



## **Value For Money Strategy**

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# Our Vision, Our Values, Our Strategic Objectives

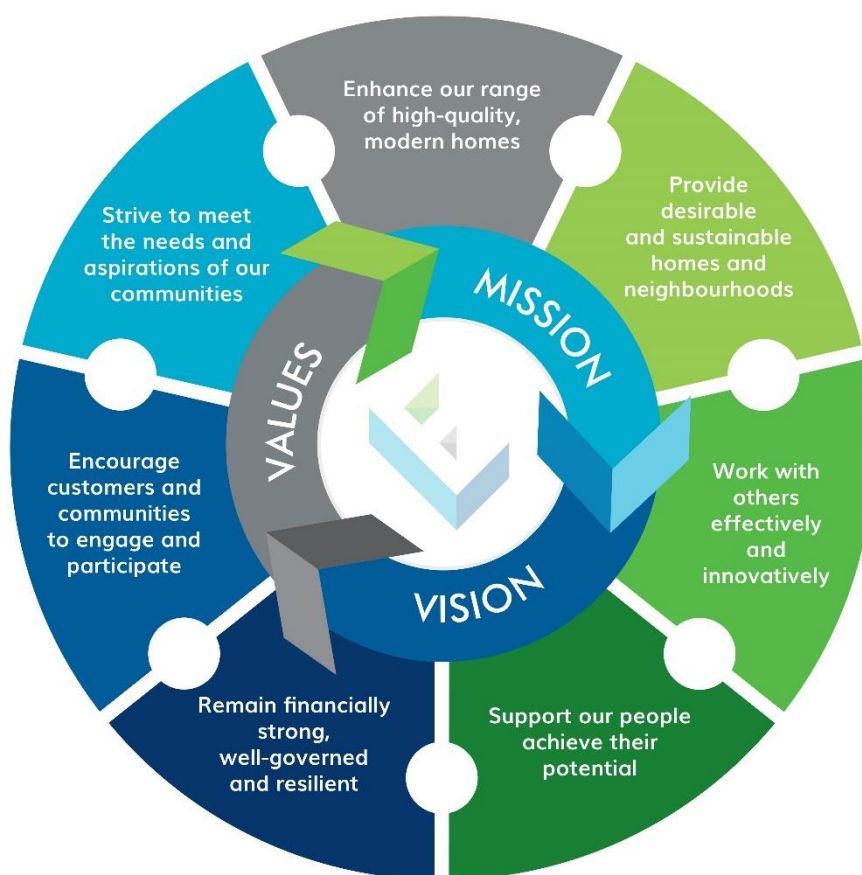
## Our Vision

A vibrant neighbourhood where everyone can prosper.

## Our Values

Caring, Reliable, Fair, Open and Adaptable

## Our Strategic Objectives



## Equality and Diversity Statement

Elderpark Housing are committed to ensuring people or communities do not face discrimination or social exclusion due to any of the following protected characteristics: age; disability; gender reassignment; marriage and civil partnership; pregnancy and maternity; race; religion and belief; sex or sexual orientation.

This document complies with our Equality and Diversity Policy.

We will regularly review this Policy and consider any equalities implications taking the necessary action to address any inequalities (either directly or indirectly) that result from the implementation of this Policy.

## Executive Summary

### Policy Author

The Director of Finance and Corporate Services has been responsible for the development of this strategy and it will be monitored and administered by the Director of Finance and Corporate Services on a regular basis to ensure compliance.

### Purpose of the Policy

Elderpark Housing Association (EHA) recognises that Value for Money (VFM) is a fundamental consideration for all housing associations and is committed to maximising VFM to ensure that the highest level of service is delivered to our service users.

### Aims and Objectives of the Policy

The purpose of this strategy is to assist in our vision of ensuring “a vibrant neighbourhood where everyone can prosper”. By ensuring VFM we are supporting this vision and objectives contained within the EHA Business Plan to “make the best use of all our resources to ensure we remain a strong, successful and sustainable organisation”.

### Legislative and Regulatory Compliance

Whilst there is no legislative or regulatory orders to comply with, this VFM strategy is written to support Standard 3 of the Scottish Housing Regulators (SHR) Standards of Governance and Financial Management – “The RSL manages its resources to ensure its financial wellbeing, while maintaining rents at a level that tenants can afford.”

The Scottish Housing Regulator states that “The RSL ensures security of assets, the proper use of public and private funds, and access to sufficient liquidity at all times”.

### Equalities

There are no specific equalities issues to consider.

### Privacy

This policy will be published on our website.

## Related Policies

Policy Title	Location
Asset Management Strategy	
Risk Management	
Scheme of Financial Delegation	
Procurement Policy	
Business Plan	
Equality & Diversity Policy	<a href="V:\Elderpark Policy Suite\Governance Policies\G13 Equality and Diversity Policy.pdf">V:\Elderpark Policy Suite\Governance Policies\G13 Equality and Diversity Policy.pdf</a>

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## Introduction

### 1. What is Value for Money

- 1.1 “Value for money” (VfM) is the term we will use to assess whether or not Elderpark Housing has obtained the maximum benefit from the goods and services we acquire and/or provide, within the resources available to us. It will not only measure the cost / price of goods and services, but also takes account of the mix of quality, cost, suitability and timeliness to judge whether or not, when taken together, they constitute what the association considers to be good value. The strategy helps to inform decisions about our VfM priorities and we align our VfM targets to our Business Plan.
- 1.2 VfM gains are classed as either ‘cashable’ or ‘non cashable’. Cashable gains are produced by achieving the same level of outputs from reduced inputs or costs. Non cashable gains are achieved when additional outputs are achieved from the same level of inputs, or a proportionately greater increase in outputs is achieved from a smaller increase in inputs.
- 1.3 ‘Value for Money’ will always be subjective to a degree and based upon a range of factors relevant to each organisation. It is defined generally as the circumstances whereby you seek to achieve maximum value for minimum cost but at times this will be dependent on your available resources, the urgency of the procurement or the operating environment at that time
- 1.4 For example there could be circumstances whereby a ‘cash rich’ organisation may invest in a higher quality product at a higher cost understanding this will have a longer lifespan however for an organisation with limited funds it may be necessary to invest in a mid-range product with a shorter lifespan, both of these approaches can be achieving value for money for the particular organisation but will differ greatly in the approach taken.
- 1.5 VfM is not necessarily about the lowest cost and must be balanced in line with the service user needs and expectations – put simply the association could seek to reduce costs of the services we provide through using only digital means, reducing our staff engagement in the delivery of services or implementing an approach which divests ourselves of our office and in each circumstance these would be achieved at a lower cost to the association however they may not meet the needs, expectations and requirements of our tenants and residents.
- 1.6 Elderpark Housing will at all times seek to take appropriate steps to achieve the greatest return on any activity we undertake to ensure that we make best use of the income we receive recognising that this primarily relates to the rental income paid by our tenants. We will consider factors including the initial and any ongoing costs, the medium / longer term benefits and how it supports the achievement of our Business Plan when taking decisions what constitutes VfM.

- 1.7 It should be noted that this strategy focuses primarily in the financial aspects relating to VfM however this can be equally important when it is considered in relation to other aspects of the organisation including our people

## **2. What is Value for Money**

- 2.1 VfM is important to us as we want to ensure we are able to achieve our priorities year on year in order to maintain our existing homes, manage our liabilities, improve our operating cash flows, manage upward cost pressures to not only protect but also add value to the services we deliver to tenants and continue our development programme. Value for money is not only about achieving excellent quality services to the satisfaction of our tenants and service users but also helping us to subsidise important services that the Management Committee support.
- 2.2 VfM is a cornerstone of our key strategies including Development, Procurement, Asset Management and Community Regeneration. Decisions on VfM will always be taken within the context of our social and business objectives as laid out in our Business Plan. The strategy will consider short, medium and long term financial implications together with the organisational and community benefits and will be reviewed annually, with a detailed action plan created. The aim of this strategy is to assist in delivering the strategic goal by continuing to improve our understanding of the Association's costs, performance and quality of services and by taking action to ensure that the right balance is achieved.
- 2.3 There are a number of internal and external business drivers influencing VfM, all of which have been considered in developing this strategy:
- Business Plan
  - Financial Planning
  - Benchmarking
  - Governance & Risk Management
  - The Micro and Macro economic climate

## **3. Strategy Definition**

- 3.1 Our latest Business Plan affirms that we are committed to 7 strategic priorities:
- Enhance our range of high quality, modern services
  - Provide desirable and sustainable homes and neighbourhoods
  - Work with others effectively and innovatively
  - Support our people to achieve their full potential
  - Remain financially strong, well governed and resilient
  - Encourage customers and communities to engage and participate
  - Strive to meet the needs and aspirations of our communities.

- 3.2 We believe that, wherever possible, VfM should be about providing the highest quality option and seeking to achieve this through effective procurement and partnerships, maximising funding opportunities, efficient working practices and having a clear understanding of our requirements at the outset. Having skilled, knowledgeable and high quality employees who can make effective decisions around what approach offers the best VfM approach will be fundamental to the success in this area.
- 3.3 To help us accomplish these priorities the VfM strategy will operate under 4 main areas of activity Asset Management (including Development), Procurement, Community Regeneration, and Partnership. Elderpark Housing is committed to investing in existing homes and supporting the sector to increase affordable housing supply. The VfM strategy areas have been chosen as these areas are where the Association makes the largest investment and therefore provides the greatest opportunity to achieve value.
- 3.4 Our **Asset Management Strategy** helps us to deliver an important part of our strategic aim of “fundamentally reviewing and strengthening our approach to Asset Management”. The Asset Management Strategy provides a framework for Elderpark Housing to manage our stock proactively and support Business Plan objectives. It links knowledge of the stock gained to date, the property requirements in response to local demand and tenant aspirations and what is affordable within our financial plan. It recognises that there is a significant, unmet need for more homes to rent at an affordable price. Our VfM Strategy is to assist in updating our Development Strategy in our needs assessment.
- 3.5 Our **Procurement Policy** recognises the importance to achieve optimum value for money in a sustainable manner by ensuring that whenever appropriate, we assess quality, cost and sustainability. We recognise that the lowest cost will not necessarily be the best value in the longer term, and that we cannot award contracts based on price alone. Elderpark Housing will use where appropriate all available mechanisms to obtain VfM from spending on goods, works and services. This may involve the use of framework agreements, partnering, collaboration with other organisations, and e-procurement, as well as more traditional procurement processes. In support of achieving VfM a partial review of procurement took place during the setting of the 2023/24 budget where, wherever possible, all proposed expenditure was suggested using zero based budgeting, limited use of contingencies, and revision of the planned maintenance spend profile.
- 3.6 **Community Regeneration** is a high priority for our Association and a key aspiration within our strategic aims and vision. Elderpark Housing recognises that providing homes is only one element of our service. There is an aspiration to see our community



prosper and our continued support will contribute to this. To this end Elderpark Housing will ensure VfM is achieved by seeking and working with grant funders to maximise income and also with community organisations to assess the requirements and needs of the community and ensure, where we can, the best fit of the limited resources to provide best value.

- 3.7 Opportunities for **partnerships** are important to us with VfM being an important element in any strategic decisions we make for our future growth. Elderpark Housing is continually open to business and social partnerships where the VfM is obtained from the Association offering staff development time and expertise, publicity and raised profile in exchange for a mutually beneficial and financially advantageous product or service. Agreement will be reached at management team level on the suitability and organisation benefits of any partnership opportunity which arises and then where applicable seek Management Committee approval. When considering any partnership opportunity there will also be recognition that this could present an increased risk than the more traditional approaches however where the benefits are evidenced this will be a key strand in achieving VfM together with achieving our strategic objectives.

## 4. Strategy Objectives

- 4.1 The VfM strategy will aim to achieve the following:

- We wish to maintain a high level of ongoing investment in our existing homes over the coming period which we believe will result in expenditure at or above the sector median during certain years. This may include an increasing level of investment in achieving any decarbonisation agenda. Our aims are to ensure that our stock remains in good condition and in high demand, that we support our tenants in dealing with increased fuel costs and that we make a significant contribution to the government's carbon reduction targets. We will deliver the component investment programme, respond to tenant feedback and deliver current pledges.
- Ensure the provision of 45 new homes in Nimmo Drive provide VfM as well as assisting to reduce the shortage of good quality social rented housing.
- Considering VfM in all our spending decisions by maintaining zero based budgeting, aiming for efficiency savings, making use of our sector purchasing power via framework agreements and ensuring funding priorities are realistic.
- Confirm that, from the Business Plan, all external funding sources are actively pursued and the Association only contributes to projects that are in line with our Business Plan aspirations and any associated strategies and where there may be significant financial outlay these have been approved by the Management Committee.
- All partnerships that are entered into should be for the benefit of the Association's service users, the ongoing development or growth of the association or the wider Govan Community. The type of partnership will range from solely financial contributors such as grant providers to practical contributors such as community organisations with similar ethics and ideals as well as private business providing

products or services which meet our aims and achieve a mutually beneficial gain for both parties which can be evidenced.

## **5. Benchmarking**

- 5.1 At Elderpark Housing we will set out actions for achieving VfM as set out in the priorities approved by the Management Committee within the life of the Business Plan and beyond. These actions along with responsible persons, resource requirements and timelines are detailed in Appendix 1
- 5.2 Along with this action plan, we are committed to continuous improvement and, with key performance indicators being used to manage and improve year on year performance, benchmarks through Housemark will be presented to Committee and the Management Team comparing VfM metrics. These metrics are detailed in Appendix 2.
- 5.3 These outcomes will go towards reassuring service users of our responsibility towards achieving VfM by:
  - Regular updates of our Business Plan
  - Having achievable VfM targets against the continual review of our service provision
  - Benchmarking the outcomes with external sources
  - Updated financial planning identifying areas for investment and the allocation of resources
  - Providing a detailed business case for any investment or partnership opportunities
  - Acknowledging that staff at Elderpark Housing have the skills and expertise to deliver this strategy and noting the value of opinions of all staff in setting these goals

## **6. Delivering the Strategy**

- 6.1 Through this strategy we aim to develop a culture of efficiency and value for money throughout the Association. We will develop these values through training, team meetings and individuals' performance management. Our VfM culture will be essential to the achievement of our VfM strategic goal

## **7. Responsibilities**

- 7.1 The Management Committee is responsible for maintaining a robust assessment of all of its assets and resources and a robust approach to decisions on the use of resources to deliver the Business Plan. The Management Committee approves the VfM strategy and action plan, although the detailed review of progress and monitoring of the VfM action plan is delegated on a day to day basis to the Chief Executive and Departmental Directors

- 7.2 All Management Committee members will seek to ensure a culture of VfM in all aspects of the Association's activities, and ensure that challenging but achievable efficiency targets are agreed as part of the annual financial planning process. VfM is a standard consideration in all reports primarily identified within the sections 'Relevance to Business Plan', 'Financial Implications' and 'Risks' and this is designed to ensure that the Management Committee are aware of all the options and implications for each decision.
- 7.3 The Chief Executive and Directors are responsible for ensuring that VfM is considered in both the day-to-day management of their services and in respect of any new proposals or service reviews. They need to ensure that VfM is understood by all and that actions relevant to their services are completed. The Chief Executive and Departmental Directors are responsible for ensuring that a VfM culture is embedded throughout the organisation and that decisions taken consider VfM across all activities.
- 7.4 All employees are made aware of the importance of VfM through training, and team meetings, and encouraged to contribute ideas for improving VfM. They assist in the implementation of improvements and the development of performance targets, and all employees will have at least one VfM related objective contained within their annual performance review.
- 7.5 Elderpark Housing is committed to developing partnerships with community groups, Glasgow City Council and other registered providers where the partnership will achieve VfM and deliver services that the association could not deliver as effectively on its own. Partnerships will only be entered into where the aims and objectives are clear and can be linked to the strategic goals of the association, and the association is satisfied that joining the partnership is the best way of meeting its objectives. Our partners will be briefed on how we are approaching VfM and how they can contribute to this strategy where appropriate.

## Appendix 1 VFM Action Plan

Ref no	Action	Responsibility	Resource implications	Target date
1	Implement the action plan arising from the procurement review	Director of Finance	Staff time	ongoing
2	Commission service reviews of cyclical maintenance and responsive repairs	Director of Maintenance	£XX each approx.	Mar 22
3	Develop an action plan to address the issues arising from the benchmarking of service costs.	Director of Customer Services	Staff time	Mar 22
4			Staff time	Mar 22
5	Review remuneration and employment benefits to ensure that they represent optimal use of resources	Chief Executive	Staff time	Mar 22
6			Staff time	Mar 22
7	Implement the action plan arising from the service review of major works	Director of Maintenance	Staff time	Mar 22
8	Identify at least one VFM related objective for all members of staff	Management Team	Staff time	May 22
9	Complete the regulatory VFM metrics annually	Director of Finance	Staff time	May 22

## Appendix 2 VFM Metrics

Code	Component and output	Period	Level
A	Operating margin (overall)	Current, Prior	Overview
B	Operating margin (social housing lettings)	Current, Prior	Overview
C	EBITDA MRI Interest Rate Cover	Current, Prior	Overview
D	New supply delivered: absolute (social)	Current, Prior	Overview
E	New supply delivered: absolute (non-social)	Current, Prior	Overview
F	New supply delivered: % (social housing)	Current, Prior	Overview
G	New supply delivered: % (non-social)	Current, Prior	Overview
H	Gearing	Current, Prior	Overview
I	Reinvestment %	Current, Prior	Overview
J	Return on capital employed (ROCE)	Current, Prior	Overview
K	Headline social housing cost per unit	Current, Prior	Overview

### **Operating margin (overall)**

The Operating Margin demonstrates the profitability of operating assets before exceptional expenses are taken into account. Increasing margins are one way to improve the financial efficiency of a business. When the regulator assesses this ratio, consideration is given to registered providers' purpose and objectives (including their social objectives). Further consideration is also given to specialist providers who tend to have lower margins than average.

Operating margin (overall) =  $(A \div B) \times 100$

A = Overall operating surplus/(deficit), excluding Gain/(loss) on disposal of fixed assets (housing properties) and Gain/(loss) on disposal of other fixed assets. Similarly, results of JVs are not included in either turnover or operating surplus.

B = Turnover (overall)

### **Operating margin (social housing lettings)**

Operating margin (social housing lettings) =  $(A \div B) \times 100$

A = Operating surplus/(deficit) on social housing lettings

B = Turnover from social housing lettings

### **EBITDA MRI Interest Rate Cover**

The EBITDA MRI interest cover (also referred to as EBITDA MRI (as % interest) measure is a key indicator for liquidity and investment capacity. It seeks to measure the level of surplus that a registered provider generates compared to interest payable; the measure avoids any distortions stemming from the depreciation charge.

EBITDA MRI (as % interest) =  $(\text{EBITDA MRI} \div \text{Gross interest payable}) \times 100$

EBITDA MRI = [Overall operating surplus / (deficit)

- Gain/(loss) on disposal of fixed assets (housing properties)

- Gain/(loss) on disposal of other fixed assets

- Amortised government grant

- Government grants taken to income

+ Interest receivable

- Capitalised major repairs expenditure for period

+ Total depreciation charge for period]

Gross interest payable = [Interest capitalised + Interest payable and financing costs]

### **New supply delivered: absolute (social)**

This uses the numerator for the RSH VFM metric on new supply (social housing).

Total social housing units developed or newly built units acquired in-year (owned):

- Social rent general needs housing (excluding Affordable Rent)
- Affordable Rent general needs housing
- Social rent supported housing and housing for older people (excluding Affordable Rent)
- Affordable Rent supported housing and housing for older people
- Low Cost Home Ownership
- Care homes
- Other social housing units
- Social leasehold.

UK government definition of completion: In principle, a dwelling is regarded as completed when it becomes ready for occupation or when a completion certificate is issued whether it is in fact occupied or not. Include all newly built or acquired properties listed above that reach this stage during the benchmarked period.

Newly-built acquired properties includes new dwellings built where construction is carried out by another entity (such as newly-built S106 acquisitions).

A unit completed by a joint venture with a private sector partner should be counted as a whole unit. A unit completed by a joint venture with another registered provider should be counted as a whole unit only by the provider that will own the unit (to avoid double counting).

### **New supply delivered: absolute (non-social)**

This uses the numerator for the RSH VFM metric on new supply (non-social housing).

Total non-social units developed or newly built units acquired in-year (owned) includes:

- newly built or acquired non-social rental housing units owned by your association
- newly built or acquired non-social leasehold units owned by your association
- new outright sale units developed or acquired

UK government definition of completion: In principle, a dwelling is regarded as completed when it becomes ready for occupation or when a completion certificate is issued whether it is in fact occupied or not. Include all newly built or acquired properties listed above that reach this stage during the benchmarked period.

Newly-built acquired properties includes new dwellings built where construction is carried out by another entity (such as newly-built S106 acquisitions).

A unit completed by a joint venture with a private sector partner should be counted as a whole unit. A unit completed by a joint venture with another registered provider should be counted as a whole unit only by the provider that will own the unit (to avoid double counting).

### **New supply delivered: % (social housing)**

New social housing supply delivered as a percentage of stock owned, during the period April – March.

$$[A / B] * 100$$

A = Total social housing units developed or newly built units acquired in-year (owned) [Social rent general needs housing (excluding Affordable Rent), Affordable Rent general needs housing, Social rent supported housing and housing for older people (excluding Affordable Rent), Affordable Rent supported housing and housing for older people, Low Cost Home Ownership, Care homes, Other social housing units, Social leasehold]

B = [Total social housing units owned at period end ('social units' as defined in numerator)]

UK government definition of completion: In principle, a dwelling is regarded as completed when it becomes ready for occupation or when a completion certificate is issued whether it is in fact occupied or not.

Newly-built acquired properties includes new dwellings built where construction is carried out by another entity (such as newly-built S106 acquisitions).

A unit completed by a joint venture with a private sector partner should be counted as a whole unit. A unit completed by a joint venture with another registered provider should be counted as a whole unit only by the provider that will own the unit (to avoid double counting).

### **New supply delivered: % (non-social)**

New non-social housing supply delivered as a percentage of stock owned, during the period April – March.

$$[A / B] * 100$$

A = [Total non-social units developed or newly built units acquired in-year (owned)

(Total non-social rental housing units owned, non-social leasehold units owned, New outright sale units developed or acquired)]

B = [Total social housing units owned (period end)

+ Total non-social rental housing units owned (period end)

+ Social leasehold units owned (period end) [if not included in Total social housing units owned]



+ Non-social leasehold units owned (period end)]

UK government definition of completion: In principle, a dwelling is regarded as completed when it becomes ready for occupation or when a completion certificate is issued whether it is in fact occupied or not.

Newly-built acquired properties includes new dwellings built where construction is carried out by another entity (such as newly-built S106 acquisitions).

A unit completed by a joint venture with a private sector partner should be counted as a whole unit. A unit completed by a joint venture with another registered provider should be counted as a whole unit only by the provider that will own the unit (to avoid double counting).

## Gearing

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

Gearing = (Net debt ÷ Carrying value of housing properties) x 100

Net Debt = [Short-term loans

+ Long term loans

- Cash and cash equivalents

+ Amounts owed to group undertakings

+ Finance lease obligations]

Carrying value of housing properties = [Tangible fixed assets: Housing properties at cost (Period end) OR Tangible fixed assets: Housing properties at valuation (Period end)]

**NB.** Cost is the net book value after any depreciation rather than just the cost of properties if the intention is to use the word cost as it is used in Global Accounts.

## Reinvestment %

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

Reinvestment % = [A ÷ B] x 100

A = [Development of new properties (Total housing properties)

+ Newly built properties acquired (Total housing properties)

+ Works to Existing (Total housing properties)

+ Capitalised Interest (Total housing properties)

+ Schemes completed (Total housing properties)]

B = [Tangible fixed assets: Housing properties at cost (Period end) + Tangible fixed assets: Housing properties at valuation (Period end)]

### **Return on capital employed (ROCE)**

This metric compares the 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.

$$\text{ROCE} = (A \div B) \times 100$$

A = Return [Operating surplus / (deficit) (overall) including gain / (loss) on disposal of fixed assets (housing properties) and Gain / (loss) on disposal of other fixed assets + Share of operating surplus/(deficit) in joint ventures or associates]

B = Capital employed [Total fixed assets + Total current assets- Current liabilities]

**NB.** Gain / (loss) on disposal of fixed assets (housing properties) is not usually included in operating surplus. Similarly, results of JVs are not usually included in either turnover or operating surplus. However, these results **are included** in this measure as they can be considered to form part of the return on the capital investment in either fixed assets or joint ventures.

### **Headline social housing cost per unit**

The unit cost metric assesses the headline social housing cost per unit as defined by the regulator. The denominator is units owned and/or managed.

Headline social housing cost per unit = Social housing costs ÷ Social housing units

Social housing costs = [Management costs

+ Service charge costs

+ Routine maintenance costs

+ Planned maintenance costs

+ Major repairs expenditure

+ Lease costs

+ Capitalised major repairs expenditure for period

+ Other (social housing letting) costs

+ Charges for support services (operating expenditure)

+ Development services (operating expenditure)

+ Community / neighbourhood services (operating expenditure)

+ Other social housing activities: Other (operating expenditure)]

**NB.** Use actual expenditure rather than £000s in this and all related cost per unit measures.

*Divided by*

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

(Social rent general needs housing (excluding Affordable Rent), Affordable Rent general needs housing, social rent supported housing and housing for older people (excluding Affordable Rent), Affordable Rent supported housing and housing for older people, Low Cost Home Ownership, care homes, other social housing units)

**NB.** Leasehold units which for example include Right to Buy and fully stair-cased shared ownership units where the provider retains the freehold are excluded from this definition and all related cost per unit measures