

DERBY HOMES

VALUE FOR MONEY STRATEGY

2016-2019

Introduction

Value for Money (VfM) in delivery of public services is high on the Council's, Government's and Homes and Communities Agency (HCA)'s agendas. Derby Homes has embraced the ethos of the Value for Money standards, meeting requirements and ensuring that tenants receive an efficient, effective, consistent, quality and VfM service.

HCA Value for Money standard

Derby Homes are a Registered Provider of social housing (RP) and are required by the Homes and Communities Agency (HCA) to publish a Value for Money statement as detailed below. These principles are in line with the Council and Derby Homes' drive to continuously improve VfM.

Required outcomes

Registered providers shall articulate and deliver a comprehensive and strategic approach to achieving value for money in meeting their organisation's objectives. Their boards must maintain a robust assessment of the performance of all their assets and resources (including for example financial, social and environmental 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 on-going improvements in value for money.

The VfM standard is addressed each year in the formal accounts of Derby Homes. The VfM statement considers the issues above in the context of that year's performance and other issues. This element of the accounts will be used as the basis of a report to the Operational Board each year as part of their scrutiny of Derby Homes' Value for Money.

Derby Homes has been committed to continuously improving value for money since it was set up in 2002 and has a robust and transparent VfM Strategy embedded in the organisation which:

- Supports the mission, objectives and values of the organisation
- Reflects our customers priorities
- Ensures that external resources are selected and effectively managed through effective and transparent procedures
- Ensures that internal resources are fit for purpose and deliver VfM
- Obtains the best possible value for money outcomes for us and our tenants
- Seeks best practise from other organisations
- Learns from past experiences

Value for Money (VfM) is a requirement for any successful organisation. It means better services for customers, ensuring that priorities are met. This strategy is now embedded in the annual budget setting process and procurement standing orders to help identify potential efficiencies and raise awareness of the VfM agenda amongst staff.

What do we mean by excellence in VfM?

Excellent VfM can be assessed across three elements

- Cost input into a service,
- Productivity, measured by staff or other units, such as houses or vehicles
- Outputs measured in performance information and customer satisfaction levels

Excellence in Value for Money is when there is an optimum balance between these 3 elements - relatively low costs, high productivity and successful outcomes.

Delivering quality services that meet customer expectations, at a lower cost has never been more important. Attaining value for money means obtaining the maximum benefit from goods and services acquired and provided, within available resources. It involves economy, efficiency and effectiveness and ethics.

- **Economy**- price paid for what goes into providing a service at best value, taking both price and quality into account.
- **Efficiency**- is a measure of productivity-how much you get in relation to what you put in. The efficiency of converting resources (inputs) into outputs.
- **Effectiveness**- is the measure of the impact achieved and can be quantitative or qualitative. It is the application of outputs to achieve our organisations objectives. Outcomes should be equitable across communities.
- **Ethics**-describes how Derby Homes' business activities link into the communities in which it works, contribute to reducing the carbon footprint, its work practices, and its links with suppliers and customers

Long Term Financial Plan

The financial outlook for Council housing and ALMOs has been fundamentally affected by changes in 2015 that come into effect over the next few years. These include:

- 1% a year rent cuts for four years from 2016/17
- Welfare Reforms – reduced benefit cap of £20,000, local housing allowance (LHA) cap from 2018 for new tenants, slow roll out of universal credit, continued benefit freezes for next four years and other changes (eg universal credit thresholds).
- Sale of 'higher value' homes
- 'Pay to Stay' initiative for 'higher earning' tenants above £31,000 a year

Taken together these changes mean that the HRA will have substantially less funding in future. This has required substantial reductions in Derby Homes' management and maintenance fees, capital spending and efficiencies within the Council itself. The VFM approach adopted over the last few years has proved helpful in delivering a plan that impacts less on tenants' services than might have been the case otherwise. This will continue to be the case as further efficiencies in operations are considered over the next few years.

What is Derby Homes' approach to VfM?

Planning and Performance Management

We successfully have and plan to continue to fully integrate VfM into our planning and performance and risk frameworks:

- VfM considerations embedded into all stages of service planning
- VfM considered in financial management and budget processes
- Robust performance management structure with VfM included in performance reports and reports to the Board as part of financial considerations
- Benchmarking with other ALMO's and RPs on cost and performance
- Customer involvement in setting priorities and monitoring performance
- Scrutiny of procurement
- Tenant reviews of our services
- Risk management embedded within the yearly cycle and discussed at Audit Committee

Procurement

Competitive tendering and procurement of goods, services and works are a critical part of the value for money process. Derby Homes' Procurement Strategy involves: a strong functional leadership and devolved procurement responsibilities.

Our procurement standing orders have 5 objectives:

1. To comply with the laws that governs the spending of public money.
2. To protect employees and individuals from undue criticism and wrongdoing.
3. To secure the best value for money.
4. Generate market competition.
5. Procure in an open and transparent manner.

Procurements are based on estimated spend levels as defined below:

- EU - procurements with an estimated spend level above the EU threshold current at the time of the procurement
- Strategic procurements for procurements with an estimated spend level between £25,000 to the current EU threshold
- Tactical procurements for estimated spend levels between £25,000 and £5,000 and between £5,000 and £0

Business Transformation

Our aim is to streamline business processes to gain efficiencies whilst maintaining a strong customer focus and customer involvement in setting priorities. We will maximise the ICT in improving processes.

We are currently procuring a new housing management IT system for the future and this will aim to integrate more efficiently our systems in future to improve resilience and enable further efficiencies in the medium term.

Over time, increased use of web based tools is intended and the new system should enable this and more flexible working arrangements.

Tenant Review

Involving tenants in the development of this Strategy is essential if Derby Homes is to demonstrate direct links between customer priorities, resource allocation performance outcomes and customer satisfaction. Customer satisfaction levels are currently the highest they have ever been and more feedback is sought about issues. Overall customer satisfaction levels will continue to be checked as an indicator for VFM

Customers can also influence VFM by challenging the effectiveness of services by scrutinising quality and cost. This is why priority is given to improving the ways in which customers can get involved with challenging and testing the services they receive. Without effective communication with customers, shareholder and other stakeholders much of what is achieved in relation to VFM can be overlooked.

Tenant Panel

In 2012 Derby Homes recruited a Tenant Panel to review our services, particularly against the 'Local Offers' the tenants agreed. The Panel Continue to review services and feedback into improvements and assist with the complaints panel as part of co-regulation.

Benchmarking

The relationships between costs, and outcomes is a key priority. The annual benchmarking exercise conducted through Housemark provides an opportunity to identify services which are relative high cost in comparison with other providers and potentially less efficient.

Benchmarking is already an established part of performance management in core service activities including, income management, anti social behaviour, repairs and void management, estate services, contact centre, Satisfaction surveys and resident involvement.

In 2016, the HCA published quartile information on overall cost levels for social housing. This can be compared with the overall costs between Derby Homes and the Council in supporting Council housing in Derby to see the relative value for money of our arrangements and to check the Housemark outcomes are giving the same messages.

Benchmarking reports will be taken to the Board and Operational Board to allow for further scrutiny of the relative VFM of services overall.

Detailed benchmarking is undertaken within the entire company whether considering contractors or supplies. Further development of the potential of our systems will help to develop detailed monitoring still further.

Long Term Future

In order to continue providing high quality services to customers and communities, we shall seek additional business and funding to offset declining stock numbers if at all possible and where such operations can significantly contribute to Derby Homes overheads. Any new areas of work will require the approval of the Council. Derby Homes needs to ensure that the Delivery Plan remains appropriate to the aspirations of our tenants and continue to identify alternative and complementary areas of new business.

Examples are

Managing other services on behalf of the Council
Reviewing externalised or subcontracted work and bringing it in house
Providing our core business to new customers, such as neighbouring local authorities, housing associations and private sector landlords or owner occupiers
Building and acquiring new homes, and helping the Council to do the same
Seeking new sources of funding, such as bidding for European and Lottery funds.

How will we scrutinise and review progress?

Annual progress reports on the implementation of the VFM Strategy will be provided to the Board and Operational Board as indicated above. Customers will be kept informed on progress through the full range of existing communications channels.

VfM articles will be published in Derby Homes News.
Reporting on performance and value for money to the Operational Board
Consultation with tenants in the budget setting process.

Table of Key Outcome Measures

Measure	Source	Frequency
Value for Money statement	Accounts	Annually
Customer Satisfaction	Survey	Annually
Performance Monitoring	Council/DH systems	Monthly
Benchmarking	Housemark	Annually
Benchmarking	HCA comparison	As HCA publish (likely annually)
Customer Relationship Management	Complaints	Quarterly