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**Value for Money**

**Strategy**

**(July 2021)**

**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.

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**

A five year strategic vision was developed in 2018 and 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 covering eight areas. The delivery of the key objectives of Growth and Customers are supported by six enabling objectives – Culture, Partnerships, Profile and Reputation, Resources, Technology and Digitisation and Governance.

VFM cuts across all eight corporate objectives anda 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 VFM Strategy is also underpinned by and inextricably linked to our other key strategies:

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

**VFM Objectives**

The Corporate Plan will ultimately define how we deliver VFM and may contain specific VFM actions and many of the corporate plan actions will have links to VFM.

Our VFM objectives are:

**Smart Procurement** – getting value from the current supply chain and effectively procuring new contracts balancing cost and quality

**Enable Growth** – the efficient management of treasury to support the delivery of new homes and new services

**Efficiency** – making best use of our resources with digital and lean processes and effective financial management

**Maximise Social Value** – consider social value in all that we do and develop partnerships to increase the positive impact we make on our communities

**Maximise Income** – building relationships with our customers to manage arrears and letting new homes as quickly as we can

**Active Asset Management** – investing in our properties at the right time and benefitting North Star and our customers

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**

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.

We will assess VFM in a range of ways – this will include using tools such as the new Sustainability Reporting Standard that has been developed for the sector and not just focusing on costs and KPIs.

The overall responsibility with VFM is with Board who set the strategic direction and culture on VFM. The Executive Director of Finance and Business Support is the VFM lead and the Senior Management Team (SMT) are responsible for the delivery of VFM and ensuring that the Board are provided with information and evidence to allow Board to understand and assess how VFM is delivered.

The strong VFM culture ensures that staff understands their role in VFM –working to deliver efficiencies and savings and develop our services. There will be annual updates to staff on VFM – sharing financial and performance data but also engaging with staff over new ways of improving VFM in the future. This will allow all staff to contribute to delivering VFM and to understand the wide range of VFM activity taking place across the organisation.

Customers also have a key role in VFM – they provide feedback on the quality and VFM of services and our customer engagement framework provides opportunities for customer to scrutinise our services and participate in the procurement process.

We also expect all our contractors and partners to contribute to the delivery of VFM.

We are clear that VFM is not an annual activity but is integral to every part of North Star every day.

**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/SMT through to operational and individual objectives and targets. We evidence VFM in a multitude of ways throughout the business:

Benchmarking

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 have an established peer group with 15 other organisations based in the North with stock size of between 2,500 and 7,500 and supported housing. We also use bespoke peer groups where relevant.

We use the RSH’s Global Accounts to undertake annual comparisons of our key service costs with the rest of the social housing sector and the Sector Scorecard allows wider comparisons with other housing associations.

We investigate areas where our costs or performance are outliers and these areas are highlighted in the reports to Board with further analysis and explanation. Where required we will create action plans to improve performance, reduce costs or improve outcomes.

Budgeting, Reforecasting and Business Plan

VFM is at the heart of our budgeting and reforecasting process. The SMT set the Guiding Principles (including efficiency targets and specific areas of focus) for the annual budget with a focus on improving the operating margin and reducing the Headline Social Cost Per Unit. The budget then goes through a series of reviews from finance, the SMT and RAC before it is approved by the Board.

There is also a robust quarterly reforecasting process ensuring savings can be captured or reinvested in key areas during the financial year.

The annual business plan, with the budget used for Year 1, will also include efficiency targets as well as any investment needed to deliver the strategic objectives.

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.
* Benchmarking data (including Sector Scorecard) – annually.
* Global Accounts – annually.
* Internal self-assessment against the VFM Standard and Code of Practice – annually.

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

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. We also publish an annual Social Value Report.

Our annual tenant report includes information on costs and performance. We also produce monthly KPI reports which are made available via our website and contain metrics that matter to the customers and not just the business.

**Conclusion**

The assessment of VFM needs to be far more than just about benchmarking some cost and performance metrics. We need to link together the range of work that takes place across North Star to be able to demonstrate and evidence how VFM is delivered.