

<b>Strategy</b>	Value for Money (VfM) Strategy 2022-2027
<b>Effective Date:</b>	July 2021
<b>Date Last Reviewed:</b>	July 2021 Board
<b>Supersedes:</b>	All previous policies and/or statements
<b>Approved by:</b>	Board

## 1.0 Executive summary

- 1.1 Achieving value for money is important to Tuntum and is integrated into our corporate and operational plans – see section 3.
- 1.2 Achieving value for money is not just about saving money but also about delivering our objectives effectively – see section 4.
- 1.3 We successfully raise grant monies from charitable grant sources to enhance services to our customers.
- 1.4 Our costs are comparable with other social landlords – see section 7.
- 1.5 We continue to assess our homes' value and maximise returns – see section 9.
- 1.6 We are planning to make further efficiencies – see section 10.
- 1.7 Throughout the year, the board and executive team will monitor our performance against the VfM metrics and KPIs – see section 11 and Appendix 3.
- 1.8 Once approved by the board, this strategy will be presented to the tenants scrutiny panel (Magnify) and the staff.

## 2.0 Introduction and background

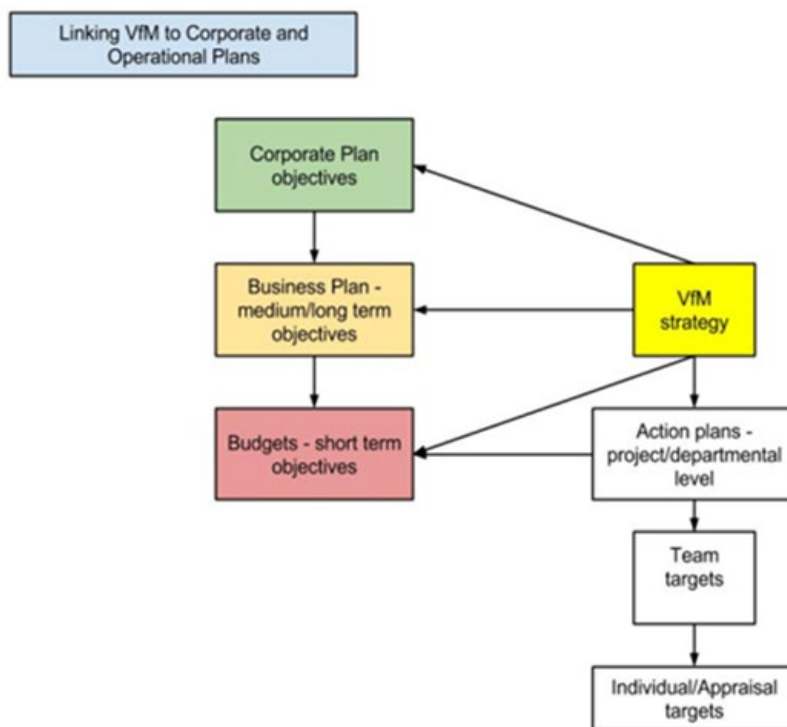
- 2.1 We are a Black and Minority Ethnic (BAME)-led social housing business registered with the Housing Corporation in 1988. We are the only independent housing association of our kind in the East Midlands. Our principal activities aim to benefit the community by developing and managing housing for people in need and by providing specialist facilities, services and amenities.
- 2.2 Our mission is to be a dynamic, viable, social business passionate about improving lives and empowering people in sustainable multi-cultural neighbourhoods
- 2.3 We serve a range of different population groups and provide homes and services for families and single people; we have our Erewash scheme for young mothers and our three sheltered schemes for older people. In addition, we provide homes and services for families, refugees, homeless and vulnerable young women, homeless young people, ex-offenders and women fleeing domestic violence. We also provide mental health services in a residential scheme and for young people in the community.

## 3.0 Integrating value for money into Tuntum's strategic objectives

- 3.1 Achieving VfM is integral to Tuntum's corporate objectives, which are:
  - To deliver an excellent standard of services to tenants and other customers which achieve good levels of tenant satisfaction:

- That tenants are satisfactorily engaged
  - That staff are skilled and motivated.
  - That the Association's properties are maintained in good condition.
  - Minimise the risk to the health and safety of residents.
- To remain financially strong within sound and embedded risk management and value for money frameworks
  - To maintain a high standard of governance in keeping with the NHF Code of Governance.
  - To develop more homes and services for people in housing need, including homes for sale.
  - To deliver initiatives which enhance the social, economic and environmental situations of local communities, including environmental sustainability.

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.



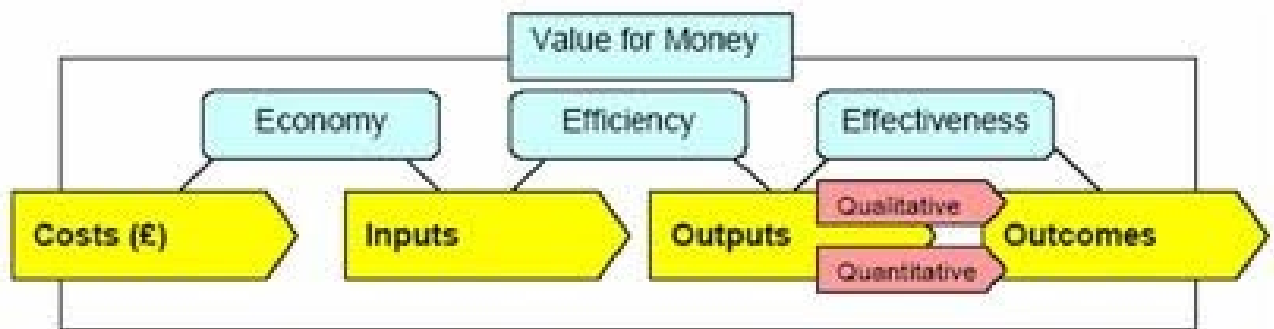
- 3.3 Our VfM strategy underpins our corporate and business plans. The VfM is supported by a delivery plan with clear VfM metrics as targets, which are scrutinised quarterly by the Audit and Risk Committee and reviewed by the board.
- 3.4 A key factor in delivering our VfM is effective control and discipline 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 organisation'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, performance 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 VfM is demonstrated in the diagram below:



4.2 Our primary focus is simple – to support and empower our customers 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.

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**. For example, during the year 19/20 we appointed a professional fund-raiser to help us raise money to establish social value projects in keeping with our Social Value Strategy and our Mental Health Strategy. Since then we have raised the following:

- In 2020 from Comic Relief: £418,410 over three years for our Mental Health project, Headwize
- In 2021 from the National Lottery: £98,000 over six months for various activities primarily with the elderly from the black community – Healthy Roots

4.4 VfM is the key to us achieving our objectives.

- 4.5 It is the board's role to ensure that the organisation optimises economic efficiency and effectiveness in the delivery of the strategic objectives and the executive's role is to implement it. Achieving VfM is vital to ensure that during 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:

- The Tuntum board has the ultimate responsibility to ensure delivery of VfM
  - The Audit and Risk Committee monitors the VfM metrics on behalf of the board. These are reported quarterly to the committee
  - The Tuntum Efficiency Review Group is made up of SMT members who will have VfM as an agenda item to discuss as part of their team meetings. Any ideas from there will be brought to the SMT meetings and will be discussed/taken forward as appropriate. The lead officer for VfM is the Director of Resources & Risk. The group's main aim is to embed VfM in our day-to-day processes, and to lead on the Efficiency Review programme.
  - Our Tenants Scrutiny Panel, Magnify, is central to the delivery of VfM. Each year we ask Magnify to review an area of performance and report back to the board. In February 2020, Magnify helped organise a well-attended tenants' meeting at which a number of proposals were made to improve the efficiency of the repairs service, which were translated into an Action Plan. Due to the pandemic and the inability to meet in a physical space, it was difficult to follow this up with the involvement of Magnify members. In the year 2021/22 we appointed a Customer Excellence Lead to revive the contribution to be made by Magnify in ensuring value for money in the services we delivered.
- 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'. The Regulator also publishes a Code of Practice, which is designed to amplify the requirements in the Value for Money Standard. It aims to help registered providers understand what the regulator is looking for when seeking assurance on compliance with the Standard.
- 6.2 In summary, the key points in the regulators VFM Code of Practice and VFM metrics and examples of how they are implemented are as follows:
- Strategic objectives that have VfM embedded or a standalone VfM strategy
    - We operate a standalone VfM strategy but also all reports to the board require reference to the VfM strategy.
  - Registered Providers (RPs) objectives for delivering new homes
    - Regularly reviewed development strategy.

- Corporate and business plans
- Achieving "optimum" economy, efficiency and effectiveness
  - Financial and other KPIs
  - Business plan projections
  - VfM metrics
  - Key financial tolerances
- Optimise the financial returns from assets and understanding the returns from all the assets owned
  - Annual budget & financial reports.
  - Repairs & planned maintenance programme
  - Operational KPIs
  - Return on capital employed
  - Property disposal strategy
- Does the RP's approach to remuneration and employment costs represent the optimal use of resources?
  - HR Strategy
  - Reviewing staffing structures
  - Benchmarking of salaries against similar employers before jobs are advertised.
  - Independent consultant on board remuneration
  - VfM needs to be considered at both the strategic and operational levels
  - VfM is reviewed by SMT and board
- That you understand your costs and peer group costs
  - VfM metrics compared with other housing associations in peer group
- You have robust decision-making based upon rigorous appraisals
  - Rigorous budget setting process
  - Scheme development approval process
  - Role of Risk Assessment Panel (RAP) in assessing financial and other risks
- The following should be reviewed regularly:
  - Corporate structure (partnerships/merger) –
  - Strategy on approach to mergers (2017)
  - Development partnerships
- Procurement
  - Participation with EEM
  - Diverse business streams

- Corporate objectives
- Partnership arrangements
- Financial regulations and procedures
- Development partnerships – NCHA
  - Geographic areas of operation.
- Corporate Plan
  - Corporate action plan for the year

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) Earnings before interest, tax, depreciation and amortisation (EBITDA)
- 5) Headline Cost Per unit (CPU)
- 6a) Operating margin (social lettings)
- 6b) Operating margin (all)
- 7) Return on capital.
- 8) Any plans to improve performance

## 7.0 Cost comparisons

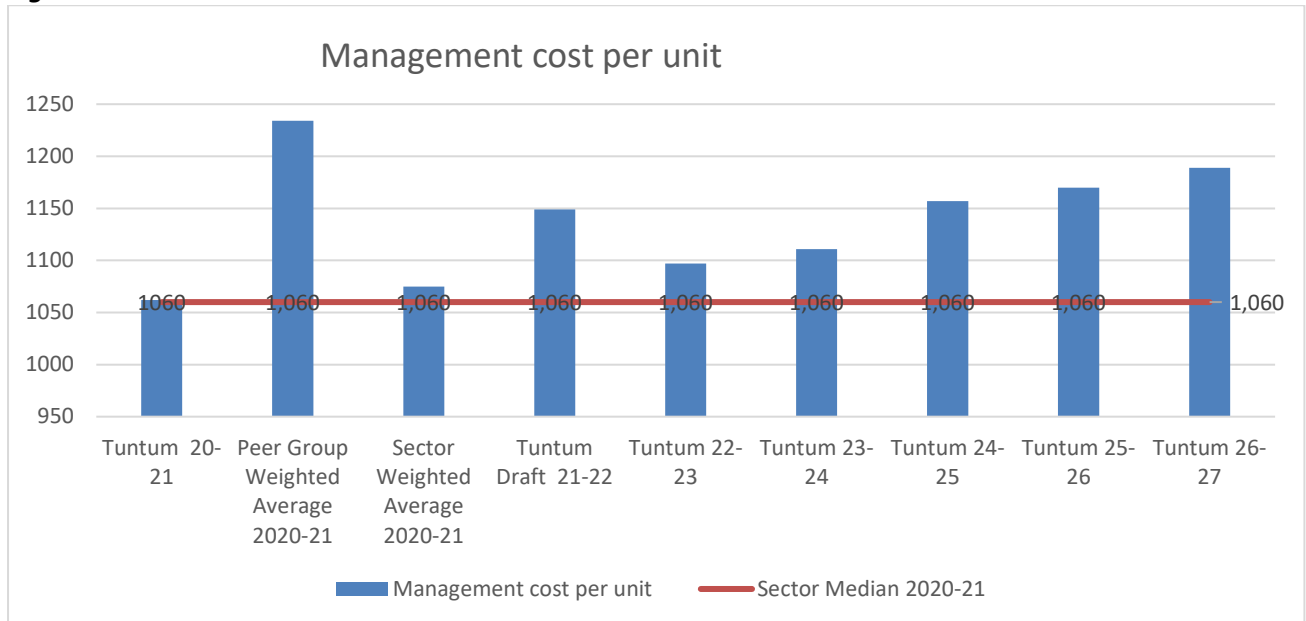
See Appendix One for details of our peer group and Appendix three for our VfM metrics for 2020/21 and beyond.

- 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 available external cost comparators.
- 7.3 The diagrams below show our unit costs for 2020/21 plus a comparison of our 2020/21 costs with a selected peer group, all housing association costs and the sector median. The charts also show our draft costs for 21-22 together with the costs projected over the next five years as part of Business Plan projections (see appendix one for details of the peer group). The peer group has been selected using most of the following criteria:
  - Member of BME National
  - Operating outside of London
  - Mix of specialist and general needs housing

- Local to Nottinghamshire
- Similar size

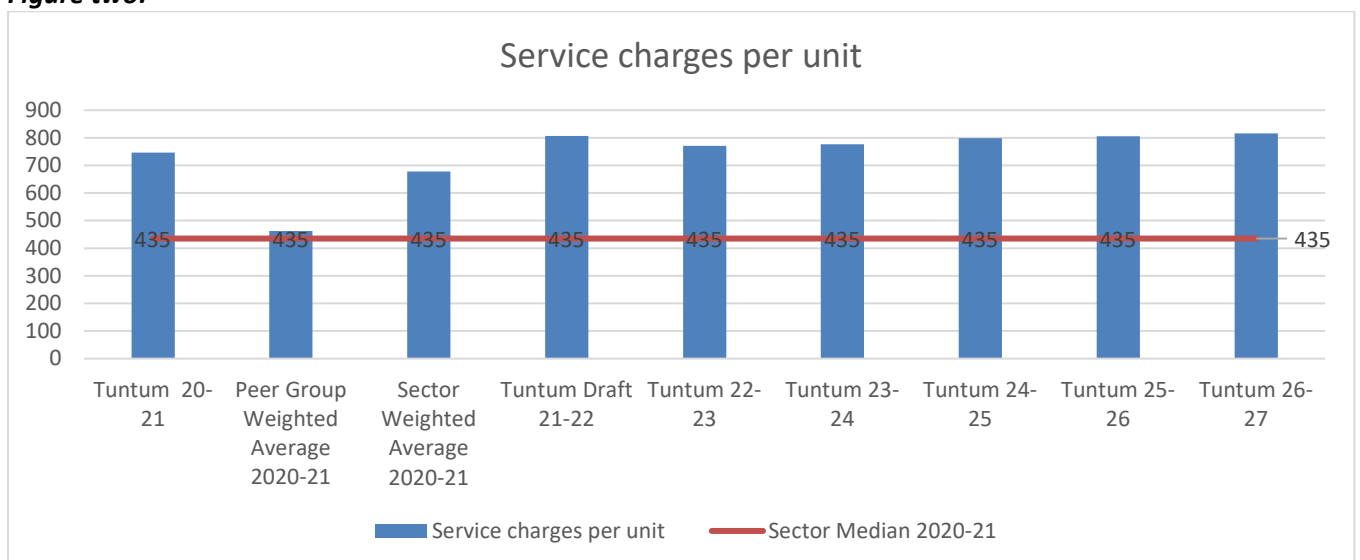
**7.4** Overall, the bar charts detailed over the next few pages show that our costs are comparable with other social landlords. The factors impacting Tuntum's cost base are explained beneath the bar charts. The forecasted costs also indicate that we are very close to our target of aligning with the sector median costs.

**Figure one:**



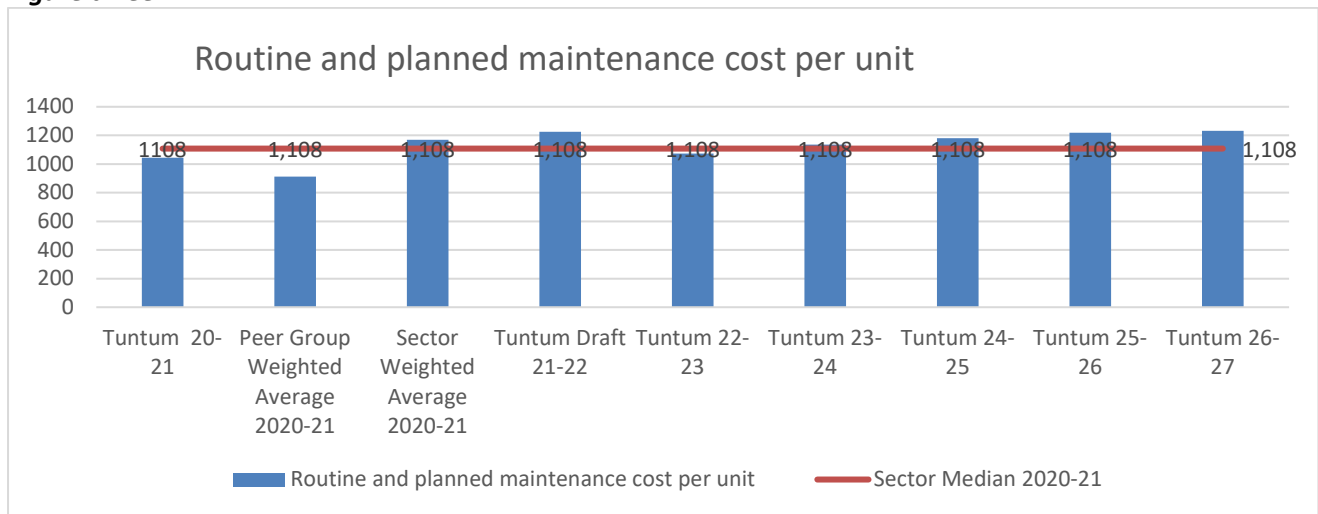
Tuntum's management costs are similar to our peer group but higher than the median – our increased costs are related to the provision of intensive management to specialist clients and the provision of services to older people. This has gone down in 2020-21 due to the increased number of units in management. The driver for this efficiency is the increase in the number of units we manage, reducing our costs per unit. We plan that in 5 years' time our costs will be in line with the median costs.

**Figure two:**



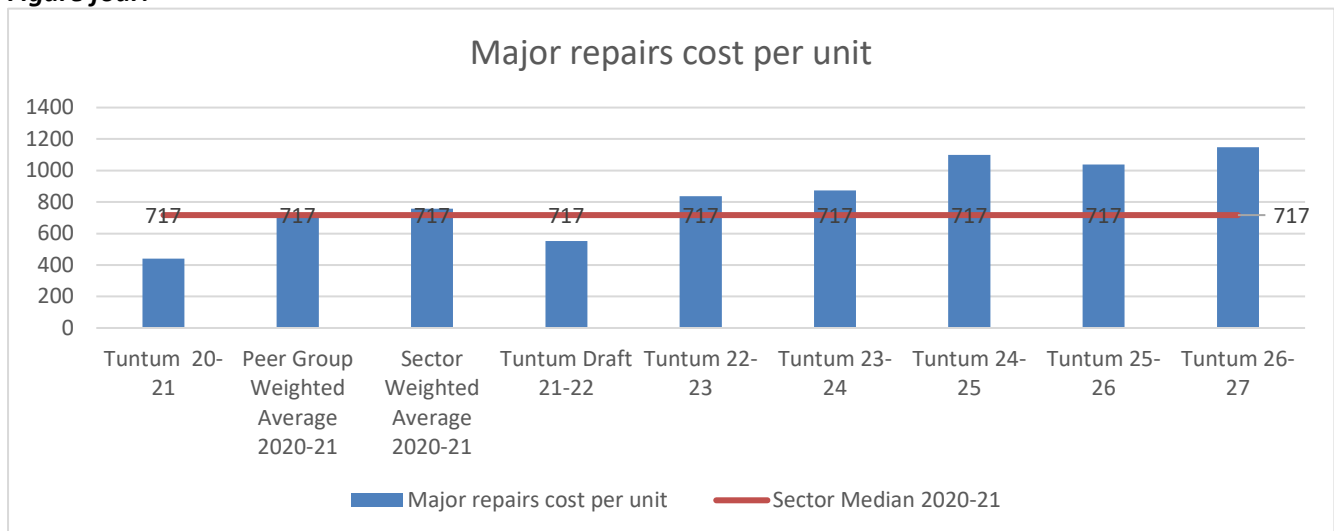
Our service charges are higher than our peer group and the sector median because of the clients we serve in our specialist housing schemes. The associations stock portfolio is 13% supported and 87% general needs where the service charges are higher and the schemes provide high intensive management

**Figure three:**



Our maintenance costs are below our peer group's average and the sectors median benchmark figure, which reflects some efficiencies, gained from operating an in-house maintenance team and also the age of our stock portfolio. We also use small local contractors who are not registered for VAT and this is a saving to the Association. We plan to see an increase in costs per unit to reflect the ageing of our properties as time goes by especially the older stock of the association

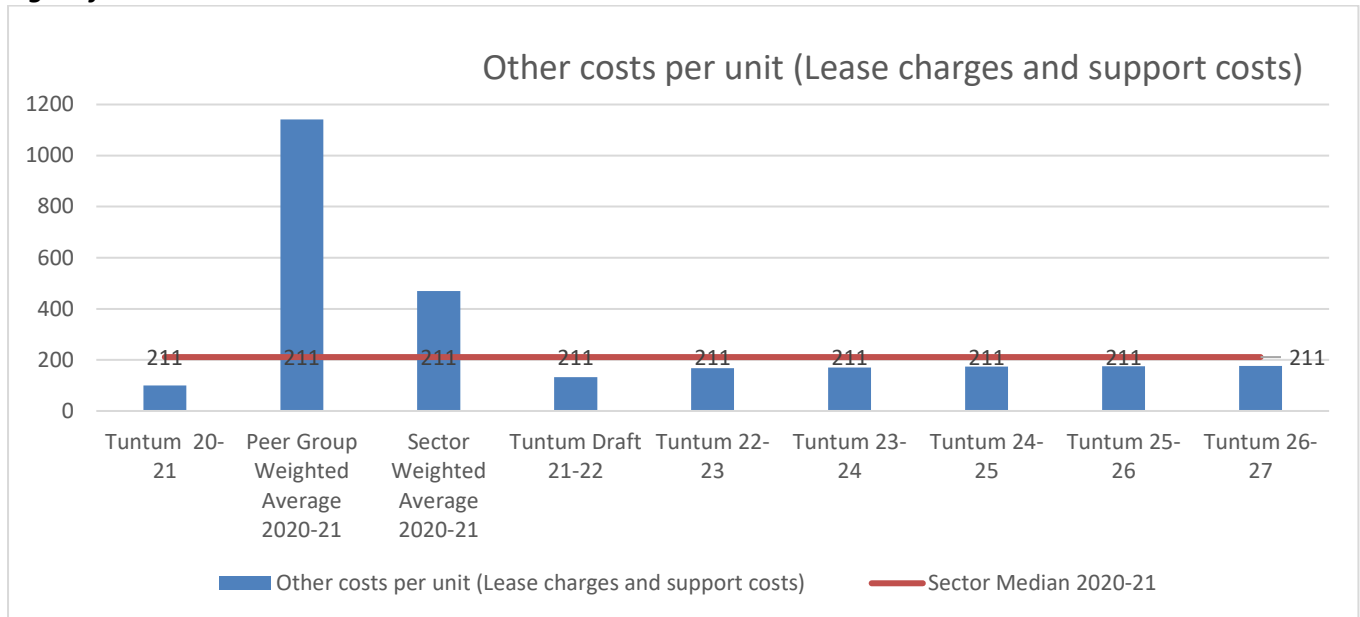
**Figure four:**



Our stock condition database is constantly updated, and we use this information to program our major works. This is reflective of our age profile of the properties. We also see an increase in our cost per unit to reflect the ageing and the cost of EPC upgrades to our properties that fall below EPC C rating.

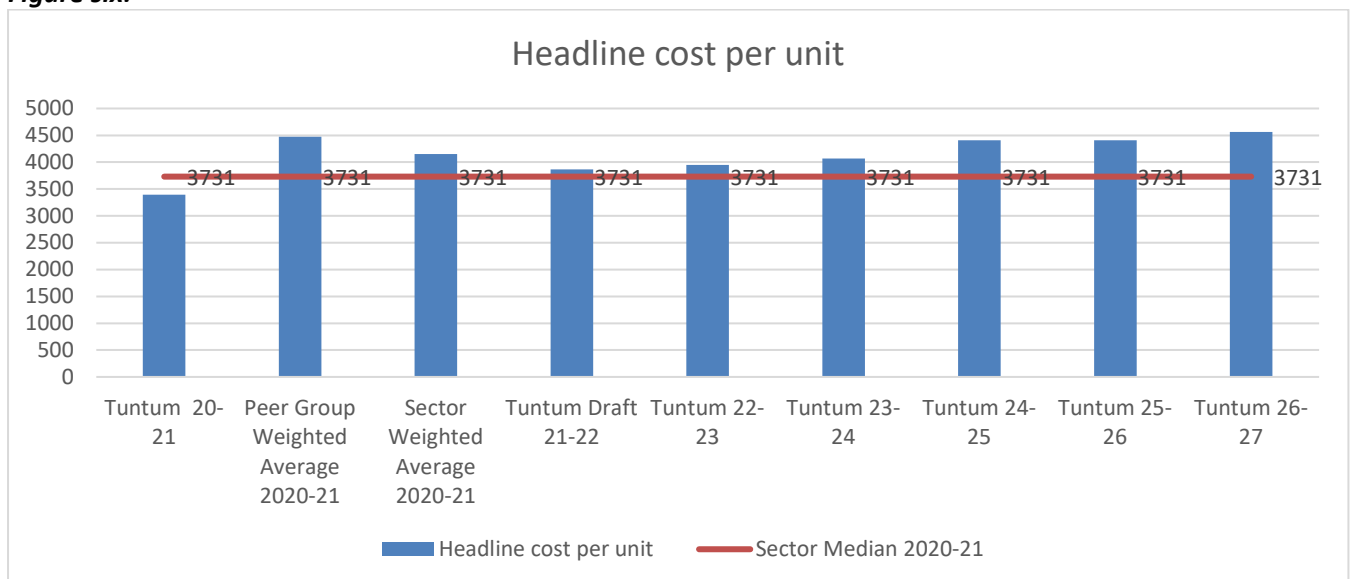


**Figure five:**



We do not have many other housing-related costs that are not included in our management costs and service charges. These relate to payments that we make to other landlords on whose behalf we manage some properties

**Figure six:**



Overall Tuntum's 2020/21 Cost per Unit (CPU) was lower than its peer group and was just below the median for 2021 for the sector. The costs in comparison to our peers would be about the same as there are other housing costs include in our peer's costs which skew their figures and below the median due to the amount spent on major repairs works undertaken 20/21 due to the impact of lockdown because of the Coronavirus pandemic. In the future, our investment is increasing in our major repairs programme as part of the regular surveys that are being carried out on our properties.

## 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 revised the associations' social value strategy and set at a value equivalent to 10% of turnover. The value for social activities as calculated by the HACT calculator was 5.9% or £547k for the year to March 2021. Other costs for these activities are met from local authority grants and, where appropriate, from staff volunteering their time.
- 8.2 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 assessing the viability of our properties and business plan. Overall, the Association is generating a return on Capital employed of 2.7% ( a surplus of 2.7% based on the values of our net housing costs) for the year to March 2022. This indicates a positive NPV return on our assets.
- 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. As part of the Voids process, we are reviewing the potential return on these properties that are becoming vacant and available for letting using the criteria of financial investment required, the amount of annual spend on the properties, the demand for the property historically and going forward.
- 9.3 We have increased the number of major works for kitchen, bathroom and window and door replacement as per our Asset Management Strategy. This will improve the overall condition of our assets. . During the year 2021/22 we re-invested £867k in our assets. During the next five years, we intend to invest £6.2m in our assets at present day costs on planned replacement works and £900k on improving the EPC rating of our properties that are below the C banding. 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, 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 maintenance of 60:40. We will achieve this by gathering better intelligence on our properties through our planned inspection of properties via the stock condition surveys and also analysing the spend per property to enable us to pick out the properties that require more planned works

## 10.0 Our future action plans

- 10.1 To underpin the strategic objectives, listed below are the ongoing actions and targets that we are trying to achieving over the period 2022-27 that the Association will be taking to achieve its strategic objectives:

<b><u>VFMActions</u></b>	<b><u>22-23</u></b>	<b><u>23-24</u></b>	<b><u>24-25</u></b>	<b><u>25-26</u></b>	<b><u>26-27</u></b>
Invest £900k over the next five years on works to improve the EPC to at least C of 200 of our properties that fall below the C rating	£100k	£100k	£200k	£250k	£250k
Invest £6.35M towards investments in our existing properties over the next five years.	£1.2M	£1.15M	£1.35M	£1.3M	£1.35M
Increase customer satisfaction on repairs to 90% over the next five years					
As part of the Voids process, we will review the potential return on these properties that are becoming vacant and available for letting using the criteria of financial investment required, the amount of annual spend on the properties, the demand for the property historically and going forward.	*	*	*	*	*
Improve void loss budget by 20% annually	£37k	£49k	£43K	£44K	£45k
Improve bad debts budget set by 15% annually	£21k	£22k	£25k	£25k	£26k
Review our management agreements with Riverside and NCC	*	*			
Rollout mobile tablets by 31 <sup>st</sup> March 2023	*				
More efficient cost of staff recruitment	*	*	*	*	*
Review the requirement of every job that becomes vacant	*	*	*	*	*
Increased scrutiny on existing budgets	*	*	*	*	*
Tender all contracts that fall for renewal	*	*	*	*	*
Improve procurement process		*			
Providing more community-related services through external funding	*	*	*	*	*
Secure additional funding	*	*	*	*	*
Aim to achieve extra headroom in our interest cover covenant	*				

10.2 The graphs in section 7 show that overall our operating costs are good concerning our peer group and the medians for the sector. We intend to be at the sector's median costs.

## **11.0 Tuntum's tailored VfM performance indicators**

- 11.1 In addition to monitoring the Regulator of Social Housing (RSH) VfM metrics, the board and the committees also monitors the key performance indicator targets that are set annually to ensure that we are operating within agreed plans and targets set
- 11.2 The measures will be monitored quarterly by the Board, committees and the Audit and Risk Committee. 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 and will be published on the associations website for wider tenants of the association
- Staff

## **13.0 Related policies and references**

- Asset management strategy
- Financial regulations
- Social Value Strategy
- Performance framework
- Global Accounts 2021
- Risk management framework

## **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:

Tuntum Peer Group Comparison – 2020/21

RP Name	FYE	Metric 1 - Reinvestment	Metric 2 (a) - New Supply (Social)	Metric 3 - Gearing	Metric4 - EBITDA MRI Interest Rate Cover	Metric 5 - Headline Social Housing Cost per unit	Metric 6 (a) - Operating Margin (SHL)	Metric 6 (Operating Margin (Overall))	Metric 7 - ROCE
Arawak Walton Housing Association Limited	31/03/2021	1.4%	0.0%	43.9%	310.9%	3.38	25.1%	25.0%	3.8%
Leeds and Yorkshire Housing Association Limited	31/03/2021	7.7%	2.0%	43.3%	216.7%	3.68	19.8%	22.8%	3.0%
Manningham Housing Association Limited	31/03/2021	0.5%	0.0%	40.3%	84.6%	2.93	37.5%	37.2%	2.8%
Nehemiah United Churches Housing Association Limited	31/03/2021	1.1%	0.3%	37.2%	204.6%	3.75	33.1%	32.6%	2.9%
Nottingham Community Housing Association Limited	31/03/2021	10.1%	3.4%	42.0%	202.1%	5.30	25.8%	20.6%	3.0%
South Yorkshire Housing Association Limited	31/03/2021	2.1%	0.3%	43.7%	129.1%	4.46	23.1%	11.8%	1.9%
<b>Tuntum Housing Association Limited</b>	<b>31/03/2021</b>	<b>16.4%</b>	<b>2.5%</b>	<b>55.4%</b>	<b>139.9%</b>	<b>3.39</b>	<b>29.1%</b>	<b>27.7%</b>	<b>2.6%</b>
Unity Housing Association Limited	31/03/2021	5.9%	2.2%	36.0%	402.0%	3.08	25.7%	23.3%	2.3%
Warrington Housing Association Limited	31/03/2021	7.3%	2.0%	9.3%	382.9%	4.10	32.4%	22.1%	3.3%

## Appendix two: VfM metrics and VfM KPIs

				Tuntum Business Plan Projections 2022-2027				
RSH SCORECARD METRIC	Sector Median 2020-21	Peer Group Weighted Average 2020-21	Tuntum Draft 21-22	22-23	23-24	24-25	25-26	26-27
Forecasted new units			35	43	53	41	30	30
Closing units	2,788,083	23,241	1570	1,613	1,666	1,702	1,737	1,767
<b>Cost per unit</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Management cost per unit	1,060	1,234	1,149	1,097	1,111	1,157	1,170	1,189
Routine and planned maintenance cost per unit	1,108	913	1,226	1,074	1,136	1,181	1,218	1,232
Major repairs cost per unit	717	721	552	837	874	1,099	1,039	1,148
Service charges per unit	435	462	807	771	777	798	806	816
Other costs per unit (Lease charges and support costs)	211	1,141	132	167	170	174	175	176
<b>Total cost per unit</b>	<b>3,731</b>	<b>4,471</b>	<b>3,866</b>	<b>3,947</b>	<b>4,068</b>	<b>4,409</b>	<b>4,408</b>	<b>4,561</b>
	%	%	%	%	%	%	%	%
Re-investment (calculated using all development costs during the year, works to existing properties and capitalised interest)	5.8	7.0	5.56	8.91	9.90	7.50	6.81	3.47
New supply delivered (social housing)	1.30	1.9	2.23	2.66	3.2	2.09	2.01	1.7
Gearing RSH - net housing properties cost	43.9	40.6	56.8	58.1	60.2	60.5	60.7	59.9
EBITDA MRI interest cover	183.00	175.70	120.74	125.88	127.31	129.32	131.15	130.7
Operating margin housing	26.3	26.20	25.7	31.5	31.9	32.6	32.9	32.9
Operating margin overall	23.9	20.00	24.7	30.3	30.7	30.6	30.5	31
Return on capital employed	3.3	2.70	2.5	2.70	2.8	3.0	3.0	3.1