

## **Waltham Forest Housing Association**

### **Value for Money Strategy 2020-2022**

#### **1.0 Introduction**

1.1 Waltham Forest Housing Association (WFHA) is a Registered Social Housing provider committed to providing and improving Value for Money (VfM); making best use of income received through rents, service charges and grants. This commitment is reinforced by the VfM Standard and Code of Practice (CoP) applied by the Regulator of Social Housing from 01 April 2018.

#### **2.0 Aim of this Strategy**

2.1 The aim of this Strategy is to set out how we will:

- Achieve and improve VfM,
- Demonstrate compliance with the Regulator's VfM Standard, and
- Share VfM information with stakeholders.

#### **3.0 Our commitment to achieving and improving Value for Money**

3.1 Our commitment to driving VfM is set out in our values and our current Business Plan.

3.1.1 Our values:

- We RESPECT people and communities through our belief in equality, inclusion and the value of diversity. We believe we have more in common than things that separate us.
- We EMPOWER people and communities by maximising strengths and opportunities and building resilience.
- We are AMBITIOUS, constantly improving, delivering better value for money and striving to provide more homes and services.
- We CARE about what we do, step up to take responsibility and are passionate about our social purpose and making a positive difference.
- We are HONEST, act with integrity and are accountable to our tenants, our partners and each other.

Our values are mapped to our Behaviours Matrix where our commitment to Economy, Efficiency, Effectiveness and Equity is reinforced.

3.1.2 The four strategic objectives of our current Business Plan are:

- Deliver more for our tenants, service users and communities
- Make the most of our resources
- Invest in homes and services
- Strengthen our organisation

#### **4.0 Regulation**

4.1 The Value for Money Standard requires us to:

- a) Clearly articulate our strategic objectives
- b) Have an approach, agreed by our Board, to achieving value for money in meeting these objectives and demonstrate their delivery and value for money to stakeholders
- c) Through our strategic objectives, articulate our strategy for delivering homes that meet a range of needs
- d) Ensure that optimal benefit is derived from resources and assets, and optimise economy, efficiency and effectiveness in the delivery of our strategic objectives

4.2 Specific expectations mean that we must demonstrate:

- a) A robust approach to achieving VfM – which must include a robust approach to decision making and a rigorous appraisal of potential options for improving performance
- b) Regular and appropriate consideration by the Board of potential VfM gains – this must include full consideration of costs and benefits of alternative commercial, organisational and delivery structures
- c) Consideration of VfM across the whole business and where there is investment in non-housing activity, Boards should consider whether this generates returns commensurate to the risk involved, and provide justification where this is not the case
- d) That we have appropriate targets in place for measuring performance in achieving VfM in delivering our strategic objectives, and that we regularly monitor and report our performance against these targets
- e) That we must annually publish evidence in the statutory accounts to enable stakeholders to understand our:
  - Performance against our own VfM 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

## 5.0 Our definition of Value for Money

5.1 In line with National Audit Office criteria, our definition of VfM is Economy, Efficiency, Effectiveness and Equity:

<b>Economy</b>	<b>Efficiency</b>	<b>Effectiveness</b>	<b>Equity</b>
Minimising costs	Ensuring that we get a good return on our money	Delivering what we set out to do	The extent to which services are available to and reach all of the people for whom they are intended
We must be able to demonstrate that we have procured services and resources at the lowest possible cost without harming quality	We must be able to show the value of what we achieved against what we invested	We must be able to demonstrate we have achieved everything we intended to	We must be able to demonstrate all services and benefits are distributed evenly to the people they are intended for
<b>Spending less</b>	<b>Spending well</b>	<b>Spending wisely</b>	<b>Spending fairly</b>

### Example:

A Local Authority sets up a new project to reduce litter dropping. One of its early steps is to agree with stakeholders a set of outcomes. The project is to be judged on the extent to which it reaches its outcomes in a year.

The project achieves 97% of its outcomes and councillors declare they have come within a whisker of winning the battle against litter. **The project was effective.**

However, the project cost more than expected and overspent its budget by 25%. **The project was not economical.**

The over-spend prompts a review of the project. The review concludes that outcome for outcome, it was more expensive than similar projects in neighbouring areas. **The project was not efficient.**

If project objectives had been exceeded sufficiently, the project may have been cost effective despite the over-spend. However, project managers would still have been criticised for exceeding the budget.

The most disadvantaged areas were also those with the biggest litter problems. The areas improved more, from a lower base, than wealthier places. **The project was equitable.**

## 6.0 How we will achieve, improve and monitor Value for Money

- 6.1 Deliver the commitments contained in our Business Plan, which include maximisation of income, improved efficiency of services, bench-marking cost and performance, and cost reduction.
- 6.2 Deliver the commitments in our current Asset Management and Development strategies.
- 6.3 Employ our four measures of VfM to all procurement activities and service reviews; Economy, Efficiency, Effectiveness and Equity (see 5.1), and ensure that this information is recorded. These measures will also be reflected in our Procurement Strategy.
- 6.4 Ensure that our Board are equipped to appraise progress against our Business Plan, Asset Management Strategy, VfM performance and consider potential VfM gains.
- 6.5 Ensure that our Tenant Scrutiny Panel have an active role in VfM achievements and priorities.
- 6.6 Ensure that the responsibility for achieving and improving VfM is shared at all levels across the organisation.
- 6.7 Employ an Annual VfM Action Plan that includes targets against the Regulator’s metrics (see 7.2) and improved levels of tenant satisfaction with our services.

## 7.0 Compliance with Regulation

- 7.1 Compliance with the Value for Money Standard is shown below:

	<b>Requirement</b>	<b>Compliance achieved by</b>
1	Clearly articulate our strategic objectives	Business Plan
2	Have an approach, agreed by our Board, to achieving value for money in meeting these objectives and demonstrate their delivery and value for money to stakeholders	This Strategy
3	Through our strategic objectives, articulate our strategy for delivering homes that meet a range of needs	Business Plan, Asset Management and Development strategies
4	Ensure that optimal benefit is derived from resources and assets, and optimise economy, efficiency and effectiveness in the delivery of our strategic objectives	Business Plan, Asset Management, Development and Value for Money strategies and the Regulators suite of metrics (see 7.2)

## 7.2 Value for Money Standard – suite of seven metrics

### 7.2.1 Metric 1: Reinvestment %

This metric looks at the investment in properties (existing stock as well as new supply) as a percentage of the value of the total of properties held.

### 7.2.2 Metric 2: New supply delivered %

This metric sets out the number of new social housing and non-social housing units that have been developed or acquired in the year as a proportion of total social housing and non-social housing units owned at period end.

### 7.2.3 Metric 3: Gearing %

This metric assesses how much of the adjusted assets are made up of debt and the degree of dependence on finance debt. It is often a key indicator of appetite for growth.

### 7.2.4 Metric 4: Earnings Before Interest, Tax, Depreciation, Amortisation, Major Repairs Included (EBITDA MRI) Interest Cover %

This metric is a key indicator for liquidity and investment capacity. It seeks to measure the level of surplus that a provider generates compared to interest payable; the measure avoids any distortions stemming from the depreciation charge.

### 7.2.5 Metric 5: Headline social housing cost per unit

This metric assesses the headline social housing cost per unit as defined by the Regulator:

Service charge costs, plus

Routine maintenance costs, plus

Planned maintenance costs, plus

Major repairs expenditure, plus

Capitalised major repairs, plus

Other (social housing letting) costs, plus

Development service, plus

Community / neighbourhood services, plus

Other operating expenditure and charges for support services, divided by

Total social housing units owned and / or managed at period end.

#### 7.2.6 Metric 6: Operating Margin %

The operating margin demonstrates the profitability of operating assets before exceptional expenses are taken in to account. Increasing margins are one way to improve the financial efficiency of a business.

#### 7.2.7 Metric 7: Return on Capital Employed (ROCE)

This metric compares operating surplus to total assets less current liabilities and is a common measure in the commercial sector to assess the efficient investment of capital resources. The ROCE metric supports providers with a wide range of capital investment programmes.

### **8.0 Sharing Value for Money information with stakeholders**

8.1 We will publish our assessment against the Regulator's suite of seven metrics (see above), bench mark our results and include our improvement plan for the coming year in our annual audited accounts.

8.2 We will publish accessible, open and honest Value for Money information in our Annual Report, in a Tenants Newsletter and on our website.

### **9.0 Responsibilities**

9.1 The Board are responsible for monitoring the delivery of this Strategy.

9.2 The Chief Executive is responsible for implementing this Strategy.

9.3 The Chief Executive is responsible for reviewing this Strategy in 2022, or earlier if required.