

# Value for Money Strategy





# Scope of Strategy

This Strategy sets out Platform Housing Group's approach and key commitments to deliver a comprehensive, transparent approach to achieving value for money. It aims to support the Group making the best use of its available resources in delivering key strategic objectives economically, efficiently and effectively whilst maximising social value.

## Applicability

The Strategy applies to all members of Platform Housing Group.



# 1. Introduction

- 1.1 Our Vision is to make a difference by enabling better lives through building better homes. One of the key priorities in the Platform Housing Group Interim Strategic Plan 2018 is to become:

*“A strong, efficient and influential organisation... we will use our financial strength to achieve issues that matter to us.”*

Our strategic objectives include:

- A commercial approach to achieve **£12 million efficiencies by 2023** which will be invested in more new homes and better customer services,
- Up to **2,000 new homes each year**, with Over 18,000 new homes in our first ten years,
- An investment programme of at least **£50 million per year** to make our homes great places to live in,
- The majority of our maintenance programme through our own in house property care business with growth in the **turnover of the property care business to £50 million by 2023**,
- **Improved customer engagement** with more digital access to services.

- 1.2 This Strategy aims to build on the work previously undertaken by both Fortis Living and Waterloo Housing Group to improve both value for money and efficiency, and sets out the approach to be taken by the Group to reflect this commitment and ensure that we embed a culture that is truly committed to delivering value for money for our customers and other key stakeholders.

- 1.3 The Group recognises that our approach to ensuring value for money needs to reflect a comprehensive approach that achieves continuous improvement in the Group's performance on running costs and the use of our assets. It therefore links clearly to other related strategies such as the following:

- Group Strategic Plan
- Risk Management Policy
- Group Business Plan
- Asset Management Strategy
- Development Strategy
- Procurement Strategy
- ICT Strategy
- Customer Service Strategy
- Treasury Strategy
- Business Improvement Strategy

- 1.4 Our Boards will be responsible for overseeing our approach to VfM and ensuring that VfM is embedded in all our policies and plans. The Group will report annually on its achievements against the Strategy by reporting key VfM data in the Group's Financial Statements.

## 2. Our Approach to VfM

2.1 Our strategic approach recognises that ensuring value for money means that we must maintain a robust assessment of the performance of all our assets and resources. In practice this definition of value for money means managing our resources economically, efficiently and effectively to provide homes and services of a high quality.

It also means that we need to plan and continually assess our performance to deliver ongoing improvements in value for money.

2.2 This definition recognises that value for money is not solely about cutting costs. It is about understanding the **'Value Chain'** – the relationship between cost, process and quality – that delivers quality services whilst using resources in the most cost-effective manner. Put simply, our approach is to manage and reduce costs while aiming to improve service delivery and customer satisfaction.

This approach is defined by what we believe to be the key elements of VfM: The Value Chain:

| Economy   | Efficiency   | Effectiveness  |
|---|--|--|
| Economy is achieved at the simplest level by managing costs (what we pay for goods and services) and is underpinned by our procurement strategy.  | Efficiency is achieved when we make the best use of our resources, and is improved by continuously reviewing and improving the way we do things. | Effectiveness is achieved when we deliver services that meet our quality objectives and our customers' expectations.           |
| Underpinned by:   | Delivered by:  | Demonstrated by:   |
| <b>Procurement Strategy</b><br><b>Business Improvement Strategy</b><br><b>Business Plan</b><br><b>Annual Budgets</b>  | <b>Process Reviews</b><br><b>Service Improvement Plans</b>   | <b>Performance Management</b>  |
| Rigorous Procurement:-<br>Planned & sustainable;<br>Procurement consortia;<br>Contracts regularly reviewed and actively managed;<br>Contracts register;<br>Activity costing;<br>Rigorous budgeting; | Group-wide process review framework;<br>Culture of continuous improvement;<br>Eliminate waste;<br>Identify cost savings                          | Board approved KPIs used to continuously monitor and manage performance;<br>Performance is benchmarked;<br>Contract management |

### 3. Legislative and Regulatory Requirements

- 3.1 The Localism Act 2011 gives the regulator the power to set an **'economic standard'** (section 194), applicable only to private registered providers (e.g. housing associations) concerning their efficiency on managing their financial and other affairs. This reflects the current Government's increased emphasis on value for money.
- 3.2 The regulatory expectations in respect of value for money are set out primarily in the Regulatory Framework for Social Housing in England Value for Money Standard (as updated from April 2018) and related Code of Practice.
- 3.3 Value for money is a key 'economic standard' that will be actively regulated by the social housing regulator. Registered Provider Boards are expected to develop and deliver a strategy to achieve continuous improvement in their performance on running costs and the use of their assets. They are expected to be transparent and enable scrutiny of their performance.
- 3.4 In terms of required outcomes the revised Standard states the following:  
**"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 The revised Value for Money standard incorporates a number of specific expectations that Registered Providers need to meet:
  - 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
  - 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
  - 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 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



## 4. Our VfM Objectives - Where we want to be

- 4.1 We will set VfM objectives designed to ensure that our resources are deployed with optimum efficiency to enable the delivery of our Strategic Objectives.
- 4.2 We will provide a high level of return, in the form of new homes built, on the substantial amount of Social Housing Grant and other support that has been invested in our businesses. The key priority for Platform Housing Group's use of surplus is development of new affordable rented and low cost home ownership homes. In terms of new housing development we will primarily demonstrate our approach through the business planning, budgeting and scheme appraisal processes with examples being the following:
  - Viability thresholds for schemes
  - Acceptable internal subsidy limits by tenure type and area
  - Internal rate of return and payback
  - Annual review of our development assumptions
  - Profitability index to rank competing projects
- 4.3 We will work with our customers to ensure that we retain at all times a clear focus on innovation to ensure that our services offer value for money, and will challenge existing approaches so that we deliver them in the most efficient and effective manner. We will engage with our customers in developing and reviewing our Value for Money Strategy and Action Plan, and will report on progress to our stakeholders.
- 4.4 We will review non-development new budgetary items in terms of potential to deliver linked savings, promotion of agreed corporate and strategic objectives, and compatibility with the target of maintaining annual increases in the Group's operating margin. Existing budgets will be subject to annual review and justification using techniques such as zero based budgeting. All items of discretionary new expenditure will be subject to specific justification and appraisal. Services will be subject to review to ensure that they are providing value for money at no more than median cost.
- 4.5 to measure "social return" on our activities using industry standard methodologies and to report this in a way which is understandable for our customers and stakeholders.
- 4.6 Our Asset Management Strategy is a cornerstone of our approach to VfM and provides the framework for appraisal of the homes in management and consideration of options for the future. Decisions about resource allocation and plans for our assets are informed by a number of key factors including:
  - Our Strategic Plan Objectives - Maintaining homes to our lettable standard;
  - Stock Condition Data - Informs the long term investment plan;



- Stock Performance - All properties are modelled against a number of factors to produce a Net Present Value per property:

- Rental values, rent recovery and service charge recovery
- Management & maintenance costs
- Component lifecycle costs
- Stock condition and related indicators (e.g. SAP rating)
- Demand as evidenced by rent loss experience

- Stock Profiling - Using performance and other data to identify and appraise whether properties should be retained, disposed, or re-modelled.

4.7 In addition the revised Value for Money Standard also states that:

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 under performance, including clearly stating any areas where improvements would not be appropriate and the rationale for this.

We will develop and report in our statutory accounts on a number of performance indicators that will be reviewed by Boards on a quarterly basis. We will report how our performance compares with peers through participation in the Sector Scorecard metrics developed.

Our transparent assessment of our performance with our Boards will also include the following:

- costs and linked performance trends over a period of time (e.g. the last 5 years);
- financial return achieved on key asset classes by main operating areas;
- trends in operating margin;
- cost of capital trends and comparisons; and
- specific procurement actions taken to date as well as those planned.

We will further develop detailed benchmarking of costs and trends with an established representative peer group taken from audited Financial Statements. This benchmarking will cover all aspects of published costs/unit costs and trends. This will build on work undertaken in previous years and will also be related to respective PI performance to link fully to outcomes delivered for customers.

- 4.8 We will reflect our transparent approach to reporting costs to enable effective scrutiny by publishing on our Group Websites details of all expenditure in excess of £500.

## 5. Procurement

5.1 A related Group Procurement Strategy is also being developed. This establishes a clear Group approach to procurement and includes an action plan which will be reviewed and updated on an annual basis. We will ensure that our customers are fully involved in assisting the Group to prioritise procurement options.

5.2 The Group will make use of collaborative procurement methods with RP's and other bodies in order to maximise purchasing power wherever feasible.







## 6. Delivering and Embedding Value for Money

- 6.1 This will be achieved through the Boards, GET and senior Leadership Group managers providing clear leadership on VfM and involving customers and staff in developing our approach to VfM.
- 6.2 value for money culture Group-wide, achieved through the Boards and GET providing clear leadership on VfM and involving customers and staff in developing our approach to VfM.
- 6.3 Responsibility for delivering value for money lies with all staff and Board members across the Group and is a specific responsibility of every budget holder. An annual VfM Action Plan will be developed and all staff will be encouraged to seek and achieve improved value for money in their area of work and to highlight any opportunities for improvement with their managers.
- 6.4 While leadership from the Boards and GET is vital in communicating VfM throughout the organisation, it needs to be balanced with the involvement of staff and customers to encourage ownership and accountability. This is a key priority for us, because responsibility for VfM lies with all staff, not just those who are budget holders or are tasked with resource or financial responsibilities.
- 6.5 We need to continue to enhance the VfM culture through a comprehensive communication and training process with staff and customers, whereby personal responsibility will be taken for VfM activity by cascading objectives through team plans into personal objectives.
- 6.6 We will manage costs by setting and monitoring challenging budgets and business plans.
- 6.7 We will manage performance by setting challenging Key Performance Indicator targets that show year on year improvement and challenge both internal and external partners to deliver regular continuous improvements.
- 6.8 All areas of the business will develop departmental Service Improvement Plans which cascade down from Strategic Plan Objectives.
- 6.9 Performance against budgets, performance indicators and the Strategic Plan will be regularly reviewed and monitored by Boards.
- 6.10 The Group Audit and Risk Committee will review our approach to VfM throughout the year to ensure that a culture of VfM remains at the heart of the Group's business activities.
- 6.11 **Platform ONE**

Platform ONE is our flagship business transformation project driven by the implementation of Microsoft Dynamics. Its aim is to drive value for money by creating greater efficiencies in our business processes and reducing or eliminating wasted effort, whilst helping to deliver a more effective service for our customers.

It will achieve this by:

  - Automating some of our most common tasks and processes, releasing staff time for more complex issues.
  - Using workflow and work queues to ensure customer requests are dealt with on time, improving the customer experience, thereby reducing the number of contacts into the business.
  - Providing a single data source which allows for improved business intelligence and therefore better decision making.

# 7. Business Improvement

- 7.1 The purpose of the Business Improvement Directorate is to enable the Group to continually improve, and this helps embed our value for money approach.
- 7.2 The work practices and projects that they lead on are all geared around developing the value of the work we do and enhancing efficiency through ensuring the business is well informed and improving the way we work internally and with partners. This assists in embedding our corporate approach to ensuring value for money is at the heart of everything we do.
- 7.3 Examples of existing working practices and activities that support maximising the value provided are:
- Process design and re-engineering
  - Process improvement
  - Continuous Improvement
  - Service Improvement Planning
  - Performance and business intelligence development, analysis, benchmarking, reporting and action planning
  - KPI design and target setting
  - Risk management framework
  - Internal and external communications and stakeholder activity
  - Procurement project management
- 7.4 Some examples of emerging projects that will further enhance these and will further align the business with a value for money approach are:
- Development of Project Management activities through our Change Management Office
  - Business Excellence and pursuance of relevant external quality accreditations such as further use of ISO and EFQM
  - Development of Procurement and Supply Chain Management Approaches
  - Development of our Corporate Compliance and Insurance Services
- 7.5 The activities and projects outlined are measured through our delivery against our strategic plan and associated project management processes and key performance indicators.





## 8. Equality and Diversity

8.1 We are committed to fairness and equality for all regardless of their colour, race, ethnicity, nationality, gender, sexual orientation, marital status, disability, age, religion or belief, family circumstances or offending history, as referred to in our relevant Group policies. Our aim is to ensure that our policies and procedures do not create an unfair disadvantage for anyone, either directly or indirectly.

8.2 been completed, which identified no negative impacts as a result of implementation of this strategy.





## 9. Monitoring and Review

9.1 The next strategy review is scheduled for March 2022 and then every three years following this.

9.2 Members of the Platform Housing Group will monitor the effectiveness of this Strategy and recommend policy changes to improve service delivery. Performance will be reported through the respective Boards (including Local Boards), senior management teams and customer scrutiny panels to identify any areas for review and improvement.

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