VALUE FOR MONEY ("VfM")

Report for the year to 31 March 2018

A new Value for Money Standard and supporting Code of Practice came into effect on 1 April 2018, alongside new metrics, which we are expected to report against. As a result, our VfM reporting is changing over the next few years as the new metrics bed in across the sector and comparative data becomes available to benchmark our performance.

VfM Metrics

The table below set outs the metrics for the year ended 31 March 2018 with comparatives from the previous year.

No.	VfM metric	2018	2017
1	Reinvestment %	4.5%	7.2%
2	New supply delivered %	3.9%	2.0%
3	Gearing %	22.1%	21.6%
4	Earnings Before Interest, Tax, Depreciation, Amortisation, Major Repairs Included (EBITDA MRI) Interest Cover %	525.5%	561.9%
5	Headline Social Housing cost per unit	£2,470	£2,780
6	Operating Margin %	29.5%	26.6%
7	Return on capital employed (ROCE)	3.7%	3.1%

Commentary on VfM metrics:

No.	Comment
1	There has been a fall in reinvestment to 4.5% (2017: 7.2%) reflecting a stage of the overall development programme where a number of sites are in the planning and design stage. We would expect this ratio to increase in the next 3 years as projects start on site.
2	Unity is part way through its biggest development programme, delivering 220 new homes by 2021.
3	Gearing remains well within our covenant levels (65%) although this will increase over the next five years as we draw down agreed loans to fund the remainder of our development programme.
4	Our interest cover is significantly above covenant levels (of 120%) and is forecast to remain at comfortable levels even as we draw down further loan over the next five years. We have conducted multiple combinations of stress tests to ensure our plans are robust enough to cope with financial shocks and adverse events.
5	Our social housing cost per unit remains low in comparison to the sector. The Homes England data published for 2017 showed that Unity's cost per unit was the 39th lowest out of 236 organisations. Our cost per unit has fallen in 2017/18 to £2,470 (2016/17: £2,780).
6	Operating margin has slightly increased to 29.5%.
7	ROCE has increased to 3.7% (2017: 3.1%)

Other VfM Performance Measures

We have previously measured our VfM performance using a number of measures, which included the following:

- Financial performance
- KPIs
- Maintenance performance
- Return on assets
- Benchmarking
- Social return

In future, our reporting will include less detail around these measures and more focus on the metrics shown above. We have however included details from 2017/18 below.

Finances

Unity has had a strong year financially. The surplus of £1.945m does include surpluses arising on Shared Ownership and Right to Acquire sales, which amounted to c.£400k. Operating cost savings of £167k were made (excluding bad debts) and the UHDS subsidiary saved £148k in VAT costs on consulting fees.

KPIs

A summary of Unity's KPI performance is set out in the tables below.

	Actual 2015-16	Actual 2016-17	Actual 2017-18	Target 2017-18	Met target
RENTS					
Rent arrears £k	£310k	£285k	**£279k**	£246k	
Rent arrears %	5.56%	4.91%	**4.83%**	4.25%	
Rent collection %	102.12%	100.49%	**99.78%**	100.00%	
LETTINGS & VOIDS					
Stock turnover	4.25%	4.2%	**5.21%**	<10%	
Re-let times	20 days	14.1 days	**25 days**	20 days	
Rent loss from voids General Needs	1.02%	0.68%	**0.77%**	1.00%	
Lets to nominations %	85.7%	94%	**87.3%**	50%	
BME tenant lettings - General Needs	67.1%	78.1%	**65.8%**	No less than 50%	
Long term voids	0%	0%	**0.17%**	0%	

The reduction in voids levels did not meet target but has reduced again. Further reductions have been targeted for the next year as this remains a key area of focus. Over void levels have remained within target levels at 0.77%. Stock turnover remains very low at 5.21% and as a result the re-let times are based on a relatively small number of properties over the year. Targets have been tightened for 2018-19 as we continue to focus on performance improvement.

	Actual 2015-16	Actual 2016-17	Actual 2017-18	Target 2017-18	Met target
COMPLAINTS					
Number received	21	20	21	n/a	n/a
% response on time	100%	100%	100%	100%	
REPAIRS					
% Emergency repairs in target	99.2%	99.3%	93.9%	99.0%	
% Urgent repairs in target	99.1%	98.1%	92.1%	99.0%	
% Routine repairs in target	99.0%	99.1%	94.0%	99.0%	
% First time fixes	95.7%	94.6%	90.6%	95.0%	
% Appointments kept	99.4%	98.8%	93.8%	99.0%	
Gas service	100%	100%	100%	100%	
Average SAP rating	73.7	74.0	74.2	73.0	
Repairs satisfaction	99.5%	99%	97.2%	95%	

The repairs and maintenance KPIs have been impacted by the procurement exercise for the new maintenance contractor. Performance from the out-going contractor dipped towards the end of the contract and additional short-term resource was brought in to minimise any disruption. Overall satisfaction remained high throughout this process and tenants were communicated with and involved throughout. We expect our repairs performance to climb back to target as the new contractor beds in during the first half of 2018/19.

Maintenance

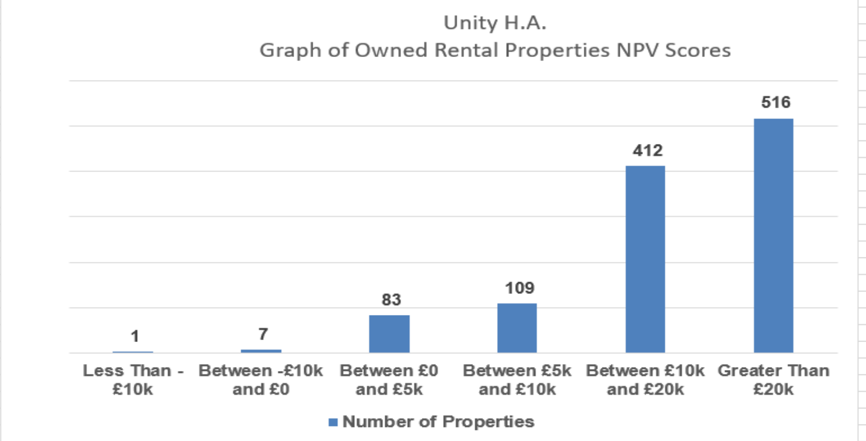
The table below sets out the number of jobs completed and the estimated financial benefit achieved by increased job numbers done within the original budget envelope.

Job Type	Budget 2017-18	Actual 2017-18	Additional works	Value of additional works
Kitchens	37	64	73%	£102.6k
Bathrooms	45	46	2%	£1.3k
Windows	7	15	115%	£22.0k
Doors	35	30	14%	£4.2k
Boilers	46	70	52%	£76.8k
External painting	169	169	0%	-
Communal painting	11	13	18%	£4.0k
Communal upgrades	8	13	62%	£7.0k
Gas servicing	1,115	1,115	0%	-
Electrical testing	364	364	0%	-
Total value of efficiency in the year				£209.5k

Return on Assets

This exercise has been refreshed in 2017 and shows that there are only eight properties with a negative NPV and one with a negative value of £10k or more. We are looking at these properties to understand why they are low. Over 82% of the stock has an NPV > £10k.

NPV at 5%	Number of Props	% of Stock
Less Than -£10k	1	0.1%
Between -£10k and £0	7	0.6%
Between £0 and £5k	83	7.4%
Between £5k and £10k	109	9.7%
Between £10k and £20k	412	36.5%
Greater Than £20k	516	45.7%
Total Rental Stock Owned	**1,128**	



Benchmarking

Unity has joined HouseMark to benchmark it's financial and performance data. The table below sets out how some of our key performance data compares with our peer group.

The Homes England global data for 2017 shows, that overall, Associations have cut costs in response to the 1% rent cuts and Unity is not different. This is partly through procurement and efficiency and partly through increased stock numbers. Unity's headline cost per unit for 2016/17 has dropped from £2,920 to £2,777, a drop of 4.9% vs the sector average of 6.8%.

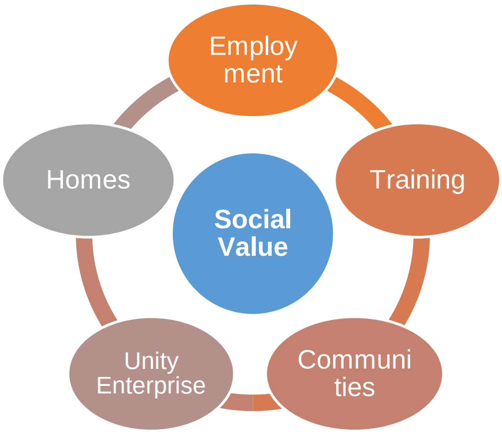
Unity's overall cost remains low against its peers (24.9% lower than the average) and is in the top 40 lowest costs per unit nationally. This is a similar outcome to last year.

2017	HCA Global 2017	Unity 2017	Variance %
Management costs	£943	£1,405	49%
Service charge costs	£551	£188	-66%
Maintenance costs	£991	£845	-15%
Major repairs costs	£747	£284	-62%
Other social housing costs	£467	£55	-88%
Headline social housing costs	**£3,699**	**£2,777**	-25%

The management costs appear high because they include central manages costs etc. for housing management and maintenance, which other organisations will be directly allocating to maintenance etc.

Social Return

Unity has begun tracking more information on the social impact delivered by its services including the following:



Some examples our social impact from 2017/18 are shown below.

- Unity Enterprise (UE) – provides rent subsidies to new start-up businesses and social enterprises.
- Business support sessions provided for UE tenants – breakfast briefings – marketing & other business focused consultants.
- Maintaining our employment support team - finding jobs and volunteering opportunities alongside upskilling and training. The team supported 115 people in to work in 2017/18 (up by 11% on last year), trained 177 (up from 146) and helped 30 people in to volunteering positions (as last year). The benefits of employment stretch far beyond the monetary aspect, often creating a sense of worth and well-being alongside increased confidence.
- Regeneration of communities – Unity not only builds homes, but also brings on board and works with partners to improve local community facilities leading to increased well-being.

Performance against targets for 2017/18

Performance against the targets we set for 2017/18 are summarised below.

Target Area	Detail	Target VFM	Actual £k	Comment
Finances	• Target cost savings against budget	£100k	£167k	Excluding profits on disposal and release of bad debt provision, Unity spent £167k less than planned om Operating costs
Performance	• Reduce arrears to 4.25%	+£60k	+£7k	Missed target. Better target forecasting is now implemented and team process is constantly under review.
	• Maintain void level at <0.75%	0.75%	0.77%	Fractionally above VfM target but below the KPI target of sub 1.0%.
	• Maintain overall re-let times at 30 days	30 days	28 days	This target has been met but is based on a low number of re-lets given the low stock turnover.
	• Maintain bad debt levels at <1.0%	<1.0%	0.51%	Bad debts remain within target helped by reducing arrears over recent years.
Maintenance	• Achieve 5% more work than budgeted (1)	£65k	£210k	Value of additional works completed within the budget envelope.
Return on assets	• Conduct further review on all properties with a net present value of less than £2.5k (around 50 properties) • Determine actions to improve value where possible	£0k	£0	Only 1 property with a NPV of less than -£10k – this is being further investigated. All properties re reviewed in 2018. 7 properties with negative values All rents have now been reviewed and potential adjustments noted for future re-lets.
Social return	• Increase the number of people supported in to paid employment by 10%	+10%	+11%	Achieved
	• Increase the number of people entering voluntary roles by 15%	+15%	+15%	Achieved
	• Increase the number people trained by 7%	+7%	+7%	Achieved

Unity has been successful in achieving substantially all of its VfM targets for the year. There remains a strong focus on those areas, which have missed target – arrear & re-let times.

The outcome for maintenance was particularly pleasing given the complexity of re-procuring our main contractor during the year.

VfM Targets for 2018/19

The targets for 2018-19 are as follows.

Targets	Comments
KPI targets	See 2018 Business Plan. Targeting improvements in arrears, re-let times and maintenance. Maintaining voids costs at current levels. They have been reviewed and approved by both the Board and Operations Committee.
Employment Team Targets	See 2018 Business Plan. Increased outcomes in the region of 10%. They have been reviewed and approved by both the Board and the UE Board.
Repairs Performance	Whilst there remains, a focus on cost efficiency there is an equal focus on repairs performance, which dipped in the second half of 2017/18 as we conducted a procurement process for our main contractor. We have targeted to achieve 99% performance ratings again across all aspects of maintenance bar overall satisfaction, which is set at 95%.
Budget saving of £100k	We are aiming to save £100k against our operating costs for year. This target is aimed to add an organisation wide focus on saving where possible.
UE rent subsidies	These are set on an ad hoc basis subject to the financial performance of UE and we are committed to maintaining them but have not set a specific target.
Know your assets	We will further review our stock and look to understand and address any low or negative value assets.