



Local Space Limited



Value for Money Strategy

2016/17



1. INTRODUCTION

- 1.1 Local Space aims to provide good quality social housing with excellent services by inspiring and supporting staff and encouraging residents to participate in shaping those services
- 1.2 Value for Money (VfM) is key to delivering this aim. This VfM strategy supports the corporate plan of the association and the underlying strategies of the association. As such, the strategy is not an isolated document but part of a wider aim to continually improve and enhance what we do whilst embracing innovation and new technologies.

2. SCOPE OF THE VFM STRATEGY

- 2.1 This strategy sets out the association's approach and its key commitments to delivering a comprehensive and transparent approach to the achievement of value for money.

3. VALUE FOR MONEY - THE STANDARD

- 3.1 We recognise that achieving value for money means that we must maintain a robust assessment of the performance of all our assets and resources. In practice, this means that we must manage our resources **economically**, **efficiently** and **effectively** to provide homes and services of quality in line with our corporate objectives. It also means that we must plan our activities and continually assess our performance so that we can deliver on-going improvements in everything we do.
- 3.2 The Homes and Communities Agency (HCA) has set out its requirements for Registered Providers (RPs) in the Regulatory Framework. The Value for Money standard states that RPs are expected to:
 - Have a robust approach to making decisions on the use of resources to deliver the provider's objectives, including an understanding of the trade-offs and opportunity costs of its decisions;
 - Understand the return on its assets, and have a strategy for optimising the future returns on assets – including rigorous appraisal of all potential options for improving value for money including the potential benefits in alternative delivery models - measured against the organisation's purpose and objectives;
 - Have performance management and scrutiny functions which are effective at driving and delivering improved value for money performance;
 - Understand the costs and outcomes of delivering specific services and which underlying factors influence these costs and how they do so.
- 3.3 RP Boards are also required to demonstrate to stakeholders how they are meeting the standard. As part of this process, on an annual basis, they are required to publish a robust self-assessment which is transparent and accessible to stakeholders, showing how they are achieving value for money in delivering their purpose and objectives.
- 3.4 The assessment is required to:



- Enable stakeholders to understand the return on assets measured against the organisation's objectives;
- Set out the absolute and comparative costs of delivering specific services;
- Evidence the value for money gains that have been and will be made and how these have and will be realised over time.

3.5 In June 2016 the HCA published 'Delivering Better Value for Money: Understanding differences in unit costs'. Analysis from this report was sent in a letter to each organisation detailing headline social housing costs and how they compare to others. As there are considerable differences in costs that cannot be explained by factors such as the difference in regional pay the HCA is now focusing on how well organisations are operating and whether there are good reasons for variances in these costs. This focus on costs and VfM will become party of the In Depth Assessment programme where the HCA will seek evidence of:-

- How transparent an organization is on communicating how it approaches VfM
- How Boards have a strategy to deliver on-going improvement in efficiency
- How well Boards are using resources to deliver the overall business in the most cost-effective way.

4. VALUE FOR MONEY - OUR COMMITMENT

4.1 The association is committed to delivering VfM . The Board is committed to ensuring that Local Space has a comprehensive and strategic approach to achieving VfM and that all initiatives are in line with the association's corporate plan objectives.

4.2 The Board will ensure that a robust assessment into the performance of all our assets and resources (including financial, social and environmental returns) is undertaken on an annual basis.

4.3 In particular the Board will:

- Deliver the regulatory requirements of the Homes and Communities Agency (HCA) in relation to VfM;
- Make decisions on how resources are used to deliver objectives and it will consider the trade-offs and the opportunity costs of such decisions;
- Have an understanding of the return on our assets and have an asset management strategy for optimising the future return on assets. This includes a rigorous appraisal of the potential options for improving VfM, including the potential benefits of alternative delivery and procurement models;
- Have a process of scrutinising performance management and actively involve tenants in this activity. The process will be effective in driving and delivering improved VfM performance;
- Have a process for understanding costs and outcomes of delivering specific services, to understand, why and how, the underlying factors influence these costs.



- 4.4 In delivering the regulatory requirement it is envisaged that the Board will:
- Consider and approve the VfM strategy annually;
 - Consider and approve an annual self-assessment statement outlining the delivery of VfM initiatives and compliance with the VfM Standard;
 - Consult and ask the Tenant Scrutiny Panel to approve the VfM annual statement which will also be issued to other stakeholders.
 - Promote, during the year, the role of a VfM Board Champion;
 - Ensure that sufficient resources are deployed in the delivery of the VfM strategy;
 - Ensure that there is adequate monitoring and scrutiny in the delivery of VfM

4.5 With particular reference to the annual statement to stakeholders, the association will demonstrate how the VfM standard has been met. The annual self-assessment will include how the return on assets is measured against the association’s objectives, reporting absolute and comparative costs for delivering specific services highlighting any particular business investment reasons. Where there is no reason for particularly high costs the association will show its plans to reduce costs or improve outcomes.

5. VALUE FOR MONEY - MAKING IT HAPPEN

5.1 The diagram below helps to illustrate how we deliver VfM at Local Space and how it is now embedded into our work both at strategic and operational levels::



6. The VfM Board Group

6.1 The VfM Group will consist of the association’s VfM Board Champion, the Chief Executive, the wider Executive Team and other staff who will change from time to time, depending upon the areas under review.



- 6.2 The Finance & Resources Director is the director responsible for ensuring that VfM is secured throughout the association. The Group will review VfM initiatives taking place throughout the organisation in line with agreed action plans.
- 6.3 Principal responsibilities include ensuring that the association carries out the following:
- Targeted service reviews where services are high cost, lose money, or perform poorly setting clear service and improvement action plans as required;
 - Scouring the sector and beyond for good practice, including but not limited to using other VfM websites e.g. UK government treasury VfM website;
 - Oversee all procurement activities to ensure consistency and to ensure that the process drives out the best value for the association;
 - Setting ambitious and realistic targets and keeping comprehensive records of achievements including a procurement log and VfM savings/ improved outcomes achieved;
 - Providing clear accountability for performance in given activities or processes;
 - Regular scrutiny of performance and timely corrective action;

7. The strategic fit

- 7.1 In developing effective control and delivery of VfM it is important to integrate with other organisational documents of the association, including:
- Corporate Objectives;
 - Corporate Plan (Draft June 2016);
 - Financial and Treasury Management Strategy (2016);
 - Asset Management Strategy (2014);
 - HR Plan (2016);
 - IT strategy (2014);
 - Equality & Diversity Strategy (Sep 2016);
 - Resident Involvement Strategy (2014 and to be revised 2016/7);
 - Master Agreement (LBN 2006) and Growth Strategy (2016)

8. Tenants and residents

- 8.1 For VfM to be effective in delivering efficiencies and reinvesting savings, the role of residents is critical.
- 8.2 Tenant involvement will be a combination of active representation on the VfM group from time to time and delegated authority to the Tenant Involvement Panel. Tenant scrutiny is dealt with later in this document.
- 8.3 In particular, residents' feedback will be invaluable in:
- Monitoring key service standards and Key Performance Indicators (KPIs);
 - Providing feedback from a series of reality checks;



- Agreeing spending priorities for the following budgets:
 - Additional management costs;
 - Resident participation initiatives;
 - Other priorities.

9. Staff

9.1 The responsibility for VfM lies with all staff and is not restricted to those with resource or financial responsibilities.

9.2 The association is committed to:-

- Staff training and development. Training has an important part to play in ensuring that staff understanding the principles of value for money and how these can be applied in all aspects of the daily activities.
- Optimising systems and processes to improve productivity and free up staff to add value at the front line and other important areas of the business:
 - Use IT to minimise repetitive tasks and streamline processes (eg new automated HR system, batching together invoices for payment);
 - Pay careful attention to job design and workload
- Ensuring that VfM runs from the top to the bottom of the organisation and that staff are focused on VfM and other key goals.
- Keeping the scope for VfM under review with reference
 - at board, executive team and staff team meetings;
- Having methods by which staff can make suggestions for improving VfM which are taken seriously and, if acted upon, rewarded.

10. Tenant scrutiny

10.1 Performance will be monitored by reviewing the association's actual performance against:

- HCA requirements;
- KPIs;
- Benchmarking information and less formal collaboration with our peers;
- Financial ratios compared to sector average.

Scrutiny will investigate major areas of poor performance, creating action plans and it measuring outturn performance.

11. MAIN AREAS OF FOCUS IN 2016/17

11.1 The main areas of focus in the current financial year are:

- Reduction of management costs;
- Reduction of rent arrears outstanding and bad debts written off;
- Increase customer satisfaction;
- Review of the asset management strategy;



- Development of the new Civica housing management system and roll out of the Tenants Portal;
- Increase the Social and Environmental Returns.

The targets for 2016/17 are summarized below. The growth strategy agreed by the board in 2015/16 is incorporated in the new approved business plan accommodating the acquisition and development of an additional 800 units by 2020. This means that some of our targets have increased but this is a consequence of the investment decision taken by the board for growth. Specific areas affected are highlighted with further explanation below the table.

VFM Target Area	2016/17	2015/16
Total Housing Costs	£ 862	£ 1,105
1 Bad Debts - Directly Managed	£ 211	£ 178
Arrears	4.5%	4.5%
Customer Satisfaction	80%	80%
Gross Rental Income - Directly Managed	£ 12,857	£ 11,654
Service Charges Income - Key Workers	£ 159	£ 171
2 Voids - LBN	£ 105	£ 60
2 Voids - Directly Managed	£ 129	£ 55
3 Total Asset Management (Excluding Growth) (pu)	£ 815	£ 794
Major Works Capitalised (pu)	£ 735	£ 806
Components Disposal (pu)	£ 237	£ 333
Dwellings with a valid gas safety certificate	100%	100%
4 Total Overhead Costs	£ 1,230	£ 1,148

1 Bad debts - budgeted in 2016/17 on the same basis as the board approved 30 year business plan accommodating growth

2 Voids - budgeted in 2016/17 on the same basis as the board approved 30 year business plan accommodating growth

3 Total asset management costs - budget for 2016/17 reflects the new organisational structure.

4 Total overhead costs – budget for 2016/17 includes the staffing and related costs of the enlarged Development department

12. MONITORING AND REVIEW

- 12.1 The next review date for this document is scheduled for July 2017 and it will be scheduled for review annually thereafter.
- 12.2 Board members of Local Space will monitor the effectiveness of the delivery of this strategy and will recommend policy changes to improve operational delivery.
- 12.3 Performance will be reported to the Board, the Executive Team and the Tenant Involvement Panel. Tenant scrutiny panel will work independently in the review and scrutiny of performance and delivery of the strategy, identifying areas for improvement which can be captured in the annual review of the strategy.



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