

Report to Resources Committee

24 February 2015



Title: Value for Money Strategy
Report of: Head of Corporate Services

Purpose of Report

1. To recommend to the Board approval of the updated Value for Money (VFM) Strategy 2012-2015.

Background

2. The previous VFM Strategy was scrutinised by Resources Committee on 14 February 2013. Some minor changes were requested and made.
3. The Strategy was also presented to and approved by Board on 20 March 2013.
4. The revised VFM Strategy has been developed with the Value for Money and Environmental Management Service Improvement Group (SIG).

Summary

5. The Value for Money Strategy is attached at the Appendix.
6. The Strategy has been produced to detail how VFM is defined and how this links in to the regulatory framework as set out by the Homes and Communities Agency (HCA).
7. The Strategy details the Housing Company's approach to meeting VFM and how that is embedded in the Housing Company's culture. Finance and performance are key elements of ensuring that we deliver VFM services to customers.
8. The Strategy details the work carried out by the SIG, as well as examples of how the organisation secures VFM through working practices and how employees are encouraged to consider VFM within their daily roles.
9. The Strategy includes a Policy Statement which sets out how the housing company is committed to the VFM principles. There is also an information sheet about some of the improvements that have been made in the previous financial year.

Link to values

10. This links to the following Company values:
- Being honest, accountable and transparent
 - Being motivated, trained and committed
 - Being customer focused, innovative and professional

Impact on tenants

11. A culture of providing services which are value for money will indirectly impact upon our customers as efficiencies will be maximised and redirected to priority areas.

Risk Management Implications

12. This strategy will form a key part in ensuring that the strategic risk within the business plan (insufficient available financial resources) is effectively controlled.

Financial Implications

13. There are no financial implications arising from this report.

Equality and Diversity Implications

14. There are no equality and diversity implications arising from this report.

Value for Money Implications

15. The Strategy will continue to embed the culture of efficiency and VFM, to enable the best use of resources in delivering services to our customers.

Health Implications

16. There are no health implications arising from this report.

Environmental Implications

17. There are no environmental implications arising from this report.

Consultation carried out

18. Consultation on the proposed VFM Strategy has been carried out with the SIG and they have provided challenge on the Strategy proposed.

Recommendation

19. The committee is asked to recommend to the Board approval of the updated VFM Strategy.

Value for Money Strategy

Welcome

At The Gateshead Housing Company we are committed to providing high-quality services, especially those that offer best value, to our customers.

The company has developed a revised Value for Money (VFM) strategy. The strategy will underpin the company's values and ensure that housing services provided in Gateshead are efficient, effective and economical.

Our approach to VFM is based on working with customers, colleagues and partners to challenge how we deliver services, how we can improve them and how we can achieve the best possible price for services and goods procured.

The Homes and Communities Agency's framework for social housing has a specific VFM standard. While ALMOs are not regulated through this standard, we consider the standard to provide best practice. The standard states that organisations should articulate and deliver a comprehensive and strategic approach to achieving VFM in meeting their organisation's objectives.

The housing company's approach to achieving this standard and producing this strategy has been developed with customers and sets out our aims.

Paul Foy
Board Chair
(Pic)

Jon Mallen-Beadle
Managing Director
(Pic)

Introduction

The Gateshead Housing Company (TGHC) is an arms-length management organisation (ALMO) working with Gateshead Council to deliver services to tenants and leaseholders who reside in Council properties within the borough.

Since the company was created in 2004 we have aimed to provide excellent housing services that are economical, efficient and effective to all our customers.

Our vision

To provide excellent homes and housing services

Our mission statement

To work in partnership with residents and the community to create homes and neighbourhoods that meet the aspirations of the people of Gateshead

Our values

We will achieve this by:

- Being a listening and learning organisation
- Being honest, accountable and transparent
- Being motivated, trained and committed
- Being customer focused, innovative and professional
- Caring and respecting, embracing equality
- A commitment to all our employees.

The Homes and Communities Agency

The Homes and Communities Agency (HCA) became the social housing regulator in April 2012. The HCA's role was identified within the Localism Act 2011, and the Secretary of State directed specific standards for it.

The HCA produced 'The regulatory framework for social housing in England'. Under this framework the regulator has distinct roles in relation to economic and consumer regulations. Economic regulation applies to private registered-housing providers in isolation and is a proactive form of regulation. Consumer regulation is a more reactive form of regulation and is applicable to all registered housing providers.

Economic standards are:

- Value for Money
- Governance and Financial viability
- Rent.

Consumer standards are:

- Tenant Involvement and Empowerment
- Home
- Tenancy
- Neighbourhood and Community

The VFM standard stipulates:

Registered housing providers shall articulate and deliver a comprehensive and strategic approach to achieving VFM in meeting their organisation's objectives. Their boards must maintain a robust assessment of the performance of all their assets and resources (including financial, social and environment returns). This will take into account the interests of and commitments to stakeholders, and be available to them in a way that is transparent and accessible. This means managing their resources economically, efficiently and effectively to provide quality services and homes, and planning for and delivering ongoing improvements in VFM.

Registered providers shall:

- 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 return on assets – including rigorous appraisal for 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.

A Registered Providers Board shall demonstrate to stakeholders how they are meeting this standard. As part of that process, on an annual basis, they will publish a robust self-assessment which sets out, in a way that is transparent and accessible to stakeholders, how they are achieving VFM in delivering their purpose and objectives.

The assessment shall:

- 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.

While the VFM Standard will not be regulated by the HCA, as TGHC are not a Registered Provider, the principles underlying the standard are considered best practice by TGHC. By aiming to meet these principles, TGHC is able to demonstrate to customers that the organisation is committed to providing services which are VFM.

How we aim to meet HCA standards

TGHC aims to meet HCA standards by providing excellent customer services to tenants and leaseholders in Gateshead.

With help from our customers, we have developed service standards for the range of services we provide. Our service standards are measured using monitoring systems and satisfaction surveys. Performance results are reported to Service Improvement Groups, Management Team, TGHC Board, Gateshead Council and customers via our website and customer newsletters.

The Gateshead Housing Company Annual Report to Tenants and Leaseholders

A working group of tenants and leaseholders works with TGHC to develop an annual report. The report covers the services we provide, what we have achieved in the previous financial year, and our plans for the future.

The report also explains how we spend the money we receive from tenants' rent and leaseholder service charges and how we perform against some of our key performance indicators and service standards.

The report is distributed to all customers and allows them to challenge our services and performance and make suggestions on how we could further improve.

What is VFM?

Attaining VFM means obtaining the maximum benefit from goods and services acquired and provided within available resources. It involves **efficiency, effectiveness** and **economy**.

Efficiency

This is a measure of productivity – how much you get out in relation to what you put in. It is the efficiency of converting resources (inputs) into results (outputs).

Effectiveness

This measures the impact of obtaining value for money. It can be quantitative (the amount of effectiveness) or qualitative (the value of effectiveness).

Economy

This is the price paid (the impact on people as well as actual money spent) for providing a service at best value, taking price and quality into account.

VFM is embedded in the culture of TGHC and is a key objective in the Business and Delivery Plans.

Many external drivers have supported the company's philosophy to achieve VFM:

- Best Value – introduced in 1999 to ensure the delivery of quality services at the best price
- Byatt Review – published in 2001, this set out key recommendations to align procurement and best value
- Gershon Report – published in 2004, this focused on releasing resources to frontline services by implementing robust procurement practices and supporting the efficiency agenda.

It is more important than ever to ensure we secure value for money in our everyday working practices, and with the introduction of the Localism Act 2011, there is a new focus on VFM, particularly within the housing sector.

TGHC is funded by Gateshead Council to manage the housing stock in Gateshead. The management fee is made up of a management element (approximately 42.3%) and a repairs element (approximately 57.7%). The management fee is currently our main source of income.

Securing additional resources will be increasingly important during the coming years as budgets will become tighter. We must endeavour to manage effectively the aspirations of our customers and ensure the future investment needs of the housing stock are met.

Embedding VFM within the culture of the housing company

TGHC has a strong commitment to VFM which is reflected in both the business plan and the annual delivery plan. There is a strong culture of 'do the right thing' and 'do things right' which helps ensure that the services we deliver to customers are efficient, effective and economical.

VFM is a key driver in all of the services we deliver to customers and is an area that is constantly monitored by the Board and committees. VFM implications are included in all Board and committee reports, ensuring that all services consider VFM in the decisions they take.

The Board and committees challenge officers of TGHC on the principles of VFM, ensuring that this is considered in the decisions taken by senior officers on behalf of members and also in the day-to-day work of TGHC.

Annual management fee discussions with Gateshead Council outline the savings and efficiency targets to be met. A 2% efficiency target was exceeded in 2013/14 with a result of 4.31%. The efficiency saving was based on the company's management fee being reduced by 1.41% from the fee received in 2012/13, plus 2.9% (the RPI increase during those 12 months, for which we did not receive any increase in management fee).

The 2014/15 efficiency target is set at 2% and was approved by customers and the Board, and agreed with the Council.

Benchmarking

TGHC are members of the HouseMark benchmarking group, which helps social housing landlords compare the costs of service delivery, resources and key performance indicators across all areas of the business.

HouseMark conduct an annual benchmarking exercise to analyse all areas of the business. This is used to identify high performing, low cost organisations from which best practice and learning can be obtained.

Using the HouseMark results, TGHC have the ability to target those areas that are low performance and high cost and make the appropriate improvements to achieve VFM.

Services are expected to use benchmarking information to reduce costs, improve performance, learn from best practice, change procedures and processes to achieve or enhance methods of working, and reduce unnecessary expenditure where appropriate.

The Value for Money and Environmental Management Service Improvement Group, which is made up of tenants and leaseholders, was established to work with the housing company to secure VFM in the housing services provided.

As part of the SIG work plan, they requested that Service Managers attend the meetings to explain how VFM is being achieved in their service. The SIG have currently received presentations from:

- Neighbourhood Relations Team
- Leaseholder Team
- HomeRepairs
- Multi Storey Housing Manager
- Lettings Team

Presentations have been informative and well received by the SIG. Group members are keen to promote the need to benchmark services and achieve VFM. Managers have provided information on how Cost per Property (CPP) has increased or decreased when comparing the current and previous financial year and information has been provided in graph format to show cost savings progression and how this compares to KPI performance.

The SIG acknowledge that some high performance attracts high cost however they are keen to promote a move to reducing costs.

Examples of how services have achieved VFM through comparing with others are included in Appendix 1.

Performance

TGHC measures key performance indicators which are included in the delivery plan. Performance results are scrutinised monthly by the Management Team and quarterly by the Board.

Service Improvement Groups (SIGs), which consist of tenants and leaseholders, scrutinise performance indicators relating to a service area, which allows customers to directly feed back their opinions of performance to service managers and allow for further service improvements.

Targets

Performance targets are set annually by service managers and, where possible, consulted on with SIGs and the Council before they are approved by the Board. Targets set are required to be challenging, meet SMART objectives and are developed using HouseMark top quartile benchmarking results.

Performance reports are produced each month, detailing current performance results, the performance position at the end of the previous financial year and the target being aimed for in the current financial year.

Service managers have the ability to add commentary to the performance report. This gives an opportunity to share how the performance result was achieved. Where performance has increased or reduced, service managers can explain why and how we will work to maintain or improve this in the future.

Performance indicator results are shared with customers via our customer newspaper and SIGs.

At the end of each quarter the housing company's website is updated with current performance results that are most relevant to customers – such as repairs, rent collection, anti-social behaviour and home improvements.

A quarterly performance report for all of our indicators, showing how all services are performing, is also displayed on the website.

Budgets

Budgets are set using a zero-based budget approach, which means each year they are developed from 'zero' and are not influenced by how much has or has not been spent in the previous year.

Budgets are built up using the staffing structures and discussions are held with budget holders to determine budgetary requirements.

Efficiency savings as well as customer priorities are highlighted and reflected in the budgets. We produce monthly management accounts which enable budget holders to manage spend, ensuring that they remain within budget. We also produce quarterly management reports for Resources Committee, Board and Gateshead Council, which allows for further scrutiny of the company's financial management.

Annual financial statements are produced, which are externally audited to ensure that they meet all requirements. Monitoring of financial statements and management accounts allows for appropriate control that ensures efficiencies are maximised,

allocated and redirected where appropriate to ensure a high level of customer service is delivered.

Procurement

Effective procurement (or obtaining goods or services at the right price) helps TGHC achieve its aims and objectives by delivering high-quality services which meet the current and future needs of our customers and are based on VFM principles.

The company encourages competition and welcomes bids from new and established suppliers. Contracts are awarded in terms of 'VFM' and, while the housing company cannot discriminate in favour of locality, we are committed to supporting and encouraging local businesses to compete for contracts.

TGHC does not award tenders for goods or services based solely on the lowest tender received in terms of price. There is a commitment to procuring the best possible goods and services at the best prices and quality possible by applying the VFM methodology of efficiency, effectiveness and economy.

VFM and Environmental Management Service Improvement Group

Established in 2008, the group has grown and developed to meet the changing needs of the organisation. The role of the volunteer group of tenants and leaseholders is to independently review services within the housing company. This allows independent scrutiny of the company by our customers with detailed challenge around expenditure against budget (economy) and the efficiency and effectiveness of services via key performance indicators.

In 2010, the company was awarded ISO14001, the international standard for environmental management. The award demonstrated that the housing company had a robust system for monitoring, managing and reducing its impact on the local environment. The SIG encompassed this role into their remit.

Following the company's move to Gateshead Civic Centre the majority of the environmental elements were no longer under the control of the organisation, with utilities and waste disposal being organised by Gateshead Council. We have maintained control of stationery ordering and the monitoring of CO2 emissions, and we are committed to follow the environmental management principles developed since 2010 and values with this activity.

However, the cost to the organisation for external ISO14001 audits and re-accreditation was considered excessive considering the small number of elements still under TGHC control. It was agreed with the SIG and Board that TGHC should continue to follow the ISO14001 principles but the organisation would not pursue reaccreditation. TGHC will continue to share environmental updates with the SIG and employees through internal communication methods. The SIG meets every two months and its annual work plan sets out the work they will undertake during the year.

Group achievements include:

- Monitoring of the VFM Strategy
- Ensuring the Environmental Policy is being applied
- Scrutinising key performance and service standard indicators, highlighting areas of development

- Endorsing key performance and service-standard indicator targets for the forthcoming financial year, including VFM, environmental and additional service indicators throughout the organisation where appropriate
- Reviewing and examine quarterly budget spend
- Receiving employee VFM suggestions and approve for progression
- Scrutinising and challenging the VFM section within The Gateshead Housing Company Annual Report to Tenant and Leaseholders
- Scrutinising the annual HouseMark benchmarking report
- Identifying VFM SIG work plan suggestions for the forthcoming financial year
- Scrutinising and approving VFM being achieved in specific services within the company.

TGHC Suggests

The Company has a VFM employee suggestion scheme, where suggestions to provide more efficient, effective and economical ways of working can be submitted.

The suggestions are reviewed by the relevant service manager to determine whether the suggestion can be implemented before being reviewed by the SIG.

The service managers and SIG must be convinced that the suggestion is likely to save money or create more efficient and/or effective ways of working before it is investigated or implemented.

To ensure that suggestions are appropriate and meet the “three Es” of efficiency, effectiveness and economy, in broad terms they must:

- Improve a process to increase productivity or improve quality of our services
- Add value by generating efficiencies, saving time, energy or reducing bureaucracy/cost
- Improve public relations, in particular with those customers who may be directly affected by our activities
- Improve the working environment.

Achievements

As a result of increased employee knowledge and ownership of achieving VFM within services it has been recognised that VFM is being achieved throughout the organisation. Appendix 2 highlights some of the examples of how we have achieved VFM.

Applying VFM

Employees have a good understanding of the VFM principles of economy, efficiency and effectiveness. As previously mentioned the VFM principles are imbedded in the procurement and budget monitoring process.

The Board and Committees are involved in making decisions that affect the lives of local people who receive the housing services we deliver in Gateshead. During the governance reporting process, officers are required to explain if there are any VFM implications in reports offered for consideration. This is an opportunity for officers to

explain how they are saving money or making a process or service more efficient or effective.

Securing VFM

TGHC is committed to continuing to achieve VFM and this will be driven through the HCA standard and the annual SIG work plan.

Keys areas include:

- Supporting the SIG
- Service managers attending and presenting to the SIG how they have achieved VFM in their service and future saving plans
- Continuing to encourage employees to apply the “three Es” of efficiency, effectiveness and economy in their working role
- Considering best practice within the housing sector, including the HCA standards.

The housing company has a VFM policy statement (Appendix 3) which highlights the key drivers within the housing company.

VFM Champion

The SIG identified the requirement to have a VFM Champion within the organisation. The champion needs to vigorously support the VFM principles and promote with customers, employees, Management Team, Board, partners and Gateshead Council.

It has been identified that the Head of Corporate Service should take on this role to achieve a seamless approach to securing VFM in the decisions made and the services delivered.

Conclusion

VFM is evident throughout the Company. Challenging efficiency and performance targets is imbedded within the organisation and the ongoing aim of all employees and customers.

Despite the company’s success in achieving VFM, further improvements can always be made through operational and service improvement plans that ultimately link to the company delivery plans and Gateshead Council’s overall housing strategy.

Our aim for the life of the strategy is to continually achieve and progress towards ensuring the VFM principles of efficiency, effectiveness and economy in the housing services we provide and the services and goods we procure.

Neighbourhood Relations Team

Dispersed Accommodation

- Cost of providing a week of dispersed accommodation for 2012/13 £234.60 per household, £123.79 per household for 2013/14

Leasehold Team

- Low cost per property £160 (2013/14) and high performance 73% (2013/14) = VFM is being achieved
- TGHC are the highest performer for Service charges collected as a percentage of charges due 99.36% (2013/14)

HomeRepairs

- Average Repairs Costs reduced from £128 in 2013/14 to £89.18 in 2014/15
- Appointments kept increased from 93.7% in 2013/14 to 97.1% in 2014/15
- Demonstrating VFM

Multi story Blocks

- Overall reduction of £148,436.00 in 2013/14 made up from: -
 - Concierge Service Review & introduction of Residential Caretaker Service
 - Reduced cleaning costs from Gateshead Council's Local Environmental Services
 - Review of Multi Storey Team structure
 - Reduction in communal gas charges (Priory & Warwick Court)

Lettings Team

- CPP of direct lets has reduced from £34 in 2012/13 to £32 in 2013/14
- Percentage of properties being accepted on first offer has increased from 38% in 2012/13 to 44% in 2013/14, demonstrating we are providing a service right first time

Grounds Maintenance Service Agreement 2014/15

The Grounds Maintenance contract for 2014/15 of £1,480,000 remains the same as for 2013/14. In addition, the inspection of play areas and minor maintenance associated with play items are included in this budget.

This also includes a 2014/15 budget of £277,750 to enable LES to deliver tree maintenance on land managed by the company, as well as any exceptional items of responsive maintenance identified by the partnership.

Antisocial Behaviour Performance Update 2013/14

204 security measures were completed for 114 victims of domestic abuse. This equates to 40% of domestic-abuse cases which were investigated. The average cost per security repair is £72.37.

The provision of security measures for victims who have been personally targeted allows these vulnerable customers to remain in their homes. This alleviates subsequent costs, such as the provision of temporary accommodation, which would arise if they wished to be rehoused.

Multi-Storey Management – Year End Update 2013/14

Caretakers carry out a range of small repair tasks in communal areas of multi-storey blocks as part of their existing role, which saves the housing company the cost of going through the repairs contractor. During 2013/14, they carried out a total of 1,707 repair tasks: the value of this work based on existing Schedule of Rate codes is £12,513.

The service will continue to explore opportunities to maximise VFM. One area identified is to provide new floor-cleaning equipment in the larger blocks that will produce time-efficiency savings. The time saved will allow caretakers to undertake additional tasks.

Decommissioning of Keelman House

Additional work carried out by the company's Administration Team has resulted in a substantial reduction from the initial forecast of dilapidations submitted by the Landlord. Subsequently a £49,000 saving has been agreed with the Landlord's representative.

Due to the lease at Keelman House ending early the company saved £23,480.17 for National Non Direct Rates (NNDR).

Tenant and Leaseholder Annual Report 2013/14

The HCA Regulatory Framework sets out an expectation that landlords will work with their tenants and leaseholders to follow the principles of co-regulation. This involves providing opportunities to shape and scrutinise our services and holds us to account for our performance and service delivery.

A working group of tenants, leaseholders and members of the Involvement and Communications Teams met regularly to produce an annual report to customers. Service managers produced position statements for each service area which provided information on:

- Overview of the way the service is delivered, including structure of the teams

- How the service has performed in the current financial year, including any performance information
- Areas of positive practice, including any external validation or reviews.

In 2014/15 the report was produced as a reduced version compared to previous years to minimise production costs. This was issued with the tenant newspaper to ensure that it reaches all tenants and leaseholders without additional postage costs.

Rent Arrears Monitoring and Prevention - 2013/14

Towards the end of 2013/14, the rent and income service began working with an organisation called Energy Angels. The primary function of Energy Angels is to speak to any new tenants at the point of signup to arrange their utility suppliers. They offer a price-comparison service to ensure tenants are signed up with the cheapest supplier, therefore reducing tenants' outgoings and increasing their disposable income. This service is also offered to existing tenants and employees.

In the first two full months since the rollout of this service 50 new tenants have been through the process, saving around £100 each per year.

The Gateshead Housing Company Value for Money Policy Statement

Our commitment to economy, efficiency and effectiveness

The Gateshead Housing Company provides and supports services to local communities in the borough of Gateshead. We manage nearly 20,000 properties on behalf of Gateshead Council, Keelman Homes and Thirteen.

A large part of our service is delivered on our behalf by partner organisations and we recognise the importance of these organisations in helping us to achieve VFM.

Vision

Our vision is to provide excellent homes and housing services. We will achieve this by being honest, accountable and transparent.

Commitment

We are committed to promoting efficient and effective ways of working. Sustainable development is a cornerstone of our business strategy and we will actively seek to participate in the implementation of local initiatives.

Objectives

We have an established programme to review and monitor our expenditure and to enable us to scrutinise our initiatives. We have a Service Improvement Group made up of customers and officers. The role of this volunteer group of tenants and leaseholders is to independently review services within the housing company. This allows independent scrutiny of the company by our customers with detailed challenge around expenditure against budget (economy) and the efficiency and effectiveness of services via key service standards and performance indicators.

Our objectives include:

- The promotion of VFM principles
- Encouraging economic awareness of our employees and customers
- Creation, maintenance and promotion of economic, efficient and effective purchasing principles in our business activities and for the benefit of our customers
- Minimising waste from our business operations
- Extending efficiency principles to our Repairs and Maintenance partners and in any new development
- Seeking effective opportunities to improve the condition of our housing stock and their immediate surroundings.

Jon Mallen-Beadle
Managing Director