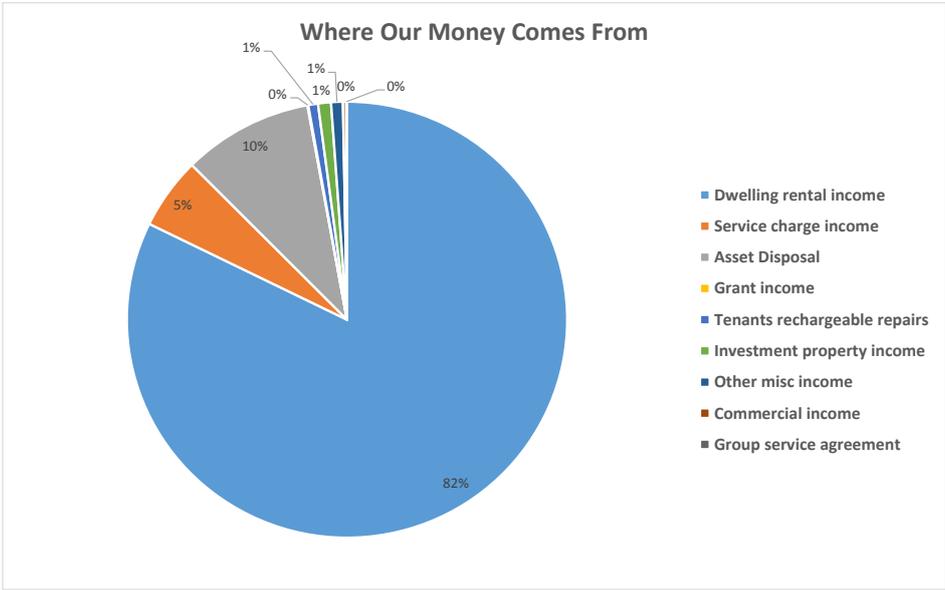
Where the drivers of poor performance can be controlled or influenced, and the cost of doing so delivers a positive NPV over 30 years, a plan to improve performance is developed. We have identified six priority neighbourhoods that require intensive housing management and investment. The plan is influenced in part by an analysis of high performing neighbourhoods to identify what makes them perform well. During 2016/17 the following actions have been taken based on analysis of the Index:

- Identification of suitable candidates for full option appraisal.
- Selection of properties for inclusion in ERDF funding applications worth over £2m.
- Prioritisation of EPC surveys to improving the energy performance of OVH's housing stock, in line with the Energy Efficiency Regulations (2015).
- Selection of priority properties for heating upgrades.

The following table shows the return on assets analysis for our social housing stock. As the return on assets was negative at the point of transfer from Sefton Borough Council (October 2006), we have used Savills, our independent valuer, to produce our existing use values. This valuation is the figure that has been used in our analysis.

	Operating Surplus £000s	Capital Deployed £000s	Return %
2013/14	8,437	225,010	3.7
2014/15	11,474	242,866	4.7
2015/16	15,458	261,792	5.9
2016/17	14,794	310,200	4.8

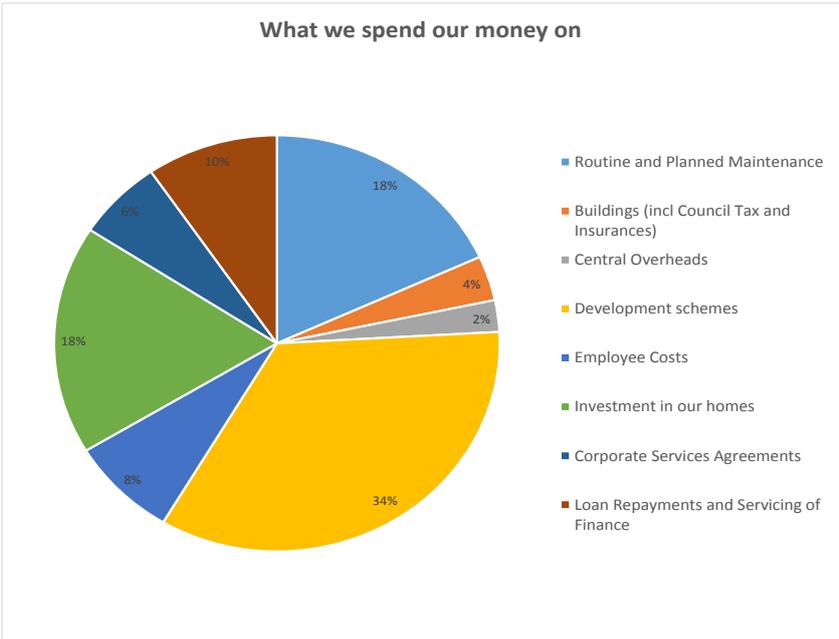
Our annual income in 2016/17 was £66 million, and the majority of this comes from rent and service charges as shown below. One notable sources of income came from asset disposals including the disposal of subsidiaries in the year.



2 Source: Outturn 2016/17

3 Source: Outturn 2016/17

Our annual expenditure in 2016/17 was nearly £76 million, and the chart below shows that almost over a fifth was spent on investments in our homes, and nearly 20% was spent on repairs. This relates directly to the two key priority services (repairs and quality homes) identified by our customers from the annual Survey of Tenants and Residents (STAR) results 2016/17. This demonstrates that we are prioritising our expenditure on the services that matter most to our customers in meeting their needs.



In our VFM self-assessment last year, we said that we would generate £3.4m in efficiency savings, £1m cash releasing and £2.4m non- cash releasing and we actually achieved over £9m. The £4.3m grant and £900k sale of a share of SPS were not included in the forecast. When these are stripped out the AES were £3.8m, exceeding the target of £3.4m. This is largely due to property management savings, management cost savings and improved rent collection, void loss and bad debt.

### OVH Efficiency Savings (2016/17)

Service Area	How Achieved	Cash Releasing £0	Non Cash £0	Total AES £0
Improved Rent Collection, Void Loss and Bad Debt to Business Plan	Out - performance of core Bus Plan assumptions	914	0	914
*HCA Development Grant	Non Cash is reflected in the current Business Plan	0	4,333	4,333
Management Cost	Core Services Review, Management and central overhead cost savings	770	181	951
Property Management Savings	Lower void volumes/costs and lower average repair costs	653	329	982
Investment	Credit from Scottish Power	111	0	111
Treasury Savings	Additional interest receivable and lower funding fees	60	0	60
Additional Vat Shelter	Extension of the VAT Shelter Post Oct 2016	121	0	121
Other Activities	Market rent to budget and additional RTB/RTA sales	404	0	404
Development Programme	Lower Development fees	242	0	242
<b>Total 2016/17 AES Gains</b>		<b>3,275</b>	<b>4,843</b>	<b>8,118</b>
*Sale of Share in SPS	Part one of £3.9m deferred consideration (sales agreement)	0	923	923
<b>Total 2016/17 AES Gains</b>		<b>3,275</b>	<b>5,766</b>	<b>9,041</b>

## **VFM Objective - Maximising opportunities through procurement**

The Procurement Plan for 2016-19 was approved by Board on the 19th September 2016. Within the plan a target of £200k savings via our procurement of services has been set for 2016/17. At year-end £142k of actual savings has been delivered. It is worth noting that the majority of savings and efficiencies listed are for part of the year, due to when the new agreements commenced. Therefore, we will realise the full potential of these new arrangements in 2017/18 and thereafter.

In addition we have implemented Delta eSourcing software and this provides a secure and compliant electronic tendering solution, contracts register and supplier data base. This will assist OVH to continue to deliver improvements to its procurement activities.

Of the 41 activities related to procuring works, goods and services contained within the Plan for 2016/17, 12 of the activities have been closed or carried forward to 2017/18 following a revised scope of contracts or extended existing arrangements.

In total 29 procurement arrangements were reviewed and released £142k savings specifically for OVH and these related to:

- 10% savings (circa £55k) for Asbestos Surveying
- Print Management
- Mobile Phones
- Energy
- Materials
- Vodafone Tech Fund
- Reduced transactional costs relating to PPE/Uniform and Stationery Portals

The procurement exercise for replacement of door entry systems for OVH communal blocks, has been delayed until early 2017/18. We are projecting savings of circa £350k over the entire programme, however to ensure tenant consultation requirements for these works are met, the programme is now scheduled to commence in May 2017.

## **VFM Objective - Cooperation and collaboration through self-delivery**

During 2016/17 the following services have been brought within the group to realise further efficiency savings to OVH, these include:

- Servicing of fire alarm systems and the undertaking of Fire Risk Assessment works to OVH by Sovini Property Services (SPS)
- Carroll Build is now delivering roofing, window/doors and options appraisal works to the value of £2.4m in 2016/17

During the year £22m (81%) of the £27m in OVH's Asset Management Programme has been completed in house via SPS and Carroll Build. This is £2.3m higher than anticipated in the 16/17 budget due to works completed by Carroll Build.

A further procurement exercise is being undertaken by OVH to look at the delivery of grounds maintenance, communal cleaning, asbestos removal and repairs and maintenance. Internal group entities will have an opportunity to bid for this work with a view to achieving further improvements in service and efficiency savings.

To maximise efficiency and effectiveness of the awarded service provider, a 10 year term is proposed and Section 20 consultation is required. Letters are to be issued in April and the Procurement Contract Notice will be advertised in May 2017. It is anticipated that this will be completed in August 2017.

## **VFM Objective - Regulatory Compliance and Customer Involvement**

OVH Board certified compliance with the HCA's VFM Standards in July 2016, through the VFM Statement for 2015/16, meeting the HCA's publication deadline of the 1st October 2016.

OVH's VFM Statement for 2015/16, approved by Board, has now been published on OVH's website for stakeholders. Preparation of OVH's VFM Statement for 2016/17 is underway, of which the content will be populated with outcomes and outputs from this VFM update report.

In November 2016 OVH received confirmation that it had retained its Governance 1 (G1) and Viability 1 (V1) rating from the HCA.

A revised Corporate Governance Framework for OVH was approved on the 25th August 2016, to ensure it reflected current regulatory requirements and those of the adopted code of governance (the 2015 NHF Code of Governance).

During 2016/17 OVH was externally assessed against and achieved the Tenant Participation Advisory Service (TPAS) re-accreditation for its customer involvement work for a further three years.

## VFM Objective - Excellent Performance and Customer Satisfaction

During 2016/17 OVH has continued to see improvements in performance with 8 out of 10 benchmarked KPI's achieving Top Quartile (TQ) Performance compared to our peers Overall Satisfaction with Services has improved in the year from 92% to 94% (TQ 91%) and Satisfaction that their rent provides VFM has improved from 94% to 95% (TQ 88%).

In 2016/17 we embarked on a pilot to develop a VFM scorecard to measure the efficiency of social housing landlords that has government and sector-wide support. The scorecard aims to create an agreed set of metrics for housing providers to compare their performance and demonstrate they are providing value for money. The scorecard measures 15 indicators across five areas of an RP's business. The following table shows how we have performed in each of the 15 indicators during 2016/17, compared against our performance for 2015/16 and our forecasts for 2017/18:

Indicator	Prior year	Current year	Next year	
	2015-16	2016-17	2017-18	
	Actual	Actual	Forecast	
1	Operating margin	25.51%	24.08%	28.55%
2	Increase/(decrease) in operating margin	3.79%	-0.71%	3.75%
3	EBITDA MRI (as a percentage of interest)	265%	228%	206%
4	Units developed (absolute)	86	240	126
5	Units developed (as a percentage of units owed)	0.69%	1.93%	1.01%
6	Gearing	76.86%	81.11%	72.28%
7	Customers satisfied that their rent provides value for money	94.00%	95.00%	95.00%
8	£'s invested for every £ generated from operations in new housing supply	£0.69	£1.37	£0.53
9	£'s invested for every £ generated from operations in communities	£1 : £26	£1 : £48	£1 : £40
10	Return on capital employed (ROCE)	10.84%	9.62%	8.97%
11	Occupancy	102	87	100
12	Ratio of responsive repairs to planned maintenance spend	15.61%	18.47%	19.01%
13	Headline social housing cost per unit	£3,441	£3,367	£3,301
14	Rent collected	98.33%	99.39%	99.50%
15	Overheads as a percentage of adjusted turnover	TBC	TBC	TBC

We use the HCA Global accounts data 2015/16 to compare our financial performance against other registered providers (RPs).

We have undertaken benchmarking against a group of RPs that are sized between 10,000 and 20,000 homes as this is the banding OVH falls within. We have chosen to compare with both LSVTs and traditional housing associations as we are an LSVT but our group structure, acquisitions outside our main local authority area and aspiration make us increasingly similar to traditional RPs. This gives a peer group of 51 organisations, 23 LSVTs and 28 traditional RPs.

The table below shows that we compare favourably against the peer group of LSVTs and traditional RPs with all our costs below the group average, except for major repairs where we are recording unit costs at £100 greater than the peer group. We have undertaken a programme of high rise demolition during 2015/16 and recorded expenditure of £1.44m, which has significantly contributed to this high level of major repairs unit cost. Omitting these non-recurring costs from the data would result in the unit cost reducing to £970 which falls more in line with the peer group.

Our management costs have fluctuated over the past three years as a result of service improvement spend. We have an IT Strategy that requires significant investment, however it is anticipated that this will have a positive outcome on reducing management costs further.

2015-16							
Entity	Closing social housing units managed	Headline social housing cost CPU £000's	Management CPU £000's	Service charge CPU £000's	Maintenance CPU £000's	Major repairs CPU £000's	Other social housing costs CPU £000's
One Vision Housing Limited	12,351	3.44	0.98	0.27	1.03	1.08	0.12
Sector Level Data							
Upper quartile		4.4	1.24	0.58	1.18	1.10	0.51
Median		3.55	1.02	0.37	0.98	0.81	0.26
Lower quartile		3.19	0.78	0.24	0.82	0.57	0.12
Other Comparative unit managed RPs (LSVT and Traditional) <sup>6</sup>	717,260	3.91	1.09	0.48	1.04	0.98	0.1
Comparison to peer group		(0.47)	(0.11)	(0.21)	(0.01)	0.10	0.02
<sup>6</sup> Source: HCA Global Accounts 2015-16							

We have utilised the Global Account outputs to develop the table below which shows that we compare favourably with traditional RPs and LSVTs in both management and maintenance costs. Based on our closing stock data costs are £138 per unit below the average LSVTs management unit costs, and £11 per unit below the average maintenance unit cost.

2015-16 <sup>7</sup>				
Performance comparison	Associations	Closing social housing units managed	Management cost per unit £	Maintenance cost per unit £
One Vision Housing Limited	1	12,351	938	1,026
LSVTs Av.	23	319,013	943	972
Traditional Av.	28	478,098	1,201	1,094
All RPs Av.	334	2,691,311	1,076	1,015

As in previous years, we also use the Global Accounts to track our performance year on year, as shown in the table below.

We have managed to either reduce or maintain our below average core costs per unit, with the exception of an increase in maintenance costs relating to Fire Risk Assessment (FRA) works.

A major procurement exercise of maintenance services is being undertaken by OVH during 2017/18. The services going through procurement exercise are:

- Grounds maintenance
- Communal cleaning
- Asbestos removal
- Repairs and maintenance service

The above procurement exercise will be undertaken with a view to maintaining the high levels of customer satisfaction that has been achieved during 2016/17, whilst at the same time reducing maintenance costs – a priority based on analysis of global accounts.

Significant efforts have been applied throughout the year to improve efficiencies in management costs. Thus we are pleased to report a year on year reduction of £60 per unit.

Year-on-year comparison							
Financial Year	Closing social housing units managed	Headline social housing cost	Management	Service charge	Maintenance	Major repairs	Other social housing costs
		CPU £'000	CPU £'000	CPU £'000	CPU £'000	CPU £'000	CPU £'000
2015-16 <sup>7</sup>	12,351	3.44	0.94	0.27	1.03	1.08	0.12
2016-17 <sup>8</sup>	12,322	3.44	0.88	0.26	1.11	1.08	0.10
Annual Movement	-29	-	(0.06)	(0.01)	0.08	-	(0.02)
		no change	reduction	reduction	increase	no change	reduction

<sup>7</sup> Source: HCA Global Accounts 2015-16

<sup>8</sup> Performance based on year-end financial statements

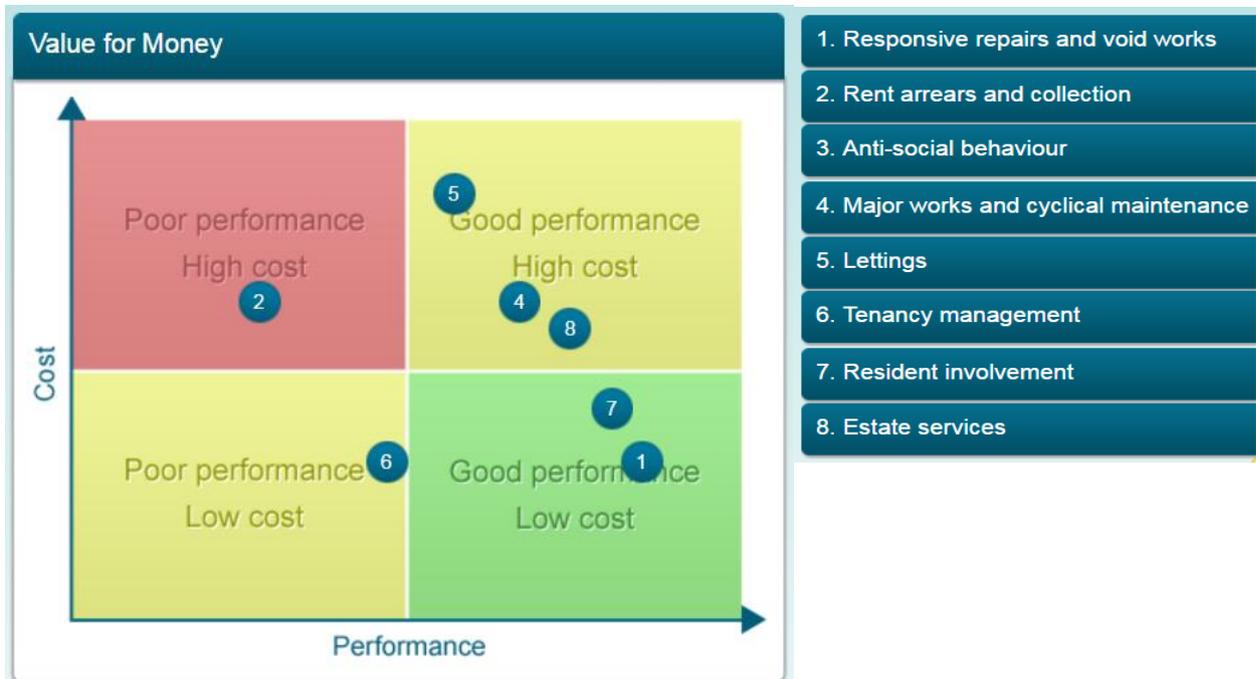
During 2016/17 regular benchmarking and meetings with our peers took place to share best practice and identify further Value for Money Improvements. We actively participate in the following benchmarking groups which allows us to measure comparative cost of delivering specific services:

- Housemark core benchmarking, priority and specialist benchmarking services
- Merseyside Registered Provider Benchmarking Group
- Housing Quality Network Excellence Groups for Rents, Repairs, and Policy
- Local benchmarking groups that are service specific and help us to compare our approach and detailed service performance

For our frontline service delivery we use the Housemark Core Benchmarking and we have a club with the following criteria:

- Stock of between 5,000 and 20,000 – this is to reflect our organisational size
- LSVTs and Traditional RPs – as referenced earlier we feel we can gain value from comparing with Traditional RPs as well as LSVTs
- RPs in the North West, North East, and Yorkshire and Humberside as the housing market and operating environment will be most similar to that of OVH.

There are 40 members in our club for 2015/16 and this gives a robust and rounded group to compare with, which is included in the tables below.



Number 3 – Anti-social behaviour is not on the chart above as we were unable to provide the performance information required to allow it to be mapped. We have invested in new software that means for future benchmark submissions this data will be included.

The following benchmarked areas have been included within our statement as they have been identified as key priorities of our stakeholders. These icons are used to help explain the benchmarking results for each indicator.

Quartile 1	This means we are performing in the top quarter of all those organisations in our benchmarking club.	Quartile 3	This means we are performing below average but not in the bottom quarter of those organisations in our benchmarking club.
1		3	
Quartile 2	This means we are performing above average but not in the top quarter of those organisations in our benchmarking club	Quartile 4	This means we are performing in the bottom quarter of all those organisations in our benchmarking club.
2		4	

<b>Voids and Lettings Service</b>	<b>2013/14</b>		<b>2014/15</b>		<b>2015/16</b>	
% of new tenants satisfied with the lettings and allocations process	97%	1	98%	1	99%	1
Direct cost per property of the lettings service	£33.09	1	£46.77	2	£43.41	2
Average relet time (excluding voids that needed major works)	33.3 days	3	33.2 days	3	26.0 days	2

Following a review of how we deliver neighbourhood services during 2015/16, void and letting performance has continued to improve. Relet times during 2014/17 improved to 22.5 days.

<b>Income Management Service</b>	<b>2013/14</b>		<b>2014/15</b>		<b>2015/16</b>	
Direct cost per property of the rent arrears and collection service	£63.03	1	£73.53	1	£76.66	2
Current tenant rent arrears (excluding unpaid Housing Benefit payments) as a % of rent due	3.32%	2	4.78%	3	4.38%	3
Rent collected from current and former tenants (excluding arrears brought forward)	99.57%	2	97.43%	4	98.13%	4

Rent collection remains an area of the business we have put a focus on. To bring the collection rate up and to bring us towards Quartile 3 performance we have restructured the team, focused on low level arrears to prevent escalation, and encouraged the use of direct debits as well as pursuing to eviction as a last resort. Rent collection during 2016/17 improved to 99.4%

<b>Tenancy and Neighbourhood Management</b>	<b>2013/14</b>		<b>2014/15</b>		<b>2015/16</b>	
% of tenants who are satisfied with the services provided by OVH	93%	1	92%	1	91%	1
Direct cost per property of the tenancy management service	£51.58	2	£47.55	1	£39.77	1
% of tenancies that are terminated within a 12 month period	11.8%	4	11.7%	4	10.8%	3

Satisfaction with overall services improved to 94% during 2016/17.

Anti-Social Behaviour Service	2013/14		2014/15		2015/16	
% of tenants who are satisfied with the way their case of ASB was handled by OVH	88%	3	93%	2	91%	1
Direct cost per property of the anti-social behaviour service	£38.60	2	£46.28	3	£41.92	2
Number of successfully closed ASB cases per 1,000 homes	No data		No data		No data	

We have had issues with the software system we use to record ASB cases, during 2015/16 we implemented a new recording system called ReAct and reporting of performance in relation to ASB will be more accurate going forward, full benchmarking data will be available in for 2016/17.

Customer Empowerment	2013/14		2014/15		2015/16	
% of tenants that are satisfied that their views are being listened to and acted upon	76%	2	82%	1	85%	1
Direct cost per property of the resident involvement service	£24.57	1	£23.67	1	£24.60	1
Number of tenants receiving training in resident involvement as a % of homes	0.41%	4	No data		0.14%	4

We have restructured the tenant involvement groups we offer and as such completed extensive training in 2014/15 following the changes, therefore less was required in 2015/16.

Response Repairs Service	2013/14		2014/15		2015/16	
% of tenants that are satisfied with the repairs and maintenance service	97%	1	96%	2	97%	1
Total cost per property of the response repairs service	£332	1	£313	1	£334	2
Average number of days to complete a repair	4 days	1	6 days	3	6 days	1

Satisfaction with repairs improved to 98% during 2016/17.

Void Repairs Service	2013/14		2014/15		2015/16	
Average cost of a void repair	£2,386	2	£2,470	2	£2,192	2
Total cost per property of the void repairs service	£310	4	£289	3	£252	2

Improvement Work and Cyclical Maintenance Service	2013/14		2014/15		2015/16	
% of tenants that are satisfied with the quality of their home	93%	1	91%	1	90%	1
Total cost per property of the improvement work and cyclical maintenance service	£2,066	4	£2,112	4	£1,685	4
Average SAP rating of our homes	71.9	2	68.4	4	68.9	4

All OVH homes achieve decent homes status and have done so since 23<sup>rd</sup> December 2010. Where costs are high for improvement work and cyclical maintenance this has been taken as a business decisions to improve the quality of our stock. During 2015/16 we undertook a full stock condition survey to validate our data and to plan our future investment programme.

Customer Service Centre	2013/14		2014/15		2015/16	
% of tenants satisfied with the way their call was handled	97%	No data	98%	No data	98%	No data
Average number of seconds to answer a call	8	1	12	1	25	2

Our detailed benchmarking report is available on our [website performance pages](#), and will be updated with 2016/17 results as soon as they become available (anticipated autumn 2017).

We use our benchmarking information with managers and teams to identify good practice and to learn from our peers. Benchmarking information informs our strategic and Business Planning processes. We share our results with our stakeholders, to allow them to challenge performance standards and understand good performance. Our benchmarking results inform the work of our scrutiny panel, and are used by our Executive Management Team and Board to direct service reviews and deliver continuous improvement. We think benchmarking is a crucial part of being an organisation that delivers customer excellence.

## What's next?

We continue to work with all our stakeholders including our board members, Business Assurance Committee (GBAC), customers, Sovini partners, HCA and our funders to identify the following Value for Money priorities.

- Targeted efficiency savings of £1.575m to be achieved during 2017/18
- A further procurement exercise is being undertaken by OVH, when internal organisations will have the opportunity to bid for this work with a view to achieving further improvements. The services going through procurement in 2017/18 are:
  - Grounds maintenance
  - Communal cleaning
  - Asbestos removal
  - Repairs and maintenance service

The above procurement exercise will be undertaken with a view to maintaining the high levels of customer satisfaction that has been achieved during 2016/17, whilst at the same time reducing maintenance – priority based on analysis of global accounts.

- The Board have approved a budget of £200,000 in the 2017/18 financial year for sustainability projects, following assessments and completed option appraisals, to approve the NPV of OVH stock.
- Benchmark our performance against the 15 measurements identified within the sectors efficiency scorecard and report the findings to Board in November 2017
- Completion of the VFM Assessment of service areas, using 2015/16 Housemark benchmark data due to be completed by October 2017.
- Compare OVH costs against the revised operating cost index to be released early 2017/18 to ensure how we deliver services demonstrates efficiency in comparison to similar organisations. This will entail a review of our management costs to ensure that they continue to evidence VFM.
- In July 2017, certify our social accounts for 2016/17 in line with the HACT social value calculator.
- Further implementation of our IT Strategy (FLOW) to reduce duplication, increase mobile working and deliver customer self-service.
- Identification of continuous improvement initiatives and VFM suggestions made through our VFM Incentive Scheme.

The board will continue to prioritise the services that matter most to our customers, whilst ensuring that as an organisation we continue to manage our income and investment to ensure we remain a viable and well governed organisation.

The content of OVH's VFM self-assessment is aligned and assessed against the HCA's VFM standard and therefore OVH Board have certified compliance with the VFM standard at the 24<sup>th</sup> July 2017 Board meeting.