

Railway Housing
Association

Value for Money Strategy 2018-23

1 Executive Summary

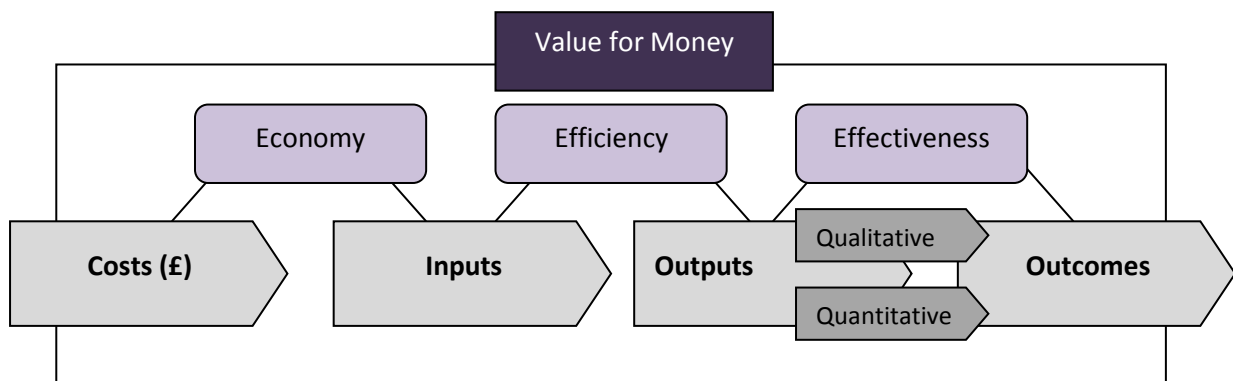
- 1.1 Railway Housing Association (RHA) recognises that Value for Money (VFM) is a fundamental consideration for all housing associations and is committed to maximising VFM to ensure that the highest level of service is delivered to our customers.
- 1.2 The association's mission is 'providing homes for today and tomorrow'. The strategic goal in the business strategy for value for money – 'we will improve value for money throughout the organisation' – supports this mission and drives the VFM strategy. The following agreed business strategy commitments relating to VFM are addressed in this strategy:
- Continue to improve our understanding of our current value for money position
 - Promote and embed a value for money culture
 - Achieve year on year efficiency savings
 - Continue to agree with customers how value for money gains are used
 - Optimise the future returns on assets
 - Direct resources to achieve the right balance between frontline services, maintaining existing assets and providing new homes
 - Maintain a high level of customer satisfaction with value for money
 - Achieve top quartile performance in recognised value for money indices.
- 1.3 The strategy will consider short, medium and long term financial implications and will be reviewed annually, with a detailed action plan created for at least the year ahead.
- 1.4 Responsibility for VFM lies with everybody and is not restricted to those with performance or financial responsibilities. It is intended that every employee considers the service delivery measures attached to every item of expenditure. A VFM steering group has been established to monitor progress against the strategy and the action plan.
- 1.5 The association will know that VFM is being delivered when:
- The mission, values and objectives are being achieved,
 - The services that customers want are being provided when and where they are needed, and
 - Top quartile performance is being achieved in comparison with similar registered providers for key cost and performance indicators. These indicators are:
 - Debt per unit
 - Growth in turnover
 - Operating margin
 - Earnings before interest, taxes, depreciation and amortisation (EBITDA)
 - Overheads as a percentage of turnover
 - Housing management cost per property
 - Current tenant arrears as a percentage of rent due
 - Percentage of rent collected
 - Tenancies terminated as a percentage of properties managed
 - Average re-let time
 - Direct cost of resident involvement
 - Cost per property of major works and cyclical maintenance
 - Cost per property of responsive repairs and void works
 - Percentage of repairs completed on time

- Percentage of non decent dwellings
- Average SAP rating
- Percentage of residents satisfied with the service provided
- Percentage of residents satisfied with the quality of their new home
- Percentage of residents satisfied with their neighbourhood as a place to live
- Percentage of residents satisfied that their rent provides value for money
- Percentage of residents satisfied with repairs and maintenance
- Percentage of residents satisfied that their views are being listened to and acted upon

1.6 The association will know that progress is being made in embedding VFM when year-on-year improvement can be demonstrated and sustained on these measures of success.

2 What is Value for Money?

2.1 VFM is the relationship between economy, efficiency and effectiveness, sometimes known as the 'value chain'. It can be illustrated by the following diagram (taken from 'value for money within housing: supplementary guidance - Audit Commission 2005):



2.2 Economy is the price paid for what goes into providing a service, for example, the salary cost of employees, material costs of a repair, payments made to contractors and consultants.

2.3 Efficiency is a measure of productivity, i.e. how much you get out in relation to what is put in. Efficiency is primarily associated with the process and delivery of procurement.

2.4 Effectiveness is a measure of the impact achieved and can be quantitative or qualitative. Effectiveness is primarily associated with the outcomes for customers.

2.5 VFM is high when there is an optimum balance between all three; relatively low costs, high productivity and successful outcomes. Best value for money has been defined as the 'optimum combination of whole-life costs and benefits to meet the customer's requirement'. To maximise VFM, the needs of customers must be met by 'doing the right thing, in the right place, at the right time and at the right price'.

- 2.6 VFM gains are classed as either 'cashable' or 'non cashable'. Cashable gains are produced by achieving the same level of outputs from reduced inputs or costs. Non cashable gains are achieved when additional outputs are achieved from the same level of inputs, or a proportionately greater increase in outputs is achieved from a smaller increase in inputs.

3 Drivers for VFM

There are a number of internal and external business drivers influencing VFM, all of which have been considered in developing this strategy:

1. Business strategy
2. Financial planning
3. Benchmarking and past performance
4. STAR survey/resident involvement
5. Regulator of Social Housing (RSH) value for money standard
6. Governance and risk management
7. The economic climate.

3.1 Business strategy

- 3.1.1 The association's business strategy contains five strategic goals, one of which is value for money – 'we will improve value for money throughout the organisation'. The following commitments relating to VFM are identified in the strategy:

- Continue to improve our understanding of our current value for money position
- Promote and embed a value for money culture
- Achieve year on year efficiency savings
- Continue to agree with customers how value for money gains are used
- Optimise the future returns on assets
- Direct resources to achieve the right balance between frontline services, maintaining existing assets and providing new homes
- Maintain a high level of customer satisfaction with value for money
- Achieve top quartile performance in recognised value for money indices.

3.2 Financial planning

- 3.2.1 The business strategy has been expressed in financial terms through the first five years of the approved ten year financial forecast 2018-28. The financial forecast further extends into a 30 year financial forecast using a 30 year planned maintenance programme, providing a long-term view of the association's viability.
- 3.2.2 The forecast for the five years from 2018 to 2023 indicates that the association will continue to generate substantial surpluses each year, although significantly lower than previously forecast due to rent reductions, and reserve levels will be maintained at adequate levels:

	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000
Revenue:					
Income	7,189	7,234	7,588	7,951	8,265
Expenditure	6,642	6,751	6,869	7,484	7,115
Surplus	547	483	719	467	1,150
Reserves:					
Accumulated surplus	5,964	6,196	6,532	6,640	7,365
Cash flow:					
Cash balance c/f	1,824	8,576	7,373	5,476	3,437

3.2.3 The five year financial forecast 2018-23 summarised above indicates that there are no viability concerns in the medium-term. Stress testing of the ten year forecast for 2018-28 indicates that the association is able to withstand and mitigate against multi-variate risks materialising at the same time, but would rely on improved VFM performance to do so.

3.3 Benchmarking

- 3.3.1 The association is committed to continuous improvement and, in addition to managing and improving year on year performance, benchmarks through HouseMark using ten years of benchmarking data. The results for 2016/17 indicated that overheads, responsive repairs and void works, and major works costs were high and the operating margin was low although improving. In terms of quality, the average re-let time per property was high but tenant satisfaction was very high and performance compared well for the percentage of non-decent dwellings and current tenant rent arrears. Staff turnover was low, and staff satisfaction was very high. The 2016/17 HouseMark value for money scorecard for Railway Housing Association is attached at appendix 1. The 2017/18 benchmarking results are expected to be available later in October 2018.
- 3.3.2 The association has responded to the benchmarking results by introducing time recording for all staff over three years to ensure accurate allocations to services. Costs and performance are compared to our peer group of traditional English housing associations with between 1,000 and 2,500 units to explore whether the size, client group or dispersed nature of the housing stock is having a negative impact.
- 3.3.3 The association's key VFM cost and performance indicators have been identified and the results have been compared with the organisations in the HouseMark peer group for the last two years appendix 2. The results are not yet available for the 2017/18 financial year. For 2016/17, 12 of the 20 HouseMark indicators were in the upper or middle upper quartiles.
- 3.3.4 Targets for improvement were originally agreed for 12 of the indicators, with 9 of them having been achieved. 3 new targets were then added to improve performance further in relation to overhead costs, the average re-let time and the average SAP rating. Of these 6 performance indicators with targets, 3 have improved in 2017/18 and 3 have deteriorated.
- 3.3.5 The operating margin was 19.3% in 2016/17 and deteriorated to 17.6% in 2017/18, but is expected to improve over the term of the financial forecast for 2018-28 to 34.6%. Performance has been poorer than expected over the last two

years due to impairment costs relating to a scheme in development of £456,301 in 2016/17 and £407,055 in 2017/18. Without these costs the operating margins would have been 25.8% and 23.5% respectively.

3.3.6 In addition to HouseMark, the association uses the RSH's global accounts data to benchmark unit cost data, and has participated in the Sector Scorecard that was launched in 2016/17 benchmarking 15 key performance indicators measuring efficiency and effectiveness. Many of the Sector Scorecard indicators have been included in the regulatory metrics required by the VFM standard, enabling the association to compare its performance with other providers. Details of the metrics and the association's performance against them are attached at appendix 2.

3.4 STAR survey and resident involvement

3.4.1 The most recent STAR survey, undertaken in 2018, shows an increase in the number of residents who are satisfied that their rent represents value for money at 94% (in 2015 it was 93% and in 2013 it was 91%). The number of residents who are dissatisfied has decreased to 2% (in 2015 it was 4% and in 2013 it was 3%). The number of residents who are satisfied that their service charge represents value for money has reduced to 87% from 88% in 2015, and number that are dissatisfied has remained the same at 6%.

3.4.2 Focus groups have been consulted on the VFM objectives contained in this strategy in February 2011, with their views sought in relation to:

- Which services the association should focus on in terms of performing to the highest standard, and
- How any savings achieved by improving VFM should be spent.

3.4.3 Residents supported the VFM objectives and approach. It was unanimous that the association should focus on repairs and maintenance performance, and responding to residents' requests. Savings achieved should also be invested in the repairs and maintenance service with a focus on longer term solutions rather than short term repairs, preventative work and possibly a handyman service. Car parking and environmental improvements were also identified as priorities.

3.4.4 Residents have also been consulted on VFM at residents' conferences. There have been many suggestions received regarding improving VFM for the residents themselves and for the association. Most of the suggestions for the association had been or were in the process of being addressed, for example, reducing the number of items posted to residents and sending more items together in the same envelope, and continuing to use ICT to communicate with residents to reduce paper and postage costs. Another suggestion, providing specific details of repair and improvement work to residents so that they can monitor contractors, will be explored further.

3.4.5 The residents' conference in 2013 included a training session on VFM and considered whether the association's rent represents VFM to residents. As a part of this session residents were provided with details of the sources of income available to the association and how much of it is spent on services.

3.4.6 Focus groups are consulted on the budget each year and any feedback is considered by the Board prior to the budget being finalised. They have also been consulted on the cost of tenancy management and the budget for resident involvement, both of which were considered to be reasonable, and the association's costs and performance for lettings and income management in

comparison to other registered providers. Since 2013/14, a standard item of VFM has been included on all agendas.

3.5 Regulator of Social Housing (RSH) standard

3.5.1 The RSH determines the regulatory framework including the regulatory standards that social housing providers must meet. The value for money standard is one of three economic standards that the board is responsible for meeting, and which are actively and rigorously regulated. The standard sets out the following required outcomes and specific expectations:

3.5.2 *Required outcomes:*

Registered providers must:

- a. *clearly articulate their strategic objectives*
- b. *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*
- c. *through their strategic objectives, articulate their strategy for delivering homes that meet a range of needs*
- d. *ensure that optimal benefit is derived from resources and assets and optimise economy, efficiency and effectiveness in the delivery of their strategic objectives.*

3.5.3 *Specific expectations:*

Registered providers must demonstrate:

- a. *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*
- b. *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*
- c. *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*
- d. *that 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.*

Registered providers must annually publish evidence in the statutory accounts to enable stakeholders to understand the provider's:

- a. *performance against its own value for money targets and any metrics set out by the regulator, and how that performance compares to peers*
- b. *measurable plans to address any areas of underperformance, including clearly stating any areas where improvements would not be appropriate and the rationale for this.*

3.6 Governance and risk management

3.6.1 Good governance is crucial to achieving VFM, and the association's arrangements including standing orders, financial regulations, codes of conduct, counter-fraud policies, risk management processes, etc. all contribute to securing VFM, not least by helping to minimise loss and waste.

3.6.2 The association's risk register has included the risk that VFM is not achieved since 2009, when the first VFM action plan was developed. The progress made in improving VFM to date has contributed to a low net likelihood of the risk occurring but with a high net impact, resulting in a total residual risk score of 8 which places the risk in the amber area of the association's risk appetite for this risk area.

3.7 Economic climate

3.7.1 Recent years have seen significant cost and taxation increases, historically low interest rates available on investments, and fundamental changes to regulation, funding of development and rent and tenancy arrangements. Welfare reform is a significant challenge which has and will increasingly impact on residents' benefit entitlement and is therefore likely to impact on the association's rent arrears, collection and recovery costs, and potential demand for some property types. The 1% per annum reduction in rents for four years will result in approximately £2m less income, and the introduction of Voluntary Right to Buy for housing association tenants could reduce income further while units are being replaced.

3.7.2 All of these factors combine to increase the pressure on the association's resources to unprecedented levels, and increase the importance of maximising value for money.

4 VFM Objectives

4.1 The board has agreed a strategic goal of 'we will improve value for money throughout the organisation'.

4.2 The aim of this strategy is to deliver the strategic goal by continuing to improve our understanding of the association's costs, performance and quality of services and by taking action to ensure that the right balance is achieved. The VFM strategy and the action plan attached at appendix 3 is intended to follow on from previous VFM strategies and action plans, building upon the progress already made. The action plan at appendix 3 therefore includes any outstanding or uncompleted actions from the previous strategy.

4.3 Taking account of the association's current position and the VFM strategic goal, the VFM objectives of the association are to:

- Deliver the business strategy, and achieve year on year efficiency gains of 5% of operating costs (£202,875 for 2018/19)
- Achieve top quartile performance in comparison to similar housing associations in recognised sector indices
- Direct resources to achieve the right balance between frontline services, maintaining existing assets and providing new homes
- Embed a VFM culture throughout the organisation, and
- Maintain customer satisfaction levels.

4.4 The objectives set out above will be achieved through a variety of means as detailed below, that have already been established within the association.

5. Delivering the Strategy

5.1 Culture

5.1.1 Through this strategy we aim to develop a culture of efficiency and value for money throughout the organisation. We will develop these values in the organisation through training, briefings, team meetings and individuals' performance management. Our VFM culture will be essential to the achievement of our VFM strategic goal.

5.1.2 Everyone within the association has a role to play in delivering our VFM strategy, as follows:

- **The board**

The board is responsible for maintaining a robust assessment of all of its assets and resources and a robust approach to decisions on the use of resources to deliver the business strategy. The board approves the VFM strategy and action plan, although the detailed review of progress and monitoring of the VFM action plan is delegated to the senior management team. All board members will seek to ensure a culture of VFM in all aspects of the association's activities, and ensure that challenging but achievable efficiency targets are agreed as part of the annual financial planning process. VFM is a standard consideration in all reports to ensure that the board are aware of all the options and implications for each decision. The board also has a representative on the VFM steering group.
- **VFM steering group (see 5.4)**

Chaired by the Chief Executive and served by the Director of Finance, the group monitors progress against the strategy and action plan and reports to the senior management team. The group also contributes towards the development of the strategy.
- **SMT**

The senior management team will ensure that the VFM strategy and action plan is implemented. SMT members will be responsible for ensuring that a VFM culture is embedded throughout the organisation and will lead on the review of services and processes, the identification of VFM savings and efficiencies, and the implementation of improvements.
- **Directors**

Responsible for ensuring VFM is considered in both the day-to-day management of their services and in respect of any new proposals or service reviews. They need to ensure that VFM is understood by all their staff and that actions relevant to their services are completed.
- **All staff**

All staff members are made aware of the importance of VFM through training, briefings and team meetings, and encouraged to contribute ideas for improving VFM via the VFM suggestion scheme. They assist in the implementation of improvements and the development of performance targets, and all staff have at least one VFM related objective.

5.2 Residents

5.2.1 Residents' views are central to our business and to improving VFM, and we will ensure that they remain involved in determining our VFM strategy. We will use the business strategy and budget consultation processes to identify residents' priorities for the future and to consult on VFM objectives. Residents will be involved in:

- The VFM steering group

- Service reviews
- Procurement decisions
- Determining targets
- Identifying areas for improvement
- Reviewing the strategy including Scrutiny Panel reviews
- Determining resource priorities
- Determining how savings are to be reinvested

5.2.2 Progress against the strategy and action plan is reported regularly using a range of established resident involvement communication mechanisms. From 2013/14 VFM became a standard item on agendas for focus group meetings, which take place three times a year in three locations.

5.3 Partners and contractors

5.3.1 The association is committed to developing partnerships with community groups, local authorities and other registered providers where the partnership will achieve VFM and deliver services that the association could not deliver on its own. Partnerships will only be entered into where the aims and objectives are clear and can be linked to the strategic goals of the association, and the association is satisfied that joining the partnership is the best way of meeting its objectives.

5.3.2 The association acknowledges that developing meaningful and relevant partnerships is a significant challenge, given the geographical spread of the properties. It will therefore only consider partnerships in areas of stock concentration with a management presence or those that will benefit all of the areas in which the association operates.

5.3.3 Our partners will be briefed on how we are approaching VFM and how they can contribute to this strategy where appropriate.

5.3.4 Contractors, as important providers of services to our residents, have a role to play in delivering VFM and improving results for our residents. It is therefore necessary for this strategy and their role in its delivery to be understood by our contractors. This participation could be through service reviews or proposing improvements, and will be considered by the VFM steering group.

5.4 VFM steering group

5.4.1 A VFM steering group has been established that is responsible for monitoring the strategy and action plan (the terms of reference are attached at appendix 4). The group meets regularly to review progress on the action plan and towards the savings target. Its remit also includes ensuring that benefits are realised from reviews.

5.4.2 The group has a pivotal role in shaping and driving the VFM approach going forward by directing the areas for analysis and review. This is by consideration of the annual HouseMark benchmarking report, VFM performance indicators, identified risks and budgetary analysis. An annual process refreshes the strategy and updates the action plan with current and emerging issues. This work will be linked to the business planning process.

5.4.3 The group reviews the procurement strategy and action plan, and considers and challenges new procurement decisions.

5.4.4 The membership of the group includes the Chief Executive, the Director of Finance, representatives from all service areas, resident(s), and a board member.

Reports from the group will be presented to SMT, residents and the board as necessary.

5.5 ICT strategy

- 5.5.1 The association aims to maximise service efficiency, reduce costs and increase tenant satisfaction through ICT developments and enhancements that will benefit all service areas. The association's ICT strategy includes the introduction of new technologies, where beneficial, and maximisation of the potential of existing systems to improve value for money and service delivery.
- 5.5.2 ICT services are provided through a hosting agreement with an external contractor. A full options appraisal was undertaken in August 2012 which confirmed that the hosting arrangement met the association's current and future needs, and delivered value for money. This was followed by the procurement of a new contract effective from November 2013 using professional procurement support which resulted in savings of £29,200 per annum.
- 5.5.3 Systems have been upgraded and significantly enhanced in recent years to improve the quality of services provided to our residents, increase the efficiency of processes and further integrate data. The association has implemented enhancements to improve the arrears progression process, manage all contacts with customers and contractors using workflow, an asset management system, electronic document management, mobile technology for housing management and maintenance orders and inspections, and web services that enable direct tenant web access to the association's systems.
- 5.5.4 The association has recently implemented a new web-based housing management system that will result in performance improvement and efficiency savings by improving processes and data management. Customer satisfaction levels should also be increased due to improved and more accessible information.

5.6 Service reviews

- 5.6.1 The association uses service reviews as a method of assessing the performance of services in terms of value for money, with the reviews to date being carried out by consultants on the most significant service areas.
- 5.6.2 Service reviews in respect of repairs and maintenance and procurement identified no significant issues, but a number of recommendations were received that have and will continue to improve value for money.
- 5.6.3 A review of the cost of managing each of the association's housing schemes was completed in 2013/14 and is update biennially. The association's properties are spread over a large geographical area, with only a small number of units in some remote locations. This review calculated the net present value of each housing scheme so that the performance of the association's assets and resources can be better understood and options for improving performance can be considered. Further details of the association's approach to optimising the return on its assets can be found at paragraph 5.10.
- 5.6.4 A service review of the housing and asset management services was also completed in 2013/14 and a report received including an action plan. The agreed actions have all been completed.
- 5.6.5 The association established a five-year programme of service reviews in 2016/17, covering all service areas through the use of consultants. The association uses

consultants to carry out service reviews to benefit from proven methodologies and structured approaches, in addition to insight of good practices and helping with the people aspect of change. Consultants bring sector knowledge from a wide range of organisations including traditional housing associations, more commercial entities, and everything in between, as well as an expert independent and objective view of the association's current performance. This makes them ideally placed to identify opportunities for influencing costs and changing working practices, and the additional resource with an external perspective is particularly important for the association because of its small staff team and extremely low staff turnover.

5.6.6 The first year of service reviews covered finance and major works. The review of finance established that the service does provide value for money with lower costs than the bespoke peer group median, and that economies of scale will be achieved if the association grows to more than 3,000 units. The major works review identified a number of recommendations that are currently being considered and prioritised.

5.6.7 The approach to each review is tailored to the requirements of the service being reviewed, however all reviews consider as a minimum the relevance to the business strategy of the services provided, the optimum level of resources required and the most effective approach to service delivery. Where considered relevant, market assessments and options appraisals will also be carried out in order to assess the costs and benefits of alternative approaches against those in use.

5.6.8 Service reviews will ensure that the return on assets is optimised by including rigorous appraisal of all potential options for improving value for money, including the potential benefits in alternative delivery models. The service review process also contributes to the efficiency target, to improving performance and customer satisfaction, and also to developing a VFM culture within the organisation.

5.7 Benchmarking

5.7.1 The association became a member of the HouseMark benchmarking club in 2009 as set out in paragraph 3.3 above, and has so far submitted data in respect of the financial years 2008/09 to 2017/18. The benchmarking reports received to date have enabled the association to identify areas of concern in terms of performance and value for money, for which actions have been agreed to either investigate the costs further or improve the accuracy of the information.

5.7.2 The association will continue to benchmark through HouseMark and/or similar benchmarking clubs, the Sector Scorecard and the RSH's global accounts, refining data and taking action to address any areas where performance is not at the required level. A plan is developed following each annual benchmarking report for this purpose. Benchmarking will be the measure used to compare the association's performance to similar organisations in relation to the indicators that are set out by the regulator and the indicators that are most important to the association and to residents; these indicators have been identified (see appendix 2) and are monitored by the VFM steering group.

5.8 Performance management

5.8.1 A balanced scorecard approach was introduced in 2009 that provides a complete picture of the association's achievements and progress towards its strategic goals. The balanced scorecard together with detailed supporting performance indicators and exception reports are considered by SMT and the board quarterly.

This has resulted in a strong performance management culture with team meetings and individuals monitoring results on a monthly basis, and has also led to changes in processes to improve performance.

5.8.2 Performance management is used to monitor success in relation to the efficiency target through the inclusion of an indicator on the balanced scorecard. It is also used to monitor progress in relation to the selected indicators that are compared to similar organisations during the year, and to monitor customer satisfaction levels.

5.8.3 A range of VFM performance indicators has been established for all service areas in addition to the balanced scorecard indicators, and progress against target is monitored through the performance management process. Costs and performance can now be reported based on geographical areas due to the wide geographical spread of the properties, so that any variations in quality can be identified and investigated.

5.9 Procurement and commissioning

5.9.1 Procurement forms an integral part of the VFM strategy and has the potential to deliver significant savings and service improvements for the association through the adoption of different methods of procurement.

5.9.2 It is proposed to consider and use where appropriate all available mechanisms to obtain VFM from spending on goods, works and services. This may involve the use of consortia, partnering, collaboration with other organisations, and e-procurement, as well as more traditional processes. The engagement of residents in the procurement process will also be essential to the improvement of services and the achievement of VFM.

5.9.3 A procurement strategy specifically designed to address the needs of the association was first approved by the board in October 2011. The strategy has been regularly reviewed and is aligned with the association's procurement policy.

5.9.4 A full review of all of the association's procurement arrangements was commissioned in 2016/17 to ensure that they support the achievement of VFM while complying with legislation, and the association's standing orders and financial regulations. The review has resulted in minor changes to the procurement strategy, policy and financial regulations, and the introduction of a suite of procedures and template documents to clarify the requirements, simplify and improve the efficiency of the procurement cycle, and enable procurement performance to be measured.

5.9.5 An action plan has been developed to address the remaining recommendations arising from the review, and progress will be monitored by the VFM steering group.

5.10 Return on assets

5.10.1 The association has assessed individual unit and scheme performance for all of its housing stock using a combined net present value (NPV) and stock viability model and, although all but one scheme demonstrates a positive net present value, there is a wide range in the results. Those schemes that are performing less well than others are being subject to an options appraisal to determine the most appropriate course of action. Options appraisals have already been considered by the board for five of the most poorly performing schemes, and an appraisal of a high performing scheme was completed during 2017/18.

- 5.10.2 The model is updated biennially to reflect current performance and revised spending plans, and to include any additions and remove disposals. Although the association aims to maintain or improve on the average NPV, the average value reduced significantly at the last review in April 2017, from £27,885 to £15,205, and one scheme moved to a negative NPV of £4,119. These changes can be attributed to the government's rent reduction policy.
- 5.10.3 The association has introduced a process to review each property that has significant repair requirements when it becomes void, to determine if repairing and reletting the property is the best course of action. To date repairing and reletting has been the preferred option for each void property, and given that almost all schemes have positive NPVs it is expected that this will be the outcome for most properties. A different solution may however be required where properties have low NPVs and high void repair costs.
- 5.10.4 Staff are a significant asset for the association, and as such the association has a range of policies and processes in place to ensure that staff have the skills required to carry out their roles, and that these skills are maintained and enhanced through relevant training and development. Each member of staff has an annual appraisal to review performance, agree objectives for the following year, and identify any training and development requirements. Since 2016, each employee has had at least one VFM related objective to increase everyone's understanding of and contribution to VFM. Progress is monitored throughout the year in regular one to one meetings between employees and their managers.
- 5.10.5 Staff retention is achieved by favourable terms and conditions, a generous benefits package including pensions and healthcare, and regular salary reviews. The association achieved 96% in terms of staff satisfaction in 2015/16 and has almost no staff turnover and low sickness absence levels.

5.11 VFM processes

- 5.11.1 The association maintains a register of VFM projects that records the savings achieved and improvements in quality for each VFM initiative, and also identifies relevant performance measures and evidences the improvement in those measures. The register is reported to the VFM steering group in detail at each meeting, and the gains identified are reported to SMT and the board through the balanced scorecard. Performance is also reported to residents via the newsletter, and gains are reported to residents in the annual report and VFM self assessment.
- 5.11.2 The following minor VFM reviews and VFM improvement projects have been recognised in the projects register:
- Fully implemented a budget management framework that introduced devolved management and accountability for defined budget holders, and improved the review and reporting arrangements
 - Introduced whole life costing for the renewal of building elements and other major purchases
 - Linked budgets, including budget growth and areas of high spend, performance and risk to business priorities
 - Reviewed a number of high cost procured services including utility contracts and utility advisors, mobile and fixed line telephones, ICT managed services and insurance
 - Renegotiated water rate collection commission
 - Improved our processes for pursuing former tenants' rent arrears and sundry debts

- Introduced the mini planned maintenance programme whereby non-urgent day to day repairs are delayed and addressed in a programme, which has saved £48,166 over 8 years
- Introduced BACS payments as a cheaper, more efficient and more secure method of payment
- Introduced procurement cards to reduce the cost and administration related to low cost purchases
- Completed a management restructure, reducing the number of senior management posts
- Improved the voids process, significantly reducing rent loss
- Procured a range of planned maintenance works through a framework agreement saving £426,754 over 3 years.

5.11.3 A contracts register enables the association to demonstrate that legislative requirements have been met, provides managers with information for planning future arrangements and allocating resources, and improves value for money by enabling the identification of opportunities to aggregate purchasing and allocate resources required in the procurement process more effectively.

5.11.4 A partnership register records each partnership's purpose, its aims and objectives with timescales and links to the association's strategic goals, and the partnership's performance, risk and financial management arrangements. This is to ensure that any partnerships in which the association has a role is delivering something that the association wants to deliver, that each partnership is the best way to deliver the objective, that the partnership is being effectively managed and that the association's contribution is being used as intended and represents value for money.

5.11.5 The association has also established a funding opportunities log where details of external funding options that have been identified are recorded with links to the strategic goals.

5.11.6 A VFM suggestion scheme for staff and residents was launched in 2014 which rewards all suggestions that are taken forward and uses the savings achieved to improve services to residents, as prioritised by residents. The aims of the scheme are to:

- Save money for the association, working towards a target of £50,000 over two years
- Save staff time by making processes more efficient or discontinuing unnecessary processes so that time can be used in other ways to benefit the association
- Contribute to culture change by encouraging all staff to be more aware of the need to improve VFM and take responsibility for implementing change within the remit of their roles.

5.11.7 To date, 36 suggestions have been considered by the VFM steering group, with 15 being agreed and progressed. 9 of these suggestions have achieved savings that total £6,599 per annum, and they will continue to save costs and time on an ongoing basis. The savings that have been achieved relate to balances on terminating tenancies, mobile phone administration, electronic payslips, subscriptions, newsletters, disconnecting a phone line, fire blankets, resident travel and EPCs. Other agreed suggestions relate to reducing mailings, reducing the size of information packs for applicants and encouraging residents to send in photographs of repairs.

6 Communication

- 6.1 The Board publishes a robust self assessment of VFM annually that demonstrates to stakeholders how VFM has been and will be achieved in delivering the association's objectives, and how the VFM standard is being met. The self assessment:
- Enables stakeholders to understand the return on assets measured against the organisation's objectives
 - Sets out the absolute and comparative costs of delivering specific services
 - Evidences the value for money gains that have been and will be made and how these have and will be realised over time.
- 6.2 More information has been provided to residents in the annual report about the association's finances and how their rent is spent, as well as a plain English statement on value for money, and the information provided will be reconsidered annually. The need for improved information was identified through the joint board and staff business strategy review event in 2012, where it was agreed that an increased understanding would contribute to developing a value for money culture.

7. Reviewing the Strategy

- 7.1 The VFM strategy will be reviewed and updated annually with any changes being recommended for approval by SMT or the board, depending on their significance.

HouseMark Value for Money Scorecard 2016/17

VFM Scorecard Year 2016-2017					
Process					
	Value	Previous	Trend	Median	KPI
Rent collected from current and former tenants as % rent due (excl. arrears b/f)	99.4%	99.6%	●	99.6%	☹
Average re-let time (standard re-lets)	27.24	39.75	★	24.00	☹
Repairs completed at the first visit %	84.7%	85.4%	●	89.9%	●
Service charges collected as % service charges due (excl. arrears b/f)	103.9%	98.4%	ⓘ	NoData	ⓘ
Business & Financial					
	Value	Previous	Trend	Median	KPI
Total CPP of Housing Management	£573.30	£639.27	↓	£532.42	↗
Total CPP of Responsive Repairs & Void Works	£884.19	£851.50	↑	£772.10	↗
Total CPP of Major Works & Cyclical Maintenance	£1,316.98	£1,477.92	↓	£1,204.73	↗
Total overhead costs as % adjusted turnover	13.7%	14.0%	↘	12.4%	↗
Current tenant arrears as % rent due (excluding voids)	2.06%	2.06%	●	3.67%	★
Rent loss due to voids as % rent due	1.11%	1.29%	★	0.85%	☹
Gross arrears written off as % rent due	0.31%	0.19%	●	0.59%	☹
Growth in turnover	0.5%	4.3%	☹	2.4%	●
Operating margin	19.3%	19.7%	☹	26.2%	●
People					
	Value	Previous	Trend	Median	KPI
Staff turnover in the year %	2.9%	2.8%	☹	20.3%	★
Sickness absence average days/shifts lost per employee	14.2	14.2	☹	9.4	●
Staff satisfied with organisation as an employer %	96.0%	100.0%	●	81.0%	★
Value					
	Value	Previous	Trend	Median	KPI
Satisfaction with quality of new home %	72.5%	81.0%	●	93.8%	●
Satisfaction with service provided %	90.9%	90.9%	★	89.0%	☹
Satisfaction with repairs & maintenance %	87.8%	87.8%	★	84.3%	★
Satisfaction with neighbourhood %	92.9%	92.9%	★	87.5%	★
Satisfaction rent provides value for money %	93.1%	93.1%	★	84.7%	★
Satisfaction service charges provide value for money %	88.5%	88.5%	★	75.0%	★
<p>Trend Indicators: This represents your improvement in comparison to your peer groups's improvement.</p> <p>Performance Indicators: These represent your performance in comparison to your peer group's performance.</p>					
<p>Trend: This represents your improvement in comparison to your peer groups's improvement.</p> <p>KPI: This shows how your actual performance or cost compares with your peer group</p>					

Benchmarking Results

Indicator	Sample Size	2015/16		2016/17		2017/18	2018/19	Improvement Target
		Result	Quartile	Result	Quartile	Result	Target	
Regulatory metrics:								
Reinvestment		6.17		6.37		12.72	6.94	
New supply delivered (social housing) %	18	0.0		0.0		0.0	4.6	
New supply delivered (non-social housing) %		0.0		0.0		0.0	0.0	
Gearing % ¹		21.19		5.48		14.36	23.35	
EBITDA MRI interest cover %	20	203.41		241.24		296.73	182.63	
Headline social housing cost per unit £ ¹		3,647		3,238		2,901	3,600	
Operating margin (social housing lettings) %	15	18.07		19.20		17.85	16.96	
Operating margin (overall) %	20	17.64		19.29		17.60	17.30	
Return on capital employed %	16	2.39		2.56		2.26	2.28	
Local key cost and performance metrics:								
Financial and overheads								
Growth in turnover	11	4.2		0.5		-1.4	3.9	
Overhead as % turnover	24	13.69		13.66		13.1	11.5	
Housing management								
Cost per property	24	567.21		515.50		517.92	-	
Current tenant arrears as % rent due	19	2.06		1.95		2.22	2.00	
% rent collected	18	99.44		99.98		99.48	99.50	
Tenancies terminated as % properties managed	19	10.99		9.17		8.82	-	
Average re-let time	19	21.76		27.24		36.02	25.00	
Asset management								
Cost per property of major works and cyclical maintenance	24	1308.77		1229.84		377.85	-	
Cost per property of responsive repairs and void works	24	851.50		864.36		838.80	767.00	
Average number of responsive repairs per property	21	3.0		3.0		2.9	2.8	
% non-decent dwellings		0.0		0.0		0.0	0.0	
Average SAP rating	20	70.4		70.2		72.0	71.0	

Benchmarking Results

Indicator	Sample Size	2015/16		2016/17		2017/18	2018/19	Improvement Target
		Result	Quartile	Result	Quartile	Result	Target	
Resident satisfaction								
<i>Overall satisfied with service²</i>	18	90.90		90.90		91	90.9	
Satisfied with quality of home ²	18	89.90		89.90		92	89.9	
Satisfied with neighbourhood ²	17	92.90		92.90		93	92.9	
Satisfied that rent represents VFM ²	18	93.10		93.10		94	93.1	
Satisfied with repair service ²	18	87.80		87.80		86	-	
Satisfied that views are being listened to and acted upon ²	17	81.70		81.70		80	-	

Upper quartile Middle upper Median Middle lower Lower quartile No data

¹ Comparative quartile positions are not available for the gearing and headline social housing cost per unit metrics because the indicators had slightly different definitions for 2016/17 for the sector scorecard compared to the regulatory metrics

² Residents are surveyed triennially using Housemark’s STAR framework

VFM Action Plan

Ref no	Action	Responsibility	Resource implications	Target date
1	Develop an action plan from the recommendations of the service review of major works	Director of Customer Services	Staff time	Nov 18
2	Commission a service review of void works	Director of Finance	£4,000 approx.	Dec 18
3	Explore providing specific details of repair and improvement work to residents so that they can monitor contracts	Director of Customer Services	Staff time	Mar 19
4	Develop an action plan to address the issues arising from the benchmarking of service costs for 2017/18	Chief Executive	Staff time	Mar 19
5	Complete options appraisals for the schemes with the lowest net present values	Director of Policy	Staff time	Mar 19
6	Review and update the net present value (NPV) and asset viability model	Director of Finance Director of Customer Services	Staff time	Mar 19
7	Identify at least one VFM related objective for all members of staff	Chief Executive Director of Customer Services Director of Finance	Staff time	May 19
8	Complete the regulatory VFM metrics annually	Director of Finance	Staff time	May 19
9	Review remuneration and employment benefits to ensure that they represent optimal use of resources	Chief Executive	Staff time	Oct 19
10	Undertake an OJEU compliant procurement process for ICT managed services	Director of Finance	To be determined	Oct 20
11	Implement the action plan arising from the procurement review	Director of Finance Director of Customer Services	Staff time	To be determined

VFM Action Plan

Ref no	Action	Responsibility	Resource implications	Target date
12	Implement the action plan arising from the service review of major works	Director of Customer Services	Staff time	To be determined

VFM Steering Group Terms of Reference

1. VFM strategy

- The annual review and update of the VFM strategy for recommendation to SMT and the board
- Agreement of a programme of service reviews for recommendation to SMT
- Agreement of the VFM action plan for recommendation to SMT and the board
- Monitoring of progress against the action plan
- Monitoring of VFM reviews and outcomes
- The annual review of the VFM self assessment for recommendation to SMT and the board

2. Efficiency savings

- Agreement of the VFM efficiency savings target annually for recommendation to SMT and the board
- Monitoring of the achievement of the efficiency savings target
- Monitoring of the VFM project register

3. Cost analysis and performance review

- Review of the annual HouseMark benchmarking report
- Identification of areas for improvement and further analysis

4. VFM Performance indicators

- Agreement of targets annually for recommendation to SMT and the board
- Monitoring of performance against approved targets

5. Procurement strategy

- The **regular** review and update of the procurement strategy for recommendation to SMT and the board
- Review of business cases for changes to procurement arrangements