

VALUE FOR MONEY (VFM) STRATEGY



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Rochdale Boroughwide Housing Limited is a charitable community benefit society.

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CONTENTS

Section		Page No
Introduction		3
1	Context	6
2	Scope	6
3	Methodology	6
4	VfM Objectives	7
5	Equality and Diversity	12
6	Monitoring	12
7	Review	12
8	Links with other RBH Documents	13

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 incorporated in our new Succeeding Together Strategy.

By 2025 it is intended that this strategy will have supported the delivery of our – Succeeding Together Strategy by improving the quality of homes and services provided; identifying cost savings where possible to support the VFM metrics and maximising the financial, social, and environmental return on our assets. Our VFM targets are shown in section 4.3.

Following the recovery plan period, RBH will embark on setting a new Corporate Strategy and the VFM Strategy will be revised alongside this.

1. Context

1.1 Our definition of Value for Money

Our own definition of VFM, continues to focus on the following factors.

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

A fifth VFM theme has been added this time so that we can make sure all outcomes of the new Succeeding Together Strategy are included and linked to VFM. This is:

- 5: Membership and Mutuality

1.2 Succeeding Together and Value for Money

Value for Money is at the heart of Succeeding Together and links to the strategy are mapped out below.

Priority	VFM Factor	Link to Succeeding Together Outcomes
1	<u>High quality homes, goods and services</u>	<u>Outcome 1:</u> Ensuring that tenants receive a good service and have opportunities to work together with employees to improve service delivery. <u>Outcome 3:</u> Using our increased investment to meet the needs of current tenants and future generations, are safe, of good quality, and easily maintained.
2	<u>Financial considerations</u>	<u>Outcome 4:</u> Work towards the medium term aim of maintaining the number of our homes
3	<u>Local social and economic benefits</u>	<u>Outcome 5:</u> Health and resilient communities in successful places where people choose to live and work <u>Outcome 8:</u> Increased wealth directed into the local economy

4	<u>Environmental issues</u>	Outcome 2: Rising to the climate emergency through greener, low carbon and climate resilient communities
5	<u>Membership & Mutuality</u>	Outcome 6: A diverse and engaged membership helping deliver service improvement and good governance Outcome 7: Happy, enthusiastic, and resilient employees who are supported to develop and grow and work with our tenants to shape services

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.

1.4 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 appropriate efficiencies, 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 regular 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; this is tracked through a VfM Action Tracker monitored by SLT and highlights regularly reported to ELT and Board.

- 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 values to be Collaborative, Equitable, Responsible, Pioneering and Democracy, 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.
- We will consider environmental factors alongside price across all decision making, from service delivery, business development through to purchasing/development decisions.

1.5 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 SLT and is reported to Board and ELT. 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.

1.6 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 adopted 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.

STAR - We conduct a Customer Satisfaction STAR survey on a rolling basis, completing 100 telephone surveys per month. Results and comments are fed back to Senior Leadership team monthly, with any comments requiring follow up sent direct to the relevant team via CRM in an attempt to stop issues escalating and becoming complaints.

On an annual basis we work with tenants to identify key themes and agree actions for improvement which achieve a balance of cost and quality.

Service Standards (customer facing) - We are currently reviewing the Service Standards developed in conjunction with tenants in 2018 as part of developing a Customer Experience Strategy. Both tenants and employees will be involved in the review to ensure that the resulting standards are realistic and achievable. Having clear Standards and setting expectations for tenants should lead to less avoidable contacts and less complaints/dissatisfaction. Once established, we will use transactional surveys, scrutiny activities and data to measure how we are performing against the standards and report annually.

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

This strategy has been mapped to the Strategy outcomes to help delivery of our new Succeeding Together Strategy, which has been widely consulted upon by employees, members and tenants and therefore concentrates on the following themes.

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

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 as our costs are also compared to the rest of the sector by the regulator. We will continue to set appropriate targets as part of our annual business planning process to maintain an appropriate cost per unit 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 the service improvement team but also trained colleagues in the wider business. This is aimed at increasing efficiency, and removing waste from key processes to improve the quality of and access to our services. Colleagues are involved in lean reviews and customers in customer journey mapping to support the delivery of transformation projects across the business. As resources are finite, governance is in place to ensure those service reviews are prioritised based on the greatest need and benefits delivered to the business.

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. Cost savings targets will be used to monitor and manage unit cost in order to achieve VfM. 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 Strategy Outcomes 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 and regulations, both internally and with national legislation. That we identify new opportunities and that we properly maintain partnerships. Our procurement team facilitate, or support, all of our procurement exercises to ensure that this happens. Our procurement procedures and practices are already clearly linked to our objectives through the Procurement and Growth Strategies. Our tender evaluation criteria previously required a minimum 50% price weighting in tenders, but now allows the flexibility to weight tenders towards quality as appropriate. This is based on the principle that Value for Money does not necessarily mean cheapest, but the right balance of quality and cost.

We have made a commitment to lever additional value through our purchasing power to support our local communities. We have already made inroads into this by including the flexibility to include a minimum of 20% social value weighting in tenders as a starting point. This is subject to change for each tender following discussion between all the relevant stakeholders involved, and is determined against what can realistically be achieved based on what is to be supplied, supplier's location, length of contract etc. 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.

We are also developing an organization wide contract management system. This will enable better contractual controls and the holding of contractual information, enabling amongst other things, more timely re-tendering of existing contracts when coming to an end. It will also enable all contract managers to facilitate contract performance reviews, including KPI's, resulting in actions and measures, where required, to ensure the maximization of supplier performance which will bring greater value to the organization.

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 capabilities and value for money to our customers.

Our Digital Strategy sets out a Transformation Programme of activity to deliver this. The focus over the coming years is to focus on fewer, better integrated, and more scalable cloud systems that can change and adapt as RBH grows and develops. This strategy has seen us recently save £75k per annum on the annual mobile phone bill for the business but also make necessary investments in other areas (where required) like our fixed Telephony infrastructure.

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

It is vital that the homes that our tenants live in remain good quality and in good demand and the financial performance of our homes is a measure of this. In order to understand the performance of the assets and the context of considering the long-term sustainability of neighbourhoods and making investment decisions, we calculate both financial (NPV) and sustainability indicators to build up a comprehensive profile of performance of each neighbourhood .

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

For example we are likely to prioritise investment in a home that is above the average value and demonstrates a good NPV and sustainability indicators.. Our disposals policy sets out that if an empty home has a low NPV (which remains lower with the planned investment) then options other than investment may be considered. These options will take into account the underlying reasons which will help us decide on the appropriate 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 North Framework for fees and construction that provides cost efficiencies to RBH that we cannot achieve alone due to the relatively 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. 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

RBH is committed to playing our part to tackle the climate emergency and achieve the Greater Manchester target to be carbon neutral by 2038. The Succeeding Together strategy 2022-25 sets out our short-term plans to deliver greener, low carbon and climate resilient communities and actively work to reduce carbon emissions from both our operations and our homes.

The Investment Programme ensures that RBH homes meet the Decent Standard and this continues to deliver the installation of energy efficiency measures such as double glazed windows & Glass Reinforced Plastic (GRP) doors; ‘A’ rated boilers & heating controls; and loft insulation where feasible. A series of decarbonisation demonstrators will also be delivered to improve the thermal performance and energy efficiency of hard-to-treat homes, adopting a whole-house fabric first approach, but also incorporating trials with low carbon, renewable energy technologies. These demonstrators will provide evidenced impacts of measures and help inform longer-term plans. 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 Sustainable Growth Delivery Plan outlines our ambitions and commitment over the next three years. These include Carbon Literacy Training to all employees, targets to

achieve EPC C as a minimum for all empty homes prior to re-let, improvements to the sustainability standards of our new build homes and increased biodiversity new gain.

RBH achieved Bronze standard in the SHIFT sustainability assessment for housing providers in 2020-21 and aspire to improve on this year on year.

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 Succeeding Together, 2022 to 2025. 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 Strategy 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

VfM Theme	VfM Metric	Targets 2023-24	Reported via
<p>High Quality Homes, Goods and Services</p> <p>Outcome 1: Ensuring that tenants receive a good service and have opportunities to work together with employees to improve service delivery.</p> <p>Outcome 3: Using our increased investment to meet the needs of current tenants and future generations, are safe, of good quality, and easily maintained.</p>	% new supply delivered (standard RSH metric)	0.27%	Board – Finance & VFM updates
	% gearing (standard RSH metric)	17%	
	% Re-investment (standard RSH metric)	14.64%	
	Overall Tenant Satisfaction (%)	86%	Succeeding Together Dashboard/Operational KPI's
	Repair Appointments Made & Kept (%)	97%	
	Tenant Satisfaction with Home (%)	74%	
	Rent Loss From Empty Homes (%)	1.3%	
Financial Considerations	Headline social housing cost per unit (standard RSH metric)	£5,949	Board – Finance & VFM updates

<p>Outcome 4: Work towards the medium term aim of maintaining the number of our homes</p> <p>& Other Financial Measures</p>	Headline social housing cost per unit – excluding Regeneration	£5,504	
	EBITDA MRI (standard RSH metric)	-641%	
	Return on Capital Employed (standard RSH metric)	4.6%	
	Operating Profit (Overall)	10.7%	
	Operating Profit (Social Housing Only)	17.6%	
<p>Local social and economic benefits</p> <p>Outcome 5: Health and resilient communities in successful places where people choose to live and work</p> <p>Outcome 8: Increased wealth directed into the local economy</p>	Tenant Satisfaction With Neighbourhood (%)	77%	Succeeding Together Dashboard/Operational KPI's
	LM3 Score	1.73	
	% of spend with businesses with an operating base within Rochdale	49%	
	% of spend with an operating base within GM	63%	
<p>Environmental issues</p> <p>Outcome 2: Rising to the climate emergency through greener, low carbon and climate resilient communities</p>	% of employees who have received Carbon Literacy training	75%	Succeeding Together Dashboard/Operational KPI's
	Corporate carbon emissions % reduction	13%	
	Number of homes improved to EPC C rated, or above.	250	
<p>Membership & Mutuality</p> <p>Outcome 6: A diverse and engaged membership helping deliver service improvement and good governance</p>	Employees who are members (%)	81%	Succeeding Together Dashboard/Operational KPI's
	Tenants Who are Members (%)	41%	

Outcome 7: Happy, enthusiastic, and resilient employees who are supported to develop and grow and work with our tenants to shape services	Employee Turnover (%)	10%	
	Days lost through Sickness	8	

4.4 Vfm Strategy fit with the mutual values

The strategy is set alongside the new Succeeding Together Strategy which encompasses 5 new values: responsibility, democracy, collaboration, equity and pioneering.

We take responsibility for delivering value for money for our customers.

This strategy also clearly demonstrate how we are delivering value for money (Equity) and taking a collaborative approach.

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 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, SLT, 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
- A revised corporate strategy

8. Links with other RBH Documents:

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

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