



TAI CANOLBARTH CYMRU
MID-WALES HOUSING

Yn barod **amdani** **Equal** to the challenge

Group Value for Money (VfM) Policy

Strategic Aim:	To promote the Association's core value of EXCELLENCE. <i>"We believe in positively changing the attitude towards social housing and promise to provide affordable homes to a high standard and through making the best use of our resources."</i>
Reference No:	Value for Money (VfM) Policy (v2) October 2016
Date of Issue:	Finance & Risk Committee: 21 st October 2016
Review Date	January 2013 October 2016
Next Review Date:	October 2019
Departments Affected:	All Departments
Approved By/Date:	Board December 2016
Lead Officer:	Charles Brotherton, Director of Finance
Statutory Compliance:	<ul style="list-style-type: none"> - Welsh Government guidance - Accounting requirements on VfM disclosures - Welsh Government Accounting requirements for Social Landlords General Determination (Wales) 2009
Guidance	<ul style="list-style-type: none"> - CHC and HouseMark publication on VfM 2016

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VALUE FOR MONEY POLICY

Introduction

The Association strives to be efficient and to remove waste from its processes. The aim is to make best use of our ICT, financial and human resources to support and deliver excellent services and homes for our customers and the community. The broad approach to demonstrating efficiency is to deliver high (upper quartile) performance, with high levels of customer satisfaction at broadly average costs.

VfM is therefore, all about making best use of resources to ensure the Association maximises value for the tenants; making the best use of resources to maximise the value it creates at an affordable price.

Policy Statement

The Association aims to deliver its services in the most efficient and effective way creating maximum value for the tenants. It does this by:

- directing resources to its key priorities and objectives, following the needs and requirements of our customers;
- ensuring the services are delivered through productive and smart processes giving efficient performance;
- ensuring the overall costs for delivering those services are minimised for the required quality and performance.

The focus is to deliver high performing services that give rise to high levels of customer satisfaction and add to value for tenants.

Definition

The Association aims to use its resources in the most cost effective way to deliver the services required by residents and fulfil any regulatory requirements.

The concept of VfM is not new and generally is considered to cover three elements:

- i. Economy - doing things at the best price;
- ii. Efficiency - doing things in the best way;
- iii. Effectiveness - doing things in the right way.

This perhaps can be summarised by doing the right thing, in the best way at the best price. In doing the right thing, the Association ensures it embraces fairness (Equity).

It is important to emphasise VfM is not about getting the cheapest service or just cutting costs. While historically many documents concerning VfM start with economy this should really be the final element. However, an in-depth knowledge of cost is essential before determining the services being delivered.

Therefore, VfM is about maximising value from the money and resources available; making best use of the Association's Resources. This is achieved from adhering to the 3Es.

Key Performance Areas:

- A. The Director of Finance, in conjunction with the Executive Group and Operational Management Team, establishes appropriate procedures and approaches for the delivery of VfM.
- B. The Association will consult with tenants over the delivery of services to ensure resources are directed to tenant priorities.
- C. The Board will identify those service areas that should be subject to detailed review.
- D. The Director of Finance will produce an annual report on the achievement of VfM and present to the Board.
- E. The Director of Finance will produce regular reports on the achievement of VfM throughout the year for tenants.

Strategic Risk Factors	Welsh Government may comment negatively upon poor VfM approach within the RO (Regulatory Opinion).	
Equality Impact Assessment	<i>How does/will this policy ensure needs are met fairly, particularly with regard to race, gender, disability etc.?</i>	The policy aims to support the delivery of tenants' priorities.
	<i>Is it felt that this policy might affect different groups adversely. If so, what is the justification for this and is it legally permissible?</i>	No groups or individuals are expected to be adversely affected.
	<i>Have any representative groups in the locality been asked for their opinion and if so, what was the outcome?</i>	No.
Tenant Engagement	<i>How does/will this policy ensure the needs of tenants are met?</i>	The policy aims to support the delivery of tenants' priorities.
	<i>How is it felt this policy will impact on the rights and obligations of tenants?</i>	It is not envisaged that this policy affect tenants' rights and obligations.
	<i>Have tenants been consulted and were the outcomes of that consultation taken into account when considering the introduction of this policy?</i>	At this time, tenants have not been consulted on the changes to this policy. The Approach to VfM was consulted upon after the 2013 Policy was approved and again in 2016.

MID-WALES HOUSING ASSOCIATION **VALUE FOR MONEY (VfM) STRATEGY**

1. Background

The Association is committed to delivering excellent services, ensuring resources are directed to the key priorities and objectives as informed by customers, and that quality services are delivered efficiently in the most cost effective way.

The Association will seek to deliver VfM through the following approach:

- **Effectiveness** – setting out the service outcomes in financial, social, environmental and service performance terms and looking at how they compare to others.
- **Efficiency** – ensuring processes and procedures are productive.
- **Economy** – understanding the overall cost of services, including overheads, and ensuring these compare favourably to others.
- **Equity** – ensuring all services are provided fairly to tenants.

A review of VfM will be undertaken each year and reported to the Board. This report will be a key element of the self-assessment evidence that the Association is delivering VfM. A summary of these VfM outcomes will also be reported within the Strategic Review section of the Annual Accounts as required by International Financial Reporting Standards (IFRS).

2. Principles

The requirement to create efficiencies needs to be embedded within the organisation. There is always room for improvement and the Association has adopted several practises that build in reviews to improve efficiency.

- The Association will not commit to any new activity until a thorough and effective VfM analysis has been completed.
- All services will be subject to a thorough review following the ‘lean systems’ methodology on a systematic basis.
- The preparation of budgets will follow the ‘zero based budgeting’ approach.
- The Association will undertake Benchmarking reviews of its costs and performance each year.
- The Association will use procurement clubs to benefit from their wider purchasing power.
- The Association will take part in partnerships and collaborations where this improves service delivery and gives better costs.

In following these approaches the Association aims to make the best use of its resources, which is critical at a time of constrained public money and increasing hardship for our customers.

The approaches to the above are outlined in the following section.

3. Approaches to VfM

The Association strives to be efficient and to remove waste from its processes. The aim is to make best use of our ICT, financial and human resources to support and deliver excellent services and homes for our customers and the community. The broad approach to demonstrating efficiency is to deliver high (upper quartile) performance with high levels of customer satisfaction, at broadly average costs.

VfM is therefore all about making best use of resources to ensure the Association maximises value for the tenants; making the best use of resources to maximise the value it creates at an affordable price.

Alongside the specific actions for ensuring the Association delivers VfM, the Association has developed a suite of VfM indicators.

The following are some of those specific approaches to achieving VfM.

3.1 Complete VfM analysis

The Association will not commit to any new activity until a thorough and effective VfM analysis has been completed.

Where the Association is considering a new or changed activity, then the costs and benefits of this activity need to be thoroughly assessed. While the costs may be relatively straightforward to identify, it is the benefits that may be more difficult to identify and assess in financial terms.

The Association has adopted the HACT (Housing Association Charities Trust) approach to calculating social benefit/social value. The details of this approach are outlined in the Board Report upon Social Value indicators approved in (2016). It is important to appreciate that while an activity may generate social value, unless the activity is also financially viable for the Association, the Board may decide not to pursue the activity.

3.2 'Lean systems' reviews

All services will be subject to a thorough review following the 'lean systems' methodology on a systematic basis.

The Association is committed to the 'Continuous Improvement' agenda and has undertaken a programme of Continuous Improvement reviews. These are done following a 'Lean Systems' methodology. Therefore, each year, a particular activity will be chosen for a Continuous Improvement Review. The focus has been upon those activities that have the biggest potential impact upon service users/customers. The service reviews undertaken during the last three years have included, 'Customer Services', Lettings (Common Housing Register) and Voids (empty property management).

The objectives of these reviews are to:

- Promote continuous improvement in service delivery;
- Increase the influence of tenants and stakeholders in service delivery;
- Deliver cost effective and efficient services.

The reviews follow the “four Cs” approach:

- Challenge;
- Compare;
- Consult;
- Compete.

The Association recognises it will need to take a fundamental look at the services it delivers. It has therefore committed to undertaking a lean systems approach to the reviews. Therefore, the purpose of the service is reviewed alongside a re-engineering of its ability to remove waste.

3.3 ‘Zero based budgeting’ approach

The preparation of budgets will follow the ‘zero based budgeting’ approach. In an ideal world the budget holder would be required to justify the make-up of the budget from zero. However, such an approach is very time consuming and a balance needs to be taken between the cost of undertaking such an approach and the benefits that could be obtained.

The budgeting approach therefore, requires all budget holders to justify the budgets and explain what the funds will be used for. The Management Accountant holds review meetings with all budget holders to challenge the make-up of the budget. The challenge is informed by the financial spend of the previous financial year, along with the spend to date in the current financial year.

The ‘zero budgeting’ approach is fully adopted for the following budget areas;

- (i) staffing budget; where the budget is based on the approved staff establishment.
- (ii) Component replacements; where the budget is based on the stock condition information and the agreed cycle of when components need to be replaced.
- (iii) Loan interest; which is based on the actual loans in place and the approved Treasury Management Strategy.
- (iv) Development Programme; which is based upon the approved Development Programme.

The draft budget is critically reviewed at a special Executive Group meeting, before being considered in detail by Members in the Finance and Risk Committee.

3.4 Benchmarking

The Association will undertake Benchmarking reviews of its costs and performance each year.

The Association subscribes to HouseMark and participates in the annual benchmarking exercise. The Association has selected a peer group of housing

associations that all operate in rural locations. These areas include Devon, Wiltshire, Gloucestershire, Norfolk, Lincolnshire, Peak District, North Yorkshire, Cumbria and Northumbria as well as Wales. While it is recognised all locations are different, the provision of services across a widely dispersed geographical area are different from a largely urban area or large city.

The benchmarking covers cost and performance information and provides a comparison over time and with the peers.

The key part of the benchmarking is the Association's own performance trends over time. Comparisons with peers having costs that are higher or lower is not in itself, good or bad. What is important is for the Association to understand why its costs may differ from its peers and whether it can learn from others.

3.5 Procurement clubs

The Association will use procurement clubs to benefit from their wider purchasing power.

The Association acknowledges as a small organisation it does not have the same purchasing power and influence as larger housing associations. Therefore, the Association will work with others to form 'purchasing frameworks/procurement clubs', or seek the joint appointment of a supplier or contractor.

The most significant framework agreement that has been established, is with three other smaller housing associations operating across mid and north Wales. This is Undod/Partnership, and covers the procurement of maintenance and development contractors.

In addition, the Association is part of an energy purchasing 'club' run through RCT Homes.

3.6 Partnerships and collaborations

The Association will take part in partnerships and collaborations where this improves service delivery and gives better costs.

In a similar vein to the procurement clubs, the Association has agreed to purchase services from statutory bodies, or other housing associations. The out-of-hours call line has been contracted from RCT Council, while some maintenance services are provided by Tai Ceredigion.

In addition the Association, working with all other developing associations in Wales is arranging a new source of bond funding through the EIB (European Investment Bank). This borrowing will be done through THFC, who will receive the funds from the EIB and on-lend to each individual housing association.

4. VfM Indicators

There is no single measure of VfM. Many organisations have been grappling with how to assess if VfM is being delivered.

In 2016 Community Housing Cymru, in conjunction with HouseMark produced a document entitled a 'Practical guide for Welsh Housing Associations on how to define, deliver and demonstrate Value for Money'. In addition, a working group in England, led by the HOME Group, published a proposal for an 'Efficiency Scorecard'.

The Association has used these documents to devise a suite of VfM indicators that it reports on a 6-monthly basis, and includes a summary within the published Annual Financial Statements.

5. Board Assurance

The Board needs to receive assurance that the Association is delivering VfM. This assurance is provided in a variety of ways;

- VfM assessment in each Board report
- The monitoring of the suit of 10 VfM indicators as approved by the Board
- TIAA internal audit covering VfM
- Annual report to Members concerning VfM

The annual report will be presented to the Board each year setting out the activity, process and evidence with regard to VfM. This will cover:

- The areas where VfM has been particularly considered.
- The quality of information available on VfM.
- The extent of challenge from Board, tenants and others with regard to VfM.
- The comparison of the Association with others.

The report will also highlight any weaknesses, which will need to be addressed in future plans.

A summary of this annual report will be included in the Strategic review within the Annual Financial Statements.

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