

Value for Money statement

Introduction

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

Its purpose is to provide people with quality homes in safe communities, and support them to live well.

Ongo has three main subsidiaries; Ongo Homes Ltd, Ongo Communities Ltd and Ongo Commercial Ltd, all of which sit under one parent company, Ongo Partnership.

Each is governed by its own board of non-executive directors. Payments to board members are published annually on our website www.ongo.co.uk in accordance with our Transparency Policy.

Ongo Homes Ltd is our registered social housing provider, regulated by The Regulator of Social Housing, formerly Homes and Communities Agency.

It is expected to meet the requirements as set out in its regulatory framework and evidence how it complies with Economic and Consumer Standards.

Annually, we submit a self assessment against the standards.

In 2017/18, The Regulator of Social Housing judged Ongo Homes' financial viability as V1 and governance as G1, the highest rating available.

In July 2017, Ongo Homes converted from a company limited by guarantee to a Community Benefit Society and thus will only undertake activities which further its charitable objectives. These include:

- The business of providing and managing housing, including social housing, and providing assistance to help house people and associated facilities, amenities and services for poor people or for the relief of aged, disabled or chronically sick people
- To provide recreation or other leisure facilities in the interest of social welfare with the object of improving the conditions of life for the residents of the local authority area in which the association owns or manages housing stock and neighbouring areas
- The promotion for the public benefit of urban or rural regeneration in areas of social and economic deprivation (and in particular in areas in which the association owns or manages housing stock)
- Any other charitable object that can be carried out from time to time by a registered provider of social housing

In 2017/18, Ongo Homes established Ongo Home Sales Ltd and Ongo Developments Ltd through which its build-for-sale programme will be delivered.

Corporate objectives

In 2016 we published our 2020 Corporate Plan which sets out four Corporate Objectives:

- To provide excellent value for money services and homes that local people need
- To help tenants improve their lives and sustain their tenancies
- To use excess resources to build new homes that meet local demand
- To grow our group with complementary activities

The objectives are met through the delivery of an annual Operational Plan. Performance against the plan is monitored and reported on monthly in a Balanced Scorecard, which is scrutinised by the Senior Management Team.

In 2017/18, 97% of the 41 actions in the Operational Plan were completed.

The Chief Executive reports progress against the Corporate Objectives at every Ongo Homes Board meeting.

Our approach to achieving Value for Money

Value for Money means getting the biggest benefit from every investment made.

To provide good value, we seek to understand our assets, know our customers, track our markets and monitor our performance.

Our Value for Money Strategy is centred around six key principles:

- Maximising our return and protecting and understanding our assets
- Understanding and embedding value for money across the group
- Considering value for money in everything we do and setting targets to achieve it
- Understanding what customers want and delivering objectives that meet this
- Being transparent and inclusive
- Having effective governance and value for money structures

In 2017/18 we revised our procurement thresholds, recognising that processes can be undermined if required too frequently or are too intensive for lower value purchases.

We now operate with the following purchasing thresholds:

- Up to £1,000 requires one written quotation
- £1,001 - £10,000 requires two written quotations
- £10,001 - £25,000 requires three written quotations

- £25,001 - £50,000 requires three written quotations but with Procurement Department support
- £50,001 - £181,302 for services & supplies, or £4,551,413 for works. This is an Official Journal of the European Union (OJEU) requirement. This requires a local tender process inviting a minimum of six companies and receiving a minimum of three tender returns
- £OJEU plus requires an OJEU compliant tender process or an appointment via the OJEU compliant framework

Our contract management processes have been strengthened through the further development of the Contract Management Framework and improved management of the Contracts and Procurement Register.

All contracts are now included on the register with a rating to alert when they are due to expire, plus when supplier information, such as insurance details, expire.

All managers are required to complete mandatory training on the Contract Management Procedure and Procurement and Tendering Procedure which includes guidance on running contract management meetings.

In 2017/18 we realised savings of £740k.

Of the savings recorded on our VFM Register, over £710k were cashable savings. The restructure of operational teams delivered the highest saving, of £357k, plus a further £72k saving for associated costs such as lease vehicles, fuel and equipment. The renegotiation of contracts realised more than £79k.

Staff are encouraged regularly to seek and record all savings, regardless of value, and so smaller gains are also accounted for, such as a £24k saving to deliver training internally through the Ongo employment support team, negotiating a £2k saving in advertising costs or returning vehicles to the lease company already cleaned, saving £1,400 a year.

How we measure Value for Money

Each year we set targets for savings and measure the efficiencies we have achieved through our Value for Money register. This is reported annually to our boards.

We also produce an Assurance Dashboard which is presented to each Ongo Homes Board meeting and reports on how we are delivering on key performance indicators linked to our four Corporate Objectives, plus information on financial, regulatory and legal compliance, key risk indicators and outcomes from internal audits.

Three times a year we carry out a telephone survey of 600 tenants to produce an annual customer satisfaction performance report. We have a group of tenant inspectors who validate the data we collect.

We have maintained high levels of customer satisfaction with 93.8% of tenants reporting they are satisfied with the services they receive - an increase from 92.7% the previous year.

We also ask tenants how satisfied they are that their rent provides good value for money. In 2017/18, 94.1% were satisfied they received good value.

Our Resident Scrutiny Panel is a group of tenants appointed to investigate core services and recommend efficiencies and improvements. It provides an independent assessment and critical challenge with the aim of driving improvements to standards, processes and performance.

Annually, we benchmark our costs and performance to determine how we are positioned against other similar social housing providers and where there is scope for further efficiencies.

We subscribe to HouseMark, a business intelligence company, which runs our data against a peer group. This is presented in a housing sector scorecard, which compares our performance in key indicators against comparable housing providers. This is reported to Ongo Homes Board.

We also refer to the social housing Global Accounts, which is published annually by the Homes and Communities Agency (now The Regulator of Social Housing).

Each year we carry out a salary benchmarking exercise to ensure remuneration costs are in line with the local labour market. The Chief Executive's salary and benefits are published annually as part of the Inside Housing salary survey.

In 2017/18, we achieved the following accreditations, which again provide external assurance of our performance.

- Advice Quality Standard
- Customer Service Excellence
- Leaders in Diversity (including Investors in Diversity)
- Excellence in tenant engagement
- Tenant Participation Advisory Service

Asset management and regulatory considerations

The Regulator of Social Housing requires providers to:

- Manage resources effectively to ensure viability is maintained while ensuring social housing assets are not put at undue risk (Governance and Financial Viability Standard)

- Understand the return on its assets and have a strategy for optimising the return on assets (Value for Money Standard)
- Maintain a thorough, accurate and up to date record of assets and liabilities (Governance and Financial Viability Standard)
- Ensure homes meet Decent Homes quality (Home Standard)
- Meet statutory requirements to provide for the health and safety of tenants (Home Standard)
- Provide a cost-effective repairs and maintenance service to homes and communal areas (Home Standard)

The Ongo Homes Asset Management Strategy 2017 – 2020 sets out our approach to understanding our assets using a number of tools:

- **Asset & Liability Register**
This provides real time access to all property and tenancy information linked to title deeds, market value and charge details.
- **Asset Management System**
Currently all stock information is held on the integrated housing management system. A new system is being implemented and it is expected to be operational by the end of 2018. This will significantly improve 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.
- **Regeneration & Sustainability Working Group**
To ensure that asset management decisions are well informed and owned by the whole organisations, this group, which includes representatives from across the organisation, meets monthly 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.

The Asset Management Strategy has five objectives:

- To maintain assets to a high standard
- Provide and sustain efficient homes and buildings
- Maximise value for money from our assets
- Keep pace with changing demographics and needs
- Deliver cyclical maintenance and ensure health & safety compliance
- Increase our stock

Below are the details of housing stock held at the end of 2017/18.

	2017/18	2016/17
General needs properties	9,447	9,030
Affordable/intermediate rent properties	251	202
Sales through Right to Buy/Acquire	41	40
Shared ownership properties	2	0
Newly built rental properties	51	48
Homeless service properties	13	0

New build programme

One of our Corporate Objectives is to use excess resources to build new homes for social and affordable rent.

In 2017/18 we built 103 new homes for affordable or social rent and acquired a further two which we sold under a Shared Ownership Scheme.

During this period we drew £3.7m of a total £7.8m grant, awarded to us as part of the Government's Shared Ownership and Affordable Homes programme 2016-21, to fund the continued delivery of our new-build programme.

It is our ambition to more than double the number of homes we build in coming years and have partnered with North Lincolnshire Council to deliver their accelerated construction programme, which is targeted to build 280 new, mixed tenure, affordable homes by 2021.

	2017/18	2018/19	2019/20
New build – affordable/social rent	103	290	296
New build – shared ownership	2	0	25

Social value

Our Community Investment Strategy sets out how we will help people improve their lives and sustain their tenancies.

Our priorities are to target our investment in communities where we have housing stock; prioritising our tenants and those most in need, and then use our resources to maximise financial and social return. Our focus is on providing people with education, skills and employment.

Projects in 2017/18 were funded with £434k from external grants and a £672k subsidy from Ongo Homes. The following outcomes were achieved.

	2017/18	2016/17
Number accessing employment support	659	742
Number gaining sustainable employment	147	250
Number of work/life skills training delivered	458	386
Number of young people on 1-1 mentoring	87	Not running
Number registered for Next Level project	252	Not running
Number of volunteers on gardening projects	139	Not running
Total weight of items resold, saved from landfill	40 tonnes	46 tonnes

We use a toolkit to determine whether projects have provided value, including measuring economy through the cost of a project; efficiency on how well it was delivered and what waste was eliminated; effectiveness in meeting objectives; and value in how satisfied customers are and the social and environmental impact of the work.

We also use a model developed by HACT, an agency promoting innovation in housing, to measure social return on investment. The HACT model has become the industry standard for measuring social value. In 2017/18 it was calculated for every £1 spent, we provided £11.77 worth of social value.

	2017/18	2016/17
Overall budget ('000)	1,266	1,130
Overall social impact ('000)	14,893	11,493

Budget : social impact	1:11.77	1:10.17
Net benefit ('000)	13,627	10,363

This shows that in 2017/18, we received £11.77 worth of value from every £1 we invested in community projects and activities.

Metrics

The Regulator of Social Housing introduced its revised Value for Money Standard and Code of Practice on 1 April 2018. The new standard provides an understanding of how the regulator interprets Value for Money and what it expects from registered providers.

It requires the annual publication of our performance against seven metrics, as below.

Where the data is available and comparable, we have included the sector median from the latest Housing Global Accounts 2016/17.

	2017/18	2016/17	Sector 2016/17
Reinvestment as % of stock	12.05%	8.55%	Median 5.62%
Newly built properties + work to existing properties + capitalised interest ('000)	20,565	13,707	
Housing properties at cost ('000)	170,670	160,260	
This metric calculates the investment in properties we have made (existing and new properties) as a percentage of the total value of all our properties.			

Our reinvestment in properties, as a percentage of our stock, increased on previous years, and is significantly higher than the median recorded in the Global Accounts.

This is mainly due to us doubling the number of homes we built, from 53 in 2016/17 to 103 in 2017/18, in line with our Corporate Objectives.

We also invested £5m in our current stock, protecting its future demand.

In response to the fatal fire at Grenfell Towers, London, in June 2017, our Board took the decision to retro-fit sprinkler systems in our four high rise blocks of flats. By the end of the year, we had invested £494k on sprinkler systems and £215k on fire stopping, as part of a £1.16m investment.

	2017/18	2016/17	Sector 2016/17
% new social housing delivered	1.03%	0.53%	Median 1.24%
Social housing units developed or acquired	104	53	
Total number of social housing units (inc leasehold)	10,052	9,981	
% new non-social housing delivered	0.13%	0.00%	
Non-social housing developed or acquired	13	0	
Total number of all housing units	10,065	9,981	
This metric calculates the number of social housing and non-social housing units developed or acquired as a percentage of the total number of stock			

As previously stated, we almost doubled the number of social housing units developed in 2017/18, compared to the previous year. This is part of our Corporate Plan and we anticipate it will increase further in 2018/19 as we continue to deliver our building programme.

We also took advantage of the opportunity to purchase the assets of a homeless service in Doncaster, which includes ownership of five properties and the management of a further eight, providing accommodation for up to 50 people.

This complements our existing housing support services and provides a basis from which to develop homeless services further.

	2017/18	2016/17	Sector 2016/17
% gearing	24.04%	26.44%	48.2%
Short term loans + long term loans + amount owed to group undertakings + finance lease obligations ('000)	59,169	70,125	
- cash and equivalents ('000)	(18,140)	(27,755)	
	41,029	42,370	
Total cost of housing properties ('000)	170,670	160,260	
This metric calculates how much of the adjusted assets are made up of debt. This shows the degree of dependence on debt finance and is often an indicator of appetite for growth.			

Our loan value reduced following a renegotiation of our lending facility with Barclay's Bank plc. Despite lowering our level of loan, we retained a £30m revolving credit facility to ensure our financial capacity for our ongoing new-build programme.

	2017/18	2016/17	Sector 2016/17
% EBITDA MRI interest cover	501%	488%	Median 216%
Operating surplus ('000)	14,353.00	14,243.00	
Gain or loss on disposals ('000)	(798.00)	(1,354.00)	
Amortised Government grant ('000)	(2,5022.01)	(2,342.64)	
Interest received ('000)	81.00	71.00	
Depreciation ('000)	9,275.96	9,464.00	
	20,409.95	20,081.36	
Capitalised major repairs ('000)	(5,890.00)	(6,408.00)	
	14,519.95	13,673.36	
Interest payable ('000)	2,897.00	2,800.00	
The Earnings before Interest, Tax, Depreciation, Amortisation, Major Repairs Included interest cover measure is a key indicator for liquidity and investment capacity. It measures the surplus generated compared to the interest payable.			

The current level of Earnings before Interest, Tax, Depreciation and Amortisation (including Major Repairs) demonstrates the soundness of our financial plan, against a banking covenant of 110%.

Delivering our new-build plans will necessitate further borrowing in the medium term and we are positioned to be able to deliver these ambitions.

	2017/18	2016/17	Sector 2016/17
Headline social housing cost per unit	2,678	2,866	3,298
Management costs ('000)	6,325	4,787	
Service charges ('000)	1,628	1,788	
Routine maintenance ('000)	4,920	5,310	
Planned maintenance ('000)	1,444	1,526	
Major repairs ('000)	1,740	2,499	
Capitalised major repairs ('000)	5,890	6,408	
Other social housing activity ('000)	4,970	5,415	
Support services ('000)	2.63	873	
	26,920	28,606	
Total number of social housing units	10,052	9,981	
This metric assesses the headline social housing cost per unit, as defined by the regulator, using the denominator 'units owned or managed'.			

	2017/18	2016/17	Sector 2016/17
% operating margin (social housing lettings)	28.8%	27.8%	34.33%
Operating surplus from social housing lettings ('000)	12,445	12,223	
Turnover from social housing lettings ('000)	43,260	44,019	
% operating margin (overall)	30.4%	28.8%	31.16%
Operating surplus ('000)	13,555	12,889	
Turnover ('000)	44,645	44,771	
<p>The operating margin shows profitability before exceptional expenses are taken into account. Increasing margins are one way to improve the financial efficiency of a business. We should consider registered providers' purpose and social objectives. Specialist providers will also tend to have lower margins than average.</p>			

We accept our operating margin is lower than other housing associations. We value the additional services we provide to our tenants to support them in sustaining their tenancies and improving their lives and environments which is why investing in communities is a Corporate Objective.

We also recognise the critical link between staff engagement and delivering excellent customer service and so invest in the health, wellbeing and personal development of our employees and provide them with the up-to-date systems and equipment they need to enable them to work as efficiently as possible.

Although this approach directly supports our corporate vision and values, the return on these investments is not immediately evident. We are confident our financial planning shows that our decision to further invest in community activities is sustainable and will help us achieve our long term vision.

	2017/18	2016/17	Sector 2016/17
% Return on capital employed	7.7%	7.7%	Median 4.37%
Operating surplus (inc gains/loss on disposal of fixed assets) ('000)	14,353	14,243	
Total assets ('000)	190,418	190,930	
- Current liabilities ('000)	(4,756)	(6,184)	
	185,662	184,746	
<p>This metric compares operating surplus to total assets (less current liabilities). It is a common measure in the commercial sector for assessing the efficient investment of capital resources.</p>			

As part of our Transparency Policy, this statement is also published at www.ongo.co.uk, along with our financial accounts and performance information.