

VALUE FOR MONEY STRATEGY
2021/24
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1 INTRODUCTION

1.1 Stockport Homes Group aims to deliver the best possible outcomes for the resources available. It does so by maintaining a focus on value for money, ensuring that the rent customers pay, and all other income, is spent in the best way to deliver the aim of 'One Team - Transforming Lives'.

1.2 Stockport Homes Group has a track record of operating in ways that deliver value for money. It has generated efficiencies of at least three per cent of the management fee every year since it was set up, created a group structure, and made budget savings to counteract a management fee which has increased at a slower rate than costs. This has been achieved from activities such as effective procurement, cost/benefit-based decision-making, and reviewing processes to reduce costs and improve outcomes.

1.3 The group structure delivers efficiencies in new and innovative ways, ensuring that the culture of achieving value for money continues to inform strategic and operational decision-making. Stockport Homes Group has adopted a Group-wide vision for business growth and has a three-year business plan, and each of its subsidiaries have also developed business plans which support the delivery of Value for Money. Stockport Homes Group reports its value for money outcomes in the annual accounts. It assesses its compliance on the Value for Money Standard of the Regulatory Framework for Social Housing each year and reports its position to Stockport Homes' Board.

2 CONTEXT

3 WHAT IS VALUE FOR MONEY?

3.1 Value for money is the act of achieving the best balance of cost, quality and service delivery to meet the needs of customers and local communities. The Regulator of Social Housing states that value for money should include the consideration of:

- Economy: minimising the cost of resources used while having regard to quality
- Efficiency: the relationship between the output from goods or services and the resources to produce them
- Effectiveness: the extent to which objectives are achieved and the relationship between intended and actual impacts

3.2 In practice, this means delivering the right service, at the right time, at the right cost to achieve the best possible outcomes. The balance can change over time as customer priorities or resources vary, so it must be kept under constant review.

4 REGIONAL CONTEXT

4.1 The Greater Manchester Combined Authority (GMCA) and the delivery of the Greater Manchester Strategy provides opportunities for partnership working. A group of 27 providers that operate in the sub-region form the Greater Manchester Housing Providers (GMHP) group and they work with the GMCA and the GM Health and Social Care Partnership to improve outcomes for residents. Effective collaboration is creating a culture of VFM across partners; sharing expertise and working together to achieve better outcomes. The GMHPs have many examples such as the homelessness Social Impact Bond, outreach work, and the ethical lettings service.

5 STOCKPORT CONTEXT

5.1 Stockport Council has pressure on its resources due to increased demand for services, particularly adult social care, and the increasing cost of price and pay inflation. This provides both opportunities and challenges for Stockport Homes Group, including exploring opportunities to deliver services on behalf of the Council where they complement pre-existing functions that support wider Council objectives and generate savings for the public purse. Stockport Homes Group has already taken this approach in some areas, for example by delivering private sector anti-social behaviour services on behalf of the Council. It will also continue its successful work in managing community buildings and helping address housing need through its Viaduct subsidiary, both of which have generated significant benefits for local communities.

6 STOCKPORT HOMES CONTEXT

6.1 Stockport Homes has a long-term management agreement in place with Stockport Council to manage the Council's housing stock. This is based on five-yearly Delivery Plans and a range of meetings where the two organisations discuss shared objectives. The current Plan runs from 2021-2026 and covers the life of this Strategy.

6.2 Stockport Homes Group has a three-year Business Plan, which provides a high-level overview of the direction that will be taken over each three-yearly cycle. It focuses on the activities of the group parent, Stockport Homes, and how it intends to develop and deliver services for growth. Each group entity then has its own business plan, that sets out objectives and contributes to the financial plans and objectives associated with the Group Business Plan. The growth achieved in the Group's business contributes to sustaining Stockport's neighbourhoods. The charitable subsidiary company, Foundations Stockport, delivers a range of support services and attracts external funding into the Borough. Three Sixty, the commercial company, successfully delivers the Council's housing capital programme and has also won external business. The development subsidiary, Viaduct, continues to work in partnership with the Council to meet housing need through new build.

6.3 The operating environment presents opportunities and risks in the delivery of value for money services. Stockport Homes Group has, however, created a culture of meeting those challenges and delivering efficiencies that are re-invested in service delivery and this approach will continue. In some instances, this will involve using subsidiaries to deliver services or expand the business into new markets. Any opportunities are fully appraised via a detailed cost benefit analysis, supported by a business development team that seeks out and assesses market opportunities.

6.4 A 30-year Group cash flow forecast sets out cash flow projections based on the long-term financial plan that is approved by the Stockport Homes Board. The cash flow forecasts are stress-tested on a range of factors, including the delivery of group and subsidiary aims. Within the long-term financial plan there is an assumption that annual budget efficiencies of £250,000 will be generated.

7 REGULATION

7.1 The Regulator of Social Housing assesses value for money as part of the Regulatory Framework for Social Housing in England. Under that framework Stockport Homes, as at April 2021, is classed as a “small” provider. However, it will pass the 1,000-unit ownership threshold and become a “large” provider during the life of this strategy, meaning there will be more active engagement from the regulator. Stockport Homes is preparing for the additional regulatory requirements of being a “large” provider and it is well-placed to meet those obligations.

7.2 There is a Value for Money Standard in the Regulatory Framework. It sets out the requirements of registered providers for delivering value for money. It is supported by a code of practice and a set of regulatory measures, the latter of which will be reported in the regulatory Global Accounts once “large” provider status is achieved. Stockport Homes’ unique operating model as an Arms-Length Management Organisation means that its investments, such as the development programme for new homes, are funded in different ways to traditional housing associations. Work has been done on comparing regulatory measures to: determine baselines; benchmark with other providers; and explain the differences that are observed. The information is reported in the annual accounts that are presented to the Audit and Risk Committee and the Board and a five-year projection is included in the long-term financial plan. The annual compliance assessment against the regulatory standards is reported to the Board annually and meets the co-regulatory obligations.

8 SOCIAL VALUE

8.1 Social value represents a form of value for money, because it can generate additional outcomes for the resources invested that might not otherwise have been achieved. Stockport Homes incorporates social value and associated measurement opportunities into key strategies such as the Social Investment Strategy and the Procurement Strategy.

8.2 Stockport Homes has a clearly defined framework for delivering and monitoring social value, although more can be done to monitor outcomes. The approach includes: using research and influencing others to deliver social value through the supply chain; working with partners to maximise social value outcomes; and working with other housing providers to define and increase their contribution to Greater Manchester Combined Authority Social Value Framework; ensuring social value is a consideration in procurement; and measuring outcomes on projects where it makes sense to do so. More work is planned during the life of this strategy to link the social value commitments of contractors to service requirements and delivery.

9 STRATEGIC OBJECTIVES AND OUTCOMES

9.1 Stockport Homes Group has developed three strategic objectives on value for money. The aims reflect the context; values and ambitions of the Group and opportunities to achieve more from the resources available. Each aim is accompanied by a set of actions that act as a starting point for achieving each objective. Additional actions will be identified each year that further the delivery of those aims.

Objective one – Continue to build a value for money culture

9.2 Value for money can be maximised through service delivery and the decisions that affect how those services are delivered. Everyone at Stockport Homes Group, from senior leaders to those delivering services, has a responsibility to use resources in a way that maximises outcomes. This can include challenging the norm, reviewing services, making informed decisions, and consulting with stakeholders and customers. The latter links to the aims of the Customer Voice and Influence Strategy 2020-23, which seeks to develop opportunities to capture the customer voice. Making value for money a consideration in day-to-day service delivery and longer-term planning is an important tool in achieving the most from the resources available.

9.3 There are opportunities to further promote and embed a culture of value for money at Stockport Homes Group and go beyond what is already in place. It will involve engaging staff and customers in service design and review, providing opportunities to highlight potential service efficiencies, and celebrating achievements in value for money.

9.4 A value for money culture goes beyond simple service decisions. There are opportunities to share learning and to learn from others in the sector, through best practice, benchmarking and research. This collaborative approach has already delivered benefits to Stockport Homes Group through working with Greater Manchester Housing Providers groups on areas such as regulatory value for money measures, social value, performance management, equality and diversity, fire safety and development. Other opportunities will be sought out and opportunities taken as they arise, but there needs to be a planned approach on areas like cost and performance.

9.4.1 Intended outcomes:

- Services are delivered that are best practice and meet customer needs
- There is an increased knowledge and understanding of value for money
- Service costs and performance result in the delivery of excellent services
- Efficiencies are identified and realised based on contributions from staff and customers

9.4.2 Actions to deliver the aim:

- Identify services areas that would benefit from cost / service benchmarking
- Develop a suite of cost benchmarking options that enable services to understand the drivers of cost
- Deliver an internal and external communications campaign to encourage value for money service improvement suggestions
- Develop an engagement and communication plan for value for money

Objective two – Optimise resources to achieve value for money

9.5 The objectives of the Group's business plan and long-term financial plan include a combination of external business, surpluses, and service efficiencies to ensure financial viability. Levels of financial efficiency modelled in the plan are set at a recurrent £250,000 per annum, which results in a viable plan over the thirty years, with healthy cash balances.

9.6 Budget planning processes need to be adapted to ensure costs are better understood at an income stream, HRA management fee, and business planning level, and how efficiencies link to budgeted spend. Such an approach will enable costs to be understood, and challenged prior to each financial year, and efficiencies to be projected and monitored based on those financial plans.

9.7 Stockport Homes has a good track record of identifying efficiencies in-year, but more work needs to be done to link business planning processes with efficiencies, including how those efficiencies are re-invested. A framework needs to be created that holds those plans to account, while enabling services to adapt to changing operating challenges.

9.8 Stockport Homes must, in appropriate instances and where it is proportionate to do so, have the tools to understand and demonstrate how much value a business decision has the potential to deliver when it is made. Being better at this will complement Stockport Homes' entrepreneurial culture and result in clear, measurable efficiencies. This will be important when making decisions about new business and the opportunity cost of selecting one option over another. It is important to revisit those decisions, which are based on cost benefit analysis, to ensure they are kept up-to-date and reflect any changes to the operating environment.

9.9 Understanding the value of services, such as how costs are apportioned, how those costs affect other areas of the business, and how business plans deliver value, is an important part of service planning and delivery. The subsidiaries already create business plans and monitor progress against those plans, but more work is required for service-level business plans to ensure that costs and income streams are better understood and monitored over time, and efficiencies are projected and realised.

9.10 The group structure already provides a range of opportunities to deliver more with the resources available. Value for money gains are already being realised through that structure, for example through utilising the commercial subsidiary to deliver capital programme works, taking advantage of more efficient tax arrangements to build more houses, employing staff on competitive terms and conditions, and bringing additional funding into the borough. There will continue to be opportunities to ensure services are delivered by the right group entity to make best use of resources and to deliver commercial works which generate surpluses for re-investment in core service delivery. Each subsidiary sets out the principles for those decisions in their respective business plans, which are then individually monitored by their respective Boards with overall monitoring by the Stockport Homes Board.

9.11 Procurement provides a means of achieving value for money through spend. Similarly, decisions to bring services in-house affect value for money. Where decisions are made to bring services in-house, it is important to ensure that there are clear reasons for making those decisions, which can include effectiveness, closer management of risk, or closer control over service delivery.

9.11.1 Intended outcomes:

- Stakeholders receive value for money services, with resources being allocated by Stockport Homes Group based on a sound understanding of its operating environment
- Stockport Homes has a clear understanding of how efficiencies are planned to be generated and re-invested
- Stockport Homes understands how planned efficiencies, service-level business planning and external income contribute to its longer-term financial position
- Stockport Homes operates within the management fee and maintains and extends service delivery wherever possible

9.11.2 Actions to deliver the aim:

- Create a new process for identifying and projecting efficiencies that links to budget setting processes
- Classify projected efficiencies as cashable or non-cashable as part of the budget setting process, in order to support the re-allocation of those resources

- Create a framework that links service-level business plans, external income streams and the HRA management fee to budget setting, business planning and monitoring processes
- Create a mechanism for ensuring cost benefit analysis-based decisions are revisited during the life of projects or initiatives, and that updated assumptions are reflected in financial projections
- Deliver a programme of reviews to ensure services that are seeking external opportunities are “market ready”
- Any decision to bring a contract in-house will be supported by clear reasoning linked to economy, efficiency and effectiveness

Objective three – Measure value for money delivery

9.12 The Regulator of Social Housing monitors a set of “value for money” measures as part of the Regulatory Framework for Social Housing. Stockport Homes Group reports its performance against the measures in the annual accounts. The measures will highlight the differences between Stockport Homes, which is an Arms-Length Management Organisation, and traditional housing associations. The measures provide an opportunity to understand and explain those differences in advance of regulatory engagement, ensuring that the Regulator has a clear view of the reasons for variations in metrics.

9.13 Stockport Homes sets an efficiency target each year as part of its performance indicator set. The efficiency log is already closely linked to the procurement cycle, with contract efficiencies forming a significant part of the register. This enables procurement efficiencies to be recorded in each year of a new contract. There is an opportunity to link the budget setting process more closely with the efficiencies register to enable planned budget efficiencies to be recorded in a similar way. Such an approach will enable an efficiency target to be set based on planned and likely efficiencies, with progress monitored in year with budget leads.

9.14 The SHG Procurement Strategy is designed to ensure that goods, works and services are procured in a way that represents value for money, including through the delivery of social value. It sets out how Stockport Homes will use the most appropriate procurement solution to maximise the use of public funds, manage those contracts effectively, and maximise the impact of contracts. The value for money achieved from procurement activities, including where contracts values increase or decrease as part of a re-tender process, will be assessed as part of the tender process. Any resulting efficiencies will be recorded under a procurement category on the efficiencies register.

9.15 Stockport Homes’ approach to linking employment, environmental and “giving something back” initiatives to social value supplier requirements are set out in supplier and staff guides. The guides will be expanded to include social value opportunities created by a new Social Investment Strategy and the Greater Manchester Combined Authority Social Value Framework. More work needs to be done to link those themes to supplier delivery, including tracking the promises that are made by successful suppliers in tender bids.

9.16 There are a range of tools available to measure service-level social value outcomes. The tools include HACT, the Warwick-Edinburgh Mental Wellbeing Scale (WEMWBS), and the Themes, Outcomes, Measures framework (TOMs). Measurement takes place where it adds value to the understanding of service delivery, or where there is another requirement to do so, such as for the terms of a contract. There is currently limited specialist knowledge of social value measurement within Stockport Homes and more work will be done to share that knowledge across relevant services, enabling more regular and tailored social value measurement to take place.

9.16.1 Intended outcomes:

- Stockport Homes uses its understanding of performance on the regulatory value for money measures to explain its unique position as an Arms-Length Management Organisation
- Service delivery is understood in terms of the added social value of the activities undertaken

9.16.2 Actions to deliver the aim:

- Ensure that senior managers and the Board understand the value for money regulatory metrics, performance on those metrics, and how business decisions will affect the metrics
- Set an efficiencies target accompanied by a range of scenarios that are based on the likelihood of each projected efficiency being achieved
- Create a process for recording procurement efficiencies as part of the tender process
- Develop a method for monitoring the delivery of supplier social value commitments
- Expand knowledge and use of social value monitoring tools in areas where it provides a better understanding of outcomes than traditional performance metrics
- Provide an overview of social value measurement and the associated tools to the Board

10 EQUALITY IMPACT ASSESSMENT

10.1 An Equality Impact Assessment is not required for this Strategy because, while the objectives within it are designed to support a broad range of customers, they will be delivered through existing plans.

11 LINK TO POLICIES

11.1 The Value for Money Strategy dovetails with all the key business documents produced by Stockport Homes because it is central to way in which services are delivered. The strategic documents that are underpinned by the Value for Money Strategy include:

- The Stockport Homes Group Business Plan
- Subsidiary business plans
- The Delivery Plan
- The Stockport Homes Group Procurement Strategy
- The Customer Voice and Influence Strategy
- The Corporate Finance Strategy

11.2 The Strategy is also designed to inform service specific and operational strategies and policies across the business. They have not been listed in this document because doing so would be unnecessarily exhaustive.

12 OWNERSHIP, MONITORING AND REVIEW

12.1 The Performance and Improvement Manager will monitor the implementation of the Strategy and progress against specific actions will be reported to the Board on an annual basis.