

Value for money Statement

2016-17 saw us provide a standard of service that met our purpose as efficiently as possible.



We want to provide a standard of service that meets our purpose as efficiently as possible. We'll continually remove waste and increase our financial capacity so that we can invest more in building new homes.

This section explains our approach to value for money and how it underpins the work we do to achieve our purpose. It tells us how we've performed compared to our peers, the value for money gains we achieved in 2016-17 and sets out the initial steps to be taken as a newly merged organisation in 2017-18.

More homes

To us, value for money means providing a standard of service that meets our purpose as efficiently as possible. We continually remove waste and increase our financial capacity so we can invest more in building new homes.

We'll maximise our capacity to build 1,200 new homes a year, including 20% of new homes at social rent and 20% at affordable rent. This brings with it a greater financial burden, due to the reduction in availability of grant funding.

We're clear in our approach and this plays a key role in ensuring we continue to meet our charitable objectives to provide housing for those in need. To do this, we need to be focused on driving out inefficiencies from all areas of our business, as well as looking at new and creative ways of delivering more for less.

We've identified value for money objectives that help us achieve our purpose:

01

Provide efficient and effective landlord services

02

Maximise our contribution to tackling housing need

03

Continually improve the return on our assets

Objective one: Provide efficient and effective landlord services

We continued to provide an efficient and effective landlord service by keeping our operating costs under control and maintaining good levels of customer satisfaction.

	2013		2014		2015		2016		2017	
	FW	SH	FW	SH	FW	SH	FW	SH	FW	SH
Operating cost per unit (£)	3,776	3,576	3,890	3,345	4,127	3,339	3,743	3,370	3,530	3,233
Customer satisfaction	85%	95.6%	86%	98.2%	84%	-	86%	-	85%	-
Customer satisfaction index	-	-	-	-	-	78.5%	-	80.8%	-	81.3%

We've controlled our operating costs, keeping them below 2013 levels. For Sentinel, this maintained their position as one of the lowest cost landlords in its peer group. During 2016-17, First Wessex made significant savings of £11m and Sentinel £2m. For 2018, both have come together to become VIVID, a much larger organisation and have set themselves a target of

saving a further £7.8m, which equates to 7.4% of the combined operating costs.

We also compared our costs and performance to a peer group of other housing associations with large stock-holdings in Hampshire.

	2017		2016					
	First Wessex	Sentinel	First Wessex	Sentinel	Radian	Spectrum	Aster	Sovereign
Operating cost per unit	3,530	3,233	3,743	3,370	3,350	3,661	2,730	3,069
Operating margin	35%	45%	33%	41%	30%	22%	33%	35%
Net margin	14%	42%	12%	30%	16%	2%	19%	19%
Interest cover – EBITDA MRI (with sales)	131%	455%	168%	379%	228%	105%	298%	225%
Debt per unit	34.7k	35.4k	35.2k	30.1k	27.0k	25.2k	26.5k	30.5k
Current tenant arrears	3.48%	2.85%	3.93%	2.03%	2.88%	3.83%	3.04%	1.71%
Average re-let days	18.1	20.3	22.0	22.0	30.6	22.3	17.6	17.0
Loss due to property being left empty	0.34%	0.38%	0.52%	0.41%	0.67%	0.71%	0.57%	0.70%
Properties managed per FTE staff	25.1	55.9	20.3	52.0	17.4	18.7	23.1	32.2
Average no. of days sickness (days)	9.58	7.92	12.07	6.80	6.80	6.84	6.25	-
Staff turnover (voluntary)	11.69	13.02	11.30	14.06	-	10.87	10.87	-

Both First Wessex and Sentinel continued the trend of reducing re-let times and rent-loss last year which increases the amount of income we'll have available to invest in new homes. In both measures, we compare favourably with our peer group with upper-quartile performance.

In 2018, we're making a big investment in new technology of £2.25m which will deliver savings of £0.5m per annum. This is part of the merger plan to integrate our business processes and systems.

Each year the HCA produces its unit cost analysis report, which compares the cost of social housing activities between different landlords. The table below shows that we both performed at better than average across all areas with the only exception being major repairs, which remains an area of focus for 2018.

	Units managed	Headline social Housing cost (£K)		Cost Subcategories (£K)				
	Closing social housing units managed	Headline social housing cost	Headline social housing cost per unit	Management cost per unit	Service Charge cost per unit	Maintenance cost per unit	Major Repairs cost per unit	Other social housing costs cost per unit
Sentinel	9,128	29,073	3.19	0.60	0.25	0.97	1.04	0.33
First Wessex	18,332	58,429	3.19	0.82	0.42	0.84	1.07	0.04
Radian	18,564	71,134	3.83	1.15	0.35	0.90	0.94	0.48
Aster	28,464	93,054	3.27	0.97	0.26	0.71	0.90	0.43
Sovereign	35,595	111,205	3.12	1.09	0.24	0.92	0.81	0.05
Spectrum	15,580	60,388	3.88	0.80	0.58	0.88	0.92	0.70
Total Stock & National Average	2,744,785	10,867,270	3.96	1.04	0.53	1.00	0.88	0.52

Objective two: Maximise our contribution to tackling housing need

For their size, First Wessex and Sentinel both took pride in being significant developers in the country and committed to maximising the number of new affordable homes built each year. This was supported by generating a healthy surplus and using it to subsidise development costs. Looking forwards, we can develop more than our peers because we will generate more of the funding ourselves as a combined organisation:

Funding for our developments (£m's)



Both managed the mix of their programmes to generate a profit from sales which subsidised affordable rented housing, taking care not to over-expose themselves to the housing market.

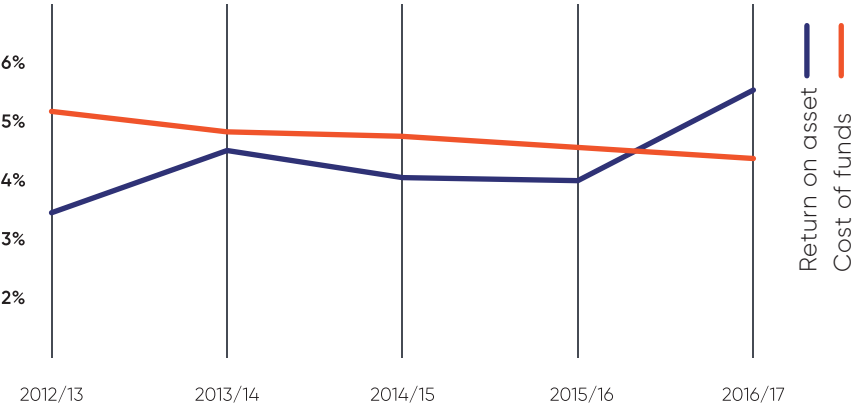
In 2016, we developed a Business Plan for the newly combined organisation to take advantage of the economies of scale created by the merger. This include a much more ambitious development programme of 1,200 new homes each year. 20% of the programme is homes for social rent, making maximum use of our surplus to make our new homes as affordable as possible.

For the newly merged organisation, we've locked in low interest rates by fixing the rates on 77% of our debt for an average term of twelve years, enabling us to put more into development without worrying about rising interest rates.

Objective three: Continually improve return on assets

We calculate the return on our assets by comparing operating surplus with the historic cost of assets. And we compared this with the average interest rate on our debts.

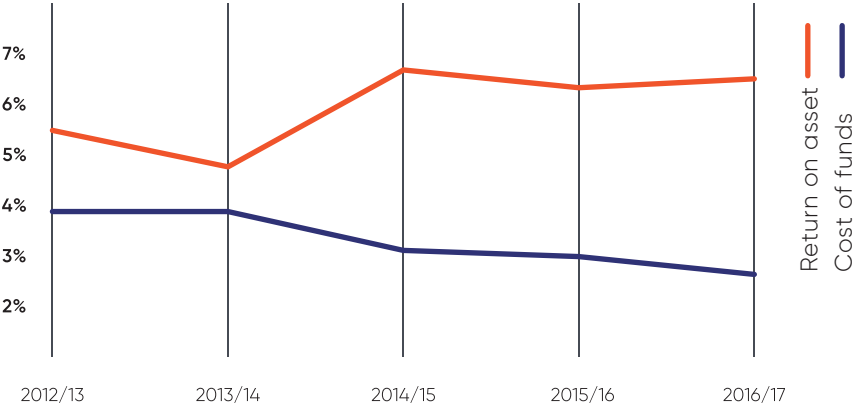
First Wessex



In 2016 First Wessex achieved a higher return on assets than its effective interest rate for the first time since before 2012. Sentinel, on the other hand, has consistently achieved a return on assets between 5% and 7% over the last four years. Both adding value to the business by achieving a return on assets that exceeds their effective interest rate in 2016-17.

In 2016, both organisations updated their Asset Management Strategies. Both strategies were separate and VIVID’s will combine the two taking into account our new emphasis on understanding the performance of our asset base and using planned sales of assets to provide additional funding for our development programme.

Sentinel



Our value for money outcomes 2016-17

We've achieved value for money across multiple areas of the business. Here is a selection of our financial, environmental and social achievements.

Better waste management

With 30,000 homes, our maintenance programme unavoidably generates a large volume of refurbishment and new-build waste, such as plastic, metal and ceramics. Following a competitive tender process, TJ Waste was awarded the contract to help us better manage our waste.

Although the new contract offers day-to-day savings, such as reducing the cost of removing white goods from £25 to £15 per collection, the most tangible

impact is that on the environment. The agreement in place will ensure more than 90% of trade waste is responsibly recycled and used to generate electricity through energy-from-waste schemes, rather than ending up in costly landfill.



Jerry, Simon and Mike launch TJ Waste partnership

Lean approach to lettings

In First Wessex the voids and Lettings teams carried out a stringent review of their service delivery as part of a Lean Review, a philosophy that aims to eliminate waste.

By reducing the turnaround time of empty properties from 12 days to just seven, the review has already achieved amazing results. Our Voids team achieved savings of nearly £800k over a nine-month period.

Complaints were down by 40% and the

average cost of repairs to an empty property was reduced by £876. Although many value for money examples can be shown, the joint change in process for both teams means general needs properties have a re-let time of 14.5 days (24 days in 2014-15) and older persons' accommodation has a re-let time of 18 days (48 days in 2014-15). Financial savings aside, it ensures we're now able to turn empty properties around sooner, providing much needed urgent accommodation to those that need them.

Changing agents

In Basingstoke, the Operations team has changed the way we use estate agents for the allocation of our market-rented units. By moving this over to new third-party agents for our market rented and commercial units, we have provided better value for money and savings of approximately £8k per year.



New kitchen supplier serves up savings

Rixonway was appointed as our new kitchen supplier, guaranteeing savings of £200k over five years. The contract was awarded after a careful selection process and involved a demonstration day, ensuring customers could have their say when it came to choosing a supplier. In addition to the financial benefits, our new contract with Rixonway offers a shorter turnaround on delivery, improved product selection which means more choice for the customer, and a longer kitchen life-span by using better quality materials.

Streamlining membership fees

It's important to keep abreast of what's happening in the sector. With that in mind, many teams have subscribed to housing-related magazines such as Inside Housing and 24Housing. A review of these subscriptions has provided an opportunity to rationalise memberships across the Basingstoke office, leading to savings of £3k per year.

New vehicles drive value and efficiency

We carried out a full fleet review last year and the first new-look vehicle was a focal point of April's rebrand. As well as a new design, vehicles have seen a change in models used, allowing us to partly reduce expensive chassis cabs and fully replace 4x4s.

By January 2018 all our vehicles will be new, which removes the need for MOTs and servicing. As well as providing a total financial saving of £200k, the review will also save over 660 hours worked per year.

Our new vehicles also offer better fuel consumption, new driver tracking technology and more competitive lease costs.



New vehicles arrived in April 2017

Brighter futures through volunteering

We are proud of our contribution to community schemes with payments in kind, a form of payment where volunteers or other agencies have provided services with our support, rather than us provide them. Mostly in the Basingstoke and surrounding areas, these include initiatives within:

- Older persons' schemes
- A range of Hampshire libraries
- Online centres providing digital training

Based on monetary calculations within Wales Council for Voluntary Actions' report 'Using volunteer time as match funding', the investment made to community projects in 2015-16 amounted to approximately £30k.

Community mural painting at South Down View, Hilsea



Looking
ahead to
the future

What we're going to achieve as VIVID

Everything we do at VIVID is targeted at delivering more homes for people in need. This means all of our value for money targets are aimed at releasing resources to support development. Our savings plan for the next two years will unlock the benefits of the merger.

Our future value for money targets are:

01

A reduction in operating costs of £7.8m by 2019, which represents 7.4% of operating costs

02

Operating margin exceeding 35% for the duration of the business plan

03

Operating cost per unit of less than £3,000 by 2020

We have identified where the savings will be made and are confident that they can be achieved in the timescale provided. A breakdown of these efficiency targets is shown below:

Harmonisation of working practices, office locations and business systems and processes

Enabling a rationalisation of resources across the business. All teams across VIVID are currently undergoing restructures which are taking place over three phases between 2017-2019. Savings delivered are expected to exceed £2m

Offices in Eastleigh and Aldershot will close in 2018

Staff based there will move into the two remaining offices in Basingstoke and Portsmouth, reducing costs of administration, travel and environmental impact. Savings delivered is expected to be £0.5m

Integrating our IT solution is underway

This is focused on delivering a system infrastructure without carrying forward legacy issues from the previous organisations. This is expected to deliver £0.5m savings by 2018/19

VIVID will implement a digital strategy

for resident communications and contact that is anticipated to save £0.5m by 2018/19

Other back office overheads

including office and administration costs, will deliver £0.5m of further savings by 2020, once all systems have been consolidated

A review of repairs activity identified opportunities for modernisation of the service

This includes £1.2m from renegotiating the reward strategy and £0.5m from a combination of productivity increases from responsive maintenance and lowering the cost of voids. This is expected to deliver a total of £1.7m in savings

A review of major
repair install
costs and cyclical
decorations
programmes

was completed during the year and will
yield £1.2m savings in future years

A procurement
strategy for the
direct labour
organisation
supply chain

to streamline contracts will be
complete by 2019 and will be
expected to deliver £0.9m in savings

The logo for VIVID is displayed in white, uppercase letters. The letter 'V' is stylized with a small heart shape above its right vertical stroke. The background consists of several overlapping diagonal bands of varying shades of purple and magenta, transitioning from a lighter shade on the left to a darker shade on the right, with a white triangular area in the top right corner.

VIVID