

DRAFT

DERBY HOMES

VALUE FOR MONEY STRATEGY

2019-2022

Introduction

Value for Money (VfM) remains high on the Council's, Government's and the Regulator of Social Housing (RSH)'s agendas. Derby Homes has embraced the ethos of VfM standards, ensuring that tenants receive an efficient, effective, consistent, quality and VfM service. We consistently attempt to deliver the best value for money possible for the use of our tenants' rent.

RSH Value for Money standard

Derby Homes are a Registered Provider of social housing (RP) and are required by the RSH to publish VfM metrics as detailed below. The Board is required to set targets relating to one or more of these metrics. The current metrics can be compared against averages elsewhere by means of using the previous year's RSH summary of each.

For Derby Homes the current (2018/19) metrics compared to the 2017/18 median for larger Registered Providers (RPs) is as follows:

Metric	Good is	Derby Homes 2018/19	Derby Homes 2017/18	RP median	Quartile 2018/19
Reinvestment %	Higher	4.9	8.5	6.0	3
New Supply – social %	Higher	7.6	0	1.2	1
New supply – non social %	Higher	0	0	0	2
Gearing %	Lower	-155	-63	42.9	1
Interest cover %	Higher	-41	-625	206	4
Operating Costs £000/home	Lower	2.7	2.6	3.4	1
Operating Margin % social homes	Higher	25.4	38.0	32.1	4
Operating Margin % overall	Higher	-1.1	-3.9	28.9	4
Return on Capital Employed	Higher	-2.1	0.9	4.1	4

These VfM metrics are set out each year in the formal accounts of Derby Homes.

As can be seen, there are many of these metrics that are volatile and not entirely appropriate in the context of Derby Homes where the vast majority of our activity relates to the management and maintenance of Council housing rather than our own stock. This means that the more overall financial ratios used can vary hugely from year to year and relate more to issues connected with the HRA rather than Derby Homes.

More technical explanations can be found in each financial year's accounts.

In terms of setting targets this strategy suggests that the relevant measures above should be the new supply of social homes (this includes Affordable Rents) and Operating costs per home.

The suggested targets are to set an initial target of **5% for the number of new homes added** to Derby Homes' own stock of property each year. This is in line with the proposal to purchase 5 a year from the Council but might be exceeded if Homes England grant

opportunities or the ability to access Right to Buy funding arise. Should the latter case arise, the target would be reviewed upwards appropriately.

Derby Homes could also commit to restraining costs below the average for Registered Providers. There can be difficulties with measuring costs on a reasonable basis when they are divided across the Council and Derby Homes, so we will review the detailed basis for this calculation to make sure that it is fairly reflecting comparable costs. A specific target can then be set. In addition to inflation, the Council's net loss of homes as a consequence of Right to Buy will put greater upward pressure on costs per home than would be experienced by others so any target is likely to need to reflect that long term pressure.

General VfM principles and actions

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. The VfM strategy has been embedded in the annual budget setting process for many years to help identify potential efficiencies.

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

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 £10,000 and between £10,000 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 have now implemented a new housing management ICT system and this will integrate more efficiently more of our systems to improve resilience and enable further efficiencies over time, especially through increased use of web based tools 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. Currently 94% of tenants giving feedback were satisfied with the overall service and 90% with the VfM of their rent.

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.

Customer Voice

The Customer Voice 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 addition to Housemark we also undertake benchmarking through other groups including the Capita HRA Business Planning tool group (25 users) and Regional ALMO FD meetings as well as the comparison with RSH metrics.

Benchmarking reports are 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

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	RSH comparison	Annually
Benchmarking	Capita HRABP	Annually
Benchmarking	ALMO FD group	periodically
Customer Relationship Management	Complaints	Quarterly