

Value For Money Self-Assessment

2017/18

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 self-assessment, provides a year-end position statement for 2017/18 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 over £85m of efficiency savings (£8.3m in 2017/18) 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 2018.

Our strong financial position and refinancing deal has underpinned our ambitious development programme, with £16.3m spent on committed development schemes resulting in 136 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 (£44.8m generated in 2017/18), 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 self-assessment for 2017/18. In our view, this self- assessment does more than simply demonstrate our compliance with the Regulator of Social Housings (RSH) VFM Standard. 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 Regulator of Social Housing's (RSH) Standard for 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 self-assessment for 2017/18 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 2017/18 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.

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 2017/18 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.

The 2018/19 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.

The OVH VFM Strategy has been approved by Board and the VFM Objectives are linked through to OVH's overall Strategic Objectives within the 2017-2022 Strategic Plan.

The Board receive 6 monthly VFM reports which provides an update on achieving the VFM Objectives linked to the overarching Strategic Objectives. They also receive 6 monthly Service Deliver Plan updates, and Quarterly Key Performance Indicator Reports again linked to delivering the Strategic Objectives.

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 certification process has shown that we have generated just under 30 million pounds of social value for the 2017/18 year, which gives a £24 return on every £1 invested. A selection of the activities which made up the 2017/18 submission can be found in **Table One**.

Table One – Social Value Activity (HACT definition) 2017/18

Description of activity	Budget for this activity	Number of beneficiaries	Social value generated	Social value return
Clear Rent Accounts - Able to pay for housing	£840,855	1,028	£6,152,040	1 : 7.32
OVH Home Contents Insurance Scheme	£2,888	601	£2,068,498	1 : 716.17
Financial Inclusion service - Relief from debt	£75,469	1,790	£16,061,731	1 : 212.82
Decoration Allowance - Afford to keep house maintained	£55,000	99	£480,339	1 : 8.73
Providing Housing for Homeless Tenants	£9,000	53	£1,268,308	1 : 140.93
OVH Involved Tenants – Active tenant groups	£170,222	49	£385,941	1 : 2.27
OVH Employee Training	£25,216	166	£213,760	1 : 8.48
Next steps into work – Employment and Skills support and advice	£50,000	27	£251,453	1 : 5.03
GANGS Prevention Programme	£5,240	74	£132,482	1 : 25.28

The details of the certified activities and figures have been reported within OVH’s Annual Report, which was published to stakeholders in September 2018. Full details can be found on the OVH website.

VFM Objective - Making the best use of our assets

As at 31st March 2018 the total value of OVH's housing assets, including market rent investment units, is £170.2m. This reflects that a buy back of a former leaseholder home has been paid for, but not fully conveyed at year end and also that the recent Investment Property portfolio increased in value by £162k. Other fixed assets (Atlantic House and Boaler Street HQ) are valued at £7.0m.

OVH's stock numbers increased during 2017/18 following the implementation of the OVH Development Strategy, which saw 136 social housing units completed. There are less General Needs and Supported homes due to Right to Buy sales to tenants.

Table Two: OVH Stock figures and changes during 2017/18

Stock type	2015	2016	2017	2018	Change from 2017 to 2018
General Needs	11,230	10,999	10,945	10,915	-30 units
Intermediate Rent	-	-	14	14	Same
Affordable Rent	6	49	194	293	+99 units
Supported Housing	1,076	1,067	1,060	1,035	-25 units
Total low cost social housing	12,312	12,115	12,213	12,257	+44 units
Stock Type	2015	2016	2017	2018	Change from 2017 to 2018
Shared Ownership	-	29	119	142*	+23 units
Leasehold	575	586	594	604	+10 units
Non-Social Rent	90	90	90	90	Same
Total leased/non-social housing	665	705	803	836	+33 units

Source: Figures are taken from the OVH SDR

A refresh on the OVH Development Strategy took place in November 2017, which was approved by Board. Development expenditure during 2017/18 was £16.3m, and this is £4m less than the Reforecast Budget, £3m of this relates to unutilised land banking budget.

The total number of new properties developed during 2017/18 was 136 (96 Affordable Rent, 11 Social Rent, 29 Shared Ownership) compared to 140 budgeted.

There were forty three first tranche shared ownership sales during the year (four less than forecast). These sales generated £2.49m of income, contributing £695k to the net surplus.

The average first tranche sales receipt for the year is 32%, with fifteen (35%) of these sales being above the minimum 25% sales receipt target.

Since the Government implemented programme delivery changes in relation to maximising new build starts on site and grant availability, and OVH continue to maximise grant and funding opportunities:

- OVH revised grant contract allowing us to claim 40% of total grant on acquisition has been signed off by HE- and we are now taking advantage of this;
- All recent schemes have been approved at a higher grant per unit rate- we are now averaging £40,000 per unit as we make the transition into the new financial year. Last years' figure was nearer £25k;
- OVH were originally allocated £3.1m grant last year as part of SOAHP bid for 2018-21. Already, through Continuous Market Engagement we have increased this to £8m
- No set grant per unit figure- each scheme is considered based on abnormal costs including demolition, services, ground conditions etc. but nevertheless, we are managing to negotiate upwards;

The development programme will continue to be reviewed from a contractual / non-contractual perspective to assess cash flow, key risks, and available headroom.

OVH's Asset Management Strategy sets out the approach taken to maximise the long term sustainability of its stock, 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 used as part of property appraisals and informs investment decisions. As at 31st March 2018, the calculated NPV is £249 million (Average of £20.4k per property), and is broken down as follows:

- Of the 12,228 properties on the index, 10,665 (87%) have a positive NPV
- Of the 12,228 - 1,563 (13%) have a negative NPV.

The 1,563 negative NPV properties are currently being reviewed.

OVH continues to maximise its income and manage its resources effectively through proactive budget management and review throughout the year. This has resulted in efficiency savings exceeding the 2017/18 targets, which forecast that OVH would achieve £1.9m of operating cash efficiency savings by year-end 2017/18. In fact £2.65m of operating cash efficiency savings have been achieved during 2017/18.

The following table details the actual AES achieved during 2017/18, with £8.3m of efficiency savings in total.

Table Three: 2017/18 year-end position statement of Annual Efficiency Savings for OVH (provisional outturn)

Service Area	How Achieved	Cash Releasing £'000	Non Cash £'000	Total AES £'000
Net Rental Income	Improved rent collection and void loss compared to Business Plan assumptions	1,173	0	1,173
Management Cost	Vacancy Management, Utilities Rebate and other savings	324	103	427
Property Management	Lower responsive repairs, planned & cyclical maintenance costs (used in part to fund FRA work)	191	230	421
Investment Programme	Ford Lane CC, Kings Park & Door Entry savings (used in part to fund window/doors, and garage demolitions)	133	308	441
Development Programme	Less Development Fees and abortive costs	136	0	136
Other Activities	Higher Market Rent to budget	244	0	244
Reorganisation Costs	Lower costs compared to Business Plan assumptions	190	0	190
Treasury Savings	Net Interest and lower funding costs at year-end	262	0	262
Operating Activity Gains		2,653	641	3,294
RTB/RTA Sales	Additional RTB/RTA and Staircasing	993	0	993
Development/Other Grant	Grant claimed and awarded throughout 2017/18	2,981	0	2,981
Sale of Share in SPS	Part Two Deferred Consideration – Sovini Commercial (March 2018)	0	1,000	1,000
Operating Activity Gains		3,974	1,000	4,974
Total 2017/18 AES Gains		6,627	1,641	8,268

Source: OVH 2017/18 Provisional Outturn Financial Statement

VFM Objective - Maximising opportunities through procurement

The Procurement Plan for 2017-18 is in line with the objectives specified in the Procurement Strategy approved by Board. Within the 2017/18 plan a target of £293k savings was set for OVH, based on 5% of annual contract spend. At year-end £77.4k savings was delivered for OVH. The 2017/18 target included a number of activities that have been deferred to 2018/19 and also activities had an alternative delivery method i.e. Grounds Maintenance, Fire Alarm and Servicing, Provision of Cleaning being absorbed into the Asset Management Tender.

In addition the procurement activities from 2016/17 have a further saving in year 2017/18 of £288k predominately in relation to fuel, energy and print management. The efficiencies listed in Table Three will continue to generate savings in future years, during the course of the individual contract length.

During 2017/18, the Procurement Team have introduced a number of new online ordering portals allowing officers to raise requests for one off small items that have previously required a purchase order to be raised at a cost of £50 per order.

The Delta portal is now used for all procurements, providing a compliant, transparent and accessible tendering tool for staff and suppliers. OVH's contracts register and approved supplier list are now accessible via the portal.

In total 24 OVH procurement arrangements were reviewed during 2017/18 in which 22 were and completed and 2 deferred. The activities that generated the £77.4K saving are identified in Table Four below.

Table Four: OVH Procurement Savings (2017/18)

Project/Activity	Savings
Confidential Waste	£4,976
Aids and Adaptations	£9,605
Right to Buy Valuations	£3,850
Supply of Infrared Panels	£11,000
LED Sheltered Schemes	£22,913
Careline Monitoring Services	£6,656
OVH Asset (delta e-sourcing savings)	£18,397
Total	£77,397

Source: OVH Procurement tracker

VFM Objective - Cooperation and collaboration through self-delivery

During 2017/18 the following services have been brought within the group to realise further efficiency savings to OVH, these include:

- Sovini Property Services (SPS) were successful in winning the tendering exercise to deliver the Repairs and Maintenance contract to OVH for the next 10 years.
- A new company has been created, Amianto Services Ltd, which has assumed responsibility for asbestos removal from OVH properties and also for some external contracts. The skills, expertise and services associated with this specialist service area will further enhance the Group's offer. Since November 2017, Amianto Services have generated a turnover of £400k and profits of £100k (before interest and tax).
- SPS are currently recruiting staff for the new in-house Grounds Maintenance service and the contract with OVH is due to commence in April 2018.
- The Carroll Group has now brought the "cleaning service" in-house and now also offer a window cleaning service to OVH customers.
- As a result of the recent OVH Asset Management Procurement Tender, the scope of the contract includes all service lines and it is the intention that; both SPS and the Carroll Group will eventually look to self-deliver all of these services, over the full term of the contract
- Sovini Trade Supplies (STS) have significantly increased its turnover, with the introduction of Carroll's into the Group and a focus on its direct sales (sales direct to customers at a lower margin but which do not need to be stored at STS warehouse). In addition material sales prices, to OVH, have not increased in the year, with any supplier price increases being absorbed by STS.

During 2017/18 £25.2m (83%) of the £30.5m in OVH's Asset Management Programme has been completed in house via SPS, Carroll Build and Amianto Services. This is in line with the reforecast budget.

VFM Objective - Regulatory Compliance and Customer Involvement

In July 2017 OVH received confirmation that following an In Depth Assessment (IDA) undertaken by the RSH it had met all of the regulatory requirements, including those relating to the VFM Standards. Subsequently OVH were graded 'G1' for Governance and 'V1' for Viability, the highest possible grading which can be given. In November 2017 a further stability check was undertaken by the regulator which demonstrated that OVH had retained its 'G1' and 'V1' rating from the RSH.

A review of the Corporate Governance Framework for OVH took place during 2017/18 and the outcome was approved by OVH's Board on the 5th February 2018. This was to ensure that the framework continued to meet the revised VFM Standard alongside the current regulatory requirements and those of the adopted code of governance (the 2015 NHF Code of Governance).

During 2018/19 we will conduct an Annual Health Check (TPAS Smart Review) which assesses our Engagement Action Plan and Key Engagement Documents and will highlight our key achievements and recommend ways of enhancing our engagement activities going forward.

VFM Objective - Excellent Performance and Customer Satisfaction

During 2017/18 OVH has continued to see improvements in performance with 5 out of 8 benchmarked KPI's reported to OVH Board achieving Top Quartile Performance compared to our peers as shown in **Table Five** below. Overall Satisfaction with services is currently 95% taken from the 2017/18 STAR Survey, compared to Top Quartile Performance of 91%.

Table Five: Key Performance Indicators reported to Board

Performance Indicator	Year-end 2017/18				Housemark Quartile
	Value	Target	Status	Trend	
Void rent loss due to empty properties (social rent)	0.67%	0.81%			1
Satisfaction with completed response repairs (%)	97.00%	95.00%			1
Asset Management Property Compliance	100.00%	100.00%			1
Satisfaction with the lettings service (%)	95.9.0%	97.00%			3
Satisfaction with improvement works (%)	96.00%	96.00%			1
Rent collected as a % of rent due (social rent)	99.43%	99.57%			3
Sickness - % of days lost	2.41%	2.00%			1
Satisfaction with ASB case handling (%)	86.70%	90.60%			2

The performance within the OVH VFM Metrics Scorecard is detailed within **Table Six**. It details performance for 2017/18 measured against the indicators comparing performance with 2016/17 and 2018/19 forecasts, as well as national sector medians where applicable. It also provides commentary on the outputs for each of the 14 measurements.

The Scorecard has been developed to reflect the measurements and definitions reflective of the New VFM Standard, and VFM Metrics Technical Note published in April 2018. The submission of the scorecard outcomes and narrative to the RSH as part of the statutory accounts will ensure that OVH meets the requirements of the RSH's new VFM Standard published in April 2018.

The headline outputs demonstrate that OVH's development programme is delivering more homes than the sector average, customer satisfaction with VFM is at its highest, gearing remains constant and social housing costs just outside the sector median.

The following table shows how we have performed in each of the 15 indicators during 2017/18, compared against our performance for 2016/17 and our forecasts for 2018/19.

Table Six: OVH VFM Metric Scorecard (2017/18)

Indicator		National Medians 2016-17	Prior year Actual 2016-17	Current year Actual 2017-18	Next year Forecast 2018-19
1	Reinvestment %	N/A	19.16%	14.28%	12.84%
2	Operating margin	30.30%	23.58%	17.95%	15.85%
3	EBITDA MRI (as a percentage of interest)	227.6%	209.72%	149.80%	152.58%
4	Units developed (as a percentage of units owed)	1.10%	2.00%	1.10%	1.30%
5	Gearing	41.60%	78.45%	73.36%	72.37%
6	Return on capital employed (ROCE)	4.00%	8.47%	7.22%	6.56%
7	Headline social housing cost per unit	3,306	3,068	3,233	3,413
8	Operating Margin (Social Housing units)	N/A	22.75%	16.75%	0.00%
9	Units developed (Social Housing units)	40	240	136	163
10	Customers satisfied that their rent provides value for money	86.60%	96.20%	95.10%	95.00%
11	£'s invested for every £ generated from operations in new housing supply	£0.69	£1.72	£0.78	£1.23
12	£'s invested for every £ generated from operations in communities	£0.01	£0.02	£0.02	£0.02
13	Occupancy	99.50	87.00	98.00	100.00
14	Ratio of responsive repairs to planned maintenance spend	0.68	0.18	0.15	0.17
15	Rent collected	99.72%	99.39%	99.43%	98.00%

The following is an analysis of the 2017/18 outputs in relation to each of the 15 metrics, with reference to previous year's performance the national sector medians and forecasts for 2018/19. This information has been shared with an approved by OVH Board as part of the VFM update report on the 14th May 2018.

- 1 Development expenditure has decreased by £6m, this has been offset slightly by a £1m increase in investment works. Housing properties have also increased by £19m, lowering the Reinvestment percentage.

- 2 & 8** Reduced operating margin forecast due to a decrease in Shared Ownership sales income (£1.35m) and increased investment works carried out (£5.88m) forecast for 2018. A further 1% reduction in rent applied for the 2019 forecast and prudent costings.
- 3** Reduced year on year surplus (as above) and increased depreciation charges (£1.2m) reflecting non-cash accounting adjustments. Reflects final drawdown of £10m in July 2017 from RBS and non-utilisation of the £35m revolving credit facility.
- 4 & 9** Reflects handovers in the development programme with 2016-17 being the peak year. 136 completions in 2017-18 (1.1% of OVH stock) was four less than budgeted. 163 forecast for 2019 reflects the approved development programme.
- 5** Gearing is expected to remain fairly consistent, with the additional loan financing being offset by the increase in value of Housing Properties through development. Higher than the national median due to the low value of housing assets, due to the LSVT transfer of assets at £nil cost. 2018 has saw loans increase by £18.7m offset by cash reserves increase by £16.2m and Housing Properties increasing by £13.7m.
- 6** The ratio reflects the return (operating surplus) generated over capital employed. The reduction reflects the lower operational surplus forecast (£3.7m) coupled with an increase of £28m in net Assets. Despite this, OVH is outperforming the National Median.
- 7** Significant increase in investment costs (£5.27m) mean that cost per unit has increased despite the decrease in management and repair costs (£1.9m) and increased stock numbers due to the development programme.
- 10** Slight decrease to 95% for customer satisfaction with services. Satisfaction that tenants rent provides VFM still significantly above national median of 86.6% according to the 2017/18 STAR Survey. Target set for 2018-19 to maintain top quartile performance.
- 11** The ratio reflects the proportion of cash generated on all operating activities invested into development units. The decrease in ratio from 2016-17 to 2017-18 reflects a £7.9m decrease in development spend. Yet this remains ahead of the national average. Net cash flow from operations has also increased by £5.6m, which results in a lower spend per pound generated.
- 12** This is calculated on a spend of £1.25m social investment (5,673 beneficiaries) This is based on figures certified by HACT in the certification process, which will was completed in August 2018. This indicates that we have generated just under 30 million pounds of social value for the 2017/18 year, which outperforms national median.
- 13** Occupancy is below the anticipated forecast of 100, which equates to 0.8% of total number of properties. Number of void properties have decreased month on month to a similar position as at last years' year-end results.
- 14** Responsive repairs decrease by £417k in 2017-18, whilst planned maintenance expenditure increased by £5.88m, this reflects significant investment in Fire Risk Compliance and Sustainability Project funding and is forecast to increase again next year.
- 15** Core services review, team restructure and generic/agile working pilot with a clear focus on income maximisation (all debts). The impact of Universal Credit has been factored into the 2018-19 target.

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

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 RSH's VFM standard and therefore OVH Board have certified compliance with the VFM standard at the 23rd July 2018 Board meeting.