

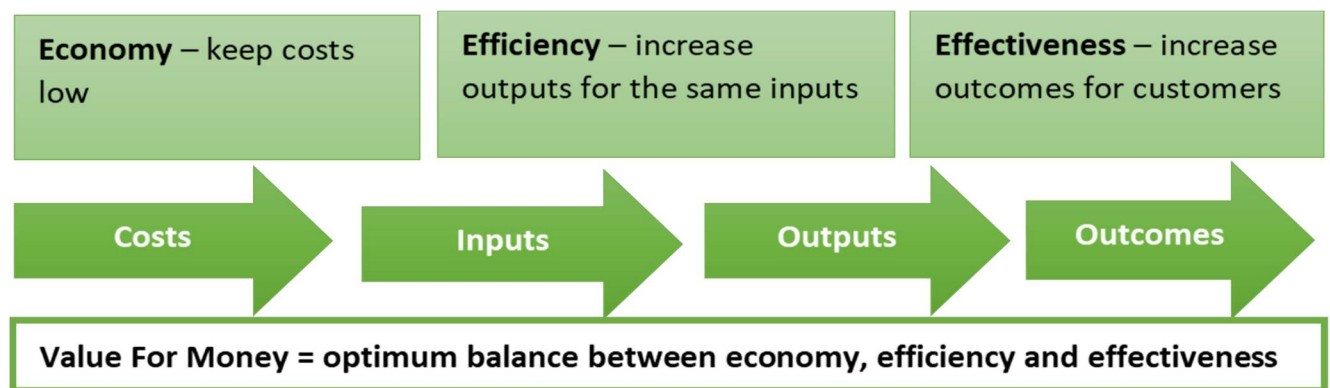
Value for Money Strategy

2021-24

1. Introduction

1.1. This framework sets out PCHA’s approach to Value for Money (“VFM”). It considers VFM through our aims and purpose, our long-term financial viability, risks, and resources, and how we make decisions. The framework encompasses a range of strategies across the organisation that define our approach to economy, efficiency, and effectiveness.

1.2. VFM can be defined as the utility derived from every sum of money spent and is based not only on the minimum purchase price (economy) but also on the maximum efficiency and effectiveness of the expenditure to meet the needs of the customer. The diagram below sets out the relationship between economy, efficiency, and effectiveness:



1.3. VFM is high when there is an optimum balance between low costs, high productivity, and successful outcomes – a “value chain”. To maximise VFM, the needs of customers must be met by doing the right thing, in the right place, at the right time and at the right price. This must be specific to PCHA, with clear and measurable goals and targets to ensure that there is proper accountability in demonstrating how PCHA is delivering (or not delivering) good VFM.

1.4. It is important to note that cost cutting is not the primary driver of this Strategy but a desire to understand our costs and ensure we get the maximum return on our investment.

1.5. Our definition of value for money (VFM) is the production of as much value as possible from the income and assets we have available. It does not merely measure the costs of goods and services but also considers quality, resource use and fitness for purpose to judge whether or not they constitute good value.

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This includes several types of value: financial, social, and environmental. PCHA aims to provide good value for its stakeholders: our residents, the local authority, the local community, our regulator and funders. Through involving residents and continually seeking their feedback, we can identify their priorities and shape our services to meet these.

- 1.6 VFM should be evident in everything we do, from setting our aims and strategic objectives, assessing our long-term financial viability, and considering our risks, resources, and obligations as a social landlord.

2. Aims and Purpose

- 2.1 The current PCHA Corporate Plan (2020-22) outlines “the DNA” of PCHA through its Strategic Objectives based around
 - Our Services
 - Our Homes
 - Our People
 - Our Community
 - Our Business
- 2.2 The VFM Strategy is part of the governance chain within PCHA that links to other aspects such as the above Strategic Objectives and the Corporate Plan that gives an overview of how these objectives will be delivered. This VFM Strategy will give a road map of how it will support delivery of the objectives, in terms of economy, efficiency and effectiveness through clear and measurable goals and targets.
- 2.3 The interconnection of the VFM Strategy within the overall aims and purpose of PCHA is summarised in the following framework graphic:

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Purpose:

"The Association is formed for the benefit of the community. Its charitable objects shall be to carry on for the benefit of the community:

- The business of providing and managing housing, including social housing, and providing assistance to help house people and associated facilities, amenities and services for poor people or for the relief of aged, disabled (whether physically or mentally) or chronically sick people;
- Any other charitable object that can be carried out from time to time by a registered society registered as a provider of social housing with the Regulator"

Strategic Objectives:

- Our Services
- Our Homes
- Our Community
- Our Business
- Our People

Purpose and Strategic Objectives

Long term Financial Viability

Risks, Resources, Obligations

Economy

- Revenue
- Procurement
- Cost management
- Treasury

Efficiency

- Process Improvement
- Data Governance
- Technology

Effectiveness

- Delivery of Strategic Objectives through 2020-2022 Corporate Plan

Reporting and monitoring:

- Executive team – detailed review of and responsibility for progress against VFM plans
- Finance & Audit C'ttee – scrutiny of progress against VFM plans
- Board – responsibility for setting VFM plans

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2.4 Underpinning the purpose and strategic objectives of PCHA is the need to ensure it has long-term financial viability to allow those objectives to be delivered. PCHA operate a 30-year business plan using HousingBrixx, updated and presented to Board for approval at least once per year. Long term financial viability is measured by:

- compliance with all bank covenants across all lenders with a comfort headroom of at least 10% of the metric.
- sufficient liquidity of holding at least 6 months of operating expenditure in available cash deposit or undrawn secured loan facility.
- ability to deliver a planned and major works programme as informed by latest stock condition survey and asset management information.

2.5 The long-term business plan is also informed by the prevalent view or risk, covered under PCHA's Risk Framework, including an annual assessment of Risk Appetite. When considering the balance of economy, efficiency, and effectiveness it is important to be mindful of the impact on the potential risks involved, the resources available across the organisation, and our obligations as a social landlord.

2.6 Our ability to effective is constrained by the level of resources available to us. This includes resources such as:

- availability of cash, and capacity in our long-term business plan.
- enough people, with the right skills.
- appropriate workplaces, and the right tools to do the job.
- the right technology, and the right data.

2.7 As a social landlord we also need to ensure we meet our obligations as a regulated body. Our assessment of VFM across our activities should include the impact of this and ensure our obligations are met.

3. Legislative and Regulatory Requirements

3.1 The Localism Act 2011 gives the regulator the power to set an "economic standard" (section 194), applicable only to private registered providers (e.g., Housing associations) concerning their efficiency on managing their financial and other affairs. This reflects the current Government's increased emphasis on value for money.

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- 3.2 The regulatory expectations in respect of value for money are set out primarily in the Regulatory Framework for Social Housing in England Value for Money Standard (as updated from April 2018) and related Code of Practice.
- 3.3 Value for money is a key “economic standard” that will be actively regulated by the social housing regulator. Registered Provider Boards are expected to develop and deliver a strategy to achieve continuous improvement in their performance on running costs and the use of their assets. They are expected to be transparent and enable scrutiny of their performance.
- 3.4 In terms of required outcomes the revised Standard states the following:
- “Registered providers must:
- a. clearly articulate their strategic objectives.
 - b. have an approach agreed by their board to achieving value for money in meeting these objectives and demonstrate their delivery of value for money to stakeholders.
 - c. through their strategic objectives, articulate their strategy for delivering homes that meet a range of needs ensure that optimal benefit is derived from resources and assets and optimise economy, efficiency and effectiveness in the delivery of their strategic objectives.”
- 3.5 The revised Value for Money standard incorporates several specific expectations that Registered Providers need to meet:
- a robust approach to achieving value for money – this must include a robust approach to decision making and a rigorous appraisal of potential options for improving performance.
 - regular and appropriate consideration by the board of potential value for money gains – this must include full consideration of costs and benefits of alternative commercial, organisational and delivery structures.
 - consideration of value for money across their whole business and where they invest in non-social housing activity, they should consider whether this generates returns commensurate to the risk involved and justification where this is not the case.
 - that they have appropriate targets in place for measuring performance in achieving value for money in delivering their strategic objectives, and that they regularly monitor and report their performance against these targets.

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4. Our Specific VFM Objectives (Annually Set)

- 4.1 Our current Corporate Plan outlines the full suite of objectives that we set out to meet our 5 Strategic Objectives around Our Services, Homes, Community, Business and People. The VFM framework portrayed in 2.3 above shows the interconnection of economy, efficiency, and effectiveness in delivering these objectives against a backdrop of the likes of risk, resources, and long-term financial viability.
- 4.2 Whilst we will monitor the mandatory financial metrics set by the Regulator to be published in annual financial statements against an appropriate peer group for trends and absolute comparison, we shall not be solely driven by a desire to have the lowest unit cost or financial return on investment. We firmly believe that VFM measurement should be holistic, in delivering as appropriate, growing, and responsive service to our tenants and maximising our position as a small but significant provider of social housing to our geographically tightly defined community within our resources. We will not cost cut for the sake of it, but will strive to grow our services, grow our stock, and grow our quality of service in terms of satisfaction whilst maintaining a suitably robust financial position for now and the future.
- 4.3 At the commencement of each financial year covered in this strategy, a set of specific, time bound, measurable VFM goals with appropriate metrics and responsibilities shall be approved by the Board, covering the “road map” for VFM delivery in that coming year.
- 4.4. The VFM goals will be clearly linked to the relevant Strategic Objective and Corporate Plan action, maintaining the holistic thread between these key areas of good governance.
- 4.5 Metrics shall be appropriate for ongoing measurement of progress. If possible and only where appropriate, reference shall be made to benchmarks such as trendlines within PCHA or peer group actuals such as the BM320 benchmarking group of small providers.

Examples of appropriate metrics are (but not limited to):

- resident satisfaction
- operating cost per unit
- operating surplus compared to budget
- compliance against bank covenant metrics
- the arrangement of and the cost of new finance to allow for future development
- arrears management performance
- welfare checks completed
- resident-facing schemes offered such as debt advice or employment support

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- cost savings from procurement such as Plentific, gardening contracts or bringing services back in-house
- response rates
- establishment of and delivery against environmental performance metrics aligned to the asset management strategy.
- delivery of new employment opportunities.

4.6 It is anticipated that up to 20 specific VFM objectives for that coming year will be set annually, linked to the Strategic Objectives and Corporate Plan. An example of two such VFM objectives against the “Our Services” Strategic Objective might be:

Strategic Objective: Our Services

	Corporate Plan objective	Specific Action	Metric	Timeline
1	Develop and deliver a range of services to meet the diverse needs of our residents	Take Stafford House back into management and embed the service	Net surplus generated inhouse versus previous outsourced service	Commencing April 2021, monthly accounts
2	Develop a proactive tenancy management service to both support residents and protect PCHA	Investigate options for delivering debt advice to residents and implement recommended approach	Option appraisal to Board including number of debt advice interventions targeted. Delivery of targeted interventions	June 2021 March 2022

5. Communicating with Stakeholders on VFM

- 5.1 It is important that we can be held to account for the VFM of our services by all our key stakeholders, including residents, the local authority and other partners in the community, our regulator, and funders.
- 5.2 We will publish a summary of our VFM strategy and activities in our published annual report and accounts and will send a copy of our annual VFM self-assessment to key stakeholders as well as publicising it in our residents’ newsletter and making it available on our website.

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5.3 Our annual reporting of VFM performance will take the outline format of:

- Our clear Corporate Objectives are a, b & c and our current VFM objectives to help deliver against these are x, y & z.
- Our approach to investment in these is....
- Our metrics to measure success or otherwise against x, y & z are.....
- Our metrics are informed by ... (e.g., BM320 benchmarking, RSH mandatory metrics, budget, long term financial plan, PCHA trends, stakeholder consultation)
- Our results against objectives x, y & z are.....
- Commentary of how we feel about the performance we delivered.

6. Equality and Diversity

6.1 We are committed to fairness and equality for all regardless of their colour, race, ethnicity, nationality, gender, sexual orientation, marital status, disability, age, religion or belief, family circumstances or offending history, as referred to in our relevant corporate policies. Our aim is to ensure that our policies and procedures do not create an unfair disadvantage for anyone, either directly or indirectly.

7. Monitoring and Review

7.1 Annual VFM targets shall be agreed by Board at the time of approval of the annual budget (March), to be reflected in the long-term business plan update that will be considered by the May Finance & Audit Committee (“FAC”) before formal Board approval in June.

7.2 Half and full yearly review of progress against the VFM targets shall be undertaken by the FAC with an annual review by Board. The review of progress will also include the mandatory VFM metrics to be included in the annual financial statements along with the communication outline set out in 5.3 above.

7.3 This Strategy shall cover the 3 financial years to March 2024.

Date of review: February 2021