



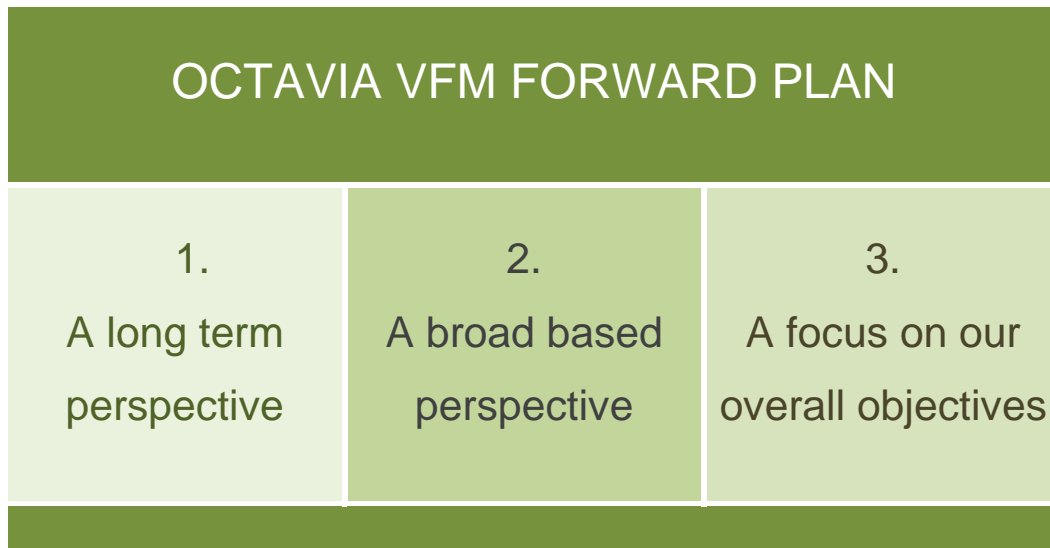
VALUE FOR  
MONEY STATEMENT  
2015-2016

# CONTENTS

	Page
Executive Summary	3
1 Introduction	7
2 Background	8
3 Optimising our return on assets	10
5 Performance management and scrutiny functions	15
6 The costs and outcomes of service delivery	19
7 Planning ahead	29

# EXECUTIVE SUMMARY

Octavia Housing’s work derives from Octavia Hill, the social reformer, who bought her first homes in 1865. Our homes are predominantly in the most expensive boroughs in the country. They are irreplaceable as a social asset. Our approach to Value for Money (VfM) is, therefore, to take a long term view, and is grounded in our vision “Good Homes, Better Lives”. We define value as the total benefits of our work over the longer term, taking into account costs, efficiency, and social value. There are 3 key overriding principles in our approach:



## **Principle 1: A long term perspective – overall cost**

In many situations where we are making spending decisions, the choice is between alternatives which have lower initial outgoings but with higher “life cycle” costs as against higher initial expenditures but lower overall lifetime costs. With this in mind the overall operational strategies of the organisation are geared towards solutions that look at the overall cost, over the full term.

## **Principle 2: A broad based perspective – a full public sector cost assessment**

In many cases the association’s activities impact on other parts of the public sector. Where possible the association will consider the wider public sector aspects of the decisions it is taking, rather than limiting our consideration to what is best solely for “Octavia Housing”.

## **Principle 3: A focus on our overall objectives - mission fit**

The third principle is one of “mission fit”. We examine our expenditures and approaches with the ambition of using them to enhance the achievement of our overall objectives. The principle here is that in considering different options we should have regard to how any particular decision might impact on our overall aim.

## How decisions are made about competing resources

The Board sets our VfM approach and considers VfM on a regular basis. The Board held a seminar in September 2016 focused on our future VfM Strategy and will have further detailed discussions on this later in 2016. Our resource allocation process centres on deliberations over the corporate plan and our long term financial forecasts. These major plans are supported by an annual budget, development strategy, care strategy, asset management strategy and service improvement plans, all designed to help us meet our overall objectives on a VfM basis.

## Optimising our return on assets

The vast majority of our homes are in high property value areas where low income households would be otherwise priced out by open market rents that significantly exceed the social / affordable rents set by Octavia. The social dividend on what we do is therefore substantial. The gap between the Association's rent charges and the theoretical market rent on our homes is equivalent to a social return on the £213m of grant funding invested by the state of 35%.

We completed 168 new homes in 2015-16. Our ambition is to continue to develop a sustainable portfolio of homes for the long term. Our target is to increase our social / affordable rented stock by 3% year on year and further grow our portfolio of low cost home ownership products. This compares to 1.98% growth in new homes across the sector set out in 2015 SDR Returns. We work closely with inner London property developers through section 106 agreements to achieve these aims. In addition, Ducane Housing Association joined the Group in 2015-16, adding 237 homes valued at £36m to the Group portfolio.

We are active in optimising our loan book and implemented a number of changes to our funding arrangements to take advantage of current low long term interest rates. We are also active in managing our property portfolio and assessing the potential for targeted disposals. The surplus from property disposals and staircasing receipts in 2015-16 was £4.9m collectively. In addition the surplus from first tranche shared ownership sales was a further £4.5m. These activities have contributed to our ability to develop new homes and maintain rents at affordable levels in our social housing stock.



## Performance management and scrutiny functions

The Board considers operational performance each month. The suite of over 80 performance indicators is comprehensive. Performance on the majority of key indicators last year was in the upper or upper median quartiles compared to our peers. This included meeting ambitious targets for completing repairs to target time, 100% current gas servicing, and stable rent arrears and collection despite challenging welfare reforms.

The Board is supported by a series of committees and panels which include residents, independent experts and Board members. Effective resident scrutiny has played an influential part in improving performance in areas identified as priorities from resident feedback including on local communication and estate standards.

## The costs and outcomes of service delivery

The cost of service provision is benchmarked over time and against peers. Earlier this year the Homes and Communities Agency provided us with their analysis of our social housing costs derived from 2015 Global Accounts data, and said our costs per unit were assessed as above the national median. Following this our Board commissioned Ridge Property and Construction Consultants (Ridge Consultants) to provide an independent assessment of our Asset Management Strategy. Ridge Consultants concluded that the continuous investment in our stock and our total cost per unit rate is within their expected benchmark range for a central London Registered Provider.

In this report we present Housemark's comparative cost data against our London peers (see 6.1.2, Figure 3 below). This is to account for widely accepted location factors when examining costs. Our housing management costs are slightly below median compared to London peers. Whilst costs per property on major works and cyclical maintenance are higher compared to some of our peers, this is because our stock include a large proportion of street properties built in the Victorian era. We have chosen to invest further in planned works in anticipation of long term savings. We are beginning to see the returns from this investment; responsive repairs cost per property have decreased over the last three years.

The Board receives comparative information on the costs of service provision. Benchmarking information is used as a tool for identifying areas for further review. Our routine repairs and gas servicing contracts included options to review after five years and we took this opportunity to introduce a price per property funding approach from 2014 to 2018. The estimated savings is around £0.3m for that period. Overall re-procurement of a number of services resulted in additional efficiency gains totalling £0.2m in 2015-16.

We consider service outcomes in many ways including resident satisfaction. We carry out Housemark's STAR satisfaction survey every three years. Our last survey findings showed improvements on all indicators and placed us in the upper or upper median quartiles across indicators compared to our London peers. Beyond the financial, our work also has a 'social' value. Our Care and Support services supports independent living and helps to avoid the greater costs of more supported accommodation. In 2015-16 the Octavia Foundation

community projects supported just under 2000 local people and Octavia residents. Using the social value metrics developed by HACT and the LSE the monetised value of these initiatives in 2015-16 was £14.7m and the Social Return on Investment (SROI) ratio 1:28 (every £1 invested resulting in a social return equivalent of £28). We are aware of the debate in the sector about different social value metrics used by organisations, and have therefore used the HACT/LSE metrics to provide independence when looking at our community initiatives combined. When we carry out SROI research on individual services (we do this periodically, most recently on our Employment and Training service), we are careful not to over claim and we only include the value we can evidence.

## Planning ahead

VFM is central to all aspects of our work. In planning ahead the key areas that we are working on include:

- Given rent reductions mean real income falls over four years, we have set a 'high level' target of 3% savings on the overall organisational budget between now and March 2018.
- We aim to further develop the culture of the organisation so that there is far greater awareness and knowledge about the costs of each service and a more complete assessment of service improvement.
- We will complete cost reviews in identified areas where we have assessed VFM gains can be achieved in particular: the use of temporary staff, major void losses, and reducing levels of service charge deficits.
- We will prepare for new responsive repairs partnering contracts in 2018 and look for VFM gains from the tendering.
- As highlighted in the report by Ridge Consultants, our property portfolio continues to require high levels of investment. We envisage spending just under £26m on planned works over the next five years. Ridge Consultants made a number of recommendations that we will implement. These include carrying out an options appraisal of the various delivery models that might be considered to take advantage of VAT shelters; as well as more like for like benchmarking of Asset Management costs with other London Registered Providers including on cyclical decoration unit costs and average void costs.
- We will improve our use of Information Technology and expand the role of our Customer Contact Team. This assists staff to be more mobile and free up capacity for personal contact with residents. In addition, our patch approach allows us to cover more ground geographically in less time, and frontline staff develop a real understanding about the needs of their local areas.
- Our focus remains on welfare reform and to support residents affected through the changes. We know that personal contact is important to assist those most affected. As noted above we have restructured our teams to provide greater capacity for personal contact. We have also segmented our household databases by income risk categories and automated the categorisation to provide live ratings. This helps officers to prioritise households for contact and support.
- We will continue to deliver on the ambition to increase our social and affordable rented stock by at least 3% each year, and also grow our portfolio of low cost home ownership.

# 1 INTRODUCTION

The Homes and Communities Agency (HCA), which regulates the work of housing associations, requires that each year each association produce a self-assessment of their approach to VfM against the HCA's VfM Standard. This document is the assessment for Octavia Housing for 2015-16.

Attached to this statement, at Appendix One, are the Regulatory expectations on VfM, and:

- Section 2 below gives an overview of Octavia and our broad approach to VfM;
- Section 3 describes how Octavia makes decisions on the use of resources and how it reconciles the various competing demands;
- Section 4 describes our approach to optimising the return on assets, including how we review alternative models and gives some examples of the work that we are doing to improve performance or reduce costs, in pursuit of our overall objective. The section discusses the return on assets which the association achieves in pursuit of its objectives;
- Section 5 describes the performance management and scrutiny functions and refers to some of the work that has been undertaken by them in delivering improved VfM;
- Section 6 describes the costs and outcomes of a number of services, which factors influence these costs and how they do so. The section also sets out some examples of where alternative approaches have improved VfM in the last period; the value for money gains that have been and will be made over time; and some of the VfM challenges we have encountered; finally
- Section 7 describes the focus of some of our planning in terms of VfM.

## 2 BACKGROUND

Octavia Housing is one of the country's oldest housing associations. Our work derives from Octavia Hill the social reformer who, in 1865 persuaded John Ruskin to invest £750 in securing three houses to be used as homes for the poor. Those same houses today would sell for seven figure sums.

In line with Octavia Hill's wider vision we consider our role to be one that goes beyond the provision of accommodation. We provide a range of care and other support in an integrated set of services. We work closely with the Octavia Foundation, an independent charity we set up that provides services in the local community. We support the work of the Foundation but without recourse to monies raised from residents.

We own and manage a property portfolio of over 4,700 homes in the most expensive boroughs in the country where capital values are high and the need for affordable housing is intense. The portfolio of homes that we manage is irreplaceable as a social asset and the Board take seriously their responsibilities to manage the stock efficiently for future generations. Our approach to VfM therefore is to take a long term perspective.

Our ambitions are to provide top quartile performance levels, at average housing management and responsive maintenance costs, but to invest in planned works to our homes ensuring they are desirable for the long term. Our aim is to develop a staff team that is well trained to provide an efficient, friendly and cost effective service. Our approach is to develop long term supplier relationships where mutual understanding develops thus saving time and money, but couple this with regular market testing. We grow our portfolio by building on our success as being responsive housing managers and our strong relationships with Local Authorities and development partners. Our ambition is to set affordable rents at levels that are within reach of those we seek to house. Our development programme seeks to minimise grant costs.

The association has a long standing commitment to extensive resident engagement, including involvement at Board level and a strong resident voice on our Services Scrutiny Panel:

Octavia Housing has six subsidiaries:

- a) **Octavia Living Limited** develops the homes for outright sale on housing developments led by Octavia, markets and manages property sales for Octavia and provides related commercial advice.
- b) **Octavia Development Services Limited** develops social housing on a design and build basis.
- c) **Kensal Enterprises Limited** deals with the traded goods that are sold through Octavia's charity shops, and works closely with the Octavia Foundation.
- d) **Octavia Hill Limited** is a charitable subsidiary which we anticipate will provide social housing and related services in the future.
- e) **Ducane Housing Association Limited** develops and manages intermediate housing for postgraduate students and key workers.
- f) **Ducane Commercial Services Limited** manages property for third parties.



### 3 HOW DECISIONS ARE MADE ABOUT COMPETING RESOURCES – MAKING AN IMPACT

Octavia’s resource allocation process is robust and centres on the corporate plan and our long term financial plans. Both are designed to support the association in meeting its overall objectives:

*“Octavia believes that good homes make for better lives. Inspired by our founder Octavia Hill, we are a not-for-profit organisation providing thousands of people with good quality affordable homes in Central and west London”*

Our corporate plan and long term financial plans are supported by the annual budget, development strategy, care strategy, asset management strategy and service improvement plans, all underpinned by the objective of obtaining VfM.



The process is determined by the Board, who set our overall ambitions and plans. The Board are supported by a series of groups including a Services Scrutiny Panel consisting of residents and independent experts who examine individual aspects of service provision. Alongside the Services Scrutiny Panel the association draws on the experience of a Development Panel that ensures major capital investments are scrutinised not only from a financial perspective but that they will also produce “good places to live”, a resident steering group, and a series of local resident groups which consider a wide variety of different aspects of our work.

The day-to-day operations are managed by the Directors Group, who are also responsible for detailed capital project assessments (to an agreed threshold) within the broad framework set down by the Board and the management of operational activity.

The process of resource allocation is determined through an annual planning cycle which involves Board members, external stakeholders, residents and staff members across the organisation with outcomes and performance reported against key indicators and financial performance criteria each month.

External challenges, not least the 1% decrease in social rents over four years from 2016 means that decisions made about competing resources and identifying efficiencies is always a focus. In addition to our corporate plan, long term financial plans, the principles of our VfM approach (set out above at the beginning of the Executive Summary), we also look to the following to inform these decisions:

- Examine benchmarking costs and areas where we are spending more than our peers, understand the reasons, and identify any further efficiency gains we can make;
- Use the findings from our stock condition survey to inform our future Asset Management spend;
- Include a lean thinking component in service reviews to design out waste whilst retaining quality;
- Have regard for and value resident feedback and priorities, and thus focus on work with real impact.

## 4 OPTIMISING OUR RETURN ON ASSETS

Octavia manages its assets with a long term perspective. We aim to keep our homes to a good standard, our estates well managed and with improvements made over time. The association is developing this theme under a banner of “proud of every property”.



## 4.1 Decent homes

The vast majority of our homes meet or exceed decent homes standard. We have a programme of regular property surveys and upgrades to maintain the portfolio, and thus avoid expensive major works that can arise through lack of planning and regular maintenance. From our last stratified stock condition survey, we estimate 98.4% of our stock meet Decent Homes standard. The majority of the properties not meeting the standard will be addressed through energy efficiency works. In some cases planned works have initially been refused by residents. We will continue to work with those residents to explain the benefits of energy efficiency works.

## 4.2 Commitment to social housing in expensive areas / affordable rents

Octavia's long term commitment to affordable homes in inner London goes back to our earliest days. Octavia Hill wrote in 1888 on the problems of finding homes: *"but where are the poor to live..."*.

*"Round here, we tell each other when we are going away so we can keep an eye out. Or if someone has got a parcel coming, you don't mind taking it in. It's all about community really."*

Dave, Octavia resident

*"All the service workers will move outside of the centre of London because only the rich can afford to live here. It's the breakup of the family fabric as well."*

Keith, Octavia resident

While we regard it as fundamental to our objectives to be working in the areas where we do, there are wider social and financial reasons for preserving an inner London portfolio of properties. The Local Authorities where we operate all have substantial housing obligations and each property disposal in inner London results in significant cost elsewhere in the public sector. Furthermore in an increasingly low wage world it is, in our view, important that there is a stock of affordable homes for those that work and have family support networks in inner London. The savings which flow from the ownership of a stock of affordable homes, when measured against the alternative costs of housing families in temporary accommodation, are huge and unlikely to decline.

We aim to set our rents at 'affordable' levels. There is no universally accepted definition of affordability in social housing, therefore we conducted research to arrive at a proportional measure of housing costs as a percentage of income to guide our approach. We looked at common measures for acceptable residual income and used Universal Benefit caps as assumed income for modelling purposes. The findings ranged around 35% as the maximum housing cost to income affordability percentage and this has formed a basic principle for our rent setting in the last 5 years. Overall the rental income charged by the association is significantly below that which would theoretically be chargeable in an open market assessment. According to a study undertaken by Jones, Lang, LaSalle the estimated market rental on our portfolio is £98m per annum as against the rents actually charged in the financial year of £24m. The difference (£74m) represents the social dividend which the local

community and government receives from the historic investment in Octavia's properties. The corollary of this is that Octavia receives overall a low return on its assets – the gross rental yield of £24m represents a 1.1% per annum return on the replacement value of its social housing assets of £2.3 billion and a rather higher 11% on net historical cost. Jones, Lang, LaSalle's study also showed our average general needs unit value is over £500,000 and the average Affordable Rent below 30% of market rental. The social dividend on what we do is thus substantial. At its most simple, and as described in more detail in the Association's annual accounts the gap between the Association's rent charges and the theoretical market rent on our homes is equivalent to a social return on the £213million of grant funding invested by the state of 35%.

### 4.3 Targeted disposals / a local landlord

There are opportunities that arise simply by virtue of working in the areas where values are high.

We are active in managing our stock and review the potential for disposal of individual units as and when they become available in line with our Disposal Policy. The triggers include: properties outside our core areas, the costs of bringing the property up to standard exceed £50k, the property has a 'hard to let' history, and a flat in a block where we have a minority leasehold interest.

Our Projects Panel consider proposed disposals. When we dispose of high value void properties, we use the monies generated only to finance schemes in the borough of the disposed property.

In the last year we disposed of three properties because the costs of repair were disproportionate to the long term value. The surplus from property disposals and staircasing receipts in 2015-16 was £4.9m collectively. In addition the surplus from first tranche shared ownership sales was a further £4.5m. The surpluses helps us to deliver our ambition to grow our social and affordable rented housing portfolio by 3% each year.

### 4.4 Stock management

Our policy is to review asset management options for property voids with a market value of £1m plus.

We were pleased to receive a significant donation towards the redevelopment of the site of the Kensington Day Centre. The new Reed Centre (named after local entrepreneur Richard Reed) is due to complete later this year. In addition to a new Community Hub this will provide 13 accessible flats to replace of homes that had reached the end of their useful lives.

We continue to review small pieces of land which we own to identify opportunities to build. For example we recently identified land attached to a scheme at Princes Place W11 as suitable and are now preparing to apply for planning permission to build on the site.

## 4.5 New homes

Octavia's ambition with development is not simply to produce financially satisfactory projects but to develop places that are attractive and cost effective for the long term. We partner with other associations to reduce costs (we lead the Connected Development Partnership) and provide Agency services to a number of smaller associations – to both recover some of our costs and assist them in utilising development capacity. The association works closely with a number of inner London property developers to ensure that the homes produced through section 106 are of a good standard and will be attractive for the long term. We strongly support the use of the planning system to ensure that an element of all major developments is available to those on low and average incomes.

*"I feel lucky. I couldn't afford to live where I live and work where I work if it wasn't for social housing. There's a desperate need for it...I have memories from the time when I first moved in. I remember sitting there on my couch looking at the roof over my head and the four walls around me – that really was an amazing feeling!"*

Boyd, Octavia resident

We have in place a series of loan facilities at attractive financial margins but which are potentially restrictive in terms of our overall development capacity in the long term. To address this problem the association set up a separate subsidiary (Octavia Living) which undertakes development which include outright sales as a cross subsidy, and Octavia Hill Limited as part of a strategy for undertaking additional development once the gearing limit in Octavia Housing has been reached. Both of these organisations are controlled by Octavia Housing. The merger with Ducane Housing Association in 2015-16 also frees up resources for future development.

Ducane Housing Association joined the Group in 2015-16, adding 237 homes for postgraduate students and key workers to the Group portfolio. Ducane's stock is valued at £36m with borrowing of £9m. No payment was made in the merger, therefore the group's consolidated accounts gains £28.8m in recognition of the net assets.

In 2015-16 we completed 168 new homes. Of these, 112 were for social or affordable rented housing and 56 for shared ownership. Working with other social landlords in the Connected Partnership, a further 178 homes for social or affordable rent were completed in the year together with 12 for shared ownership. This exceeds the long term average of 3% annual growth of social / rented housing which is the Board's benchmark in planning terms. The contracted development programme at 31 March 2016 was for 157 new homes to be completed between June 2016 and June 2018, representing a 3.6% increase in the portfolio of social / affordable housing. The remaining development costs to be incurred were estimated at some £17.7m and Social Housing Grant of £2.3m expected following practical completions. This net investment of £15.4m in new social housing development is more than covered by existing secured and available borrowing facilities of £26.8m and the existing free cash and deposit balances of £7.6m. Shared ownership sales from these developments estimated at £3.7m are expected and will be used to repay revolving loan facilities.

The economics of providing new social rented housing are such that cross subsidy from sales is required. Having completed two successful developments with outright sale in recent years, our development subsidiary, Octavia Living Limited is currently working on the development of our Gladstone Village site in Brent. This will provide 14 affordable homes along with 23 properties for outright sale. Subject to property prices at the time of sale (expected in early 2017), the scheme is anticipated to generate significant additional surpluses which will be re-invested in our social housing.

## 4.6 Environmental impact

We are aware that our development and stock management plans impacts on the environment and have an Environmental Strategy in place to minimise the negative environmental impact of our activities. We want to build new homes that are energy efficient to the benefit of the wider environment and in terms of lower utility costs for residents. Our previous Sulgrave Gardens passiv haus scheme is a prime example of our ambitions in this area. Whilst the strict standards and associated costs of passiv haus will be challenging to repeat in the near future, the underlying 'fabric first' principle is being adopted for all new homes.

A key objective in the strategy is to ensure all our homes achieve an EPC "C" rating with an average 30% CO2 reduction. In 2015-16 300 homes benefitted in some way from energy efficiency measures. The impact of energy efficiency works carried out has improved the average SAP rating of our stock from 64 in 2010 to 67.5. We will continue to deliver energy efficiency improvement works to several hundred properties a year as we move towards our target of getting all our homes to a rating of EPC "C" by 2023.

We submitted and recently secured planning permission to install external wall insulation to the rear of 50 properties in Ashmore Road, Westminster. We will start work on this energy project shortly.

In addition to making homes more energy efficient we have trained all frontline staff to give basic Energy Advice to help further reduce fuel poverty in these challenging economic times for many of our residents.



## 5 PERFORMANCE MANAGEMENT AND SCRUTINY FUNCTIONS

Performance management in the organisation is ultimately the responsibility of the Board. As set out in section 2 above detailed monitoring is undertaken by the Directors Group, Service Scrutiny Panel, the Development Panel, an Audit Committee, Health and Safety Group and Treasury functions. Our internal auditors also monitor areas of our activities.

The Board consider an annual report on VfM and use Housemark reporting to support their understanding of relative costs and performance. Fundamental to the approach is the use of resident involvement to ensure that we are, as far as possible, providing services that residents require and in a cost effective manner. The Services Scrutiny Panel undertake scrutiny of key service areas based on assessment of residents' priorities and where improvements can be made. The Panel report their findings directly to the Board.

### 5.1 Quartile 1 performance

We report on performance to Board at each meeting. The suite of over 80 performance indicators is comprehensive and covers all areas of work, notably: income; lettings; repairs; planned works; anti-social behaviour; estate services; home ownership; development; care; health & fire safety; safeguarding; human resources; complaints; and resident satisfaction. Figure 1 provides a summary of performance for key indicators compared to other London based Associations as reported by Housemark:

Figure 1 – performance on KPIs

Performance Indicator	Outturn Octavia 2014/15	Outturn Octavia 2015/16	London Housemark comparison
Rent arrears as % rent due	4.2%	4.3%	Lower median
Rent collection as % of rent due	100.2%	99.21%	Lower median
Standard voids – average re-let time (in days)	20	26	Upper median
% of emergency repairs completed on time	99.7%	100%	Top quartile
% of gas appliances with a current certificate	100%	100%	Top quartile
Average call answering in seconds	16	10	Top quartile
% complaints responded to within timescale	96%	96%	Upper median
Staff turnover	16%	16%	Top quartile
Rent loss due to voids as % rent due	1.38%	1.12%	Lower

Outturn and benchmarking data (where available through Housemark) is provided to Board at the beginning of each year in order to set challenging and VfM targets for the coming year. Our ambition is for our performance to be top quartile compared to peers. Figure 1 above shows both those areas where we are already achieving our ambitions and those areas where further action is planned to achieve top quartile performance across all areas. In 2015-16 particular successes included:

- Meeting ambitious targets for completing repairs within target times for all categories of repairs: emergency; urgent; and routine.
- 100% of gas appliances with current servicing certificates.
- Top quartile performance on speed of call answering

Rent arrears and collection is stable despite welfare reforms impacting on our residents. However further improvements are needed compared to our peers. As indicated above we are expanding the role of our Customer Contact Team including to take more payments and deal with straight forward income enquiries. This will release capacity in our Income Team to resolve more complex Income enquiries.

We also have plans in place to improve our voids re-let and void loss performance. Our Voids Monitoring Group meet weekly to ensure current voids are being progressed through maintenance and lettings phases efficiently, we are carrying out more pre-inspections, and we are changing tenancy start dates from being on a Monday for all lettings to any day of the working week.

## 5.2 Resident Scrutiny

Effective resident scrutiny has played an influential part in engaging residents directly in the discussions on where we should focus our improvement work given finite resources. To help determine what are priorities for residents and the service areas to be looked at by our Services Scrutiny Panel, we ask residents attending our annual (and largest) resident event called *Yourspace* to vote on their top priorities for service improvement.

In 2015-16, resident involvement and scrutiny have been particularly influential regarding:

- Local communication – the Panel examined how Octavia communicates with residents about common local issues, surveyed affected residents and carried out door knocking at a different mix of schemes to gain feedback. Their recommendations included that we can make greater use of modern and cost effective methods of communication such as text and email, that we can improve our Resident Login facility to encourage wider use, and where we have residential caretakers this valuable resource could be used more effectively to improve local communications. The Board approved the recommendations which are being implemented.
- Estate service standards – this scrutiny project has just commenced. The Panel has commissioned an Estates Services specialist consultant to inspect a cross section of our estates, examine our



inspection systems and ratings, and make any recommendations for improvement. This will be a valuable external check on our decision last year to introduce an in house mobile cleaning service that saved £100,000 on costs and the impact on service quality.

- Anti-social behaviour (ASB) – the Panel examined our ASB service in the previous year, and the resulting action plan was completed in 2015-16. Most significantly the service was re-structured (adding no additional posts) to introduce two specialist Investigation Officers whose focus on ASB issues and specialist skills are already having a positive impact on the service.

### 5.3 Development Panel

While the Board approves the overall development strategy and scrutinises all major projects, the Development Panel, which includes residents, independent experts and Board members, deals with more detailed matters. In the past twelve months the panel have:

- Scrutinised the progress on all projects in development and considered the reasons for and any lessons arising from schemes with cost overruns;
- Completed an annual review of resident satisfaction on recently completed projects;
- Considered research into design issues;
- Worked with Resident Inspectors to get their feedback on the standards of new homes.

We are also working on a Gateway Process Project to ensure: Octavia's standard specification is compatible with that used by Development, operational teams are fully involved in the planning on all new developments to reduce defects, and we take a long term perspective when agreeing detailed arrangements in regards to new homes. The Project has established baseline data on the number of defects and repairs reported on new schemes handed over in recent years. From this we have set targets for improvement to current schemes in development subject to the Gateway process. This includes a target that the average number of repairs per unit reported on new schemes should be no greater than the average number of repairs per unit for the Octavia stock overall.

### 5.4 Audit Committee

The Audit Committee undertakes a scrutiny function on behalf of the Board and reviews internal systems and improvements to controls. The Committee works closely with independent Internal Auditors on a programme of work that covers all of the association's activities over time and they receive as part of each internal audit report a comparison on our control systems as against other organisations.

In 2015-16 Mazars carried out their programme of internal audit reviews. BDO LLP carried out their work as external auditors. There have been no regulatory concerns requiring any regulatory authority to intervene in Octavia Housing's affairs, and no internal controls failures requiring disclosures in our financial statements.

## 5.5 Treasury

Our Treasury Strategy is set annually by our Board, and the Board oversees the cost effectiveness of our Treasury function directly for individual complex / significant transactions.

During the year it was agreed that Octavia's Duration (being an indicator of the average fixed interest life of the overall loan book) should be set at a target range of 9 to 13 years so that further long term interest rate fixing can take place to take advantage of current historically low long term interest rates.

We have reduced borrowing costs by:

- Borrowing £18m at a fixed rate of 2.89% for 30 years.
- Repurchased a £3.5m bond on which we were paying 8.75% at a cost of 1.1m and replaced it.
- Bought out a 4.5% fixed rate on £5m of borrowings at a cost of £1.3m with one bank and replaced it with a fixed rate of 0.75% fixed for 5 years with another bank.

Details of interest rate fixing by maturity are given in the table below:

*Figure 2: Interest rate fixing against targets*

Rate fixing period	Target	At 31 March 2016	At 31 March 2015
Fixed for more than 10 years	At least 50%	65%	53%
Fixed for 1 year + but - 10 years	Between 0% and 50%	14%	20%
Variable /Less than one year	Less than 25%	21%	27%

We updated and improved access to our Assets and Liabilities Register which can now generate live reports that are linked to our live information systems.

## 6 THE COSTS AND OUTCOMES OF SERVICE DELIVERY

This section looks at the cost of our key services, which factors influence these costs and how they do so. We also set out some examples of where alternative approaches have improved VfM in the last period, the value for money gains that have been and will be made over time, and the added value provided by some of the 'additional' services that we provide to support our residents (in addition to our core housing service) and help sustain their tenancies.

### 6.1 Service provision

#### 6.1.1 Procurement and Asset Management Strategies

Our Procurement Strategy sets out how we aim to secure the best VfM in our procurement activities. We analyse our current portfolio of procurement activity using a model that divides expenditure into 4 categories: Strategic (High Risk, High Value), Leverage (Low Risk, High Value), Non-Critical (Low Risk, Low Value), Bottleneck (High Risk, Low Value). We adopt certain procurement methods depending on the activity and market including: Partnering (for example our maintenance contracts); Collaboration (for example developments through our Connected Partnership); Tendering (and in compliance with EU tendering rules); Procurement Clubs (for example savings from HALA legal costs); and Negotiation (in exceptional circumstances and with Directors approval). This is supported by a Contracts Register to improve the visibility and benefits of contracts across the organisation.

Asset Management accounts for the majority of our spend in terms of operational activities. Our 2015 Asset Management Strategy sets out how we will maintain and improve our housing so we are proud of every property. Based on Ridge and Partners' stratified sample stock condition survey, we estimate we will continue to invest in our stock at around £4.5 million a year until 2019. To ensure we are investing to the right levels and to check on quality, we will undertake a 20% stock survey annually. The priorities are: to ensure our homes remain safe; the responsive repairs service meets good standards consistently; we invest in the long term and make the links between reactive and planned works where possible to save costs and minimise disruption for residents; and we upskill our staff continuously to address the needs of more complicated facilities management needed in our new homes.

## 6.1.2 Service costs

In terms of operational activities (as set out above in 5.1) the Board set standards of performance and annually allocated resources.

Performance is monitored monthly against a comprehensive set of indicators and the cost of service provision is checked annually against comparative indicators produced by Housemark. Services are reviewed on an annual basis for the purposes of continuous improvement. Customer insight (combining satisfaction levels, research findings, and contact trends) is reported to Directors every quarter so we learn from and act on resident feedback.

Our performance compared to London peers is set out in 5.1. Our main service costs overtime and compared to our peers are in Figure 3 (2015-16 Housemark cost comparative data is awaited):

*Figure 3: Costs in key service areas (£s per property)*

Cost per property	2014-15	2013-14	2012-13	London Housemark Median
Housing management	£582	£523	£511	£618
Responsive repairs & void works	£860	£903	£1002	£917
Major & cyclical works	£2227	£1560	£1662	£1494

Housing management costs compare favourably against our peers. We have reduced per property responsive works costs year on year over the last 3 years. Our cost per property on major works and cyclical maintenance are higher compared to a number of our peers. This reflects our commitment to invest and maintain our valuable assets which include a large proportion of street properties, many built in the Victorian era. 2015-16 was also the third year of our proposed ten year programme of energy improvement works to bring all our properties up to an energy rating of 'good'. We carried out cyclical works across 410 homes, replaced 102 boilers, 120 kitchens and 109 bathrooms, and carried out energy efficiency measures in 300 homes. The costs of cyclical works varies year on year depending on the nature of the works required. Our planned programme of works is designed to ensure that after cyclical works there is limited spend to properties for the next seven years. The longer term gains from this investment is already evident from the decreasing per property spend on responsive repairs over the last 3 years.

The Homes and Communities Agency provided us with data earlier this year comparing our costs to the national median. Following this our Board commissioned Ridge Consultants to provide an independent assessment of our Asset Management Strategy. Ridge concluded that our stock had received appropriate continuous investment and our total cost per unit rate is within their expected benchmark range for a central London Registered Provider. They did however make some recommendations of areas for further investigation (See Section 7 below).

### 6.1.3 Service outcomes / resident satisfaction

We consider service outcomes in many ways. For example, we gather resident involvement feedback together in a monthly report to Board, we carry out satisfaction surveys specific to a range of services (including new developments, estate services, care, complaints handling, and our response to anti-social behaviour), we look at findings from projects carried out by Resident Inspectors, and we measure the well being of Care residents using the Star well-being self ratings.

We carry out the STAR satisfaction survey (the sector's most common satisfaction survey developed by Housemark) every three years in line with Housemark guidance. Our last STAR survey was completed in 2013-14 working with BMG Research. The findings showed improvements on all indicators compared to our 2010 STATUS survey (the previous comparable large scale randomised sample survey), in many instances substantial improvements. Satisfaction with our overall service improved to 82% (+14%). These outcomes evidenced real positive impacts made to our service over the last few years, in particular to the repairs service which (unsurprisingly) remains the key driver of resident satisfaction. Satisfaction that rent provides value for money also improved significantly to 80% (+10). Our STAR satisfaction scores are in the top quartile or upper median compared to London peers. We will conduct the next STAR survey later this year.

Figure 4: STAR survey topline scores

STAR satisfaction survey	STAR 2013	STATUS 2010	+ / -	London Housemark comparison
Taking everything into account, how satisfied or dissatisfied are you with the service provided by Octavia?	82%	68%	+14%	Top quartile
How satisfied are you with the overall quality of your home?	78%	74%	+4%	Upper median
How satisfied are you with your neighbourhood as a place to live?	86%	80%	+6%	Top quartile
How satisfied are you that your rent provides value for money?	80%	70%	+10%	Top quartile
How satisfied are you that your service charges provides value for money?	66%	-	n/a	Upper median
Generally, how satisfied or dissatisfied are you with the way Octavia deals with repairs and maintenance?	72%	65%	+7%	Upper median

## 6.2 Staff and services

We have carried out work on staff restructuring and in learning and development across a number of areas in order to improve efficiency and effectiveness:

- Housing Management costs remains fairly stable despite increasing stock numbers with no increase in housing management staff numbers. We restructured the Housing Management teams in 2015-16. The changes included developing our Customer Contact Team to deal with more enquiries first time and upskilling Resident Services Officers to mainstream our work supporting residents affected by welfare reform. This restructure was achieved with no increase in staff numbers. The new structure went live in January 2016 and the benefits are already evident with residents receiving a more direct service from the Customer Services Team and new Investigation Officer roles tackling ASB and tenancy fraud more effectively compared to previous generic roles.
- In 2014 we carried out a review of the salaries of office based staff against market salaries and linked salaries to the median payable as advised by an independent consultant. These will be reviewed on a three yearly basis. Related to this we implemented a competency framework that links to the values of the organisation to ensure we all work to shared objectives. In 2015-16 we began the review of salaries of our remaining staff against market salaries and these reviews will complete in the coming year.
- Our overall Human Resources aim is to recruit and retain well qualified staff. We are strongly supportive of staff development. In 2015-16 we refreshed and re-launched our staff induction ensuring the 'fundamentals' of working at Octavia were covered and new staff are clear on the values of the organisation. We have also invested in training for managers commissioning Mast consultants to deliver a programme of Learning and Leadership courses which will complete later this year.
- Our internal staff survey in 2016 found increasing staff satisfaction with working at Octavia; 88% of staff said they would recommend Octavia to their friends (+3% compared to 2015). We were awarded Silver accreditation by Investors in People (IIP) when we were last assessed by IIP, and our next assessment by IIP takes place later this year.



## 6.3 Repairs

Our routine repairs and gas servicing contracts included options to review after five years in 2013. Although resident satisfaction with the repair service improved over the period of the contract we took the opportunity to challenge the value for money of the service and to further improve the service offered. In doing this we remodelled the way we worked and introduced a Price per Property to reduce administration. We also introduced Open Book accounting which allows us access to contractors' accounting records and a 'pain/gain' mechanism to encourage further improvements. This 'shared saving' approach with the contractors encourages on-going savings. An annual 2% reduction target was included in the programme to deliver an estimated £300,000 saving over the remaining years of the contract to 2018.

In addition to savings from the Open Book accounting approach, our gas servicing contract in 2015-16 also realised savings because we shifted gas servicing to the summer months. This meant that during winter months engineers can concentrate on repairs, thus reducing resources required overall. The associated savings for Octavia in the year was £35k.

Procurement can be expensive and time consuming. We have implemented a number of strategies for minimising these costs and improve the quality of service delivered to our residents. These have included making use of established procurement clubs and entering into long term partnering contracts, supported by challenging performance indicators and shared reward systems to incentivise our Partners to deliver innovation.

In addition to the normal maintenance of buildings Octavia has a long term commitment to enhance the homes we manage in line with changing expectations and also as part of a strategy designed to protect public investment. In the past twelve months we have been investing through our cyclical programme, the kitchens and bathroom programme, and energy improvement works.

Each programme is procured with care taken to strike the correct balance between cost and service level. Where possible we aim to batch works of different types together and we aim also to batch properties in the same area. This batching of work can have a major impact on cost. In the past two years we have developed a cost effective approach to improving energy efficiency by:

- Focusing on doing works to sub-standard properties whenever they become void;
- Undertaking other works as part of cyclical maintenance programmes;
- Undertaking insulation works when we are fitting new kitchens and bathrooms.

## 6.4 Tackling tenancy fraud

As indicated above, our housing management restructure during the year created two specialist Investigation Officer roles (with no overall increase in staff numbers). One of the main focus of these roles is to investigate suspected tenancy fraud to ensure that scarce social housing is provided to families in genuine housing need. We are already seeing the benefits of having this dedicated resource. In 2015-16 we recovered 6 properties. According to the Centre for Housing Policy estimates (2015), each recovered property saves the tax payer around £24k per year on the average cost to house a family in temporary accommodation in London.

## 6.5 Other re-procurements

We know utility costs are a real worry for some of our low income families, so we are taking a number of steps to help. In addition to the energy efficiency works to our buildings, we have retendered the contract on service charge utility costs.

We also retendered contracts on office supplies and printing, insurance integration with the Ducane merger, and upgraded our telephony system.

Re-procurement of services in the year led to efficiency gains of around £0.2m combined.

## 6.6 Legal costs

We joined Housing Association Legal Alliance (HALA) in 2014. This means we benefit from joint procurement, some free legal helpline advice, and hourly fee rates from the panel law firms as a result of competitive tendering. We also benefit from some free training offered, saving around £2k in 2015-16.

## 6.9 Welfare reform

As mentioned above, our rent arrears and rent collection performance was stable in 2015-16 despite the challenges of welfare reform.

*"I knew that Octavia ran an employment service so I got in contact. A voluntary position came up in the Estates Services team. It was daunting at first. But it was nice to wake up with a purpose"*

Rita, Octavia resident

*"For me the opposite of being noble is to be ashamed, and I think that people who are poor or homeless often feel ashamed. If you haven't got somewhere to live, how can you feel noble?"*

Jean, Octavia resident



We have put in place a number of measures to support households affected by welfare reform to help them to sustain their tenancies. The Financial Inclusion post adds value to the work of the Income Team and makes targeted contact with households affected by welfare reform. We have automated our welfare reform segmentation work on our contact management system so we make best use of resources and prioritise households for early contact by assessed risk based on live data. Our debt advice service provided in partnership with the local Citizens Advice Bureau is fully utilised. We continue to implement a targeted publicity campaign so that households affected by different aspects of welfare reform receive information that is specific to their circumstances. With these support measures in place, the financial impact of welfare reform thus far on Octavia has been modest. At the end of March 2016:

We have 13 households affected by the Benefit Cap.

We are aware of 9 Octavia households is in receipt of Universal Credit thus far.

The main welfare reform impact on Octavia has therefore been the Spare Room Subsidy for under-occupation. We have managed this impact well and made contact / visited all the households affected. To achieve this our Income Team increased its work in the evenings and over weekends in order to maximise personal contact. 124 households are affected by the Spare Room Subsidy:

- Rent arrears of households affected by the Spare Room Subsidy at 2015-16 year end was 4.6% (0.3% higher than general needs arrears overall);
- 18 affected households have been issued with Notices, the majority are engaging with repayment plans, and we have had no evictions of affected households since the introduction of the Spare Room subsidy.

## 6.10 Some VFM challenges in 2015-16

We have learnt from a number of VFM challenges in 2015-16:

The location and composition of our stock means that we need to invest in additional works as part of each cyclical period. During the year we made a substantial level of investment in component renewals, major repairs and improvements, spending £3.5m in total on this activity. Given the difficulties of replacing social housing in the areas in which we operate, this investment is part of our strategy to ensure our homes are maintained to a good standard over the long term. However we believe there is more we can do to minimise costs by improving our controls further on planned works and ensuring we always carry out capital and revenue items at the same time where possible. The recent report by Ridge Consultants also made recommendations (see Section 7 below) that we will implement.

As described above, we have made some disposals within our long term approach to asset management. We want to make use of our strong asset position to provide excellent VFM but without jeopardising precious (and potentially irreplaceable) social housing in our local areas. Striking the right balance in this regard remains a real challenge, and that challenge is likely to increase with the extension of the Right to Buy under voluntary arrangements. We will continue to make targeted disposals where this makes business sense, in accordance with our Disposals Policy, and consistent with the values of the organisation. We await the outcome of Right to Buy pilots before deciding on our approach.

Lower capital grant rates and potential pressures on gearing levels present development challenges. We have set up a separate subsidiary (Octavia Living) which undertakes development that includes outright sales as a cross subsidy, and used resources freed up by the recent Ducane merger and Octavia Hill Limited as part of a strategy for undertaking additional development. This helps us to achieve our ambition to grow our social and affordable rented portfolio by 3% year on year.

## 6.11 Added value / work with impact

We believe that 'good homes make for better lives' and want our work to have positive impact to help improve the lives of the people we house. It is a challenge to measure that impact. In addition to the homes we provide and the quality of housing management, perhaps the most direct measures are the outcomes from the 'additional' services that we provide:

Our Care and Support services provide essential support to elderly and other residents so they can remain in their homes which would otherwise increase costs for Social Services budgets:

- Our six extra care schemes combine independent living for older people with the benefit of 24 hour care and support. All six schemes met the high standards required of them at their yearly Care Quality Commission inspection.
- 142 older people regularly attended our two day centres – The Quest and Kensington Day Centre.
- Our floating support service helped 74 older people living in Westminster and Kensington & Chelsea.
- We completed 182 minor adaptations and 43 major home adaptations to help Octavia residents to continue living independently.

We use a STAR well-being rating with residents living in our Care schemes and the majority of residents rated their wellbeing as having significantly improved since moving into the scheme; the overall average score was 9 out of 10.

*"I've got the strength back in my legs and I've got this walker, I can go out and do a bit of shopping. Of all the properties I've lived in, this is the best. It's nicely decorated and there's help and support if I need it"*

Ann, Extra Care Housing resident

*"It's just being there for someone to talk to and for someone to confide in...After a while I didn't feel as though I was volunteering – it became part of my everyday life."*

Alice, Octavia Foundation Befriending volunteer

Our community charity – the Octavia Foundation – run a variety of community projects that help to build local community life and support people in disadvantaged situations. During 2015-16 we were able to help just under 2000 local people and Octavia residents through our strong partnership with the Foundation. The range of community initiatives includes:

- Our Employment and Training programme supported 26 residents into full time work, and just under 100 in training, volunteering, work placements and to be more job ready.
- We continued our Apprentice scheme, placing local young people out of work with different departments in Octavia so they can learn new skills and build confidence.
- Our BASE project and young people's summer projects help children and teenagers to build confidence, learn life skills, promote healthy living, and learn creative skills through theatre and film workshops. These projects worked with 168 young people.
- The outreach and befriending service supports older people and vulnerable adults over the age of 50 who live in Westminster. Last year we supported, with volunteer befrienders, 359 people who were experiencing loneliness and isolation.
- The Debt and Welfare Benefits Advice service (delivered through the CAB) provided over 441 advice sessions to residents to help them manage their debts and maximise their income. The sessions are fully utilised.
- The Foundation provided 107 residents with welfare or education grants providing essential household items and assistance to pursue education.
- Our Handyperson service provides a free service to elderly and disabled residents with small jobs that are normally not a landlord's responsibility. Last year 452 residents used the service.
- Our Foundation shops operated with the help of over 100 volunteers. The shops brought in additional income to assist with the work of other Foundation projects.

How social value is measured is much debated in the sector, and we are continuing to develop our own approach. One of the most widely used methods currently is that developed by HACT and the LSE. Using the social value metrics in their approach the monetised value of the Octavia Foundation's work in 2015-16 was £14.7m and the Social Return on Investment ratio was 1:28 – meaning that for every £1 spent an equivalent £28 in terms of social value was achieved.



## 7 PLANNING AHEAD

### We said...We did...

In our 2015 VfM Statement last year we said that the key areas for us in planning ahead were:

We said...	We did...
<p>Responding to external change challenges including a reduction in rental income, the extension of Right to Buy, and changes in interest rates. Carry out scenario testing to manage risk.</p>	<p>We completed detailed financial projections taking into account the decrease in rental income over four years. Interest rates remained low with base rate at 0.5%. The financial projections shows we can afford our plans, remain in surplus and within banking covenants. We await the Right to Buy pilot outcomes before deciding on our approach. Scenario testing to manage risk were completed.</p>
<p>Increased role for our Customer Contact team to deal with enquiries first time, and increase capacity for frontline staff to provide targeted personal contact to residents.</p>	<p>The Customer Contact Team has increased its activities on resolving enquiries at first contact significantly, including on rent and payment contacts, transfer information, and booking appointments directly for patch Officers without the need to transfer calls. A project plan is in place for the next phase of the team's development.</p>
<p>Improve the energy efficiency of our buildings.</p>	<p>During the year 300 homes benefitted from energy efficiency measures. Our SAP rating increased further to 67.5. This is the third year of a 10 year programme of energy improvement works.</p>
<p>Increase our social / affordable rented stock by at least 3% year on year and grow our portfolio of low cost home ownership products.</p>	<p>In 2015-16 we completed 168 new homes (112 were for social or affordable rented housing and 56 for shared ownership). This exceeds the long term target of 3% annual growth. A 3.6% increase in our social / rented housing portfolio is projected next year.</p>
<p>We will retain a focus on tackling tenancy fraud and ensure we provide homes to those in housing need.</p>	<p>Our Housing Management Team restructure created two Investigation Officer roles. They are bringing specialist skills in tackling tenancy fraud. We recovered 6 properties in the year - an estimated saving of £24k per property per year to the public purse.</p>
<p>We remain committed to providing care and support in an integrated set of services that address a wider need beyond providing accommodation.</p>	<p>The redevelopment of the Kensington Day Centre will include 13 level access homes and completes later this year. We opened a new extra-care facility with 36 new properties. We are in the process of developing an additional scheme for older residents providing 36 further homes. The Octavia Foundation provided support and community services to just under 2000 residents and local people.</p>
<p>We will complete a review of our governance structure.</p>	<p>We completed the review of our governance structure and further improved our Assets and Liabilities Register linking into live systems data. With Ducane joining the group, in 2016 we will review the best ways for Octavia Hill Limited to achieve its objectives.</p>

## Going forwards...

VfM is central to all aspects of Octavia's Forward Plan. In planning ahead the key areas that we are working on include:

- Given rent reductions mean real income falls over four years, we have set a 'high level' target of 3% savings on the organisational budget between now and March 2018.
- We aim to further develop the culture of the organisation so that there is far greater awareness and knowledge about the costs of each service. We will do this through improved financial information, target setting, and a more complete assessment of service improvement that includes costs and efficiencies.
- We will complete cost reviews in identified areas where we have assessed VfM gains can be made in particular: the use of temporary staff, major void losses, and improving our service charge service through the implementation of Ensemble software.
- We will prepare for new repairs partnering contracts in 2018, involving residents in our tendering process, and review whether the current Price Per Property approach provides the best VfM possible.
- Our property portfolio will continue to require significant levels of investment to protect property value and avoid higher costs later if we do not invest properly now. Our current financial plan envisages spending just under £26m on planned works over the next five years. We will implement the Ridge recommendations as noted above, including to carry out an options appraisal of the various delivery models that might be considered to take advantage of VAT shelters, and more like for like benchmarking of Asset Management costs with other London Registered Providers including on cyclical decoration unit costs and average void costs.
- We remain committed to improving the energy efficiency of our buildings to bring all our homes up to a good energy standard. We are about to start work on external wall insulation and associated planned works on 50 properties in Westminster. This was originally costed for half the number of properties. In expanding the programme we realised an additional £200k savings compared to the previous price.
- Improve and integrate our use of information technology through a series of projects. We have commenced work on an Enterprise Automation system to improve the ability of various systems to communicate with each other. We will develop additional contact management workflows and increase use of mobile devices so staff can maximise resident contact in local areas.

- Alongside the improvements in information technology the role of the Customer Contact Team will expand further dealing with increased number of housing management enquiries first time across all tenures. We will start to look at quantifying potential savings from this direction of travel, and the impact on other areas of our service.
- Retain a focus on supporting residents through welfare reform to avoid the additional costs to the wider community when tenancies break down (and the social costs to the individuals and communities affected). Thus far no Octavia resident impacted by the Spare Room subsidy, benefit cap or claiming universal credit have lost their tenancy with us.
- We will continue to invest in staff training as part of our ambition to be 'the best at getting better' so that staff engage successfully with new information technology, work together to deliver our set of integrated services, and do so fully embracing our values to be Responsive, Respectful and Reliable.
- Deliver on our development aspiration to grow by 3% each year in terms of our social / affordable homes portfolio (total of 675 new homes over the next 5 years) and further grow our home ownership products, with Octavia Living producing cross subsidy, using resources freed up through the Ducane merger, and capitalising on Section 106 opportunities where they arise.
- Review the extension of the Right to Buy pilot outcomes and decide on our approach in regards to this voluntary scheme; supporting residents' home ownership aspirations with a scheme that is resource efficient and consistent with Octavia's overall objectives.
- The referendum vote in June 2016 to leave the European Union may have an impact on Octavia in a number of ways including property prices in London, interest rates, the market for care workers and general uncertainty in the UK economy. It is too soon to assess the potential impact, but we are mindful to keep this under review.



## APPENDIX 1 - VALUE FOR MONEY STANDARD

### Required outcomes

Registered providers shall articulate and deliver a comprehensive and strategic approach to achieving value for money in meeting their organisation's objectives. Their Boards must maintain a robust assessment of the performance of all their assets and resources (including for example financial, social and environmental returns). This will take into account the interests of and commitments to stakeholders, and be available to them in a way that is transparent and accessible. This means managing their resources economically, efficiently and effectively to provide quality services and homes, and planning for and delivering on - going improvements in value for money.

### Specific expectations

#### 1.1 Registered providers shall:

- have a robust approach to making decisions on the use of resources to deliver the provider's objectives, including an understanding of the trade offs and opportunity costs of its decisions
- understand the return on its assets, and have a strategy for optimising the future returns on assets – including rigorous appraisal of all potential options for improving value for money including the potential benefits in alternative delivery models - measured against the organisation's purpose and objectives
- have performance management and scrutiny functions which are effective at driving and delivering improved value for money performance
- understand the costs and outcomes of delivering specific services and which underlying factors influence these costs and how they do so.

#### 1.2 Registered providers' boards shall demonstrate to stakeholders how they are meeting this standard. As part of that process, on an annual basis, they will publish a robust self-assessment which sets out in a way that is transparent and accessible to stakeholders how they are achieving value for money in delivering their purpose and objectives.

The assessment shall:

- enable stakeholders to understand the return on assets measured against the organisation's objectives
- set out the absolute and comparative costs of delivering specific services
- evidence the value for money gains that have been and will be made and how these have and will be realised over time

*Extract from the "Regulatory framework for social housing in England"*