



*...provide affordable homes and services
and places where people want to live and work*

THE COMMUNITY HOUSING GROUP LIMITED

VALUE FOR MONEY STRATEGY 2018 – 2021

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Agreed Date	September 2018
Committee Approval Date	AAC 26 th September 2018
Review Date	Three years from agreed date
Key Words	Value for Money, Efficiency Savings, Business Plan

1- Why is Value for Money important?

In a sector where there is increasing levels of demand and rising costs within the context of a reduction of public services, reduced household incomes and rising expectations from customers, the Regulator and Government, achieving value for money [VfM] will support the long term sustainability of the organisation as an independent community based housing provider. As a thriving business we will be able to meet our business and social objectives to provide affordable homes and services and create places where people want to live and work. Therefore delivering VfM is a priority for the Group.

The more efficient we are the more homes we can build and the more services we can offer that meet the needs and expectations of our customers. To achieve this we have embedded VfM within our business plan, enabling us to create a 'golden thread' that ensures VfM is appropriately considered within all operational and strategic business decisions. We are confident this approach will lead to achievement of the VfM targets, as detailed on page 5, and the efficiency targets, as detailed on pages 6 & 7. Achieving these targets will strengthen the Group's overall financial position and will ensure we have the appropriate level of resources available to deliver our strategic goals.

It is also a priority for our Regulator, the Regulator of Social Housing (RSH). Their framework for the regulation of social housing includes a requirement for all Housing Providers to meet their Value for Money Standard.

2- Definition of Value for Money

Group considers VfM to be managing our resources economically, efficiently and effectively to provide quality homes and services, whilst assessing the impact of efficiencies on our ability to meet the changing needs of our customers. We use the following criteria to assess the VfM of all our spending:-

- Economy, - minimising costs while having regard to quality – means we spend less
- Efficiency, - the relationship between the output from goods and services and the resources needed to produce them – means we spend well.
- Effectiveness, - the relationship between the intended and actual result of spending – means we spend wisely.
- Equality – the extent to which services are available to and reach all people that they are intended to – means we spend fairly.

We consider VfM is high when there is an optimum balance between economy, efficiency, effectiveness and equality.

3- What is our Value for Money approach?

Our vision is to drive down costs whilst maintaining the quality of our services, as stated within our service Standards, achieve a positive financial return on our assets and drive up customer satisfaction. Our business planning and performance management framework, led by Group Board, ensures a VfM golden thread runs through our business, enabling the whole organisation to be focused on achieving VfM.

To achieve our VfM objectives we will:

- Know how our assets perform and use this information to make informed decisions on how to invest our resources to achieve the optimum return.

- Increase financial and/or other benefits from our group wide procurement activity.
- Maintain simple, clear and controlled governance arrangements along with structured and accountable internal controls and risk management framework.
- Understand our absolute costs and benchmark our performance against peers and the sector to provide context.
- Set clear, measurable VfM targets that are based on comparative data from peers and sector.
- Embed VfM golden thread throughout the Group structure.
- Strive to achieve optimal benefit from all we do.

Our 'together we can' Group business plan 2018 – 2021, detailed on page 7, sets our strategic priorities for Group over the next three years. The successful delivery of this plan will; reduce waste, increase efficiency and deliver greater value to our residents and customers. The VfM golden thread runs through our priorities and values, resulting in clear, transparent and measurable VfM targets that focus on our underperforming VfM areas. These targets will be routinely monitored by Group Board through our existing performance management framework [Group Performance Dashboard] and will be refreshed at the end of each financial year.

4. Value for Money and our social purpose

As a business with a clear social purpose we operate in a responsible manner that optimises the social value that is created through our normal business activity.

We consider that through achieving VfM across our business it will enable us to use our resources to provide affordable homes and services and places where people want to live and work. When making key business decisions we will not only consider the financial cost but will also look at the wider 'value' that can be achieved through our business activities that will contribute to us achieve our social objectives. This will involve consideration of:

- **Value** – what is the worth that is created and who benefits?
- **Impact** – what is the effect and what does it change?
- **Cost** – what will we need to contribute to achieve the impact?

5- Our Value for Money Targets

In addition to the VfM metrics as prescribed by the regulator in the Value for Money Standard we have also adopted the additional metrics available through the Sector Scorecard. Current and target performance against our VfM metric suite is detailed below. We have included our performance results from 2016/17 and target/projected figures going forward to provide the context of our VfM journey. At the end of 2018/19 the Strategy will be updated to include peer and sector benchmarking to contextualise our metric performance over time. The target figures detailed below are embedded within our business plan and are actively monitored by Group Board.

Regulator of Social Housing VfM Metrics	16/17 Actual	17/18 Actual	18/19 Target	19/20 Projection	20/21 Projection
Reinvestment Percentage	7.80%	6.96%	8.08%	9.20%	6.93%
New supply delivered [social housing units]	1.97%	0.42%	1.42%	1.76%	2.41%
New supply delivered [non-social housing units]	0.0%	0%	0%	0.22%	0.16%
Gearing	74.59%	71.48%	70.44%	67.69%	65.41%
EBITDA MRI Interest *	115.70%	135.27%	132.94%	162.19%	165.91%
Headline social housing cost per unit *	£3,919	£3,551	£3,501	£3,464	£3,334
Operating Margin *	26.40%	25.47%	27.74%	28.80%	31.73%
Social Housing operating margin *	31.40%	34.53%	34.65%	37.72%	39.22%
Return on Capital Employed [ROCE]	5.05%	5.39%	5.25%	5.58%	5.72%
(*) 2017/18 actuals and 2018/21 target figures do not include FRS102 pension accounting adjustments to enable consistent year on year comparison.					

Sector Scorecard Additional VfM Metrics	16/17 Actual	17/18 Actual	18/19 Target
Customer satisfaction	86.6%	81.1%	90.0%
Customer satisfaction [transactional] (1)	90.1%	88.4%	90.0%
£s invested for every £ generated from operations in communities (2)	--	--	--
Occupancy	99.59%	99.31%	99.40%
Ratio of responsive repairs to planned maintenance spend	41.00%	42.85%	45.00%
Rent collected	99.89%	99.30%	99.60%
Overheads as a % of adjusted turnover (3)	9.89%	9.74%	9.68%
Actuals calculated as per definitions within The Sector Scorecard Guide to the metrics for housing associations April 2018.			
(1) This is not a Sector Scorecard measure. We include and monitor our transactional satisfaction results in order to understand the broader context of how satisfied our customers are.			
(2) We have not used this Sector Scorecard measure to date. Going forward we will collate as per 2018 guidance using the revised cell in the FVA.			

6- 'together we can' 2018-2021 Business Plan

Group Board has developed a business plan that focuses on the long term sustainability of the organisation as an independent community based housing provider whilst targeting to achieving efficiency savings of £5.36m over the next 3 years. Achieving this will specifically result in additional surplus to reinvest, reduced management costs per household and increased covenant cover; which will significantly strengthen our financial position.

The 'together we can 2018/21' business plan identifies four new strategic priorities which provide the strategic framework for delivery:

- Agile
- Accountable
- Customer Orientated
- Efficient

In creating the plan we have set out clear strategic objectives and identified measurable targets for underperforming VfM related metrics as detailed below:

Measure	2017/18 Actual	2018/19 Target	2019/20 Target	2020/21 Target
Efficiency savings of £5.36m	£67k	£1.15m	£1.80m	£2.41m
Maintain 90% customer satisfaction	81.1%	>90%	>90%	>90%
80% Staff satisfaction	75%	76%	78%	80%
258 new units/conversions for rent/shared ownership	41	98	86	74
Unit costs comparable to peers	£3,551	£3,501	£3,464	£3,334
50% of customers transacting online	10%	12%	25%	50%
22% increase in EBITDA MRI *	135.27%	132.94%	162.19%	165.91%
25% increase in Group operating margin *	25.47%	27.74%	28.80%	31.73%
(*) 2017/18 actuals and 2018/21 target figures do not include FRS102 pension accounting adjustments to enable consistent year on year comparison.				



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Our Priorities and Values

Agile

- A digitally enabled organisation
- Mobile workforce
- Door step delivery
- Simple and slick processes
- Efficient organisational structures
- Highly trained and adaptable workforce

Accountable

- Clear targets and outcomes
- An integrated IT system providing one version of the truth
- Clear line of sight (everyone working to one direction)
- A culture of responsibility and ownership of issues

Customer orientated

- Expanded new build programme to meet local need
- Responsive services based on need and customer insight
- Multi channel approach to service delivery
- Easy to use digital services
- Flexible range of feedback and engagement opportunities

Efficient

- All properties contributing positively to the business plan
- Effective income management and cost control
- Unit costs comparable with peers
- Increased productivity and capacity to grow
- Lean and efficient organisational structures
- Financial strength
- Strong governance and regulatory compliance

To achieve this we will:

- Adopt our values in our day to day work
- Realign budget and service plans
- Agree relevant, focused KPIs
- Implement new customer engagement and feedback processes
- Carry out customer journey mapping to improve processes
- Re-state our service standards
- Reconfigure housing services
- Optimise asset performance
- Provide new affordable homes across a range of tenure types
- Implement a new IT solution
- Digitally enable our customers and workforce
- Introduce smart technology (2 device policy)
- Re-design tenancy sustainability services
- Organisational development and HR policies to support new ways of working

By 2021 we will have achieved:

- Efficiency savings of £5.33m
- Maintained 90% Customer Satisfaction
- 80% Staff Satisfaction
- 258 new units/conversions for rent/shared ownership
- Unit costs comparable with peers
- 50% of customers transacting online
- 22% increase in EBITDA
- 25% increase in Group operating margin

7- Efficiency Savings 2018-2021

We have set an ambitious target of achieving £5,360,000 efficiency savings over the next three years [2018-2021]. Specific areas have been targeted for efficiency savings as detailed below. Our efficiency plan breaks these targets down year on year and each Head of Service has developed an action plan detailing how the savings will be realised. These targets are embedded within our business plan and budget setting process. Performance against targets is monitored by Group Board with exception reporting for any underperforming areas.

Area	Description	2018-21 Savings
Void Management	This target is jointly owned by Housing Services and Oakleaf and is based on reducing the time a void property is empty, controlling void repair costs, ensuring any rent owed at the end of the tenancy is collected. Vestia are contributing up to £240k of its reserves over a two year period to develop a tenancy sustainability model which will help to maximise rental income and reduce void loss.	£600k
Bad Debt Efficiency	Reducing the amount of 'bad debt' we write off as a business, this includes things such as former tenant arrears and rechargeable repairs.	£600k
Efficiency Savings Oakleaf	Reduction of office costs (closure of Forest House) and the restructure of the repairs and grounds services.	£600k
Efficiency Savings Head Office	Review of structures of all centralised services, not replacing vacant posts and the move to the e-training platform (Enable).	£660k
Procurement Savings	Reviewing and streamlining all current 3rd party services used by the Group such as office supplies, legal services, energy supplies, financial /treasury services and development consultants.	£300k
Reduction in Consultancy Fees	Reducing the Groups consultancy budget by approx. 30 % over the next 3 years	£190k
Efficiency Savings in Repairs & Maintenance	This target is owned by Oakleaf and is based on changes to the grounds maintenance service by moving to a mulching service from the cut and collect grass cutting service and growing its commercial business.	£360k
Reduction in Staffing Costs	This target is owned by the whole business and where possible will be generated through the deletion of vacant posts and reviews of current operating models. .	£1.55m
Reduce Profit Margins made by Oakleaf	This target is owned by Oakleaf and is based on reviewing the amount of profit it needs to reinvest back into the business and reducing the management recharges to the Group	£500k
	Total	£5.36m

8- Monitoring

We have a structured performance management framework that will be utilised to monitor our VfM targets. In addition to this there are specific responsibilities detailed below:

Responsible	Method
Group Board	VfM targets are embedded within our business plan and are identified as key performance indicators within our performance management framework. Group Board will routinely monitor them through the Group Performance Dashboard. Group Board will request exception reports on underperforming targets from the Executive when required.
Audit & Assurance Committee	<p>Will receive a VfM update report at each meeting, provided by the Head of Risk & Assurance, and will recommend these reports providing a level of assurance for Group Board.</p> <p>VfM will be considered within the terms of reference for all internal strategic audits. The audit conclusions will be independently presented to Audit & Assurance Committee by our appointed internal auditors. Our Internal audit programme will additionally test the robustness of this strategy at least once every three years and will report to Audit and Assurance Committee. As with any internal audit reports, all gaps or omissions will be actioned by officers and reported back within the timescale set.</p>
Executive Team	Will monitor VfM progress and performance through the Key Performance Indicator monitoring dashboard. They will request exception reports on underperforming targets from Heads of Service and/or other managers where identified.
Deputy Chief Executive	The Head of Risk and Assurance will provide regular verbal and written updates.
Customer Voice and Assurance Group	Will have a fixed agenda item on VfM and will receive VfM updates, from the Head of Risk & assurance, every 2 months. The updates will be for noting and will be presented in the format requested by the Customer Voice and Assurance Group.

9- Scope and Responsibilities

This strategy applies equally to the Group Board, all members of staff, either permanent or temporary, and to those working within or for the Group under a contract for services. The management of the Group's key VfM targets are owned and monitored by the Group Board with all operational VfM targets managed, on a day to day basis by employees throughout the Group under the leadership of the Executive Team.

The Audit and Assurance Committee is (under the terms of reference given to it by the Group Board) responsible for providing such evidence (assurance) as the Group Board request to demonstrate VfM performance.

Additional responsibility levels are detailed in the following table [presented in the flow of liability]:

Responsible	Scope
Group Board	<ul style="list-style-type: none"> • Agreeing an approach to setting, monitoring and achieving VfM performance against targets. • Giving regular consideration of potential VfM gains including the costs and benefits of alternative commercial, organisational and delivery structures. • Consideration of VfM across the whole Group structure and where investment is made in non-social housing activity should consider if the returns are commensurate with the risks involved, providing context if not. • Annually publishing evidence, in the statutory accounts, to enable stakeholders to understand Groups performance against own targets and metrics stipulated by the Regulator. Using benchmarking to provide performance context. • Setting measurable plans to address areas of underperformance [where appropriate]. • Providing strategic leadership on VfM
Audit and Assurance Committee	<ul style="list-style-type: none"> • Receiving VfM update reports and recommending them to Group Board. • Challenging the robustness of VfM evidence provided. • Requesting action plans to be developed to address any identified gaps.
Group Chief Executive	<ul style="list-style-type: none"> • Accountable to the Chair and the Group Board for ensuring there is compliance with the Value for Money Standard. • Delegating responsibility to all of the executive directors across the Group.
Executive Directors	<ul style="list-style-type: none"> • Accountable to the Group chief executive and Group board for the delivery of the VfM Strategy within their areas of responsibility. • Delegating responsibility to Heads of Service across the Group.
Director of Financial Services	<ul style="list-style-type: none"> • Collating data against the agreed VfM metrics and performance targets. • Presenting the data within the Groups Performance Dashboard within the agreed frequency.
Head of Risk & Assurance	<ul style="list-style-type: none"> • Implementation of the Group's VfM Strategy. • Accountable, via the deputy group chief executive, for establishing a VfM framework that will monitor & report VfM activities & savings across the Group. • Providing VfM update reports to Audit & Assurance Committee. • Collating VfM performance data that will enable Group to evidence compliance with the Value for Money Standard. • Providing operational leadership on VfM for the Group.
Senior Managers / Heads of Service	<ul style="list-style-type: none"> • Operational delivery plans are reflective of the VfM and business plan targets. • Ensure that robust information is provided to appropriate meetings in order that assurance on performance is provided. • All staff are briefed on the VfM Strategy and business plan targets.

All Employees (Permanent, Temporary, Voluntary, Contract)	<ul style="list-style-type: none"> Duty and responsibility to have an operational understanding of the Groups VfM objectives and associated business plan targets. Responsibility to follow the Group's policies and procedures in order to support the strategic objectives of the Group.
Customer Voice and Assurance Group	<ul style="list-style-type: none"> Receive VfM update reports as a standing agenda item. Request additional/supporting information from Head of Risk & Assurance when required.
Customers	<ul style="list-style-type: none"> Respond to opportunities to be part of the consultation process when VfM decisions significantly impact on the scope or delivery of front line services. Respond to opportunities to be involved with the Groups procurement processes to ensure that customer's views are represented in key business decisions.

10- Dissemination and Communication

We will adopt a consistent and structured approach to communication in order to engage and inform staff, customers and partners.

Stakeholder	Method
All staff	Briefing to staff along with VfM Strategy available on 'SharePoint'. VfM updates will be communicated to all staff through Group Brief. Key messages will be communicated at appropriate times using a variety of methods [emails/group brief/toolbox talks/staff briefings].
New staff	Receive information on the VfM Strategy and targets during their induction period.
New managers	Will receive information, during induction period, about the VfM Strategy detailing their roles and responsibilities.
Customers	The Customer Voice and Assurance Group will publish, on their section of the website, the reports and minutes from their meetings, which will include VfM updates.
Customers and Regulator	Annual VfM performance and evidence of Standard compliance will be published in the Groups statutory accounts and the VfM section of the website.

11- Strategy review

This strategy document will be subject to a full review, once every three years [from date agreed]. The VfM targets and performance figures will be updated annually. Any significant event or changes to legislation which has a significant impact on the Group's VfM position or targets will cause an earlier review to be undertaken by Group Board.