Value for Money Statement 2018/19

It is our job to provide homes and services which offer value for money (VfM). Each year we update our tenants and customers on how we are doing by publishing our Value for Money Statement on our website.

In 2018/19, our board held a series of planning days at which members developed a new VfM framework and corporate plan. Delivering value is monitored as part of our management accounts at every board meeting, as is our progress in achieving the objectives in our corporate plan.

This statement includes details of our performance and costs in 2018/19 and how we compare with other similar organisations.

For this statement we have selected to compare ourselves against housing associations which had a stock size of between 5,000 and 20,000 (we have about 10,000) and which are similarly located in the Yorkshire & Humber or North East regions.

These include Bernicia Group, Broadacres Housing Association, Coast and Country Housing, Durham City Homes, East Durham Homes, Livin Housing, Lincolnshire Housing Partnership, South Yorkshire Housing Association and Yorkshire Housing.

Our corporate plan

Ongo is a partnership of companies with one shared vision to create and sustain truly vibrant communities.

In 2018/19, we set out a new corporate plan which focuses on three key objectives: being a great landlord; providing good quality homes and creating opportunities for people and communities to thrive.

The plan was developed through extensive consultation with board members, tenants, employees and partners.

Under each objective we have developed a number of indicators which will drive the activity needed to achieve our aims.

Corporate Plan objective: Being a great landlord

To be a great landlord, we will provide excellent services to tenants, run an efficient landlord service and involve tenants in our decision making.

Satisfaction with our overall landlord services has continued to improve year on year with a rate of 94% being recorded in 2018/19. This is based on responses given by 1,801 tenants.

95.9% of tenants are satisfied their rent provides them with value for money.

A net promoter score of 54% was achieved (above the upper quartile figure of 41.98% set by HouseMark).

The surveys also identified some dissatisfaction in call waiting times. The introduction of new contact channels, such as automated rent payments, will address these issues, reducing costs from £5 for a telephone call to just 20p for an automated transaction.

In our drive to be a great landlord, we are putting a greater emphasis on transformation and change, using business intelligence to drive forward efficiencies in the way we transact with our customers and make better use of available technology to reduce costs and improve customer journeys.

Below are our VfM metrics against which we measure our performance in delivering a *great landlord service*. We've compared these with the median scores achieved by other similar housing associations in 2017/18, which is the latest available comparison data.

Internal performance measures: Be a great landlord					
Indicator	**2016/17 actual**	**2017/18 actual**	**2018/19 actual**	**2017/18 sector median**	**Corp plan target**
% of tenants satisfied with overall landlord services*	92.7%	93.8%	94%	89.04%	90%
% of tenants satisfied views are listened to and acted upon*	91.0%	88.7%	90.4%	74.7%	90%
% of tenants satisfied their rent offers value for money*	92.8%	94.1%	95.9%	85.66%	Top quartile 88%
% of tenants satisfied with our repairs service*	No data	88.3%	87.2%	83%	Top quartile 85.9%
Average current tenant arrears as % of debit (exc housing benefit)	2.37%	2.13%	1.83%	2.30%	1.93%
% of rent loss from lettable empty homes	0.74%	1.33%	1.31%	1.1%	1%

*data taken from Survey of Tenants and Residents (STAR) survey

In most of our metrics, we are consistently reaching or exceeding our corporate plan targets, demonstrating that we are providing quality services to tenants.

Our landlord costs are below both sector and benchmark group averages (shown in the headline social housing costs per unit further in this statement) demonstrating we are achieving high satisfaction scores whilst operating in an efficient way.

However, our empty homes performance is below target and has been adversely impacted by the various reforms to welfare benefits which have reduced demand for some of our homes, especially two-bedroom flats. We also now need to undertake affordability checks on prospective tenants, which has increased our relet times.

We have commissioned reviews on the local housing market and our internal processes to improve performance in this area.

It is our aim to maintain our high level of service despite the uncertainty and risks we are likely to encounter in the coming year, with potential cost increases due to Brexit, continued increase in Universal Credit claimants and restricted access to funding as a result of a governance downgrade in 2018/19.

Corporate Plan objective: Offer quality homes

In offering quality homes, we will seek to enhance our environments to make them places people want to live in, invest in our existing homes so they meet future demand and build new homes to help address local housing need.

Part of our strive to deliver quality homes is our development programme which picked up pace in 2018/19 with work starting on the delivery of new homes across a mix of tenures, including affordable rent, shared ownership and rent to buy.

A total of 130 new homes were completed in 2018/19 with a further 181 committed to and under contract.

We embarked on our first build for outright sale programme, near Gainsborough, offering 14 homes for sale and generating an anticipated profit of £300k.

Three Shared Ownership homes were also sold, generating £340k income and profit of £193k.

A £1m project to replace the pipework at the Market Hill estate, in Scunthorpe, was delivered £12,000 under budget and, along with providing a better value and more efficient heating system for residents, the investment will lead to a reduction in emergency repairs.

Below are our VfM metrics against which we measure our performance in delivering *quality homes*. We've compared these with the median scores achieved by other similar housing associations in 2017/18, which is the latest available comparison data.

Internal performance measures: Offer quality homes					
Indicator	**2016/17 actual**	**2017/18 actual**	**2018/19 actual**	**2017/18 sector median**	**Corp plan target**
% of tenants satisfied with their neighbourhood as a place to live	88.3%	89.7%	88.8%	85%	90%
% of tenants satisfied with the quality of their home	93.1%	93.5%	94.2%	88%	Top quartile 88.6%
% of tenants likely to recommend Ongo Homes to family or friends	No data	66.3%	63.6%	31.9%	Top quartile 45.4%
Investment into existing housing stock	£6,347k	£5,003k	£5,358k	N/A	£83m over 10yrs
Number of new build homes delivered	51	103	130	N/A	225

Again, we are reaching or exceeding most of our corporate plan targets, with the exception of the percentage of tenants satisfied with their neighbourhood as a place to live.

A slight dip in satisfaction to 88.8% mirrors the feedback we received through our corporate planning consultation and is being addressed with the creation of a new neighbourhoods team. This team was created by merging our caretaking and community project teams, achieving efficiencies by ensuring that the works carried out across multiple areas are brought together with more focus on tenants and residents concerns. It also looks at bringing various works in-house improving both service delivery and value which has recently included bringing our shrub maintenance work in house saving £35k per year.

We also experienced a drop in the amount invested in existing stock since 2016/17. Investment follows a planned programme and year on year spend delivers the agreed programme so fluctuations in spend are anticipated.

To deliver even more opportunities, we need to make sure we are maximising the return from our housing assets. With this in mind, we have conducted an extensive piece of market research to understand our future markets, predict the demand for different property types and understand our competitive landscape. This data is helping us structure our investment and development plans to ensure we deliver the right homes and tenures in the right places for generations to come.

It also coincides with an end-to-end review of our lettings and empty homes processes as we seek to address an increasing trend in the time it is taking to repair and relet empty homes.

The development of new homes, and of different tenures, is also a major part of our corporate plan commitments, with the delivery of our first 14 homes for outright sale due to be completed in the autumn of 2019.

We are also developing our first 34 Rent to Buy homes in Scunthorpe.

We have 13 schemes due to complete in 2019/20, delivering a total of 126 new homes for affordable and social rent.

Corporate Plan objective: Create opportunities

The more efficient our business is the more resources we will have to invest in making a real difference to people’s lives and futures, by creating new opportunities for them. We plan to increase the employment potential of tenants, raise the aspirations of young people and invest £1m each year in programmes which improve our communities.

Using the HACT (Housing Associations’ Charitable Trust) model, we calculate that for every £1 we invested in community projects, we got £13.77 worth of value in return. This has increased in value by £2 over the previous year.

This increase in the value of our activities is attributed to the growth in external funds we attracted and the opening of The Arc community centre, Post Office and cafe in the centre of our largest housing estate in Scunthorpe. This brand new facility has enabled us to reach many more people and engage with them in activities to create pportunities to improve lives.

Raising the aspirations of young people is a key target and we are pleased to report that we have provided one-to-one mentoring to 93 people and appointed 48 onto new apprenticeships.

We have also successfully partnered with North Lindsey College to increase the number of training opportunities we can deliver, providing 399 work/life skills development opportunities in 2018/19 through our partnership at our Cole Street Training and Employment Centre.

External grants fund most of our employment support activities and have seen us work with 832 people in 2018/19. We increased our external grant funding by £39,000 to specifically deliver lone parent courses and welfare and debt advice.

In total, we successfully gained £603,000 in external funding to support our community programmes.

Our work has attracted external recognition in the following areas:

- Excellence in Employment, Skills and Training (TPAS)
- Best Community Project on a social housing estate (Groundworks)
- Best Project (Resolve Anti-Social Behaviour)
- Building Excellence for the Best Community Building (South Yorkshire & Humber LABC)
- Excellence in Communities (Hull & Humber Chamber of Commerce)

Below are our VfM metrics against which we measure our performance in *creating opportunities.* As these are unique to Ongo there is no comparable data recorded.

Internal performance measures: Create opportunities				
Indicator	**2016/17 actual**	**2017/18 actual**	**2018/19 actual**	**Corp plan target**
Number of people accessing employment support via Ongo Journey to Work	742	659	832	700
Number of people gaining sustainable employment	250	147	180	180
Number of young people engaged in one-to-one mentoring	No data	87	93	84
Number of new apprenticeships	42	30	48	36
Total invested into community/creating opportunities projects	£716k	£672k	£886k	£1m

Our targets are the minimum level of service we plan to achieve. Our aim is to exceed these targets as much as we are able, based on the availability of external funding and partnership opportunities year on year. Although the number of people gaining sustainable employment dropped in 2017/18 this was a direct result of us targeting our most deprived areas and working with people further away from the job market. We are pleased that given this focus we are now seeing even more results in this area.

With our new corporate plan, and a renewed focus on creating more opportunities, we will continue with our Westcliff Development Plan, bringing together the building of new homes and increased community and neighbourhood activities to further improve an important part of Scunthorpe. This includes the continued growth of The Arc to increase the income it has the potential of generating, through room and facilities hire, cafe and Post Office sales. The 2019/20 target is to raise £180,428 through sales.

We have also launched Ongo Talk, a scheme aimed at supporting 150 people with low level mental health issues each year, and Sparc Enterprise to nurture local entrepreneurs and support nine start-up businesses over the next three years.

Delivering value

Integral to delivering our plan is knowing we are doing so in a way which offers us the very best value for money.

For us, delivering VfM is understanding the relationship between four things:

- Economy – the price we pay for providing a service
- Efficiency – how much we get for what we pay
- Effectiveness – the outcomes we achieve
- Sustainability – the impact we have on the environment and society

We understand that getting the very best value we can from our services and homes means we can invest more in creating opportunities for people in things like jobs, training and neighbourhood services – things our tenants told us are important to them during corporate planning consultation.

In embedding VfM across our group, we have set out the key principles which form the basis of our new VfM framework which was also developed in 2018/19. We will:

- Maximise our return and protect and understand our assets
- Consider VfM in everything we do and set targets to achieve it
- Understand what customers want and deliver objectives to meet this
- Be transparent and inclusive
- Have effective governance and VfM structures

Cash flow

We need to maintain and protect our financial strength if we are to deliver our corporate objectives. The Regulator of Social Housing judges us to be V1 compliant for financial viability.

Ongo Homes recorded a statutory surplus (before actuarial gains/losses) of £9,437k for the year - £645k up on budget.

Net operating margin was 24.5%, against a budget of 24.7%.

Rent payments from social housing account for 93% of income. By the end of the year, rental income was better than forecast with loss of income due to empty properties being lower than budgeted levels by 0.69%, at 1.31%. We are pleased to see improvements in this area although this is still below our long term business plan targets. To address this we have a number of reviews taking place this year to improve long term performance.

Direct action to tackle current tenant arrears has led to a reduction in arrears of £134k in a year, at a time when Universal Credit cases have substantially grown and threatened to cause an increase in arrears. The intensive early management of arrears cases by our Income Team has resulted in an average balance of £130 for Universal Credit cases which compares well across the housing sector.

The Value for Money Standard

In April 2018, the Regulator of Social Housing (RSH) published its new Value for Money Standard requiring all registered housing providers to:

- Clearly articulate their strategic objectives
- Have an approach agreed by their board to achieving value for money in achieving these objectives and demonstrate their delivery of VfM to stakeholders
- Through their strategic objectives, articulate their strategy for delivering homes that meet a range of needs
- Ensure that optimal benefit is derived from resources and assets and optimise economy, efficiency and effectiveness in the delivery of their strategic objectives.

Specifically, seven metrics were agreed as the most appropriate set of measures to capture performance across the sector in a fair and comparable way.

Our comparative performance and future budget

Our benchmarking information is taken from HouseMark, Housing Quality Network and the Global Accounts, published by the Regulator of Social Housing in December 2018. The latest figures available at the time this statement was written were from 2017/18. Our comparisons are listed below:

	2017/2018						
	Global Accounts median	**Benchmark group median**	**Sector scorecard median**	**Our actual**	**Our actual 18/19**	**Our budget 19/20**	**Business plan 20/21**
Reinvestment **VFM theme:** outcomes delivered **Risk theme:** Effective asset management **Corporate objective:** Offering quality homes, creating opportunities	6%	6.50%	5.80%	11.54%	13.48%	14.76%	15.84%
What is it telling us?	Reinvestment is what we spend on new developments and improvements to existing properties as a percentage of our housing						

	properties at cost. In our corporate plan we have made a commitment to tenants to reinvest in our existing homes and neighbourhoods. In 2018/19 we reinvested £5.4m in our current housing stock and £19.2m in the development of new homes. We are expecting to reinvest a further £10m in current stock and £58.6m in new development over the next two years. These increases in spend are in line with our new corporate plan objectives. We compare well against the sector and our peers, with the sector averaging 6% reinvestment in 2017/18 compared to our 13.48% in 2018/19.

	2017/2018						
	Global Accounts median	**Benchmark group median**	**Sector scorecard median**	**Our actual**	**Our actual 18/19**	**Our budget 19/20**	**Business plan 20/21**
New supply (social) **VFM theme:** development capacity **Risk theme:** development **Corporate objective:** Offering quality homes	1.20%	0.90%	1%	1.03%	1.28%	2.40%	2.20%
New supply (non-social) **VFM theme:** development capacity **Risk theme:** development **Corporate objective:** Offering quality homes	0%	0%	0%	0%	0%	0%	0%
What is it telling us?	New supply is the number of housing units we have acquired or developed as a percentage of the total housing we own. During the year ending March 2019 we delivered 130 new homes, an increase of 25% on 2017/18 performance, and we are accelerating our development programme in the coming years. Our corporate plan commitment is to deliver an average of 225 new homes per year over the next decade, with 483 of these coming in the next two years. In addition to this, we are building 14 homes for outright sale in 2019/20, nine the following year and up to a maximum of 50 per year for the following eight years. These will be sold at market value through our development and sales company and so do not appear in the table above						

	2017/2018						
	Global Accounts median	**Benchmark group median**	**Sector scorecard median**	**Our actual**	**Our actual 18/19**	**Our budget 19/20**	**Business plan 20/21**
Gearing **VFM theme:** development capacity **Risk theme:** development **Corporate objective:** Offering quality homes	42.90%	43.50%	35.14%	24.20%	23.90%	26%	32.80%
What is it telling us?	Gearing is the long and short term borrowing as a percentage of the homes we own, at cost. Not only do we reinvest into our existing homes, we've described above how we are developing new homes too. Our development levels are comparable with others in our benchmarking group and the wider sector. As our development plans grow, we will require additional funding for these investments. This will impact our gearing performance. Currently our gearing is low due to sound financial management in the years since the housing stock was transferred to us in 2007, resulting in relatively low levels of borrowing and high levels of cash held. However, as we borrow more and spend our cash balances to fund the development of new homes, as agreed in our corporate plan, gearing will rise. We have secured undrawn funding arrangements which we can use in the medium term and intend to seek additional long term funding to support our investment plans.						

	2017/2018						
	Global Accounts median	**Benchmark group median**	**Sector scorecard median**	**Our actual**	**Our actual 18/19**	**Our budget 19/20**	**Business plan 20/21**
EBITDA MRI interest cover **VFM theme:** business health **Risk theme:** reduced income **Corporate objective:** Be a great landlord	206%	238.70%	213.61%	466.70%	377%	331%	302.90%
What is it telling us?	The EBITDA measure demonstrates business health and our capacity to support borrowing costs. Our performance is good and gives us capacity to support further borrowing. Our plans to use more of our current facilities and, subsequently, enter into additional arrangements (therefore increasing our interest costs) is reflected in the reduction of this measure over the coming years.						

	This measure forms a key part of the management of our borrowing facilities and our business plan ensures it is controlled during the additional borrowing and investment anticipated over coming years.

	2017/2018						
	Global Accounts median	**Benchmark group median**	**Sector scorecard median**	**Our actual**	**Our actual 18/19**	**Our budget 19/20**	**Business plan 20/21**
Headline social housing cost per unit **VFM theme:** operating efficiencies **Risk theme:** asset management **Corporate objective:** Be a great landlord	3.38	2.96	3.45	2.66	2.85	2.88	2.90
What is it telling us?	This is the social housing costs divided by the number of the social housing homes we own. In 2018/19 our costs increased, mainly due to increased spend on community projects, a rise in pension costs based mainly on annual actuarial valuations, additional depreciation charges connected to our investment programme and, in comparison to 2017/18, the non repetition of a one-off saving on the renegotiation of office costs. However, our costs still compare well against our peers and the sector median. We have budgeted for costs to rise and, given the uncertainty around Brexit, have stress tested the business plan. In summary, we recognise we are operating efficiently because our costs are lower than that of our peers and we achieve high customer satisfaction scores. We are, however, planning to increase our spend to meet our commitments in the corporate plan.						

	2017/2018						
	Global Accounts median	**Benchmark group median**	**Sector scorecard median**	**Our actual**	**Our actual 18/19**	**Our budget 19/20**	**Business plan 20/21**
Operating margin (SHL) VFM theme: business health Risk theme: reduced income Corporate objective: Be a great landlord	32.10%	30.40%	30.43%	28.70%	24%	20.80%	17.20%

Operating margin (overall) VFM theme: business health Risk theme: reduced income Corporate objective: Create opportunities	28.90%	30%	27.89%	30.40%	24.50%	21.70%	17.80%
What is it telling us?	This measures the amount of surplus generated from turnover, first for social housing activities and then overall. It shows profitability before exceptional expenses are taken into account. The fall in our operating margin was due to the further 1% rent cut during the year, increased depreciation costs relating to our investments, increased spend on maintenance and a rise in the cost of pension provision. The year on year comparison is also affected by a one-off saving, secured in 2017/18, by the negotiation of reduced dilapidation charges on moving from our previous head office building. Our operating margins will decline over the next two years as we deliver our corporate plan, particularly investing in communities and new homes and allowing for an uncertain economic environment. However, from 2021/22 we expect to see an increase again as we benefit from a rise in income from more rental homes, recognise the effect of the rent settlement at CPI +1% and continue to improve our efficiency.						

	2017/2018						
	Global Accounts median	**Benchmark group median**	**Sector scorecard median**	**Our actual**	**Our actual 18/19**	**Our budget 19/20**	**Business plan 20/21**
ROCE VFM theme: asset management Risk theme: asset management Corporate objective: Be a great landlord	4.10%	6%	3.72%	7.70%	6.10%	5%	4%
What is it telling us?	ROCE stands for Return on Capital Employed. It compares the operating surplus to total assets, less current liabilities and is a common measure in the commercial sector to assess the efficient investment of capital resources. We have historically shown a high level of ROCE against comparators due to the relatively low net value of assets. We have reasonable levels of cash balances and our asset values are low due to no transfer value being included in our asset valuations.						

Value for money savings

Each year we also set targets for savings and measure the efficiencies we have achieved through our VfM register, which is reported annually to board members.

In 2018/19 we achieved total cash savings of £989k.

This includes a £128k saving on the cost of a new asset management software solution, achieved through a competitive tendering process, and a £72k saving through the competitive tendering of a re-roof scheme for flat roofs. In total £872k worth of savings were made through our procurement process.

Financial savings of £400k were recorded by our development team as a result of competitively tendering for the appointment of construction-related consultants (such as architects, designers and employers agents) and through the competitive tendering of the main contractors who deliver our new-build programmes.

Our staff are encouraged to regularly seek and record all savings, regardless of value, and so smaller gains are also accounted for, such as a £600 saving recorded by our community projects team as a result of delivering training to staff internally rather than appointing an external supplier.

Showing how different teams contributed to this saving indicates the efforts we have gone to to embed a VfM culture across the organisation.

Department	**Cumulative savings (cashable) 2018/19**
Communities	£41.9k
Human resources	£3.7k
Finance	£95k
Housing	£13.8k
Development	£404.3k
PR & marketing	£16k
Customer services	£2.8k
ICT	£59.8k
Maintenance	£13.2k
Regeneration	£338k
Total	**£988.6k**

Our VfM savings target for 2019/20 is £500k. This is lower than last year as we do not anticipate having as many large procurement exercises. Our aim is to achieve this through a mix of savings and efficiencies, including efficiencies gained in process re-engineering as part of our digital transformation project.

Reviewing our assets and liabilities

Assets, which are mainly housing stock, and liabilities, mostly made up of bank loans, are recorded in a register and regularly reviewed to make sure that, when taking decisions or managing risks, it is done so with a clear understanding of our financial viability.

At the end of 2018/19, we had 9,876 homes for rent, of which 26 were classified as supported housing and 446 were charged at affordable rent.

Twenty Right to Buy sales and nine Right to Acquire sales generated a total profit of £1,026k.

Our Asset Management Strategy 2017 – 2020 has the following objectives:

- To maintain assets to a high standard
- To provide and sustain efficient homes and buildings
- To maximise value for money from our assets
- To keep pace with changing demographics and needs
- To deliver cyclical maintenance and ensure health & safety compliance
- To increase our stock

It also sets out our approach to understanding our assets by using a number of tools:

Asset & Liability Register
This provides access to all property and tenancy information linked to title deeds, existing social use and charge details.

Asset Management System
A new system was implemented in 2019. This has improved our ability to maintain a comprehensive stock asset and component database, manage decent homes investment and compliance, monitor sustainability of stock, cost forecasting, manage health and safety compliance, SAP ratings and energy efficiency and stock condition.

Sustainability Index
Our Sustainability Index assesses the ongoing viability of properties and estates against a number of indicators, including cost, income projections, management activity, performance and environmental information.

Net Present Value (NPV)
Using information from the Sustainability Index, we calculate the NPV of properties before any major investment decisions are made. This includes where we should invest, disinvest, dispose or convert particular properties.

Sustainability Working Group
To ensure that asset management decisions are well informed and owned by the whole

organisation, this group, which includes representatives from across the business, meets to determine how we best deliver asset management.

External audits

Asset management data is essential in informing the business plan and ensuring the business has enough financial resources to manage and maintain its assets to the necessary standards. In order to satisfy lenders, an annual stock valuation survey is carried out.

Keeping tenants updated

We will update tenants on our progress in delivering our corporate objectives and how we offer value for money through our quarterly tenants' magazine, at monthly tenant meetings and in our next VfM statement.