



# Value for Money Strategy

## 2022

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## **1 Introduction**

- 1.1 Empower Housing Association (EHA) 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 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. The action plan will be developed by the Operations Director in consultation with colleagues, and will be responsible for reporting progress against Value for Money actions. The current plan is included at Appendix 1.
- 1.3 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.
- 1.4 EHA 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. For EHA these indicators are different to mainstream housing associations due to its structure.

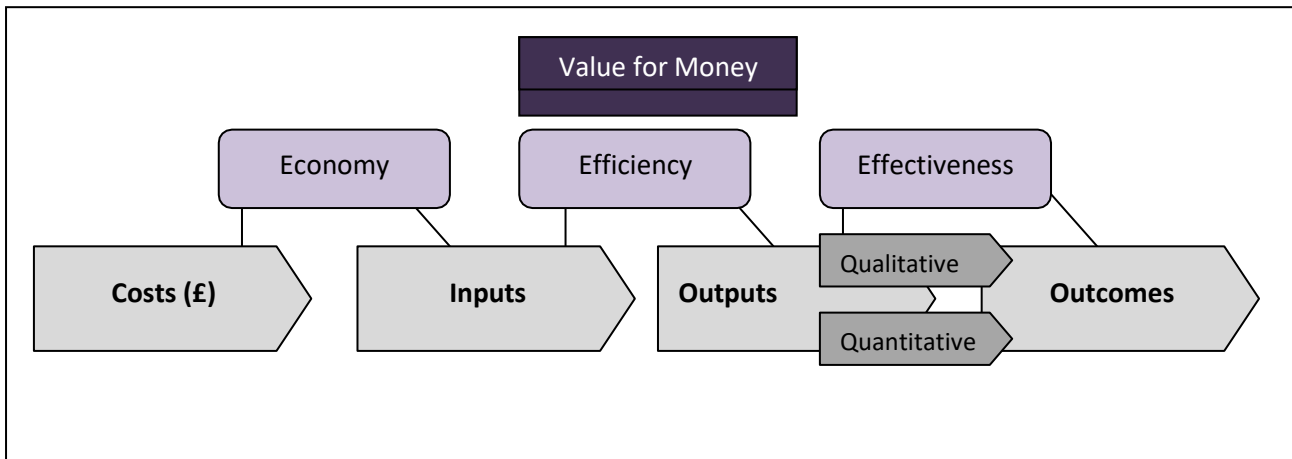
The key measures for EHA are:

- Operating margin
- Overheads as a percentage of turnover
- Housing management cost per property
- Current tenant arrears as a percentage of rent due
- Percentage of rent collected
- Percentage of lettable properties let
- 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
- Percentage of residents satisfied with the service provided by EHA staff
- Percentage of residents satisfied with outsourced repairs and maintenance
- Percentage of residents satisfied with the quality of their home
- Percentage of residents satisfied that their rent provides value for money
- Percentage of residents satisfied that their views are being listened to and acted upon

1.5 EHA 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:



2.2.1 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.

2.2.2 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.

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

2.2.4 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.

2.2.5 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. Business strategy/VfM Goals**

3.1 EHA has a recently developed Corporate plan and EHA's aims to improve value for money throughout the organization in line with the objectives of this plan. The following commitments relating to VFM are relevant and will be delivered through our business strategies:

- Continue to improve our understanding of our current value for money position
- Promote and embed a value for money culture
- Develop a programme to agree with customers how value for money gains are used
- Optimise the future returns on assets whether they be held directly by EHA or investors
- Direct resources to achieve the right balance between frontline services, maintaining existing assets and business development
- Maintain a high level of customer satisfaction with value for money
- Achieve top quartile performance in recognised performance indices.

### **4. VFM Objectives**

4.1 The aim of this strategy is to improve our understanding of EHA's costs, performance and quality of services and by taking action to ensure that the right balance is achieved.

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

- Achieve performance levels that the Board consider appropriate utilizing the resources available to EHA
- Direct resources to achieve the right balance between frontline services, and maintaining existing assets
  - Embed a VFM culture throughout the organisation, and
  - Maintain customer satisfaction levels.

### **5.1 VFM and Tenants**

5.1.1 VFM will play a key role in the agenda for tenants' consultation through the Your Voice, Your Choice community.

5.1.2 Tenants will have a role in shaping and driving the VFM approach by directing the areas for analysis and review. This is by consideration of the sector wide benchmarking reports, VFM performance indicators, identified risks and budgetary analysis and perception indicators.

5.1.3 The community may review the procurement plans and action plan, and consider and challenge new procurement decisions.

## **5.2 Procurement and commissioning**

5.2.1 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.

5.2.2 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 where appropriate in the procurement process will also be essential to the improvement of services and the achievement of VFM.

5.2.3 A full review of the association's financial regulations took place in 2022 to ensure that they support the achievement of VFM. The review ensured a proportionate approach to procurement while ensuring process in place to ensure the market is fully tested to deliver optimum VFM.

## **5.3 VFM processes**

5.3.1 EHA will maintain a register of VFM projects that records the savings achieved and improvements in quality for each VFM initiative, identifies relevant performance measures and evidences the improvement in those measures. The register is reported to the Board at least annually. Performance will be reported to residents in an appropriate format, and gains will be reported to residents in the annual report and VFM self-assessment.

5.3.2 A contracts register will be established which enables EHA to demonstrate that legislative requirements have been met, provides staff 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.

## **6 Communication**

6.1 The Board will publish a 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 will commence with the 2022 (Financial Year) annual report. The need for improved information has been identified as a driver to improve value for money. 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.

## **7. Reviewing the Strategy**

7.1 The VFM strategy will be reviewed and updated annually.

7.2 The following VFM measures have been completed have been carried out during 2021/2:

- Implemented financial regulations to outline the financial operations of the business;
- Developed a long term business plan for the business, with associated stress testing;
- Implemented a budget management framework that introduced devolved management and accountability for defined budget holders, and improved the review and reporting arrangements;
- Developed a whole life costing stock condition survey for the renewal of building elements;
- Implemented a suite of performance indicators and commenced publishing these to tenants.
- Completed a performance review of each individual property and implemented an exit or remediation plan to ensure only performing properties are maintained;
- Completed a staff restructure ensuring appropriate resources are in place to deliver the Associations objectives.

<b>Ref no</b>	<b>Action</b>	<b>Responsibility</b>	<b>Resource implications</b>	<b>Target date</b>
1	Develop an approach to allow suitable benchmarking of service levels and costs	Operations Director	Staff time	Mar 2023
2.	Establish Your Voice, Your Choice tenants consultation forum and include VFM on the agenda	Housing Services Manager	Staff time	Oct 2022
3.	Identify at least one VFM related objective for all members of staff	Chief Executive Operations Director Finance Manager	Staff time	Dec 2022
4.	Complete the regulatory VFM metrics annually	Finance Manager	Staff time	Sept 2022
5.	Review the ICT systems to ensure they meet the modern needs of the business.	Operations Director	Possible cost due to need to upgrade the system	Sept 2022
6.	Review the establishment to ensure we have the right balance of maintenance employees versus contractor partners.	Property Service Manager	Staff time	Sept 2022

