



NORTH STAR

Creating homes, building futures

**Value for Money
Strategy 2018-23**

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The North Star Approach to Value for Money (VFM)

VFM is a constant for North Star. VFM is about doing more with our resources so that we can achieve our corporate objectives. By optimising VFM throughout the organisation, we release additional resources to invest in services to tenants, maintain our existing homes and increase the supply of new homes. Strong resource management is the engine that drives forward our vision and the delivery of our strategic objectives.

Delivering VFM is part of an integrated and embedded approach, rather than something that is separate or an annual task that must be completed. VFM is a critical business tool. VFM at North Star is not just about reducing costs. Quality and cost are both important, as is the relationship between investment and performance, and these form the basis of our VFM measurement and monitoring.

In summary, what VFM means to us includes:

- Economy, efficiencies and cost savings.
- Effectiveness and enhanced quality for tenants.
- Investment in new housing and existing homes.
- Added social value.

Our comprehensive approach to VFM is not new, but it has been progressively honed over the years. Our focus on continuous improvement has enabled us to develop and invest in keeping North Star strong.

The Regulator of Social Housing (RSH) has specific expectations of housing associations in relation to VFM which are set out in the April 2018 VFM Standard. Our VFM strategy enables us to express how we achieve these RSH expectations.

Links between VFM and our Corporate Plan Objectives

Our Corporate Plan 2018-2023 'Leading and Growing to 2023' details our strategic vision and objectives for the next five years. It is an ambitious but achievable plan that has been approved by the North Star Board. The five-year plan is distilled into annual objectives. Progress is reviewed and reported to Board every six months. This ensures that the plan remains dynamic and subject to scrutiny and challenge.

A sustained focus on VFM is essential for achievement of our corporate objectives. To quote from the Corporate Plan: *"achieving value for money is a constant for the business; not only is it a regulatory necessity, it underpins the health of the business. We are committed to an ambitious vision that requires us to find the resource and capacity to achieve this, and to provide value for money to our tenants. Balancing all of these priorities is challenging and essential"*.

Our corporate objectives, which run for the same time period as this strategy, are:

1. Growth

We intend to gain strength through ambitious growth in the development of new homes and the delivery of services to others. We will increase the number of homes that we own and manage by at least 500 by 2023.

2. Culture

We will continuously develop and maintain our relational culture whilst experimenting with new ideas and approaches. We will be inclusive, strong and

bold and live and breathe our embedded values. Our culture will keep North Star strong.

3. Customers

We will co-design and shape outstanding services with our customers that work for the individual. Our customer base will be even more diverse and will include those who previously may not have considered North Star as an option. We will invest in communities to help transform lives.

4. Partnerships

We will invest in relationships and have strong partnerships that are business critical and bring value to North Star.

5. Profile and Reputation

Everyone will know us for our values and for creating an environment in which lives can be transformed.

6. Resources

Strong resource management will be the engine that drives forward North Star’s vision. We will constantly seek out ways of resourcing activities and will be at the forefront of new thinking. Our focus on people and performance will strengthen our cost base and create additional resource.

7. Technology and Digitisation

We will operate out of a futurist mind-set and be alive to new technologies that keep us ahead of the curve. Over 60% of our customers will access our services digitally.

8. Governance

The Board will continue to pre-empt and respond to a constantly complex and changing world. This will keep North Star strong.

Role and Responsibilities

Everyone has a role to play in ensuring we achieve our VFM objectives.

Board	Executive	Staff	Tenants	Contractors and Partners
<ul style="list-style-type: none"> • Set strategic direction • Provide leadership • Scrutinise and understand costs • Create a VFM culture • Champion VFM • Approve metrics and targets each year and monitor progress • Approve savings plans • Monitor VFM delivery 	<ul style="list-style-type: none"> • Deliver VFM objectives • Set challenging VFM targets • The Savings Plan • Overall lead role for VFM is Executive Director Finance • Embed a VFM culture • Transform services 	<ul style="list-style-type: none"> • Shape and participate in reviews, with a focus on VFM throughout • Identify efficiencies • Ensure VFM is considered in business cases • Use costs and benchmarking data to drive improvement 	<ul style="list-style-type: none"> • Scrutinise performance and cost of services • Give feedback on quality of services and VFM of rent • Participate in procurement exercises 	<ul style="list-style-type: none"> • Contribute to the delivery of VFM objectives

VFM Objectives 2018-23

We have created a set of VFM objectives as a subset of our corporate objectives. Our aim is that they, along with the need for a separate VFM Strategy, become obsolete by the end of the Corporate Strategy period as VFM becomes part of North Star's 'DNA'. The Corporate Plan will ultimately define how we deliver VFM, but we recognise that we need to evolve towards a position where objectives and metrics are merged and sit solely in the Corporate Plan. In the interim, it is useful to have VFM objectives and VFM targets expressed in the VFM Strategy to demonstrate our keen focus on VFM.

Our VFM objectives are:

Smart Procurement	Enable Growth	Efficiency	Maximise Social Value	Maximise Income	Active Asset Management
<ul style="list-style-type: none"> • Procurement policies and framework • Ensure 3Es are embedded • Work in partnership • Effective contract management 	<ul style="list-style-type: none"> • Efficient treasury management • Robust financial management • Excellent partnership working • Delivery in line with Corporate Plan 	<ul style="list-style-type: none"> • Eliminate waste through efficient processes • Digitisation of services • No compromise on quality • Ensure partners also operationally efficient 	<ul style="list-style-type: none"> • Seek social value optimisation in all activities • Ensure partnerships deliver maximum social value • Capture social value 	<ul style="list-style-type: none"> • Rent and service charges • Void loss and relet times • Treasury management • Grants • Selling services to bring in new income sources 	<ul style="list-style-type: none"> • On-going programme of reviewing property and scheme sustainability • Intelligent decision making on use of assets • Optimising return including social return on assets

We will deliver these objectives through strong resource management. This will require us to be innovative, creative and effective by being at the forefront of new thinking.

Delivering and Embedding VFM

This is a five year strategy, and we have some distance to go between now and 2023 to be able to fully deliver on our VFM objectives above. Achieving VFM is a constant for the business. Not only is it a regulatory necessity, it underpins the health of the organisation. Strong resource management is the engine that drives forward North Star's vision and strategic objectives.

We want VFM to run through everything that we do at North Star. To achieve that, VFM has to be completely embedded within the organisation, enabling us to achieve both strategic and operational VFM.

VFM runs through our performance management framework - from our Corporate Plan and objectives through annual delivery plans, team action plans and individual performance management and appraisals. Staff are involved in influencing the business, shaping our approach, embedding our VFM culture and exploring new ideas. We are clear that everyone is expected to contribute to improvements, and to challenge the status quo, and to constantly seek to drive improvement. We have active feedback mechanisms and 'quick change' processes. This approach evidences that we view VFM

as an on-going activity throughout our organisation, not an annual event or separated task.

Evidencing VFM

In order to understand whether we are achieving our VFM objectives, measuring and monitoring our progress is key. It is also important that we track our own internal direction of travel in a number of key metrics, as well as undertake appropriate and timely external comparisons of our VFM performance. North Star deliver VFM throughout our cycle of monitoring and measurement reporting from Board/GSMT through to operational and individual objectives and targets. We evidence VFM in a multitude of ways throughout the business:

Metrics and Benchmarking

Sector Scorecard

We take part in the **Sector Scorecard**; this contains 15 metrics (of which seven are regulatory metrics against which we are required to report performance annually in our financial statements) which allow us to compare ourselves with other housing associations as well as see our own direction of travel.

Other metrics we use include the Global Accounts, a series of internal financial measures, and other metrics which reflect our corporate objectives.

Benchmarking

We use the **RSH's Global Accounts** to undertake annual comparisons of our key service costs with the rest of the social housing sector.

The Sector Scorecard (see above) allows wider comparisons with other housing associations.

We take part in **HouseMark's** annual and quarterly benchmarking surveys, which enable us to compare at a granular level our service and overhead cost and performance against a wide range of other sector providers. We take care to choose an appropriate peer group for each comparison exercise.

Internal Reporting

The Board receives a range of VFM updates and reports throughout the year.

- Progress against our Corporate Plan objectives – twice a year.
- Financial, performance and VFM indicators (metrics and explanatory narrative) – quarterly.
- Financial statements – annually.
- Sector Scorecard – annually.
- Global Accounts – annually.
- Internal self-assessment against the VFM Standard and Code of Practice.

Group Senior Management Team (GSMT) looks at the same items as the Board but on a more regular basis, prior to presenting to Board.

There is a role for internal audit to include a VFM element to each of their reviews, which is then considered both by GSMT and Group Audit Committee.

External Reporting

We publish performance against both the RSH's regulatory metrics and our own VFM metrics (including the Sector Scorecard) in our annual financial statements, which are publicly available. These include measurable plans for VFM improvement.

We publish an annual VFM report for our stakeholders, particularly tenants, which is focused on the areas of VFM which matter most to them.

We produce monthly KPI reports which are made available via our website.

Links to Other Strategies

Our VFM Strategy is underpinned by and inextricably linked to our other key strategies:

- Corporate Plan
- Asset Management
- Growth
- Supported Housing
- Treasury Management

All of our strategies are underpinned by our policies, procedures and a variety of focused action plans.

VFM 2018/19 and Beyond

In conclusion, our VFM focus in the first twelve months of this strategy will be starting to deliver our new Corporate Plan 'Leading and Growing to 2023'.

To deliver our VFM objectives we have the following VFM targets for 2018/19:

VFM Corporate Plan Objectives

- Review the end to end process for receiving and recording income and deliver efficiencies of 10%.
- Develop a tenant portal and support at least 30% of tenants to register for on-line services and reduce calls into the organisation by 30%.
- Review and analyse sustainability issues in parts of Gresham, Middlesbrough.
- Explore the establishment of a joint venture to deliver gas servicing.
- Consider collapsing the Group structure whilst securing new funding.
- Explore modern and modular construction products and develop proposals for one scheme utilising this technology.
- Deliver 63 new homes.

Financial Targets

- Generate £2.25m of social value through our work with communities
- £75k of savings from the review of voids:
 - £20k cashable savings.
 - £55k in staff time previously spent delivering the process.
- Achieve £75k of additional leveraged funding in supporting sustainable communities through working with our partners.

- Deliver £65k of recurring cashable savings through effective procurement:
 - £35k repairs and maintenance
 - £20k damp proofing
 - £10k ICT including telephony
- £48k of savings in staff time answering calls as the implementation of the tenant portal enables tenants to report issues on-line.
- £33k of savings in staff time through the introduction of mobile working to Housing Officers
- Save £22k in pension deficit contributions to the Durham County Local Government Pension scheme by negotiating a change in membership status.
- Review our approach to collecting customer survey data and gain £15k efficiency gains
- Save £3k in staff time by introducing a risk based approach to estate inspections.

Total financial target: £2,586k

VFM Metric Targets

We have considered the VFM metrics within the sector scorecard and agreed to set the following stretching targets for two of the metrics in 2018/19:

- Operating margin (overall) of 29.2%
- Social Housing Cost Per Unit of £2,680

These targets require North Star to outperform the budgeted values for these metrics of an operating surplus of 27.3% and cost per unit of £2,704.

We will review all the sector scorecard metrics to understand how they aligned to our Corporate Plan, objectives and VFM reporting requirements.

We will further develop our understanding and measurement of our cost base using RSH data analysis, the sector scorecard metrics and review how our performance compares with others using HouseMark benchmarking results. Similar to previous years, we will draw out some key areas that need improving and drive these forward as a priority. In 2018 we will review the costs of management of major works and cyclical maintenance and housing management. We are developing a bespoke peer group to ensure we effectively compare our costs and performance and we will review our approach to and use of benchmarking data/services.

The organisation's objectives all link to keeping North Star strong and VFM is an important strand in this.

We will monitor our performance against these targets, reporting to Board twice a year within the Corporate Plan update and more frequently at executive level. We see this as a key step towards achieving our VFM objective of no longer having a separate VFM strategy.