

## Value for Money Strategy

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### **1 Executive Summary**

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This strategy document outlines the following:

- The regulators view of VfM and why it is of critical importance to the sector
- The stakeholders impacted by this strategy
- The key principles
- The key performance indicators (KPI's)
- The strategic approach to ensure successful delivery of this strategy
- How we will monitor and report on progress

### **2 Introduction and Context**

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The Regulator of Social Housing (RSH) published its Value for Money Standard (VfM) in 2018, which outlined their expectations for housing associations (both in terms of the required outcomes and what they must demonstrate) when considering VfM.

Registered providers must:

- clearly articulate their strategic objectives
- 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 through their strategic objectives
- articulate their strategy for delivering homes that meet a range of needs
- ensure that optimal benefit is derived from resources and assets and optimise economy, efficiency and effectiveness in the delivery of their strategic objectives.

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 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.
- Registered providers must annually publish evidence in the statutory accounts to 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 measurable plans to address any areas of underperformance, including clearly stating any areas where improvements would not be appropriate and the rationale for this.

The economic climate that One Manchester (OM) and its customers have been, and continue to, operate within has been extremely challenging. It has put more pressure than ever before on resources, as costs and demand for services increase. The need to drive value from resources has never been more important.

As a sector, the wider political environment also brings with it higher expectation to deliver more and better services for customers, more new homes and investment to achieve zero carbon, all against a backdrop of less government fiscal support and much greater scrutiny.

These competing demands on resources magnifies the need for organisations to be able to operate with economy, more efficiently and have a real understanding of its effectiveness to deliver on the Corporate Priorities and objectives set by Board. Fiona MacGregor, Chief Executive of RSH, said:

*“Housing associations are faced with significant economic challenges, as well as multiple and competing pressures on their resources. Providers need to manage these difficult trade-offs and make best use of their resources, so they can continue to deliver their core objectives of providing safe, well-maintained homes for their tenants and invest in new homes.”*

## **Stakeholders**

There are many stakeholders impacted by this strategy, the main ones are listed below.

## Customers

Customers are at the heart of everything we do. By improving the VfM at One Manchester, not only will be able to do more for customers, we will be able to deliver services in a more efficient way, reducing frustrations when trying to engage with us by reducing duplication, improving right first time and being able to respond quicker.

By utilising customer voice and insight, we will design and deliver the services customers want, removing waste and ensuring the best use of resources.

## Colleagues

Colleagues will be central to the success of this strategy through the actions they take on a daily basis.

## Regulator

As outlined above, the regulator has a keen focus on VfM. This strategy will allow us to demonstrate the use of our resources in line with the regulators expectations.

## Board

The One Manchester Board will approve the strategic approach to VfM, regularly monitor performance and be involved in considering potential value for money gains.

## **3 Strategy**

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### **Purpose**

Value for Money is a cross cutting theme across all areas of the Corporate Plan. The purpose of this strategy is to ensure that the organisation, and its people, always acts in a way that strives to make the most of the resources available to it to support the successful delivery of the Corporate plan.

### **Vision**

We want to make sure we use the resources available in the best way possible, to deliver the Corporate Plan objectives and create inclusive, connected and sustainable places where people can thrive and live well.

### **Key Principles**

There are three key principles to this strategy which are outlined below. These will be delivered via the action plan which can be found in APPENDIX 1.

## 1. Create and embed a culture of VfM

To create and embed a culture of VfM, we will focus on two key areas:

- Accountability when using One Manchester resources
- Continuous improvement in process and services.

We will increase the focus on VfM through the use of consistent and regular messaging at all levels of the organisation. From Leadership meetings, to the Managers forum and individual department team meetings, we will build on the work already started in establishing the golden thread of improving customer service through performance management and efficient use of resources. This will provide the framework around which individual accountability is identified and managed effectively.

At a strategic level, we will strive to improve on processes and organisational design by continuously challenging the status quo, taking every opportunity to enhance the delivery model across all areas of the organisation. We will implement the check, plan, do methodology to enable a nimble approach to change management which is easily understood by colleagues.

We will build on the approach established through Shaping Our Future (SOF) by focusing on the four P's – people, process, procurement and performance.

We will utilise the contracts register to monitor all contracts. We will provide training in daily and monthly contract management.

We will utilise the finance business partners to drive VfM, including delivery of £1m of savings within the 2024/25 budget.

## 2. Maximise returns from commercial activity

To maximise returns, we will focus on the following areas:

- Run commercial activities efficiently, focusing on margin improvement
- Utilise partnerships and long term relationships to generate greater outcomes for customers and communities.

Any non-social housing activities will be run with the approach of maximising returns which are commensurate with the risks of the activity. This will be done whilst upholding a level of service expected from One Manchester.

We will seek out long term partnerships that complement and enhance the services provided by One Manchester so that greater outcomes are generated for customers and communities.

In line with the External Funding strategy, we will look to maximise additional income streams and partnerships, that add value and meet gaps in provision to remove barriers and increase opportunities for customers.

As we look to develop new homes in line with the Growth strategy, we will identify other organisations who we can create strategic partnerships with so that we can deliver more for the resources we invest and reduce any exposure to the risks involved.

Through our approach to procurement and contract management, we will seek both short and long term gains by building collaborative commercial relationships with our supply chain.

### 3. Create transparency around Value for Money

To create transparency around VfM, we will focus on two key areas:

- Demonstrate VfM to customers & stakeholders
- Clear KPI's and reporting across the organisation

We will produce annual VfM metrics as stipulated by the RSH which will be published in the financial statements. These will provide benchmarking and commentary on the performance of One Manchester, clearly identifying where performance has not reached expected levels and providing explanation as to why.

The Leadership Team will have monthly oversight of progress against efficiency targets as set during the budgeting process. Ownership and accountability will be taken to ensure targets are achieved and the organisation maintains its focus of VfM.

Managers will be regularly updated on VfM performance through the managers forum as part of the overall focus on performance management. Sharing of best practice and discussion on areas of improvement will be encouraged.

Colleagues will regularly updated on the performance of the organisation, including VfM, so that they can see and feel the impact of their day to day activity. Through this, ownership and accountability will grow as the link to better outcomes for customers becomes clear.

#### **Key Performance Indicators**

The KPI's that will be used to measure performance have been structured around the three E's, **Economy** (getting the right inputs at the lowest cost), **Efficiency** (getting the most out of inputs for the least amount of effort) and **Effectiveness** (getting the expected results from the outputs).

#### Economy

- % Colleague sickness absence
- % Voluntary colleague turnover
- External funding
- Procurement Gains

#### Efficiency

- % Empty homes available to let
- % Average relet time
- % Rent collected
- % Current rent arrears
- Commercial profit margins

## Effectiveness

- Overall landlord satisfaction
- Satisfaction with repair
- Colleagues recommend us to others
- Net growth in units

There are seven KPI metrics which must be included within the annual financial statements which are stipulated by the RSH. These allow benchmarking with other housing providers.

- Reinvestment % (in existing homes and new homes)
- New supply delivered %
- Gearing %
- Earnings before interest; Tax; Depreciation; Amortisation; Major Repairs; Included (EBITDA MRI) Interest Cover %
- Headline social housing cost per unit (£'000)
- Operating Margin %
- Return on Capital Employed %

## **Strategic Approach**

The Leadership Team will work with managers and colleagues to embed a culture of VfM, bringing it to life through training, talking and transparency.

### Training

We will provide the tools and training to colleagues so that they are empowered to operate in a manner that has VfM at the centre of their daily decision making.

### Talking

Through the use of various forums, we will encourage conversations to share best practice and celebrate VfM successes together. This can be formally at managers forums and team meetings, as well as informally through our communication channels.

### Transparency

We will create regular reporting of progress against VfM targets with Board, Leadership Team, managers and colleagues across the business so it is clear to all what is being achieved and what more is needed.

### Strategies

VfM is embedded within a number of key strategies. The successful delivery of these strategies will play an important part in the overall success of this strategy. These are:

- Procurement strategy
- Asset Management strategy
- External Funding strategy
- Treasury strategy
- Sustainability strategy
- Growth strategy

### **Monitoring and review**

Value for money will be present across all areas of the organisations activities, it will be the responsibility of all colleagues to challenge and review VfM progress against the strategy.

Predominantly, formal monitoring and review will take place via the finance and performance teams.

#### Finance

As part of the budgeting process, the Leadership Team (LT) will provide rigour and challenge into all areas of the business to ensure budget assumptions include VfM initiatives, “stretch” challenges and savings from delivery of improvements as a result of achieving KPI targets.

The finance business partners will then work with budget holders throughout the year to monitor and capture VfM savings. This will then be reported to LT and Board via the finance reporting process.

#### Performance

Effective monitoring and reporting of the KPI’s set out above, will allow the LT and Board to understand how we are achieving VfM through the three headings of economy, efficiency and effectiveness.

#### Board Oversight

It is proposed that the Audit and Risk Committee (ARC) have responsibility for oversight of the delivery of this strategy.

**APPENDIX 1 - Action Plan**

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<b>Action</b>	<b>Owner</b>	<b>Target Date / Comments</b>
Delivery of the Treasury strategy to secure the best value long term funding to support the Business Plan	CFO	Q4 2024/25 – timing will be dependent on external economic factors in order to
Delivery of procurement savings and contract management	Leadership Team	This will be ongoing work but a 2024/25 target will be set to contribute to budgeted efficiency target
Delivery of £1m savings in 2024/25 budget	Leadership Team	Q4 2024/25 – this work will be monitored and reported throughout the year
Repairs intervention	Director of Homes	This is an 18 month project.
Communication plan (internal and external)	Head of Communications	Q1 2024/25 – a detailed plan will be worked up to inform and engage colleagues with VfM.
Customer Voice strategy	Director of Customer	Understanding customer voice and acting on it will improve the effectiveness as we will deliver what the customer wants.
Customer experience strategy	Director of Customer	Turning customer insight into action will improve TSM's and reduce re-work to deliver efficiency through right first time and waste reduction.
Implementation of Delta Procurement	Director of Governance	Q1 2024/25 implementation.