

# VALUE FOR MONEY (VFM) STRATEGY



<b>Version Number</b>	Version – September 2021
<b>Strategy Grouping/Directorate(s)</b>	Finance & Procurement/Resources
<b>Strategy Title</b>	Value for Money Strategy
<b>Author/Reviser/Owner</b>	Jenny Sinclair
<b>Date of Current Version</b>	September 2021
<b>Review Date</b>	May 2022 (full review)

<b>EIA Completed</b>	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>
----------------------	---	-----------------------------

<b>Publication</b>	Intranet <input checked="" type="checkbox"/>	Website <input checked="" type="checkbox"/>
<b>4Policies</b>	Read & Test <input type="checkbox"/>	Read Only <input checked="" type="checkbox"/>
<b>Audience</b> (please include name of teams or individuals)	All Managers	

<b>Approved By: J.Sinclair</b>	<b>Date: Sep 2021</b>
--------------------------------	-----------------------

Rochdale Boroughwide Housing Limited is a charitable community benefit society.

FCA register number 31452R.

Registered Office: Sandbrook House, Sandbrook Way, Rochdale OL11 1RY.

Registered as a provider of social housing. RSH register number: 4607



# CONTENTS

Section		Page No
<b>Introduction</b>		<b>3</b>
<b>1</b>	<b>Context</b>	<b>6</b>
<b>2</b>	<b>Scope</b>	<b>6</b>
<b>3</b>	<b>Methodology</b>	<b>6</b>
<b>4</b>	<b>VfM Objectives</b>	<b>7</b>
<b>5</b>	<b>Equality and Diversity</b>	<b>12</b>
<b>6</b>	<b>Monitoring</b>	<b>12</b>
<b>7</b>	<b>Review</b>	<b>12</b>
<b>8</b>	<b>Links with other RBH Documents</b>	<b>12</b>

# Introduction

## The purpose of the strategy

The purpose of the VfM Strategy is to set out a clear framework to drive continuous improvement in value for money in order to ensure that we deliver quality homes and services at reasonable cost and we can therefore achieve our objectives that have been agreed with tenants and incorporated in our new Corporate Strategy - Together. VfM runs right through Together.

By 2022 it is intended that this strategy will have supported the delivery of our Corporate Strategy - Together by improving the quality of homes and services provided; continuing our track record of identifying cost savings to maintain our unit costs and maximising the financial, social, and environmental return on our assets. Our VfM targets are shown in section 4.3.

## 1. Context

### 1.1 Our definition of Value for Money

Our own definition of VfM, developed by our members, is closely linked to each of the 4 Together themes.

As part of the consultation on this VfM Strategy, tenants and employees have re-visited the four factors that define VfM at RBH and ranked them in order of importance. The outcome of this exercise was as follows:

- 1: High quality goods and services
- 2: Financial considerations
- 3: Local social and economic benefits
- 4: Environmental issues

### 1.2 Together and value for Money

Value for Money is at the heart of Together. The Improving Together theme recognises that we need to change and improve the way we work with a clear focus on value for money. Each of the other themes in Together also link closely to our definition of VfM and actions in the Together Implementation Plan will help deliver our VfM priorities. This is set out below.

Priority	VFM Factor	Link to Together
1	<b><u>High quality homes, goods and services</u></b>  VfM is always about finding a balance between quality and cost. RBH seeks to deliver a good quality standard when improving homes, purchasing goods, or when specifying a new service for example. This may sometimes mean that services are more expensive.	<b><u>Growing and Improving</u></b>  The development of quality new homes and smart investment in existing homes is key to the <b>growing</b> theme.  We will continue to get feedback from customers and will compare performance with other housing providers to ensure our customers are getting good value for money. We will prioritise the areas for <b>improvement</b> to ensure we are providing good quality core services that deliver value for money for our customers.

2	<p><b><u>Financial considerations</u></b></p> <p>RBH monitors its cost position relative to its peers and sets savings targets each year in order to maintain that position as well as fund service improvements and ‘Together’ priorities. Currently we have to deliver management and repairs savings over the next 2 years in order to continue to meet our unit cost targets, outlined in the Financial Strategy. Any available surpluses generated through savings are re-invested in regeneration activity or service improvements</p>	<p><b><u>Improving</u></b></p> <p>Long term sustainability is central to the <b>improving</b> theme of Together and this can only be achieved by maintaining unit costs within benchmarked targets and ensuring the surpluses we generate are allocated towards our strategic priorities.</p>
3	<p><b><u>Local social and economic benefits</u></b></p> <p>As an anchor institution in our area, we have a role to play in the functioning of the economy and tackling of social issues where we operate. Many of the services that RBH delivers provide a much wider benefit to the Community and may save money for other public services. Running activities at independent living scheme accommodation for example improves the health and well-being of our elderly tenants potentially saving money for the NHS.</p> <p>Our Social Value Strategy sets out our approach to driving social value, with a focus on creating community wealth. Through growing local skills, employment and supply chains we will contribute to the overall prosperity of the borough and its people.</p>	<p><b><u>Thriving and Building Rochdale’s economy</u></b></p> <p>The <b>Thriving</b> theme includes our new offer for older people and a commitment to provide support to sustain tenancies for all our customers.</p> <p>Our role as a local anchor organisation includes a purchasing strategy that pro-actively contracts with local businesses, community and social enterprises. We will also contribute positively to sustainable employment for local people through apprenticeship, training and volunteering opportunities. Other activities that have a ‘social impact’ such as community wellbeing programmes including health, digital inclusion and community cohesion activity are also part of how we will help to build Rochdale’s economy.</p>
4	<p><b><u>Environmental issues</u></b></p> <p>Our aspiration is for RBH to become increasingly environmentally considerate and the key themes of our sustainability policy are to develop a culture of carbon literacy; reduce carbon emissions from our vehicle fleet; use new technologies to improve the energy performance of our homes and office locations (including the new Hub); help to reduce fuel poverty; and reduce waste</p>	<p><b><u>Growing and Improving</u></b></p> <p>The <b>growing</b> theme is about the quality of new homes, and smart investment in existing homes. Quality in this context includes energy saving.</p> <p>Savings as part of <b>improving</b> includes energy efficiency measures for ourselves and our customers.</p> <p><b>Our current Business Plan also includes works to meet the Decarbonisation requirement that all existing homes become carbon neutral by 2050.</b></p>

### 1.3 Regulation

The specific expectations of the Regulator for Social Housing’s VfM Standard are that Registered Providers must demonstrate:

- 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 including their approach to investment in non-social housing activity. They should include 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.

RBH are compliant with the current VfM Standard. The RSH assess compliance as part of In Depth Assessments and stability checks.

### 1.3 RBH's Approach to VfM

Our approach is to seek to ensure that VfM is part of everyday operations and that we are clear and transparent on the costs of services. If employees and customers are extensively involved in VfM and the results are communicated effectively, then this will lead to the generation of cost savings, improved standards and an increase in customer satisfaction. An embedded culture of VfM will help to drive and deliver improved value for money performance. To achieve this:

- Corporate planning, business planning, budget setting, and quarterly forecasting, are in place to improve our management of budgets. Budgets are constructed through the use of collaborative planning software;
- Our internal VfM self-assessments are carried out routinely by teams across the society to raise awareness of VfM considerations and service area VfM action plans are in place to improve VfM performance;
- We will develop further ways to improve the understanding of our costs in the context of performance through regular communication by a variety of means linked to our Financial Management processes;
- VfM is a consideration in employee role profiles and our people are driven by our cultural ambitions to be proud, ambitious and refreshing in everything we do including delivering value for our customers;
- We have in place a robust project management methodology which includes investment appraisal and Project Boards that oversee project delivery. Each project is progressed with a Project Initiation Document which includes an analysis of anticipated costs and benefits. These benefits are tracked to ensure the desired benefits are fully realised and captured within budgets;
- We will create a culture of considering social value alongside price across all decision making, from service delivery, business development through to purchasing/development decisions.

### 1.4 Governance Framework for VfM

The Board is responsible for ensuring that the VfM Strategy is delivered in conjunction with the Representative Body. All VfM activity is monitored via regular meetings of our Quality Board and it is reported to Audit Committee and the Board. Board reports have a section that sets out the financial and VfM implications of all decisions. Board receives a half-yearly update on VfM activity.

We are developing a means by which tenants have the opportunity to ratify the 'value' as part of the work taking place on the new Engagement Strategy and customer feedback mechanisms that allow continual evaluation and improvement of services. A check on whether VfM has been achieved is also done through an annual audit of service standards and by reference to our annual VfM self-assessment process..

## 1.5 Demonstrating Delivery of VfM

We publish a short annual statement on VfM in line with the requirements of the RSH, including a series of value for money metrics (set out in section 4.3 below).

We currently benchmark our costs and performance through HouseMark in order to help judge whether our services provide value for money and identify areas of concern. Our main focus through HouseMark is on the NW LSVT benchmarking group. We will also co-operate with other mutual organisations to identify VfM ideas that can be adapted and we will continue to explore alternative ways to benchmark with similar organisations, for example through the GM Providers Group or other local groups specific to different services.

We also conduct a Customer Satisfaction (STAR) survey on a rolling 100 surveys per month basis, reported every quarter, which is used to give us a clear steer on areas where we are performing well and where we need to improve.

Internal and customer facing Service Standards have been developed (in conjunction with tenants where appropriate) so that we can measure performance against targets to demonstrate VfM. Both internal and external services are audited annually by the Business Intelligence Team and by engagement with tenants.

## **2 Scope**

This strategy covers RBH and its subsidiary, RBH (Design and Build). The Board is responsible for ensuring that the VfM Strategy is delivered in conjunction with the Representative Body. All employees are responsible to achieving value for money in the delivery of the services that they provide.

## **3 Methodology**

The strategy has been informed by a survey of the Representative Body and all tenants and employees relating to RBH's definition of value for money. The survey had just one question, requesting that respondents rank our VfM factors in order of importance. An online survey was sent out to all tenants and employees with an email address (6, 287) and a total of 105 employees and 589 tenants responded. The results were as follows:

1. High quality homes, goods and services;
2. Financial considerations;
3. Local social and economic benefits;
4. Environmental issues.

A discussion was also held at the Representative Body meeting on 13<sup>th</sup> February 2019.

ELT and Heads of Service have also been consulted during the development of this strategy together with the Social Value Coordinator, Business Intelligence Manager, Involvement Manager, and Procurement Manager. The requirements set out in the regulator's VfM Standard have been taken into account as have the outcomes of the audit of our VfM framework which took place in February 2019. This strategy also reflects best practice in the sector. A range of data has been referenced in developing the strategy, mainly RBH's performance figures and STAR survey outcomes but also the global accounts and sector scorecard.

## **4 Objectives**



The following key strategic objectives have been identified that will achieve continuous improvement of value for money over the next three years.

#### **4.1 VfM Objective 1 – Improve the quality of services whilst maintaining unit costs**

Providing good quality homes and services is clearly a priority for both tenants and employees and part of our Financial Strategy is to ensure that any available surpluses that we generate are redirected to invest in existing or new homes; new services agreed with tenants; or in improving the quality of services. This is after ensuring RBH's financial sustainability by making savings to maintain our unit costs as the number of homes reduces through the Right to Buy and demolitions. Our costs are also compared to the rest of the sector by the regulator. We will continue to set targets as part of our annual business planning process to maintain our unit cost position relative to our peers and ensure the business plan remains viable. Cost savings targets are set when necessary to achieve this. As well as unit cost targets our VfM performance is also measured by the level of overall customer satisfaction and whether tenants believe their rent and service charges are value for money. The first objective of the VfM Strategy is to **improve the quality of services whilst maintaining unit costs** and we will do this in a number of ways.

##### **4.1.1 Service Improvement**

We have adopted a lean thinking approach to conducting service improvement reviews, led by trained colleagues, aimed at increasing efficiency and removing waste from key processes to improve the quality of and access to core services. Customers and employees are fully involved in lean reviews and also wider transformation programmes, (linked to Together), of our Repairs Service; designing our offer for older residents; and implementing our digital offer. The programme of reviews is currently on hold.

##### **4.1.2 Cost per unit targets and identifying savings**

RBH monitors its cost position relative to its peers and in the context of the regulators analysis of unit costs across the sector. We will set cost saving targets each year in order to maintain that position as well as fund service improvements and 'Together' priorities. Any savings generated over and above those required to ensure a viable business plan will be re-invested in order to support delivery of our corporate objectives with a focus on the quality of homes and services.

##### **4.1.3 Effective Procurement**

The goods and services that we procure are a major part of our total expenditure and therefore it is essential that we procure as effectively as possible, i.e. that we follow procurement procedures, that we identify new opportunities and that we properly maintain partnerships. Our procurement procedures are already clearly linked to our objectives through the Procurement and Growth Strategies. Our tender evaluation criteria previously required a minimum 50% price weighting but now allows the flexibility to weight tenders towards quality as appropriate.

We have made a commitment to lever additional value through our purchasing power. We have already made inroads into this by including flexibility to include a minimum of 20% social value requirement in tenders as a starting point, which is subject to change for each tender following discussion between all the relevant stakeholders. This has led to commitments from contractors to increase local spend and employment. We also recognise the role we have in influencing others to deliver Social Value through our work as an anchor institution and purchaser of goods.

#### 4.1.4 Investing in Technology

Investment in technology is a means to making RBH more efficient enabling us to achieve cashable savings and deliver improved value for money to our customers. Our Digital Strategy sets out a Transformation Programme of activity to deliver this.

### **4.2 VFM Objective 2 – Maximise the financial, social, and environmental return on our Assets**

Making the best use of our assets including investing in new good quality homes to get the right type and tenure in the right places to meet the changing needs of residents in Rochdale is a further important element of this strategy. We will measure the financial return that each of our neighborhoods delivers and also measure how well they perform in terms of a range of sustainability indicators. At the same time, it is clearly important to RBH's tenants and employees that we continue to provide community investment across a range of services which delivers a 'social return' to the community. Meeting our targets for social value will directly support the delivery of the Together. We will also continue to invest in energy saving measures and advice to both save money and deliver environmental returns for RBH. The second objective of this strategy is to **maximise the financial, social and environmental return on our assets.**

#### 4.2.1 Our Homes

RBH's main assets are our homes that our tenants live in and the 'return' achieved on these assets is a measure of the overall value we get from the homes. In order to understand the performance of the assets and to plan to optimise returns by considering the long-term sustainability of neighbourhoods and making investment decisions, we calculate financial (NPV) and sustainability indicators to build up a comprehensive profile of performance of each neighbourhood annually.

We calculate a baseline combined NPV/sustainability average value across all homes including Independent Living Schemes, and group properties into quartiles. Decisions are taken on the future of lower quartile properties based on further analysis of all the indicators.

To ensure we are effectively investing our resources, any home that is above the average value and demonstrates a good return, we invest. If the property has a low NPV (and remains lower with the planned investment) but has a higher Open Market Value (OMV), we explore the option of selling the property.

We also investigate properties with a lower value to establish if there are any underlying reasons and decide on the most cost effective course of action accordingly.

For the development of new homes we will continue to include high standards of design and specification and assess across the whole of the life of schemes; continuously review the development appraisal hurdles to ensure robust appraisals to support decisions; and build on the use of existing the Innovation Chain Northwest Framework for fees and construction that provides cost efficiencies to RBH that we cannot achieve alone due to the small scale of RBH's development programme.

#### 4.2.2 Social Value

Creating social value continues to be an ambition of RBH's and a more systematic focus on social value for RBH. Social value already forms part of our annual VFM statement. In developing our approach to social value, we will be able to better understand the financial



and wider implications of our impact, ensuring well informed decision making and strong demonstration of our social value for money.

RBH has set out a commitment to delivering and increasing the social value we create in Rochdale. Our Social Value Strategy sets out our priorities in achieving this and how we will deliver them. The strategy focuses on how we will;

- Embed social value in everything that we do, our values and voice
- Increase our local supply chains to support local economic growth
- Create opportunity for local skills and employment
- Reduce our Negative Impact in the Environment
- Work to influence others to follow our lead

We recognise that our approach to embedding Social Value in relation to VFM is two fold.

- Ensuring that we measure, monitor and improve on key social value performance metrics,
- Creating a culture where social value is considered as part of every decision alongside other factors of price and quality. Throughout the life of the Social Value Strategy we will strive to consider ‘What is the intended (and unintended) wider impact for customers, RBH as a society and the wider system that we work in?’ and put in place measures to monitor this.

#### 4.2.3 Environmental Returns

The Investment Programme ensures that RBH homes meet the Decent Standard and this continues to deliver the installation of double glazed windows & Glass Reinforced Plastic (GRP) doors; ‘A’ rated boilers & heating controls; and loft insulation where feasible. All these measures make our homes as thermally efficient as practicable, providing RBH with an average SAP rating (Standard Assessment Procedure) of 71, which is significantly over the national average of England & Wales of 60.

RBH are currently working in partnership with Groundwork Oldham & Rochdale who have secured funding over the next four years to deliver energy efficiency advice and support to Rochdale residents, including RBH tenants. This service will help and support RBH tenants living in fuel poverty.

RBH’s Sustainability Policy outlines our ambitions and commitment over the next three years. These include carbon Literacy Training to all employees, improvements to RBH’s operational fleet as well as looking into alternative, more efficient heating systems for new and existing homes.

#### 4.2.4 Other Financial Returns

RBH will only invest resources in delivering services to external organisations or individuals, if doing so provides an appropriate financial return on that investment.

### 4.3 **VfM performance targets**

In order to demonstrate delivery of VfM, RBH will report against a number of common sector-wide VfM performance metrics and a series of our own which link to Together,

our Corporate Strategy, now extended to 2022. The sector wide metrics cross reference to our Financial Strategy which is set annually as part of the business planning process whilst some of our own VfM metrics are already reported elsewhere, mainly through the Together Dashboard - this is indicated in the table below. All VfM metrics will be reported to the Board as part of the half-yearly VfM update

#### RBH VfM performance metrics

Together Theme	VfM Metric	Targets 2021-22	Reported via
<b>Growing</b> We will deliver the right mix and quality of homes to make RBH communities strong and successful.	% new supply delivered (standard RSH metric)	0.10%	Board – Finance & VFM updates
	% gearing (standard RSH metric)	17%	
	% Re-investment (standard RSH metric)	18.5%	
<b>Thriving</b> We will make the borough a great place to live and age. We will support people through life changes by offering new and tailored services.	Wellbeing rating of customers accessing RBH support services	28 (Good)	Together Dashboard
	Tenancy sustainment (based on reducing tenancy failure rate in first 6 months).	3%	
<b>Improving</b> We will change and improve the way we work with a clear focus on value for money to deliver services that our customers value whilst ensuring that RBH is a strong financially successful Society resilient to future challenges.	% customer satisfaction as a landlord	88%	Together Dashboard
	% of customers registered online	50%	Board – Finance & VFM updates
	% tenants that believe their rents and service charges offer VfM	86%	Board – Finance & VFM updates
	operating margin (standard RSH metric)	21%	Board – Finance & VFM updates
	Headline social housing cost per unit (standard RSH metric) – including Regeneration and Digital Transformation	£4,537	
	Headline social housing cost per unit (standard RSH metric) – excluding Regeneration and Digital Transformation	£4,104	

	Management/Repairs/Major repairs costs per unit (Financial Strategy targets)	See Final Budget	
	EBITDA MRI (standard RSH metric)	123%	
	Return on Capital Employed (standard RSH metric)	4.7%	
<b><u>Building Rochdale’s Economy</u></b>  RBH, as one of the borough’s most important employers and purchasers, has a key role in helping to directly build the local economy through delivering our strategy.	% employees paid (at least) living wage foundation level (GM Social Value Pledge)	100%	Together Dashboard
	No. of Residents into existing and/or new jobs	Targets to be set based on prior year performance	
	No. of Residents supported towards work		
	% of spend with businesses with an operating base within Rochdale (GM Social Value Pledge)		
	% of spend with an operating base within GM (GM Social Value Pledge)		
	Community investment premium (% spend on community involvement activity)		Board – Finance & VFM updates
	Local Multiplier 3 (LM3)	Board – Finance & VFM updates	

#### 4.4 VfM Strategy fit with the mutual values

The strategy fits with the mutual values of RBH. It demonstrates how we will take **responsibility** for delivering value for money for our customers. The strategy has been developed in conjunction with members who have influenced it by defining what VfM means to RBH (**democracy**) and takes a **pioneering** approach to delivering homes and services that tenants value. This strategy also clearly demonstrates how we are delivering VfM (**openness and honesty**).

## 5. Equality and Diversity

An Equality Impact Assessment has been carried out. The Equality Impact Assessment states:

*The VfM strategy sets out RBH's approach to the Value for Money Code of Practice. The strategy and in particular the cost reduction objective has the potential to have a*

*significant impact on tenants/customers/employees. However as a strategy document it does not detail the individual work plans needed to deliver the objectives.*

*It is therefore recommended that as work/actions/decisions are identified a full Equality Impact Assessment is carried out in each case to ensure that any negative impacts are addressed and that our Equality and Diversity responsibilities are met alongside our VfM responsibilities. Areas where a negative impact is identified will require an EqIA action plan to show how this will be addressed.*

## **6 Monitoring**

All strategies will be regularly monitored. The implementation of the action plan will be monitored by ELT, Heads of Service, Audit Committee and by Board via half yearly VfM updates.

## **7. Review**

All RBH strategies, policies, service standards and procedures are reviewed on a regular basis in order to ensure that they are ‘fit for purpose’ and comply with all relevant legislation and statutory regulations.

This strategy will go through the full policy approval process every 3 years and may undergo urgent reviews within this time if a trigger indicates a need. This is to ensure that it is fit for purpose and complies with all relevant and statutory regulations. Triggers may include:

- a change to Government policy
- a revised VfM Standard
- a risk event occurring causing a need to identify VfM savings

## **8. Links with other RBH Documents:**

As well as the Corporate Strategy – Together, this strategy links to the following relevant documents:

Financial Strategy, Procurement Strategy, Growth Strategy, People Strategy, Digital Strategy, Social Value Strategy.