



# Value for Money Strategy

## 2024-2027

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## **Preface**

We are an award winning not-for-profit housing association based in County Durham. We offer more than just a home. We help improve lives of people living in our homes and in our places.

We work hard to make sure those homes are high quality, sustainable and adaptable, while meeting your current and future aspirations. We offer support that helps people into work and training and increases their financial confidence and stability.

We are a Registered Provider of social housing and all the income we receive is invested back into our local communities to help improve the lives of our current and future tenants.

As a Register Provider, we are regulated by the Regulator of Social Housing who is responsible for promoting a viable, efficient and well-governed social housing sector able to deliver quality homes and services for current and future tenants.

As part of their regulatory role, the Regulator of Social Housing sets Standards to which all housing associations in England must comply. The current Value for Money Standard requires all Registered Providers to demonstrate a number of required outcomes, such as clearly articulating their strategic objectives and ensuring that optimal benefit is derived from the resources and assets which they own.

This Strategy sets out what we will do to ensure that we comply with the Value for Money Standard.

## 1. Background

The Regulator of Social Housing's Value for Money Standard, effective from 1 April 2018, clearly sets out our Board's responsibility for overseeing the delivery of value for money, and for demonstrating to stakeholders how we meet the Standard. Our Board recognises that value for money plays a vital role in achieving our strategic objectives, and in supporting both our ongoing viability and our future growth. The economic, effective and efficient delivery of services is a fundamental part of our business planning and governance framework.

This document articulates our value for money strategy, setting out the strategic approach used by our Board and the Executive Management Team for achieving value for money in meeting our objectives.

The Board and Executive Management Team have responsibility for ensuring proper oversight of the value delivered through our services. In order to meet the specific expectations of the standard, we must be able to demonstrate:

- A robust approach to achieving value for money, which includes a robust approach to decision making and a rigorous appraisal of potential options for improving performance;
- Regular and appropriate consideration by our Board of potential value for money gains, including alternative commercial, organisational and delivery structures;
- Consideration of value for money across the whole business, and, for investment in non-social housing, considering whether this generates returns commensurate to the risk involved, and justification where this is not the case; and
- That appropriate targets are in place for measuring performance in achieving value for money in delivering strategic objectives, and that performance is regularly monitored and reported against these targets.

Our Board is the custodian of our social housing assets; the responsibility for ensuring the long-term financial viability and sustainability of the organisation lies with our Board. As social housing is a long-term asset, normally funded by long-term liabilities, it follows that our Board needs to maintain a long-term perspective of service delivery. They need to ensure that short-term savings or investment decisions do not place the long-term sustainability of our business and the security of our tenant's homes at risk.

The Regulator of Social Housing published new Consumer Standards, effective from 1 April 2024. Although there are no changes to the Value for Money Standard, some of the changes to the Consumer Standards create additional specific expectations in relation to value for money and the information we provide to tenants to allow them to hold us to account. These changes include:

### Safety and Quality Standard

Registered providers must ensure that the delivery of repairs, maintenance and planned improvements to homes and communal areas is informed by the needs of tenants and provides value for money.

## Transparency, Influence and Accountability Standard

Diverse needs – Registered providers must ensure that communication with and information for tenants is clear, accessible, relevant, timely and appropriate to the diverse needs of tenants.

Performance information – Registered providers must provide tenants with accessible information about how income is being spent, and their directors' remuneration and management costs.

### **2. Value for money strategy**

The aim of our Value for money strategy is:

“to ensure our strategic and charitable objectives are achieved through the efficient, effective and economic use and management of resources at both the strategic and operational levels while delivering equitable outcomes for stakeholders and minimising our impact on the environment.”

Key to this is our robust approach to decision-making. Value for money is embedded within our governance processes, our planning and performance management framework and our service delivery culture. Our value for money approach does not stand alone; in order to discharge our responsibilities to deliver value for money, we embed value for money within other policies and processes, as set out in this strategy. This includes considering the impact of business investment or divestment decisions on customers with protected characteristics or vulnerabilities.

Value for money is a fundamental part of all areas of our work and therefore has key links to all strategies.

In line with the Regulator's Value for Money Code of Practice, we consider that achieving value for money includes achieving economy, efficiency and effectiveness in all areas of activity, taking into account the outputs achieved as well as input costs. These are defined as:

- Economy – minimising the cost of resources used while having regard to quality;
- Efficiency – the relationship between the output from goods or services and the resources to produce them;
- Effectiveness – the extent to which objectives are achieved, and the relationship between intended and actual impacts.

Whilst not a requirement of the Value for Money Code of Practice we will strive to deliver equitable outcomes, being fair and reasonable to all customers, providing accessible services, and balancing the needs of other stakeholders, while minimising our environmental impact.

Specific initiatives which have been tailored to support the value for money agenda include our:

- Reinvestment programme;
- Social value reporting;

- Procurement policy;
- Digital transformation roadmap.

In addition, the following Plan A chapters form a fundamental part of our compliance with the Value for Money Standard:

- Providing Quality Sustainable Homes
- Building and Acquiring Sustainable Homes

Our Board ensures that transparent, adequate and appropriate reporting is included in the financial statements which:

- Enables stakeholders to understand our performance against value for money targets and any metrics set by the regulator, and how that performance compares to our peers;
- Sets out measurable plans to address any areas of underperformance, including clearly stating any areas where improvements would not be appropriate, and the rationale for this; and
- Report directors' remuneration and management costs relative to our size.

We also publish our annual value for money self-assessment separately on our website to ensure value for money reporting is more visible and accessible to customers and other stakeholders.

### **3. Strategic objectives and value for money**

Registered providers must clearly articulate their strategic objectives (VFM Standard reference 1.1a). Our strategic objectives are articulated in our business strategy, Plan A.

Registered providers must have an approach agreed by the Board to achieving value for money in meeting these objectives and demonstrate their delivery of value for money to stakeholders (VFM Standard reference 1.1b). Our approach to reporting our performance to stakeholders is set out below in section 7.

Through their strategic objectives, registered providers must articulate their strategy for delivering homes that meet a range of needs (VFM Standard reference 1.1c). Plan A includes specific strategic objectives and sets performance targets to achieve this; examples include:

#### Building and Acquiring Sustainable Homes

- Undertaking customer engagement to identify the key priorities for tenants moving into our newly developed homes so these can be reflected in a revised design code.
- Amending our design code to incorporate HAPPI principles and “Building for a Healthy Life” guidance to match the priorities of our tenants.
- Installing and evaluating low carbon heating technologies in at least 10% of our newly developed homes.
- Ensuring that at least 20% of our newly developed homes are suitable for older persons.

### Providing Quality Sustainable Homes

- Undertaking customer engagement on the Home Improvement Programme to identify which interventions are most valued by customers to help shape future capital works programmes.
- Delivering regeneration works at the Courts in Shildon to improve energy efficiency and desirability of the estate.
- Developing a programme of asset appraisals which identify the physical interventions required to maintain the demand and sustainability of our homes and places.

### Transforming Customer Experience and Digital Services

- Implement self-serve trackable services to keep customers informed and in control.
- Maximise and learn from customer insight to transform services that deliver what our customers want and need.
- Modernise ways of working to increase agility, efficiency, sustainability and responsiveness.

### Supporting Sustainable Tenancies

- Make best use of available housing stock by supporting tenants to access more affordable homes that best meet their needs to support balanced and sustainable places.
- Target personalised, accessible financial inclusion support offers to tenants to improve affordability and maximise rental income.
- Provide a seamless tenant onboarding process that is easy and convenient to access.

Registered providers must ensure that optimal benefit is derived from resources and assets, and optimise economy, efficiency and effectiveness in the delivery of their strategic objectives (VFM Standard reference 1.1d). Our approach to this is set out below in sections 4 and 5.

## **4. Value for money and decision making**

### **4.1 Decision making**

Registered Providers must demonstrate a robust approach to achieving value for money, including a robust approach to decision making and a rigorous appraisal of potential options for improving performance (Standard reference 2.1a).

Our Rules and Standing Orders set out our approach to high level decision making, requiring robust scrutiny of proposals at Board, Committee and Executive Management Team levels. Our Financial Regulations require projected budgets and forecasts to be prepared when our Board is considering decisions which are likely to have a significant effect on the business; this allows our Board to consider whether these decisions provide value for money.

In considering proposals, our Board must receive (as appropriate to each proposal, but not limited to) information about:

- Cost inputs versus outputs achieved,

- Opportunity costs of using assets and resources in their current function,
- Comparison against potential alternatives,
- Risk management considerations, balancing the risk of the proposal against the expected return,
- Evaluation of implications for delivery of objectives and services to customers,
- An assessment of the quality of the data on which any evaluation has been made,
- Whether an appropriate balance is being struck between quality and cost,
- Our customer voice, and the needs of our tenants and local communities,
- For investment in non-social housing activities, whether the returns generated are commensurate to the risk involved,
- The effect the decision to progress one proposal could have on other strategic priorities.

These areas will normally be addressed in the “Findings and analysis” or “Material considerations” sections of the relevant Board report.

Further detail on our approach to embedding value for money in the annual corporate budgeting process is set out in section 6.

#### **4.2 Options for improving performance**

The Value for Money Standard requires registered providers to:

- undertake a rigorous appraisal of potential options for improving performance (Section 2.1a); and
- demonstrate regular and appropriate consideration of potential value for money gains, including full consideration of costs and benefits of alternative commercial, organisational and delivery structures (Section 2.1b).

We consider that good performance against the Regulator’s value for money metrics (above median for the majority of measures) indicates that the organisation continues to deliver value for money through its operations.

However, in order to ensure that due consideration is given to all options for improving performance, our Board will consider annually, alongside the VFM metrics included in the financial statements, whether a detailed review of any of the following areas (as set out in the Regulator’s Value for Money Code of Practice) should be undertaken in the coming year. This does not preclude our Board or Executive Management Team from undertaking reviews in these areas at any time.

- Our corporate structure
- Procurement processes, including whether any specific procurement exercises should be undertaken, or whether the general corporate approach to procurement needs to be reviewed
- Diversifying into new business streams, or divesting from existing business streams which are no longer providing value for money
- Investment in non-social housing activities, whether through subsidiary, joint venture or any other arrangement
- Participating in, or ceasing to participate in, any partnership arrangements
- Extending or withdrawing from geographical areas of operation

- Continuing as a standalone business versus merging with another provider

### **4.3 Optimising value for money**

We seek to deliver services which strike an appropriate balance between quality and cost.

Periodically, we may seek to invest in activities which fulfil our charitable objects, but which provide lower financial returns than other available options. Any decision to invest in significant new activities or projects of this nature are considered by our Board, and the rationale for investing in these activities documented.

In addition, from time to time, we may accept lower financial returns in order to undertake activities which are consistent with our charitable objectives, such as leasing commercial properties to charitable bodies at reduced rates or offering discounted home ownership products. Such activities will only be undertaken following receipt of legal advice confirming that the proposed approach is reasonable and/or in accordance with approved policies.

### **4.4 Social value**

We seek to maximise social value and invest in services and projects which achieve strategic objectives for tenants and communities. Social value is not related to cash flow; it instead measures the impact of activities on our local community. We undertake a number of activities, funded in part through our Community Grant Fund, which are targeted at supporting tenants, improving economic, environmental and social sustainability and generate significant social value. These include:

- Providing employability support for tenants and communities,
- Supporting community-based projects that help older and vulnerable residents,
- Embedding community projects that promote good financial wellbeing and inclusion,
- Working with relevant partners to promote social, environmental and economic wellbeing in our communities,
- Targeting community investment, based on community and business data in our communities in the greatest need.

Through our Performance Management Framework, we report the total social value achieved through social, economic and environmental interventions in our communities and how successful we have been in securing external funding for communities to ensure our investment goes as far as possible and attracts other investors.

Social value calculators use economic valuation techniques to estimate the value generated by activities in monetary terms and can be used to communicate the social effect of these activities to our tenants, communities and other stakeholders. We will continue to monitor the social value that we generate using the HACT Social Value Calculator, or a similar industry recognised methods (i.e. Themes, Outcomes and Measures (TOM's)), and where appropriate expand impact reporting to other services.

### **4.5 Procurement policy**

Our procurement policy ensures tenders are designed to include social value commitments for potential suppliers and their ability to deliver on our policy commitments to customers

(i.e. considering vulnerabilities). When completing a tender bidders must state how they will deliver on policy commitments and social value and where successful this becomes a contractual commitment, further enhancing our approach to social value.

#### **4.6 Investments**

In some instances, it may be appropriate for us to invest in a third-party company to deliver services. Any such investments will be considered in line with our Investment Policy.

#### **4.7 Optimising the return on assets**

Registered providers must be able to demonstrate that they have a full understanding of the return they generate from their assets compared to the costs of maintaining those assets and where assets are not apparently achieving the optimum expected return, registered providers should be able to articulate the rationale for continued support of the asset.

Our Asset Management Policy and Asset Solutions Appraisal set out how we monitor the performance of our housing properties to ensure that they are making a positive contribution to our business and to our communities. We evaluate the financial performance of our properties by calculating their Net Present Value. This compares the amount of income they will generate relative to the cost of maintaining them over time.

Where housing properties fail to meet the minimum Net Present Value, prove difficult to let, or have a high tenancy turnover rate they are subjected to an in-depth review. The primary purpose of this Asset Solutions Appraisal is to determine, from a range of options, the one which best balances the needs of our business, our communities and our customers. Where an intervention is proposed this is included within our annual Home Improvement Programme.

### **5. Consideration of value for money across the business**

Registered providers must demonstrate 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 (Standard reference 2.1c).

#### **5.1 Consideration of value for money gains across the business**

Each department has a responsibility to monitor and review the costs and associated processes within their area, both for ongoing service delivery and for new projects. Value for money is embedded in all business streams, with proposals considering the following areas:

- Is the service essential? If not essential, what benefits (including social value, environmental or reputational benefits) are generated from service delivery? Does delivering this service contribute to achieving our business strategy?
- Is there an alternative way that we could achieve the same outcome, e.g. from providing a different service with the same results, retendering with key suppliers, providing an outsourced service in-house, or outsourcing services currently provided in-house?

- Is the service being delivered as efficiently as our peers? If so, are there further efficiencies that could be made to ensure that the service becomes more efficient in absolute terms?
- Can technology be used to improve the efficiency and effectiveness of current services?

In addition, our open culture encourages all employees to take a critical view of expenditure within their service area and identify possible savings, both to support future growth and to ensure that we are able to meet our challenging performance targets.

## **5.2 Reinvestment programme**

The Reinvestment Programme provides “seed funding” for initiatives which support the achievement of our strategic objectives and are likely to result in further savings or service improvements.

Managers may submit proposals to utilise efficiency savings which have been made in the current year. Proposals must be accompanied by a robust business case setting out how the project would support our strategic objectives, how any associated risks would be managed, and how business intelligence has been considered in the proposal.

## **5.3 Non-social housing activity**

The vast majority of our income is derived from social housing activities; however, some income is generated from non-social housing activities. This includes rent on commercial shops which support our local communities and a commission on the collection of water rates from our tenants. The operating margin on these activities is monitored to ensure they continue to provide a positive contribution to our overall finances and provide additional support for our core social housing activities.

## **6. Value for money targets**

Registered providers must demonstrate 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 (Standard 2.1d).

### **6.1 Identifying targets**

We have adopted the seven technical metrics set by the Regulator of Social Housing as our primary targets for measuring value for money. Information about target setting, monitoring and reporting against these metrics is set out below.

### **6.2 Value for money target setting: technical metrics**

The Regulator’s technical metrics are derived from figures reported in the financial statements. Our Board agrees budgets each year for the medium term (one to three years) and the longer term (30 years). This includes considering forecast value for money performance compared to the Regulator’s metrics and provides an objective assessment of whether value for money will be achieved through the delivery of the proposed budget.

Our aim is to achieve a balanced performance across the Regulator of Social Housing's Value for Money technical metrics, aiming for our blended average performance to be above median across the technical metrics as a whole.

Our methodology for this is to apply a score of 1 for best quartile performance and 4 for worst quartile performance when compared against the sector's latest published global accounts data. We aim to achieve an average score of 2.5 or lower across all value for money metrics.

As recognised by the Regulator of Social Housing, it is not feasible for any registered provider to achieve top quartile performance in all of the technical metrics. However, targets will normally be set which seek to improve performance year-on-year, and which maintain our relative performance to the sector as a whole.

Where overall performance against the metrics is forecast to be below the sector median, the reasons for this will be documented when the budget is submitted for approval and will be scrutinised by our Board.

### **6.3 Monitoring and reporting against targets**

The technical metrics, together with the targets agreed during the budgeting process, will be included in the Performance Management Framework and will be monitored by our Board throughout the year.

### **6.4 Other methods of monitoring value for money performance**

We also seek to understand whether value for money is being delivered by:

- Benchmarking services, using information available through benchmarking organisations such as Housemark, the Regulator's Global Accounts, and similar sources, to set performance targets which are clearly linked to strategic objectives, and to understand how these costs compare to other organisations, how they have changed over time, and what is driving these costs; and
- Assessing the return on assets achieved, including using assessment tools such as Net Present Value, Net Yield and Gross Yield, which consider future income and future costs.

These processes are all monitored through our Performance Management Framework and Quarterly Management Accounts which are regularly reported to our Board and Finance and Investment Committee, providing them with oversight and the ability to challenge where expected levels of delivery are not achieved.

## **7. Reporting**

Registered providers are required to publish evidence in their annual financial statements explaining their performance against the Value for Money Standard. We will seek to meet best practice requirements as well as those of the regulator, and to make our reporting concise, transparent, and accessible to stakeholders.

We believe in transparency and accountability and publish annually our value for money self-assessment on our website.

## **7.1 Performance**

The information published must enable stakeholders to understand the provider's performance against its own value for money targets and any metrics set out by the regulator, and how that performance compares to peers (Standard reference 2.2a).

We will include in our financial statements:

- Our actual performance against the Value for Money Metrics and our own targets,
- Our previous year's performance against the Value for Money Metrics,
- A three-year forecast of the Value for Money Metrics based on our latest approved business plan,
- A comparison of our performance to the sector as a whole,
- A comparison of our performance to our regional peer group,
- All of our high-level performance indicators with actual performance against our targets.

The Safety and Quality Standard states that registered providers must ensure that the delivery of repairs, maintenance and planned improvements to homes and communal areas is informed by the needs of tenants and provides value for money (Standard reference 2.3.5).

We will do this by:

- Performing detailed analysis of social housing costs per unit and comparing to the sector as a whole.
- Reviewing an annual cost report on our repairs and maintenance service prepared by an independent expert.

We will also report on any metrics which emerge from changes in regulation or best practice.

## **7.2 Plans for improvements**

The information published must enable stakeholders to understand whether measurable plans are in place to address any areas of underperformance, and must set out any areas where improvements would not be appropriate and the rationale for this (Standard reference 2.2b).

Underperformance can be indicated in two ways:

- Failure to meet internally set targets; and
- Failure to perform at or above the sector median.

The Regulator of Social Housing recognises that providers are unlikely to perform above the sector median in all of the technical metrics, but places the onus on providers to understand, and communicate to stakeholders, the reasons for any underperformance. Where performance is below median quartile for any of the value for money metrics, we will set out measurable plans to address these areas of underperformance, or will clearly state why improvements in these areas would not be appropriate.

Internal targets, including the value for money metrics, are monitored through the Performance Management Framework throughout the year. This provides a structured review process for each target, including action plans where underperformance is identified, and regular reporting to our Board. This information forms the basis of the report on plans to address underperformance, which will be included as required in the annual financial statements.

### **7.3 Reporting performance to tenants**

The Value for Money Standard requires us to published information annually which enables all stakeholders to understand our performance and the measurable plans we have in place to address any areas of underperformance.

We recognise that while we have many stakeholders, our tenants are our most important stakeholder and have a unique perspective from which to judge our delivery of value for money. We will therefore go above and beyond the requirements of the Standard to ensure that we are open and transparent with our tenants in demonstrating how we deliver value for money.

The Transparency, Influence and Accountability Standard states registered providers must ensure that communication with and information for tenants is clear, accessible, relevant, timely and appropriate to the diverse needs of tenants (Standard reference 2.1.2) and provide tenants with accessible information about how income is being spent, and their directors' remuneration and management costs (Standard reference 2.4.4 c and d).

We will do this by:

- Ensuring that our Annual Report to Tenants contains full details of how our income is spent in an accessible format.
- Publishing on our website our annual value for money self-assessment including comparative data which shows our performance compared to our regional peer group and the sector as a whole.
- Providing detailed analysis of social housing cost per unit compared to the sector as a whole.
- Listening to our tenants through our customer voice arrangements and the InsightXchange, and providing tenants with an opportunity to highlight specific areas where value for money should be reviewed.
- Ensuring each scrutiny review undertaken by the InsightXchange considers the value for money being delivered by the service under review.
- Including information on directors' remuneration and management costs relative to our size in our financial statements.
- Where customers have told us that they require non digital communication or translation services we will state in our Annual Report to Tenants how they can request paper copies of our value for money self-assessment.

## **8. Executive responsibilities**

Members of the Executive Management Team are responsible for the strategic implementation of this strategy within their departments. Each director must ensure that

value for money is being actively sought within their department, and that appropriate information is provided to the finance team to allow sufficient reporting to our Board.

The Executive Director of Finance and Investment is the lead officer for value for money, being responsible for ensuring that adequate employee training and awareness is delivered across the organisation, and for undertaking appropriate reporting to our Board.

## **9. Monitoring and review arrangements**

This strategy will be reviewed every three years or if there is a significant change in the regulatory environment or our business strategy objectives. Any revisions will be submitted to our Board for approval.