

Draft strategy

Strategy	Value for money (VfM) Strategy
Effective Date:	July 2020
Date Last Reviewed:	June 2019 Audit and Risk Committee
Date Last Reviewed:	July 2019 Board Approved
Scheduled Review Date:	June 2020 Audit and Risk Committee
Supersedes:	All previous policies and/or statements
Approved by:	

1.0 Executive summary

Value for money is important to Tuntum and is integrated into our Corporate and Operational Plans – see section 3.

Value for money is not just about saving money – it is also about delivering our social objectives effectively – see section 4.

Our costs are comparable with other social landlords – see section 7.

We are continuing to assess the value of our homes and maximise returns – see section 9.

We are planning to make further savings – see section 10.

The board and executive team throughout the year will monitor the VfM metrics and KPIs – see section 11 and Appendix 3.

This strategy once approved by the Board will take into account feedback from tenants and staff.

2.0 Introduction and background

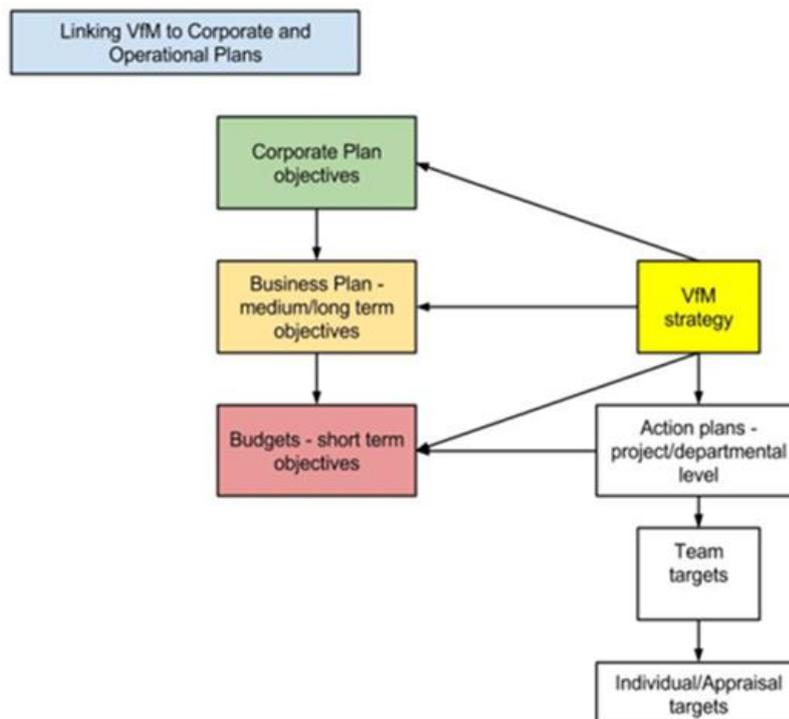
- 2.1 Tuntum was set up in 1988 and is a Nottingham-based, BME-led social property owner providing housing and support services for people on low incomes. With more than 1,400 homes - ranging from one-bedroom flats to large family houses - in management to date, and more currently in development, Tuntum offers a variety of affordable housing across the East Midlands in eleven different local authority areas.
- 2.2 Our mission statement is to be a dynamic, viable and independent social business providing excellent quality homes, supporting people and communities in need and improving lives.
- 2.3 We provide accommodation and specialist housing services for older people, refugees, young mothers and homeless young people.

3.0 Integrating value for money into Tuntum's strategic objectives

- 3.1 Value for money (VfM) is integral to Tuntum's Corporate Objectives, which are:
 - To maintain a **High Standard of Governance**
 - To ensure that **Staff are well skilled and Motivated**
 - To deliver an **Excellent Services** to tenants, residents and leaseholders which achieve good levels of Customer' satisfaction
 - To **Develop more homes** for people in housing need including specialist housing and homes for sale

- To **Expand the Range of Specialist Housing Services** offered by developing new services and enhancing existing services
- To remain **financially strong** within sound and embedded risk management and value for money frameworks
- To continue to deliver initiatives which **enhance the social, economic and environmental situations** of local communities.

3.2 As outlined in the diagram below, VfM is directly linked to Tuntum’s strategic objectives. It allows us to maximise our available resources and to achieve our vision of being a strong, forward-thinking regional housing association with our heart in the community.



3.3 Our VfM strategy underpins our Strategic Plan. The plan reflects current challenges, the external environment and our VfM improvement journey. The plan is supported by a delivery plan with clear targets, which are scrutinised quarterly by the Audit and Risk Committee and reviewed by the board.

3.4 A key factor in delivering VfM is effective control and discipline around financial planning, budgetary control and our investment and contracting decision-making process. Tuntum has a set of key controls, and appraisal and reporting mechanisms. This enables effective planning, management and reporting on Tuntum’s financial position so that we can robustly appraise new development projects and initiatives, ensuring that they meet the organization’s objectives and ensure that optimal benefit is derived from our resources and assets.

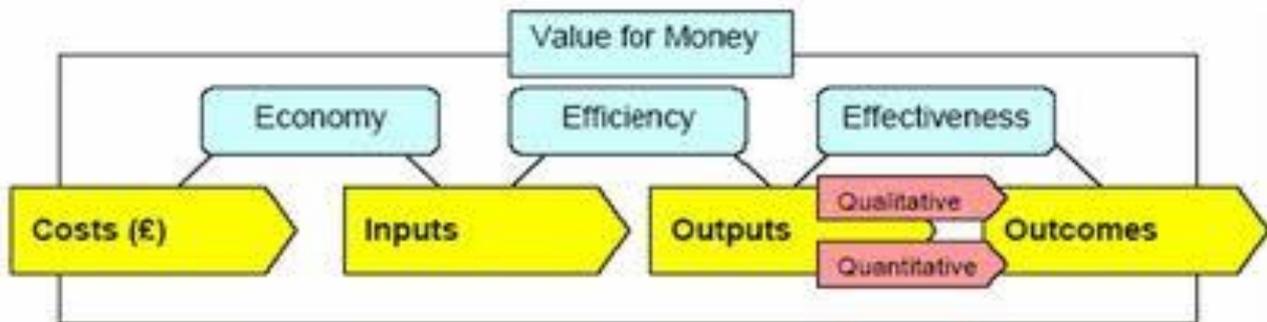
4.0 What does VfM mean to Tuntum?

4.1 VfM is achieved when there is a balance between low costs, high productivity and successful outcomes – traditionally it is expressed as the relationship between:

- **Economy:** minimising cost and resources (cost) – this is the price paid for what goes into providing a service, for example, the salary cost of employees, material costs, office rent, vehicle costs, etc.

- **Efficiency:** doing things in the most economical way (performance) – this is a measure of productivity, primarily associated with the process and delivery of procurement
- **Effectiveness:** doing the “right” things for the service being provided (quality) – this is a measure of the impact achieved, primarily associated with the outcomes for customers.

The traditional definition of value for money is demonstrated in the diagram below:



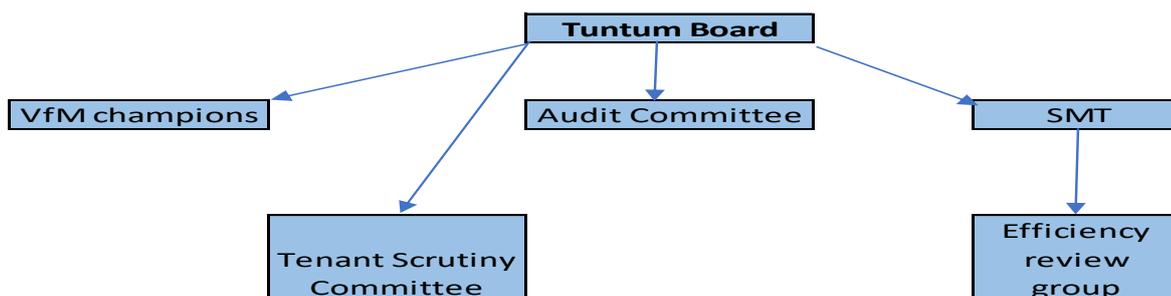
4.2 Our primary focus is simple – to support and empower our residents to improve their lives. Tuntum is strongly committed to delivering VfM across every part of the business. We firmly believe it is about much more than just saving money; it is about ensuring we get the most from our resources, looking for creative and innovative ways of becoming more efficient and generating new value from our assets. By accomplishing this, we can rest assured that we are providing the best possible services in an open and transparent manner. It also means we can continue to develop innovative additional services, specifically tailored for our customers with specific needs. Our primary stakeholders are our customers. Knowing them and understanding their needs and aspirations is vital in maximising the value we can offer when designing our services and in achieving our social objectives.

4.3 However, cost and efficiency are not the only drivers in the social housing sector. For Tuntum, VfM is important as it means ensuring that we operate efficiently and effectively, maximising the services we offer to our current and future residents and communities, and achieving our **social objectives. VfM is the key in us achieving our objectives.**

4.4 It is the board’s role to ensure that the organisation optimises economy efficiency and effectiveness in the delivery of the strategic objectives. Achieving VfM is vital to ensure that during times of economic pressure for our customers, the organisation continues to spend its money in the best way to deliver the best outcomes.

5.0 How VfM is monitored by the board

5.1 We have a governance and operational structure that ensures VfM savings are successfully delivered. The structure in place is outlined below:



5.2 As outlined in the above diagram:

- The Tuntum board has ultimate responsibility to ensure delivery of VfM
- The Tuntum Efficiency Review Group is made up of SMT members who will as part of their team meetings have VfM as an agenda item to discuss. Any ideas from there will be brought to the SMT Meeting and will be discussed taken forward as appropriate. The lead officer for VfM is the Director of Resources and Risk. The main aim of the group is to embed VfM in our day-to-day processes, and to lead on the Efficiency Review programme
- We will ensure that the Tenants Scrutiny Committee is central to the delivery of VfM. This strategy will also be agreed by the tenant scrutiny committee and we have incorporated specific VfM questions in our customer satisfaction surveys.

5.3 All staff at Tuntum have a role to play in seeking and achieving VfM for the organisation, and we actively encourage suggestions for further VfM measures from all members of staff to their departmental head at their team meetings as well as from customers.

6.0 The Value for Money Standard

6.1 The Regulator of Social Housing has outlined what it expects registered providers to deliver in relation to VfM in its 'VfM Standard 2018'.

6.2 In summary the key points in the Code of Practice are:

- Strategic objectives that have VfM embedded or a standalone VfM strategy
- Registered Providers (RPs) objectives for delivering new homes
- Achieving “optimum” economy, efficiency and effectiveness
- Optimise the financial returns from assets
- Understanding the returns from all the assets owned
- Does the RP's approach to remuneration and employment costs represent the optimal use of resources?
- VfM needs to be considered at both the strategic and operational levels
- That you understand your costs and peer group costs
- You have robust decision making based upon rigorous appraisals
- The following should be reviewed regularly:
 - Corporate structure (partnerships/merger)
 - Procurement
 - Diverse business streams
 - Investment in non-housing subsidiaries – the return must reflect the risks
 - Partnership arrangements
 - Geographic areas of operation.

6.3 Annually we must publish financial statements that enable stakeholders to understand our:

- Performance against our VfM targets plus those metrics set out by the regulator, and how that performance compares to peers. The VfM metrics defined by the regulator cover:
 - 1) Reinvestment
 - 2a) New supply social housing
 - 2b) New supply non-social
 - 3) Gearing
 - 4) EBITDA
 - 5) Headline CPU
 - 6a) Operating margin (social lettings)
 - 6b) Operating margin (all)
 - 7) Return on capital.

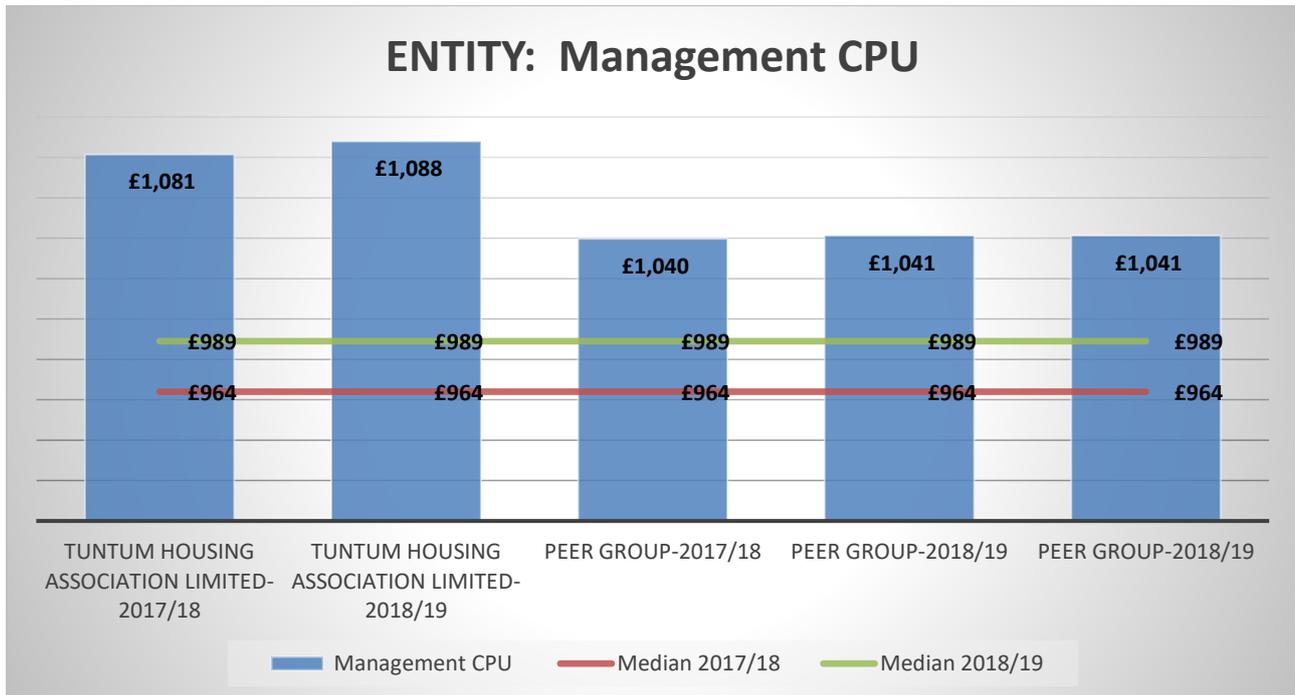
- Any plans to address areas of underperformance.

See Appendix One for details of our peer group and Appendix three for our VfM metrics for 2020/21 and beyond.

7.0 Cost comparisons

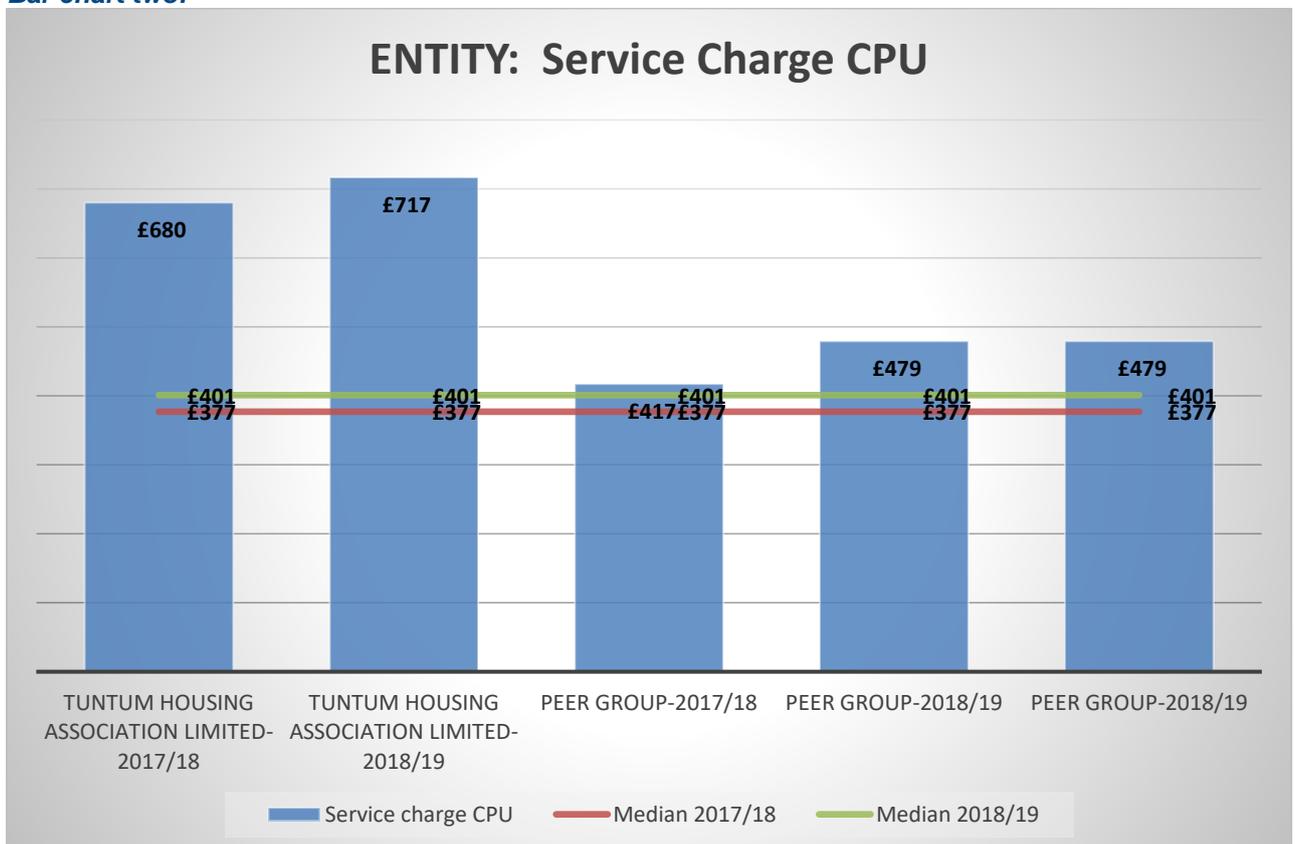
- 7.1 A key requirement of the VfM Standard is that an organisation understands the costs and outcomes of delivering specific services, which underlying factors influence these costs, and how they do so.
- 7.2 Our budgets are produced annually to a tight timetable and all budget headings are examined in detail with reference to the external cost comparators that are available.
- 7.3 The diagrams below show our unit costs for 2017/18 and 2018/19 plus a comparison of our 2018/19 costs with a selected peer group – see Appendix one for details of the peer group. The peer group has been selected using most of the following criteria:
- BME National
 - Operating outside of London
 - Mix of specialist and general needs
 - Local to Nottinghamshire
 - Similar size
- 7.4 Overall, the bar charts detailed over the next few pages show that our costs are comparable with other social landlords. Factors that impact on Tuntum's cost base are explained beneath the bar charts.

Bar chart one:



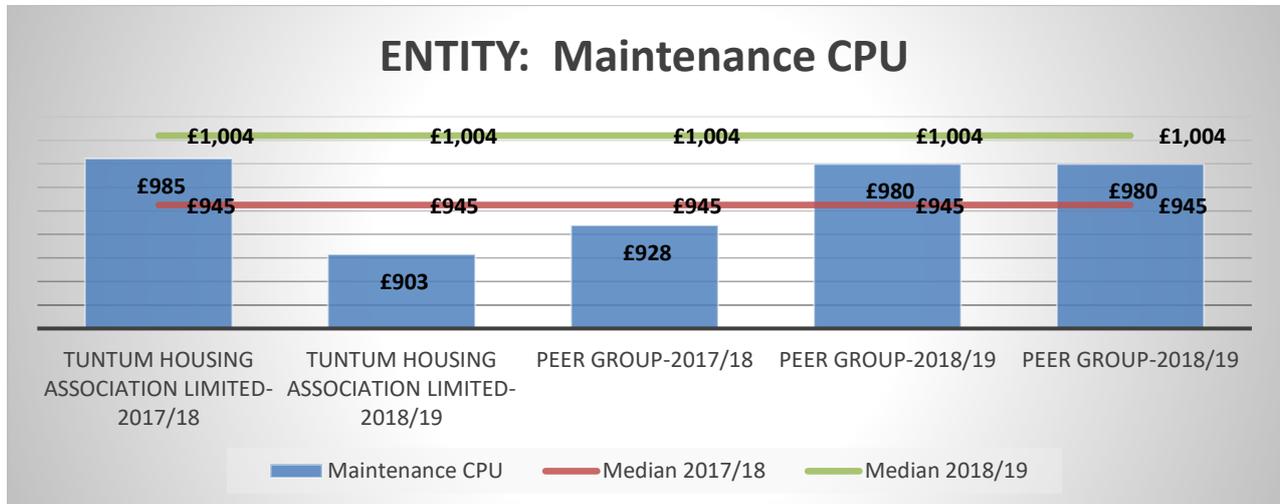
Tantum’s management costs are similar to our peer group but higher than the median – our increased costs are related to the provision of intensive management to specialist clients and the provision of services to older people.

Bar chart two:



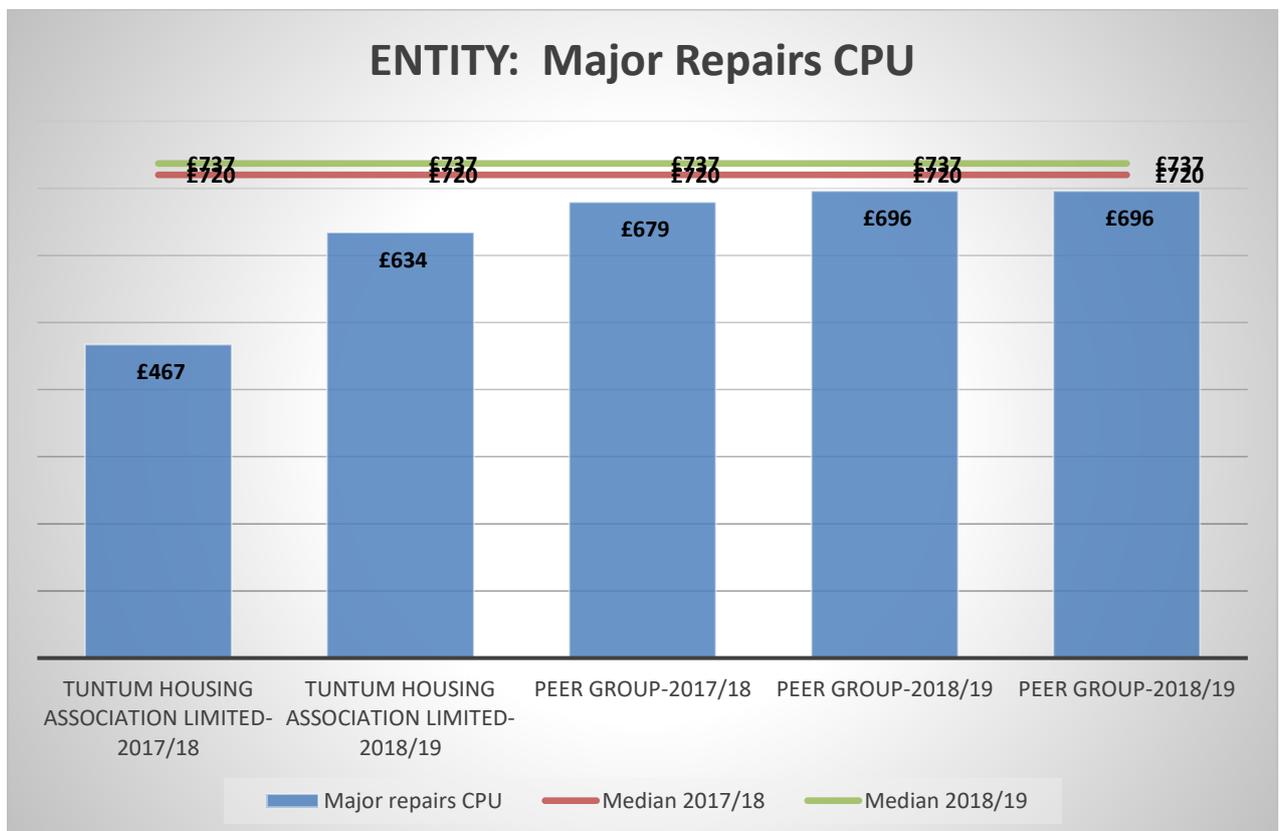
Our service charges are lower than our peer group but higher than the sector median which is because of the clients we serve in our specialist housing schemes. The costs have increased from 2018-19 because we have now correctly allocated overheads to our service costs.

Bar chart three:



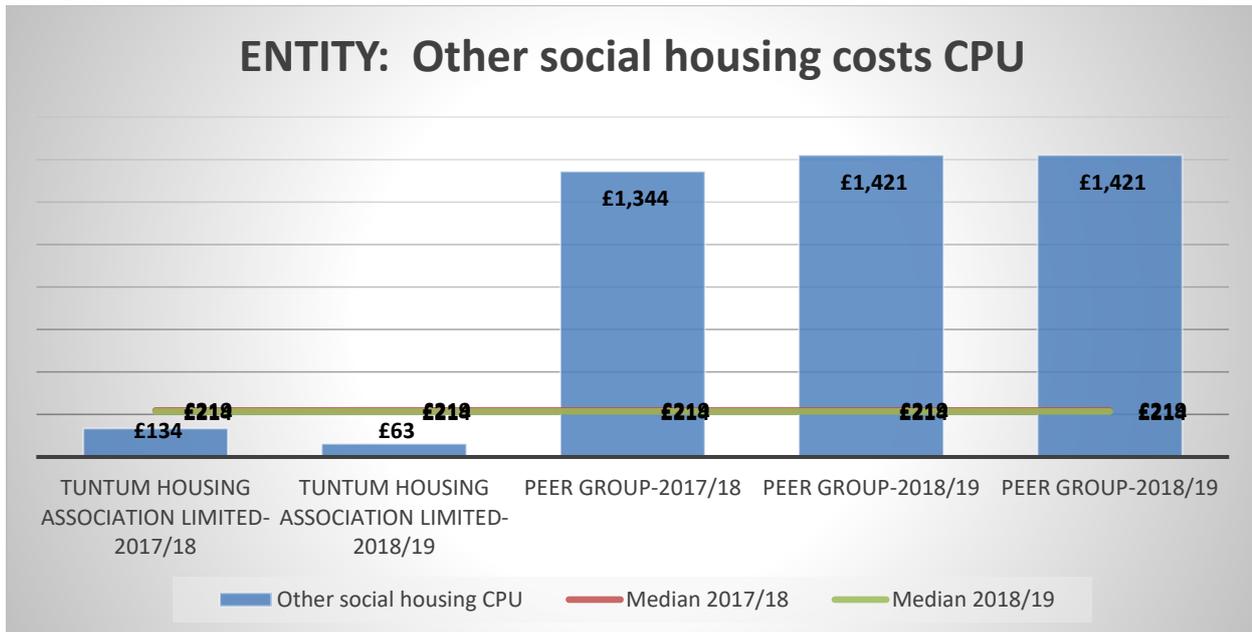
Our maintenance costs are below our peer group's average and the sectors median benchmark figure, which reflects the efficiencies, gained from operating an in-house maintenance team.

Bar chart 4:

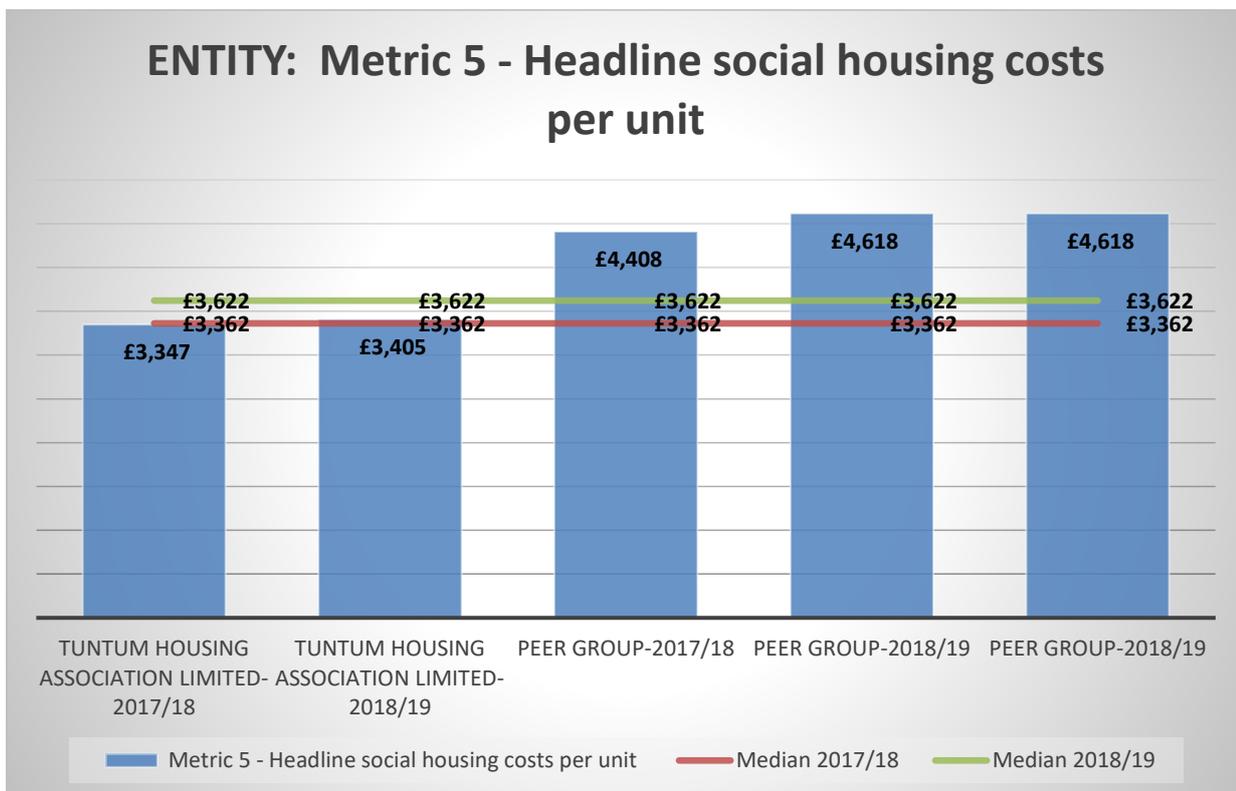


Our stock condition database is constantly being updated and we use this information in programming our major works.

Bar chart five:



Bar chart six:



Overall Tuntum's 2017/18 Cost per Unit (CPU) was lower than its peer group and was just above the median for 2018 for the sector.

8.0 Our Social Value Strategy

8.1 We are committed to delivering social value through our housing and our non-housing activities. We have a target to achieve up to 10% of our turnover in 'added' social value for non-housing activities using the HACT Social Value Calculator. The board has recently approved the associations social value strategy the value of social activities as calculated by the HACT calculator was £810k for the year to march 2019... Other costs for these activities are met from local authority grants and where appropriate staff would volunteer their time. We have also, as part of our review of the terms and condition of our staff, introduced a Social Value day where staff actually volunteer and spend the day helping out other charities.

9.0 Returns from our assets

9.1 We believe understanding our asset performance is vital to assess the viability of our properties and business plan. We have therefore reviewed the Net Present Value (NPV) of all our properties. We have recalculated the NPV using the reduction in rents for the next four years.

9.2 Based upon our work in 2017/18, all our stock showed a positive NPV. As expected, Supported Housing management costs are higher due to the more intensive support provided. However, this service provides greater social value. A significant proportion of general needs tenants require support, and we invest in aids and adaptations so that vulnerable tenants can live in their homes and avoid having to move into care, which causes disruption for the tenant and extra costs to the state.

9.3 We have increased the number of major works for kitchen, bathroom and windows and doors replacement as per our Asset Management Strategy. This will improve the overall condition of our assets. We have achieved efficiency savings of our components through better procurement and contract management. During the year 2019/20 we re-invested £750k in our assets. During the next five years we intend to invest £4.5m in our assets. We have an annual programme of carrying out rolling stock condition surveys on 20% of our properties. We believe that the better the intelligence we have about our assets then the better the investment decisions that can be made.

9.4 We are setting a target to achieve a spend profile of planned maintenance to responsive of 60:40.

10.0 Our future action plans

10.1 During 2019/20 we undertook a refinancing strategy. This has been implemented as at the end of the financial year. The benefits of these savings will start from the financial year 2020/21 we have made saving of £3250k on our future interest payments. The savings and their use are detailed in the table below:

Savings 2020-21	£
Refinancing resulting in lower interest payments	250,000
Total	250,000
How the savings were used:	
Increased maintenance spend	-100000
Re-investment in our existing stock and Compliance works	- 80,000
Investments in IT	-35000

10.2 The strategic objectives that Tuntum intends to focus in relation to its strategy for the coming years are:

- More development with high positive NPV
- More units overall
- Increased customer satisfaction on repairs and all services
- Improve void turnaround times & reduce bad debts
- Better specification of tenders for major repairs
- Invest more in our existing stock
- Rationalisation of housing stock
- More efficient use and investment in IT
- More efficient cost of staff recruitment
- Tighter budget management
- Improve procurement process
- Providing more community related services through external funding
- Secure additional funding

10.3 The graphs in section 7 show that overall our operating costs are good in relation to our peer group and the medians for the sector. It is our intention to work toward the sectors median costs.

11.0 Tuntum's tailored VfM performance indicators

11.1 In addition to monitoring the Regulator of Social Housing (RSH) VfM metrics a number of KPIs have been identified that have an impact on our VfM targets – they are outlined in Appendix three.

11.2 The measures will be monitored quarterly by the Board and the Audit Committee – Terms of Reference will be amended. Any significant variances will be highlighted to the board and corrective action will be outlined.

12.0 Consultation

In order to implement this strategy, we will be consulting with:

- Board
- Tenant Scrutiny Panel.
- Staff

13.0 Related policies and references

- Asset management strategy
- Financial regulations
- Social Value Strategy
- Performance framework
- Global Accounts 2018 and 2019
- Risk management strategy.

14.0 Conclusion

14.1 We aim to deliver our objectives in a cost-effective and quality-focused way. We do this by:

- Having clear strategic objectives which are understood by our staff
- Having robust business planning processes with organisational priorities that are cascaded to teams and individuals
- Performance management and scrutiny processes which drive VfM and continuous improvement
- Understanding the relationships between costs and the quality of our products and services
- Having VfM embedded in all areas of the business via staff training, induction, appraisal and performance management, budgeting, procurement, governance, business planning and customer engagement and scrutiny.

14.2 The adoption of this VfM strategy and the implementation of the action plans outlined in this document will allow Tuntum to meet both its business needs and the regulatory requirements.

14.3 Because of the importance of VfM to Tuntum this strategy will be reviewed annually.

Appendix one: peer group we compare

The 2018/19 CPUs – peer group and Tuntum's

Tuntum's peer group

RP_Name	FYE	Reinvestment	New Supply (Social)	Gearing	EBITDA MRI Interest Rate Cover	Headline Social Housing Cost per unit	Operating Margin (SHL)	Operating Margin (Overall)	ROCE
Arawak Walton Housing Association Limited	31/03/2019	1.4%	0.0%	45.8%	295.7%	3.22	27.7%	27.6%	4.4%
Leeds and Yorkshire Housing Association Limited	31/03/2019	12.1%	2.8%	36.4%	166.6%	3.85	(0.1%)	6.7%	1.4%
Manningham Housing Association Limited	31/03/2019	0.5%	0.0%	40.8%	147.0%	2.80	37.1%	38.0%	2.9%
Nehemiah United Churches Housing Association Limited	31/03/2019	2.6%	0.0%	38.4%	147.8%	3.42	37.5%	36.3%	2.9%
Nottingham Community Housing Association Limited	31/03/2019	5.5%	4.3%	42.1%	161.9%	5.23	26.5%	19.8%	3.3%
South Yorkshire Housing Association Limited	31/03/2019	4.4%	0.9%	38.3%	146.8%	5.56	17.9%	12.7%	2.0%
Tuntum Housing Association Limited	31/03/2019	5.8%	2.9%	52.0%	129.0%	3.40	32.0%	29.9%	3.2%
Unity Housing Association Limited	31/03/2019	11.3%	1.8%	23.3%	316.3%	3.20	22.8%	19.3%	2.2%
Warrington Housing Association Limited	31/03/2019	3.1%	0.1%	7.4%	257.5%	4.26	32.5%	20.1%	2.8%

Appendix two : VfM metrics and VfM KPIs

		HCA Median	Tuntum Business Plan Projections				
		2018-19	2020-21	2021-22	2022-23	2023-24	2024-25
HCA SCORECARD METRICS							
Forecasted new Units			88	50	34	43	25
Closing units			1,537	1,587	1,621	1,664	1,689
Cost per unit							
Management cost per unit	£	989	1,049	1,042	1,052	1,054	1,062
Routine and planned Maintenance cost per unit	£	1,004	1,012	1,023	1,042	1,060	1,085
Major Repairs cost per unit	£	737	586	582	597	593	612
Service charges per unit	£	401	712	704	703	698	702
Other cost per unit	£	214	61	60	60	60	60
Total cost per unit	£	3,622	3,420	3,411	3,525	3,536	3,591
Funders Interest cover Covenant	%		110	110	110	110	110
EBITDA MRI Interest cover	%	182.6	133	131	142	150	155
Funders gearing Covenant	%		55	55	55	55	55
BP Gearing Covenant Performance	%		52.1	52.4	51.9	51.0	50.37
Re-investment	%	6.2	13.7	5.9	4.5	3.9	5.3
New Supply Delivered (Social Housing)	%	1.3	5.7	3.2	2.1	2.6	1.5
Gearing HCA- Nett Housing properties cost	%	44.1	61.5	62.1	61.9	61.4	60.9
Operating margin Overall	%	29.7	30	31.7	30.4	33	33.7
Operating Margin Housing	%	27.2	31.6	32.9	32.7	33.4	33.9
Return on Capital employed	%	3.8	2.8	2.8	2.9	3.0	3.1

Tuntum Housing Association

Key Performance Indicators 20/21

DRR – Director of Resources & Risk; HHS – Head of Housing & Sales; HSH – Head of Specialist Housing; HAMD – Head of Asset Management & Development; HRM – Human Resources Manager

REPUTATION	TARGET 20/21	Responsible Manager
Overall satisfaction	85% +	HHS
Repair satisfaction	85% +	HAMD
Rents give value for money	85% +	HHS
HUMAN RESOURCES	TARGET 20/21	Responsible Manager
Average number of sickness absence days per staff member per annum	6.2 days	HRM
Voluntary staff turnover during the financial year	15%	HRM
GENERAL NEEDS HOUSING	TARGET 20/21	Responsible Manager
Current rent arrears	3%	HHS
Former Arrears	0.5%	HHS
Rent collection	100%	HHS
Voids	1%	HHS
Average re-let time	21 days	HHS
Tenancy Turnover	5%	HHS
No. of complaints received per qtr	No more than 20	HHS
No. resolved informally	At least 50%	HHS
No. resolved at stage 1	At least 75%	HHS
No. resolved at stage 2	At least 95%	HHS
No. going forward to ICP or Head of Service	Below 5%	HHS

SPECIALIST HOUSING TEMPORARY ACCOMODATION	TARGET 20/21	Responsible Manager
Current rent arrears	2% of rent receivable or less exc. HB	HSH
Rent collection	100%	HSH

Voids	4%	HSH
Average re-let time	14 days	HSH
PROPERTY REPAIRS	TARGET 20/21	Responsible Manager
Repair response times: Emergency Urgent Routine All Repairs	100% 90% 90% 93%	HAMD
No. of properties surveyed (pro rata performance as a % of total annual target)	20%	HAMD
HEALTH & SAFETY	TARGET 20/21	Responsible Manager
Current gas safety certificates (CP12)	100%	HAMD
Safe water - (Legionella)	100%	HAMD
Asbestos surveys - undertaken for properties built pre 2000	20%	HAMD
Fire (Full compliance) – Undertake Risk Assessments and Implement Recommendations	100%	HAMD
Radon – test properties that are in identified medium to high risk areas from national heat map and recommend remedial action	100% of properties applicable	HAMD
Electrical Periodic Testing –new properties to be tested after 10 yrs. & thereafter every 5 yrs. Existing properties to be tested every 5 years or at re-let.	100% of properties applicable	HAMD
No. of valid properties without valid EICR	0%	HAMD
No. of lift installations without valid 'in service' record	0%	HAMD