

# Value for Money Strategy 2019 – 2022

<b>Policy Owner</b>	Edward Mellor	<b>New Policy or Review</b>	Reviewed
<b>Date of policy review</b>	13/05/2019	<b>Next policy review date</b>	13/04/2020
<b>Policy Approved by</b>	Group board	<b>Date approved</b>	05/07/2019
<b>Date of Equality Analysis</b>	N/A		

## 1. Introduction

We are a registered housing provider, property developer and community investor in the North West. We are a financially strong and responsible business, our profits are reinvested back into our business so we can make decisions about where best to focus our resources so we can support our communities to thrive and flourish.

We manage over 17,000 social housing properties and have ambitious plans to build more new affordable homes over the next five years. We constantly strive to provide innovative solutions to meet the needs of our customers by designing services that are accessible, effective and deliver positive outcomes.

This strategy explains how we will ensure that we achieve the best value for money (VfM) throughout the organisation and delivery of our work and future plans.

We will strive to find the optimum blend of cost and quality and recognise that this blend maybe different across different services and areas of our business. When considering what represents best value for money, we will consider the full lifetime costs of a particular activity and the impact on customers, staff and business.

Our aspirations are to continue providing strong and effective services based on our local geography, the needs of local communities and demographics, capitalise on investment opportunities and be a more influential voice in the region. Therefore, we also recognise that these aspirations might make some parts of our business more expensive than some of our peers.

We also consider the social impact that could be gained from our activities and decisions so we have a positive impact on our communities.

## 2. Context of the strategy

This strategy applies to all areas of our business and is aligned to our vision, aim and objectives. It sets out how we meet the regulatory requirements in respect of VfM and demonstrate how we will continuously seek to meet our VfM obligations.

**Vision:** Homes and neighbourhoods we can all be proud of

**Aim:** To provide homes as a bedrock for strong places and to support disadvantaged people and their communities to flourish and deliver our objectives

**Objectives:**

- Meeting the housing needs of our current and future customers
- Supporting our customers to be more independent and our communities to flourish
- Ensuring that our business is well run, responsible and financially secure

Achieving value for money is integral to delivering our organisational vision and business plan. We are committed to increasing the supply of affordable housing and understand the potential impact on our business of external factors such as reduced public spending, Greater Manchester devolution and other linked areas such as welfare reform including the impact of Universal Credit on our customers and leaving the European Union.

The Regulator for Social Housing sets out the regulatory framework for social housing, which details the regulatory standards including VfM as one of the economic standards. This includes a number of metrics which form part of the sector scorecard.

As a member of Greater Manchester Housing Partnership (GMHP) we continue to work with our partners to ensure that we are a key contributor to the future of social and affordable housing and that we have the flexibility to achieve the outcomes we need for our customers.

Our Local Standards as defined by our customers aim to ensure value for money for our customers:

- Treat you and your home with respect
- Deliver high quality services to agreed standards and fix things quickly if there is a problem
- Keep you updated – you should never need to chase us
- Provide services within agreed timescales
- Keep our promises and treat you fairly

## 3. Our governance framework to manage VfM

Delivering value for money is led by our Group Board and overseen by our Group Audit & Risk Committee. Each committee is also responsible for ensuring that VfM is considered in their areas of responsibility and operations.

Group Board leads and sustains a VfM culture and is responsible for setting and monitoring this strategy through the annual review of the business plan and the operating environment.

Group Board and Group Audit & Risk Committee monitor our performance against the plan and receive quarterly updates to evaluate our overall performance, review against the strategic risks held in the Corporate Risk Register and review delivery of our programmes, projects and policies. Compliance with the VfM Standard is also continuously monitored to ensure we meet our regulatory requirements.

Every year, the Board hold an annual business planning event which includes a VfM strategy session to inform the development of the business plan and agree the budget and business strategy for the following year.

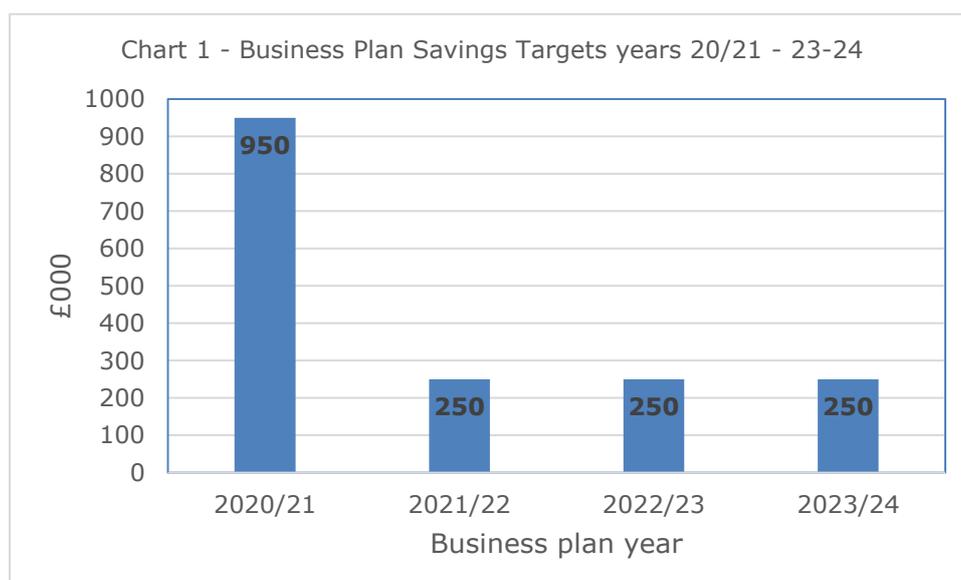
The Leadership Team Strategic Programme places emphasis on achieving VfM across all our programmes of work to maintain a financially stable and growing business. In particular, understanding and reviewing high cost service functions and delivery and how we compare with our peers against the key VfM metrics. Actions to review services with high cost and to improve value for money are included on the Strategic Programme.

Our performance is reported to Board and used to influence the annual review of our Business Plan. The agreed priorities are represented through our Leadership team Strategic Programme along with improvement plans to control costs, review our delivery channels and agreements and / or improve/demonstrate more clearly positive impact and outcomes for customers.

#### 4. Our approach to achieving value for money

Every year we allocate resources to our activities, set efficiency targets, scrutinise our high cost areas, explore alternative delivery channels and seek to expand our development and growth plans.

Our 40 year financial plan is based on the 2019/20 budget approved by Board with 2019/20 as the final year of planned 1% rent reductions. The latest business plan contain the following savings targets over the next 5 years



To improve our VfM position we seek to optimise the balance between cost and quality relative to outcomes. We strive to deliver the best quality we can to improve homes, purchasing goods and materials and / or establishing a new service or improving an existing one. We also seek to improve social value through our approach to procurement.

Additionally, many of our services provide a much wider benefit to the community and may save money for other public services such as Bolton Council. These services are mainly delivered through our Community Investment Teams, UCAN centres and Housing Services Teams. This may sometimes mean that some of our services may be more

expensive to deliver compared to our peers as delivering social initiatives form part of our corporate objectives.

Therefore, when making VfM decisions we will consider:

- Our commitment to being a place based housing provider with a strong emphasis on the communities in Bolton
- The total financial and non-financial costs to BH
- The short to long term benefits for BH and customers
- The impact on our risk appetite and profile
- Our roadmap for future growth and ambition
- Any other implications

## 5. Key VfM elements

The key elements of our VfM approach are summarised below. We want to ensure that VfM is transparent and embedded throughout the organisation across every level (governance, strategic, operational):

Establishing savings targets each year in order to reduce our operating costs as far as possible. Our 5 year programme for 2019 - 2024 includes specific targets for VfM. £700,000 of the first year's savings (see Chart 1) relate to those required to offset the final year's 1% rent reductions and subsequent savings targets of £250,000 annually

- Budgets are allocated as part of the annual business and financial planning cycle, which includes a comprehensive stress testing exercise against a range of scenarios that could potentially break the plan. The results of the stress test are reported to Board and any mitigating actions are agreed and prioritised accordingly.
- Ensuring VfM is embedded throughout the reporting process, for example, when considering new investment decisions and new proposals. These reports provide VfM details including option appraisals, alternative delivery channels/options, developing measurable and meaningful performance indicators, demonstrating a positive impact on customers and the business as appropriate
- Financial monitoring is a key element of the operational reporting framework and provides feedback on performance to all levels of the organisation. We also undertake an annual review to scrutinise our performance against the VfM metrics, which is reported to Board (see section below)
- Benchmarking our costs and performance through HouseMark to assess and evaluate whether our operational services provide value for money, identify areas of concern and develop improvement plans. Performance information is published in our VfM Statement.
- Evaluating all major investment decisions by undertaking a high level VfM assessment which takes account of the financial impact on the Business Plan and meeting organisational objectives
- Undertaking a comprehensive performance appraisal of our existing assets to better understand where we need to dispose or redevelop stock / assets and where future investment is needed
- Undertaking a comprehensive appraisal on the return from investment for each of our subsidiary companies, which will be a key financial performance indicator

- Continuing to explore different models of service delivery and partnership working, identifying options to share expertise and best practice (see below)
- Reviewing our procurement process to ensure we consistently drive VfM through every level of procurement activity to achieve optimal benefit
- Establishing and embedding a clear VfM link to other key strategies such as Procurement, Asset Management, Development, Sustainability, Social Value and Business Planning, Risk & Assurance Strategy (see below)
- Publishing our VfM Statement annually which includes details on our costs, performance and outcomes. The Statement is approved by Board and available to customers and our stakeholders. The Statement is also included within the annual Financial Statements
- Undertaking business process reviews to examine end to end processes aimed at increasing efficiency, removing waste from key processes and working more collaboratively across teams so services are delivered more cost effectively while meeting service standards
- Commissioning the Scrutiny Panel to undertake detailed service reviews in areas of concern with a clear focus on the quality of service delivered to customers i.e. ensuring right first time delivery by making recommendations to changes to our processes
- Conducting customer satisfaction and more frequent transactional surveys to give us a clear indication on areas where customers are reporting high levels of satisfaction with the delivery of our services and where we need to improve
- Delivering mandatory training on VfM to all our staff and involving our staff in VfM as they are often best placed to identify where efficiencies can be made, improve standards and increase customer satisfaction with our services (see below)

### **Procurement & social value**

Our procurement strategy 2018 – 2021 sets out our consistent approach to achieving VfM through the procurement of goods and services to achieve optimal benefit. An independent review of the strategy was undertaken in August 2018.

Whilst our strategy was found to be robust and compliant with relevant legislation we continually seek to achieve best practice and optimise the benefits derived from partnerships.

Our procurement costs are in excess of £40m each year on goods, services and works with over 1,000 suppliers. All goods, services and works that we procure balance price, and while meeting customers and other stakeholders' needs.

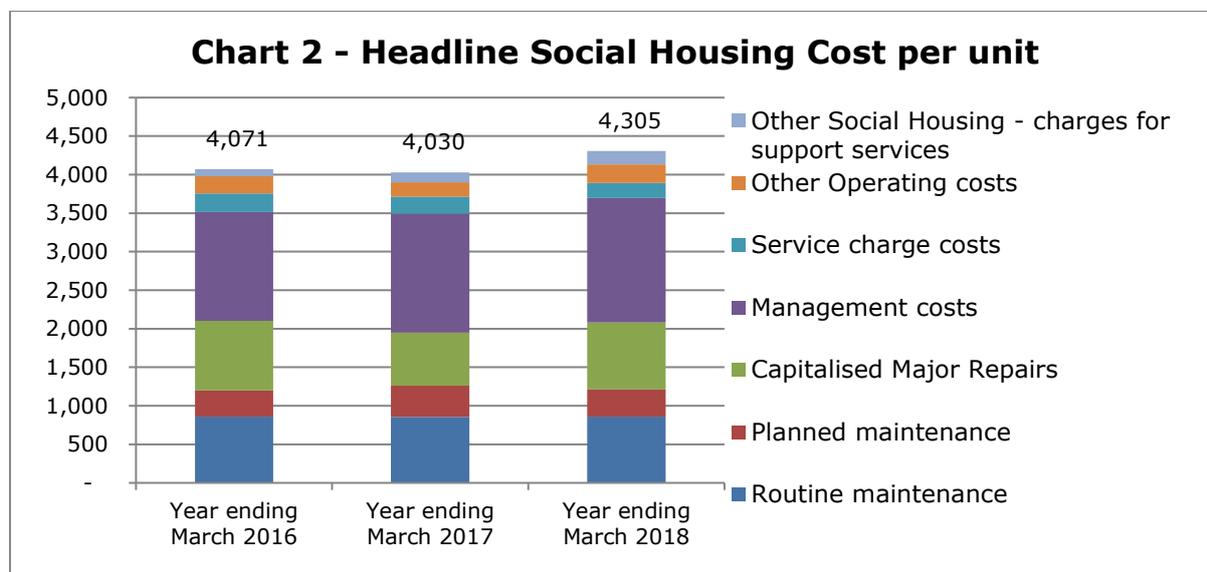
In addition, we want our suppliers to contribute to tackling social inequality and regenerating the local economy. Therefore, we include a requirement that all submitted tenders over £50,000 must include a 1% financial contribution towards social value.

Our procurement plans are reviewed annually and alternative service delivery options are considered including delivery through our subsidiaries. We also plan to undertake a further procurement review.

### **Benchmarking to improve high cost services**

We currently benchmark our costs and performance via HouseMark using the sector scorecard's VfM metrics to understand our position comparable to other Registered Providers. There are areas of our business where our operating costs are higher than our peers. These are reported to Group Board and Group Audit & Risk Committee which determines which areas will be selected for VfM reviews.

The areas of focus over the next couple of year are improvements to properties and repairs and maintenance where we are on the borderline of third and fourth quartiles compared to similar organisations and which account for around a half of our headline social housing cost per unit, see chart 2 below.



**Understanding and managing the performance of our assets**

The majority of our existing assets add a positive net present value (NPV) to our business. We use PAVE software, which is continuing to be developed to help understand the return on assets with contextual indicators being added to the model to provide a clearer understanding of the viability of our assets.

Over the next two years, we will appraise different options to manage poorly performing stock and consider alternatives such as disposal and/or redevelopment. We will refresh our asset data through a large scale condition survey so we can develop better property investment plans that meet the needs of our customers and compliments our development programme. We will specifically focus on improving VfM by reviewing our design and specification materials and incorporating new energy efficient technologies to reduce gas and electricity expenditure.

**Building on development and growth**

This is a key aspect of our future plans to build further resilience into the organisation and consolidate our financial viability. The Board approved our Growth Strategy and in conjunction with the Development Strategy will ensure all our business development activity adds value, protects our asset base and improves the quality of our services based in delivering VfM.

Delivering new affordable homes is a clear objective within the Business Plan underpinned by our Development Strategy. Our new build schemes are appraised using a NPV method which replicates the methodology in PAVE to appraise our existing stock

**Ensuring we deliver efficient customer focussed services**



We have developed local standards in partnership with our customers to support our ongoing compliance with the Consumer Standards. We measure our performance against these standards so we can continue to assess how efficiently services our customers value are being delivered. The standards will assist to drive down costs and improve customer satisfaction. Our overall performance and key achievements are reported in the Annual Report.

Our Operations Committee and Scrutiny Panel help make decisions around operational priorities, quality and service improvement and related VfM issues. Comprehensive service reviews are led by the Scrutiny Panel who compile a series of recommendations and an improvement plan with targets is developed and progress reported to Operations Committee and Board.

### **Involving and making the best use of our people**

We seek to increase VfM awareness and encourage staff to demonstrate their individual and collective contributions to VfM. Our staff are often best placed to extract additional value from business activity by identifying operational efficiencies, improve business processes by continually challenging operational practices, share customer feedback on service quality and improve standards.

VfM ideas are captured during annual business planning days and the development of service and team plans. Staff complete mandatory VfM related training on an annual basis. This provides the opportunity for VfM to be applied into day to day working and discussed as a regular feature of team meetings to drive continuous improvement.

We will communicate this strategy to all our staff and it will be made widely available on our intranet and website alongside other key supporting documents such as the Business Plan, Financial Statements, VfM Statement.

### **Diversifying the group**

Increasing and strengthening our financial resilience has driven our aspirations to diversify our operations and have successfully established four subsidiaries to join our group. Also, we will embark on providing 1400 new affordable homes over the next five years.

This will increase our regional influence as we continue to explore new opportunities for alternative delivery channels, joint procurement vehicles and reviewing our refinancing options to increase our ambitions for further new build development offering a balanced range of tenure and property types.

## **6. Monitoring, review and evaluation**

This strategy will be reviewed on an annual basis as part of the business planning cycle to ensure its continued appropriateness and comprehensively reviewed every three years.