OCEAN HOUSING GROUP LIMITED

VALUE FOR MONEY ANNUAL REPORT FOR THE YEAR TO 31 MARCH 2019

VALUE FOR MONEY REPORT 2018/19

Background

Ocean Group has a strong commitment to value for money (VFM) and wealth creation. Following enforced reductions and strong control over rents from Government and a fall in levels of grant for new affordable homes, Ocean, and the housing sector generally, has focused on creating its own additional wealth and greater operating efficiency.

The Regulator for Social Housing (RSH) plays the pivotal role in ensuring VFM throughout the social housing sector on behalf of Government. The RSH does so through the development and regulation of a VFM Standard. This Standard was recently renewed and a revised approach became operational from April 2018. The new Standard introduced a range of financial metrics to be used to assess performance, clarified expectations of Boards and revised the reporting requirement and format of VFM activity. This 2018/19 report reflects the new reporting format and the new Standard became effective from April 1 2018.

The Ocean Group Board has fully reviewed the new VFM Standard, utilising its Group Audit, Risk and Assurance Committee to critically appraise its requirements and assess the compliance with it. It is considered that the Ocean Group and Board actions are in compliance with the expectations of the new VFM Standard.

VFM Framework and Culture

The Group Board are responsible for driving VFM at Ocean. VFM is embedded into the culture of Ocean and the strategic objectives are enshrined in the Groups Corporate Strategy and at the heart of Ocean's operations. Strategic targets for wealth creation and VFM have been set by Group Board. Such targets are vital to fulfil the Groups ambitious growth plans as contained in the recently adopted New Homes Strategy to 2030 and strong desire for greater existing stock investment as contained in the Asset Management Strategy.

The Board recognise that their ambitions can only be accommodated through the efficient operation of the business and strong operating margin, maximisation of existing asset worth and external wealth generation from the Groups commercial activity, most notably its expanding open market sales programme.

The Board recognise VFM is not just about efficiency, it is also about effectiveness and economy. The Boards Corporate Strategy is therefore based around 5 'Golden Threads' which harness the VFM 3 'E's to provide quality services to tenants and optimum outputs from the resources we have available.

Critical review of monitoring performance is undertaken by Group Audit, Risk and Assurance Committee. The Committee do so on behalf of Group Board. The Board are committed to continuous improvement. A major transformational change project known as 'Ocean 2020' is currently being progressed. This £2 million investment in processes, systems, behaviours and culture will look to provide improved customer focussed services through flexible and smarter working practices and quality.

To ensure this investment is maximised and embedded, and delivers long term sustainable continuous improvement, the Group have created a Business Improvement Team to stimulate constant challenge and development of excellence and VFM across the Group.

Ocean consider that its commitment to VFM for its customers is sound and in-so-doing fulfils the obligations and expectations of the VFM Regulatory Standard. The framework of VFM and embedded culture provides strong evidence to support this position with generally positive outputs and performance on key metrics, ratio's and targets set internally and also as compared with peers.

Performance Against Board Driven Financial Targets to 31 March 2019

Wealth Creation

In 2015, in response to falling grant rates but with a desire to continue a robust new build development programme, a wealth creation strategy was created to replace lost grant and support development aspirations.

The Board set a 5-year plan from 2015 to 2020 with a target to create additional wealth amounting to £5.4 million. This would be achieved through 2 sources;

- £2.5 million from the sale of existing social housing stock in Ocean Housing Ltd, expressed as net discounted inflow.
- £2.9 million from externally generated profits, primarily open market sales, from the Groups commercial subsidiary, Gilbert and Goode Ltd. The externally generated profits would be transferred to Ocean Housing Ltd through Gift Aid.

The Board target was to secure this additional income by 31 March 2020. As at 31 March 2019 the target has been successfully delivered, indeed, exceeded.

- Existing Asset Sales - £2.5 million,
    - Target met 23 months early, April 2018.
- External Contracts and Sales - £2.9 million Gift Aid paid,
    - Target met 12 months early, March 2019

In addition, additional wealth of £740,000 has been secured up to 31 March 2018 through the optimisation of closing Ocean Services (SW) Ltd following a Group restructure in 2015. This cash has been directly applied to support tenant and stock investment benefit in Ocean Housing Ltd in 2018/19 through 2 new work programmes, one in respect of energy efficiency to relieve tenant fuel poverty, and secondly a sprinkler system for Oceans only high rise block of flats to enhance fire safety and security in the building. This investment is a strong outcome that evidences the positive impact for tenants to Oceans robust and effective VFM culture whereby optimisation of efficiency and wealth directly enhances tenant's wellbeing.

With success through early completion of the £2.5 million asset disposal programme, Board set an increased strategic target to help fund greater investment in existing stock. With the original target complete at the very beginning of April 2018, with effect from 2018/19 a new target of wealth creation from selling existing assets was set.

The target is to generate £1 million per year expressed as the benefit on a discounted cash inflow basis. In addition a new target promoting staircasing of shared ownership was set of £500,000 discounted net inflow from sales per year. It is estimated such discounted net cashflow of these amounts requires 10 existing asset sales and 5 equivalent full staircasing sales.

In 2018/19 the actual performance fell short of the target, 8 existing homes were sold generating a net inflow of £0.79 million and 6 staircasing transactions generated a net inflow of £0.28 million. The total wealth created during 2018/19 from the disposal programmes amounts to £1.07 million, £0.43 million short of the £1.5 million target.

Failure to meet this wealth creation target could; preclude future plans for stock investment. Despite being unable to meet the 2018/19 target, the ambitious aspiration has remained for 2019/20 and continues at the £1.5 million value annually to 2030 in the business plan. Fortunately, during 2018/19 an exceptional number of right to acquire sales occurred. 4 sales, following tenants exercising their right, generated a discounted net inflow of £0.471 million. The windfall has generated sufficient extra cash inflow to prevent the need to carry forward the wealth creation shortfall from 2018/19 to future years.

Additional senior management attention will be given to this area to help ensure current and future year’s targets are met so that confidence in planned stock investment can be assured. A review of the asset disposal process is inherently incorporated in an existing agreed improvement review scheduled from the Business Improvement Team in 2019/20.

Operating Efficiency

In July 2015, the Chancellor of the Exchequer announced in his annual budget, the implementation of 4 years of 1% rent reductions for social rent tenancies. The 4 years commenced in April 2016. When implemented into the Groups business plan the overall impact was a 14% reduction in annual rent turnover from April 2020 onwards. In monetary terms this represents a £3 million reduction in rental income per year from April 2020 onwards.

In its response to the Governments 4 year rent cut directive the Group Board approved an efficiency plan with an objective to retain the prevailing business plan resilience and operating margin strength. They approved a plan to reduce net annual operating costs in Ocean Housing Ltd by £3 million from April 2019. This action plan was in addition to two other efficiency action plans that existed prior to the rent cut announcement amounting to £1 million per year.

The three operating efficiency plans were subsequently consolidated into an ‘Improvement Plan’ embracing all objectives, which had a target saving of £4 million per year and a completion date of April 2019.

As a consequence of the 4-year 1% rent cut announcement one of the original corrective actions to mitigate this significant threat included a 50% reduction in new home construction activity. However, two years on from approval of the ‘Improvement Plan’ the Board subsequently reviewed their strategic objective to building new homes and approved a ‘New Homes Strategy’ that reverses the 50% cut in new build.

The New Homes Strategy sets ambitious development targets to build 3,000 new homes of all tenures by 2030, this Strategy formally removed the £1 million of the 'Improvement Plan' target which was to be delivered from a reduced build programme. Following the New Homes Strategy approval, the revised 'Improvement Plan' target from April 2018 was to deliver £3 million operating and related efficiencies in Ocean Housing Ltd from April 2019 onwards. The targeted areas were:

Management Cost Efficiencies	£1.2 milli
Maintenance Cost Efficiencies	£1.3 milli
Maintenance Programme Changes	£0.5 milli
	£3.0 milli

As at 1 April 2018 the targeted efficiencies had been successfully satisfied and fully embedded into annual operating plans in Ocean Housing Ltd's budget 2018/19 and onwards. This represents an excellent achievement, strengthening operating margins without impacting on tenant services. Significant areas of value for money efficiency success were;

- Group restructure and collapse of Ocean Services (SW) Ltd
- Closure of all defined benefit pension schemes
- Further efficiencies in overhead costs
- Rigorous control on inflation growth, including pay awards
- Revised planned works programmes and robust procurement outcomes

It is also noted that Ocean is a founder partner of Advantage South West (ASW). This partnership of local housing providers promotes best practice in many areas, not least development and maintenance activity. ASW has a procurement club for the purchase of many key building supplies and materials. In 2018/19, £344,729 was saved by Ocean as a direct result of being members of this club.

In 2013/14, the total operating cost (excluding depreciation) of managing Ocean Housings 4,145 homes was £8.85 million. Allowing for 7.3% consumer price inflation and 10.8% growth in number of units to 4,594 at 31 March 2019, this would equate to a predicted operating spend of £10.52 million for 2018/19. However, the actual cost for 2018/19 to specifically manage Ocean Housings social dwellings (excluding depreciation & Impairment) was £7.67 million. This illustrates an estimated annual operating efficiency saving of £2.85 million that has been achieved through successful implementation of the Improvement Plan over the last 3 years.

This successful VFM activity has been fundamental to ensuring Ocean Housings continued viability and business plan strength, despite all of the challenges from the enforced rent cuts. Without this success, culminating in 2018/19, the ambitious plans of the Group in terms of new home building growth would not be possible.

In addition to the efficiency success in Ocean Housing Ltd, Gilbert and Goode Ltd have also significantly outperformed their targets. The business has successfully adopted a programme to build open market homes for sale and have seen the profits significantly exceed expectations. This has facilitated an advanced clearance of the Company's £2.9 million Gift Aid obligations to Ocean Housing Ltd as at 31 March 2019.

This completes the Group Board strategic ambition for wealth creation from external sales and contracting by Gilbert and Goode Ltd. The outperformance of board objectives in external wealth creation by Gilbert and Goode directly supports and enhances Ocean Housing Ltd's social housing activity.

Over the last 5 years the pre-tax profits of Gilbert and Goode Ltd have been;

YEAR	TARGET PROFIT	ACTUAL PROFIT
2014/15	£0.25 millio	£0.99 millio
2015/16	£0.70 millio	£1.85 millio
2016/17	£1.66 millio	£3.10 millio
2017/18	£1.56 millio	£2.10 millio
2018/19	£0.16 millio	£0.46 millio

Cash not paid over to Ocean Housing Ltd from these outperformed profits is used as liquidity to support the growth of the open market sales programme and strengthen Gilbert and Goode's resilience under stress testing.

Key Financial Performance Ratio's to 31 March 2019

As evidenced in the previous section, Ocean have applied a robust and ambitious attitude to VFM and demonstrated continuous improvement over the last few years in maximising wealth from its assets and resources and optimised efficiency and its operating margin. Such success has directly benefitted Oceans tenants and the community in which it serves through the consequential improvement of service quality and provision of greater outputs in existing stock investment/regeneration and building of more new homes.

In this section the metrics, ratio's and outputs from VFM activity are illustrated and compared to Ocean's peers. From its inception, Ocean has always taken a robust approach to VFM, historically performing strongly in cost per unit related metrics. The success of the Boards 'Improvement Plan' efficiency strategy has further embedded the pro-active VFM culture and its strong and beneficial outcomes for tenants and local community.

Oceans successful outcomes from its strong approach to VFM is clearly evidenced in sector wide comparative data analysis. Ocean is a member of the 'Sector Scorecard' which is a widely used benchmarking facility for the housing association sector.

Ocean's commitment to benchmarking as a means to promote optimal performance saw the Group being one of the first to sign up to the Sector Scorecard pilot programme in 2016. The Sector Scorecard collects data from housing associations against 15 vital financial indicators. In addition, Ocean has always been, and remains committed, to the Housemark benchmarking service which provides a much more detailed analysis of performance and outputs for the housing movement and which allows Ocean to critically challenge its activity.

The revised VFM Regulatory Standard introduced 7 key financial metrics that the Regulator expects all associations to assess their performance against. The Sector Scorecard dataset includes all 7 of the essential metrics as included in the Standard along with 8 other metrics.

The Sector Scorecard data is collected at a Group consolidated basis and Ocean's Group-wide performance, compared with others, is presented in the table over the page for most of the key ratios. As the national outcomes for the 2018/19 Sector Scorecard have yet to be published, the 2017/18 Report has been used as the peer group benchmark. When the 2018/19 Sector Scorecard outputs have been issued a detailed analysis of the Group's performance against these metrics will be presented to Group Audit, Risk and Assurance Committee for scrutiny.

In the table below Ocean Group's last 3 year's performance is benchmarked against the latest published national Sector Scorecard outputs from 2017/18. Oceans outputs projected for the coming year are also illustrated to aid understanding of trends.

RATIO	OCEAN 2016/17	OCEAN 2017/18	OCEAN 2018/19	A	PEERS 2017/18	B	F'CAST 2019/20
Business Wealth							
Overall Operating Margin*	33%	32%	**26%**	X	28%	X	22%
Social Housing Operating Margin*	43%	44%	**39%**	X	30%	✓	39%
Interest Cover*	225%	156%	**137%**	X	214%	X	117%
Development							
Social Units Built*	2.4%	3.3%	**2.0%**	X	1.0%	✓	3.3%
Non-Social Units Built*	0.5%	0.5%	**0.1%**	X	0.0%	✓	0.1%
Gearing*	67%	64%	**65%**	✓	35%	X	68%
Outcomes							
Reinvestment*	9.8%	7.8%	**5.4%**	X	5.8%	X	10.1%
Effective Asset Management							
Return on Capital Employed*	4.7%	5.4%	**5.0%**	✓	3.7%	✓	4.2%
Dwelling Occupancy	99.7%	99.5%	**99.8%**	✓	99.4%	✓	99.7%
Responsive Repairs to Planned Work	0.94	0.88	**0.65**	✓	0.61	X	0.46
Operating Efficiency							
Social Housing Cost Per Unit	£1,966	£1,787	**£2,087**	X	£3,450	✓	£2,696
Rent Collected	99.4%	100.3%	98.7%	X	99.9%	X	98.5%
Overheads to Turnover	8.8%	6.8%	7.1%	X	12.0%	✓	7.1%

A – Historic Trend Indicator
B – Peer Group Comparison Indicator
* – Required metric from the Value for Money Regulatory Standard

It is to be noted that there are 2 published national Sector Scorecard indicators that are not currently in use at Ocean. The Community Investment indicator is considered by the Group to not carry the same level of data integrity from the national reporting as the other key metrics. Secondly, Ocean has not produced a Customer Satisfaction metric as it has not undertaken a comprehensive survey that would accord fairly with comparative results from peers. It is recognised that Ocean Housing Ltd needs to undertake an independent and comprehensive tenant satisfaction survey and this is scheduled to be completed in 2019/20 and will then be included in future reporting in the VFM Report.

Turning to the messages that arise from the benchmarking table above, Ocean is generally sound in the majority of most measured areas. However, when compared with peers, performance is below sector average in the 6 areas detailed below;

- Overall Operating Margin
- Interest cover
- Gearing
- Reinvestment
- Ratio of Responsive Repairs to Planned Work
- Rent collected

The first metric where Ocean is below peer average is 'Overall Operating Margin'. In previous years Ocean performed above average, however this metric is heavily impacted by Gilbert and Goode performance and, after a number of years of strong profits from the Groups construction and development Company, 2018/19 saw a marked reduction which, in turn, has led to a materially adverse movement in the Overall Operating Margin matric.

In respect of the first 2 adverse 'treasury' metrics, Gearing and Interest Cover, the Board consider these outcomes, to some degree, reflect the long-term success and ambition of Oceans new build affordable development, whereby units built represent a significantly greater proportion to existing stock than most other associations. This situation has been long-standing, not least, as Ocean was created through a stock transfer from Restormel Borough Council whereby large debt is incurred from day 1 to acquire the ex-Council stock. Inherently this will see relatively high levels of debt and, albeit not as directly correlated, higher interest costs. The consequences of a stock transfer acquisition and 19 years of significant new build development put Ocean into the highest quartile of the Sector Scorecard. Board fully recognise this carries risk, and have stress tested the business robustly to manage and mitigate adverse scenario's impacting in this area. Board remain confident that sound treasury management ensures this is adequately controlled for the benefit of continued new supply at prevailing annual volumes.

In respect of interest costs, the metric is materially impacted with a historic long-term fixed debt. Whilst providing sound certainty in long term business planning the annual costs are greater than the current market interest rates. The treasury position is regularly and critically reviewed by Board using independent funding advisors. During 2019/20 a further critical review is being undertaken and confidence exists that opportunity will be created to reduce overall average rates during 2019/20. It should also be noted that the Interest Cover metric for 2018/19 is significantly influenced by the one-off £1.1 million impairment charge for Polgrean Place and the fall in Gilbert and Goodes profit from 2017/18.

For 2018/19 the Reinvestment metric has fallen and appears below sector average. This is an outcome from Oceans 2018/19 new build programme delivering less output than previous years and reflects the difficulty in securing land for development. However, the Group has a long term New Homes Strategy that tackles this short term fall and future years see a strengthening of this performance

In respect of the repairs ratio, the Board recognise that investment in the existing stock is below the sector average. Using this helpful and powerful metric to underpin decision-making, the Board sought to explore how it can utilise efficiencies, asset maximisation and wealth creation to secure a more 'balanced' ratio. The Board in the last couple years have therefore specifically taken action to address this matter with a strong commitment for greater re-investment in the stock. Such commitment is directly aligned to the success of the various strands of the Groups VFM targets, in particular the existing asset disposal programme and, along with the maximisation of available grant resources from external bodies, the latest business plan embraces a material increase in expenditure in the existing stock. This strategic progress is clearly evident in the positive movement of this ratio over the last 3 years and will continue.

Notably, the success of Ocean's VFM asset disposal activity is supporting;

- Regeneration of 66 homes at Polgrean Place estate in St Blazey - £12 million.
- Extensive fuel poverty and insulation works to 167 Cornish units - £2.5 million.
- Installation of a sprinkler system at Park House in St Austell - £0.26 million.

The 6th metric adverse to Ocean's peers is rent collection. At this stage it is difficult to be clear as to the extent of concern. This metric is the one most materially compromised through using 2017/18 peer performance data. This is because of the highly significant impact of Universal Credit on rent collection with rollout in Cornwall commencing in May 2018. As such, 2018/19 collection is inherently materially different to any performance figures from a year prior to Universal Credit's existence

In addition to critical focus on how Ocean compares to its peers, attention is also given by Board to 'trends'. Looking at the movement of metrics over the last 3 years, 7 adverse movements are worthy of explanation:

- Overall operating margin has fallen in 2018/19 as a direct result of Gilbert and Goode's lower 2018/19 profits.
- Social housing operating margin has fallen as a direct consequence of the £1.1 million impairment of Polgrean Place.
- Interest cover has fallen as a direct outcome of Gilbert and Goode's lower level of profit in 2018/19 and the aforementioned impairment of Polgrean Place.
- Social housing newbuild completions in 2018/10 were lower than the previous year's 'exceptional'' output, however was fully in line with the 5 year New Homes Strategy expectations.
- Non-Social Housing newbuild completions have fallen in 2018/19 and is a direct consequence of Gilbert and Goode's open market programme plans being frustrated from difficulty in being able to secure land in a timely manner. Outputs were below expected 'in-year' performance contained in the New Homes Strategy.

- Reinvestment is progressively falling and is caused by a reduced spend on building of new homes following an 'exceptional' previous year, however remained in line with New Homes Strategy plans.
- Rent collection performance has seen an adverse movement between 2017/18 to 2018/19 as a direct outcome of the introduction of Universal Credit from May 2018. Despite a weakening of collection performance between years Board are pleased with the overall response to the impact of Universal Credit.in Ocean Housing Ltd with arrears under control and significantly less than provided for.
- Whilst Headline Cost per Unit and Overheads as Percentage of Turnover have increased, these 2 metrics are considerably strong in terms of peer group comparison and this 'adverse' movement is not of concern.

An overall view of the 9 metrics with declining trends indicates that the impact of Gilbert and Goode is very significant in the outcomes, lower operating margin, fewer open market completions and reduced interest cover directly arise from Gilbert and Goode's challenges to secure land for building and their consequential significantly reduced income and expenditure performance in 2018/19 compared with previous years. Significant Board and senior management attention is being given to help the Company through the 'dip period' and ensure restoration of growth plans are back on track soon to support the wealth generation required to help fund Ocean Housing's affordable new build ambitions.

In respect of the Group's strengths arising from the benchmarking analysis, it can be seen that in a small majority of areas Oceans performance is higher than average, compared with its peers, in 7 out of 13 metrics.

In particular, Headline Cost per Unit generates a performance within the top 5% of Sector Scorecard respondents. If Ocean Housing Ltd had performed with a Headline Cost per Unit in line with the average for similar housing associations, costs in the year would have been approximately £6.72 million higher than they were.

A significant reason for the low Headline Cost per Unit arises from highly efficient back office services within the Group parent company central services teams of Finance, HR, IT etc. At 7%, the overheads as a percentage of turnover puts Ocean in the top 2% performance compared to peers.

Continual Improvement to Support Strategic Ambition from 1 April 2019

This report evidences positive outcomes of the Group commitment to VFM and wealth generation to date, it evidences how Ocean generally compares well with its peers and also provides examples of how this success has benefitted tenants and the local community. However, to ensure this is maintained, there must be continual focus on enhancing the VFM framework and culture and ever more challenging targets need to be set to maintain the position.

The Group has recently adopted a Corporate Strategy that sets a course of ambitious growth in the coming years. The cornerstone of this is the New Homes Strategy that sees the target of building up to 3,000 new homes across all tenures by 2030.

This is fundamentally based on continuing to build at least 130 affordable new homes per year and growing the open market sales programme to 70 per year from 2020 in Gilbert and Goode Ltd. The ambition being that the increased sales programme will support £2 million Gift Aid to Ocean Housing Ltd per year from 2023 onwards. This target is fundamental to support the ambitions for Ocean Housing's affordable building programme. Newbuild programme plans are incorporated in the New Homes Strategy.

The New Homes Strategy gets incorporated in the Corporate Strategy and long term business plan and inherently attracts greater risk to the Group. This is being matched through enhanced stress testing activity and risk management planning, aligned with planned improvements to assurance reporting. Achievement of the ambitious build targets needs a clear set of objectives and all contributing elements to be coherently aligned to the Corporate Strategy supported by the effective VFM culture.

In the latest Corporate Strategy, the Board have coherently set out their 4 main strategic objectives;

- New Build
  - '3,000' new homes by 2030
  - 1,098 new homes by 2024
- Stock Investment
  - Regeneration of Polgrean Place
  - All stock energy efficient; decent, safe & compliant
- People
  - Investors in People Platinum by 2024
  - To be a modern, dynamic and flexible workplace
- Tenant Involvement
  - To be an exemplar for tenant and resident involvement

These 4 strategic objectives are supported with specific strategies as follows;

- A New Homes Strategy setting out the ambition to build 200 homes per year across all tenures from 2020.
- An Asset Disposal Strategy to generate £1 million per year from selling existing assets and £500,000 from staircasing to help fund the ambitions and an Asset Management Strategy to direct where such investment should be focussed from value created.
- A People Strategy seeking to reach IIP Platinum by 2024 and create a smarter and more dynamic work environment.
- A Tenant Involvement Strategy looking for Ocean Housing Ltd to be an exemplar in how we engage with the community.

All these strategies are linked overall by 5 Golden Threads and a clear mission statement backing up the overarching Corporate Strategy and complimented by key corporate strategies such as;

- Value For Money Strategy
- Risk Management Strategy and Assurance Framework
- Treasury Strategy
- Long-Term Business Plan

2018/19 marked the culmination of the Ocean Group's substantial investment in the 2020 transformational change project. Over £2 million has been invested in new business systems across the Group to support smarter, flexible and more efficient working and improved customer focus across all companies and all services.

Board investment in such new systems was based on achieving a positive net return in operating costs once systems have fully embedded.

The Boards have permitted 2018/19 to be the 'implementation' year and 2019/20 as the 'settling in' year. Operating efficiency and value added targets are expected to be delivered from 2020/21 and are currently set at;

- Ocean Housing Ltd - £30,000 per year saving in net operational costs having covered the costs of investment
- Gilbert and Goode Ltd - £70,000 per year in running costs having covered the costs of investment.

In addition to coherent, challenging and ambitious VFM targets, Boards have also in place effective mechanisms to manage performance. These will be refined and enhanced to ensure all growth objectives are met in the most effective and efficient manner. Robust monitoring of Gilbert and Goode Ltd's non-social activity is embedded into performance reporting at Group Board level. Targets and returns from the commercial entity are regularly challenged to ensure that the activity supports overall Group objectives.

Furthermore, every decision taken throughout the whole Group is supported by the inclusion of a specific VFM paragraph in the relevant reports alongside the financial and risk implications.

The Board consider that their clear strategic direction and monitoring, supported by a RAG rated Dashboard based reporting framework, will ensure that the Groups historic success of VFM outputs and performance is sufficiently embedded to underpin on-going success and will be capable of any change required to match and mitigate future external environmental challenges and risk exposures that could impact delivery.

Crucial to success whilst managing the increasing risks through growth, maximising benefit from substantial investment in business systems and promoting an embedded VFM culture throughout the business will be the responsibility of the Business Improvement Team, created in October 2018.

The Business Improvement Team work to an annual plan that is focussed on continuous improvement and performance enhancement across the whole Group. The Team are tasked with evidencing and delivering annual savings from projects they undertake amounting to £40,000 per year, starting from 2019/20.

Conclusion and Regulatory Expectation

The VFM Standard requires Board's to;

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

furthermore, Board's must be able to demonstrate that;

- A robust approach to achieving value for money – this must include a robust approach to decision making and a rigorous appraisal of potential options for improving performance
- Regular and appropriate consideration by the board of potential value for money gains – this must include full consideration of costs and benefits of alternative commercial, organisational and delivery structures
- Consideration of value for money across their whole business and where they invest in non-social housing activity, they should consider whether this generates returns commensurate to the risk involved and justification where this is not the case
- They have appropriate targets in place for measuring performance in achieving value for money in delivering their strategic objectives, and that they regularly monitor and report their performance against these targets.

The embedded nature of VFM culture at Ocean is driven by the Board and its Corporate Strategy. 5 Golden Threads align the commitment to VFM throughout all the Group's activities and ensures that outputs match strategic ambition in an efficient manner and though optimal use of its available resources and assets. Robust monitoring of challenging targets and commitment to optimum efficiency has led to strong outcomes and positive outputs for the Groups tenants, partners and the wider local community and this will continue.

A culture of continuous improvement is in place driven by the Board and senior management and delivered through the new Business Improvement Team that operates under a clear annual plan of scheduled service reviews, business system development, data analysis and performance reporting.

Through the Group Audit Risk and Assurance Committee the Board have self-assessed their compliance with the VFM Standard and reviewed their effectiveness in delivering VFM for its stakeholders. Through the Committee the Board are assured that the culture and practice of VFM is embedded and delivers strong outputs and performance.