Value for Money Strategy

1.   Introduction

1.1   Our VfM Vision

To deliver quality services to our customers and work with our stakeholders in a way that is innovative, cost effective and maximises the return on our investments".

1.2   The Standard

The Regulatory Standard states that "Registered providers shall articulate and deliver a comprehensive and strategic approach to achieving value for money *"in meeting their organisation's objectives"*. This is what this document is; it is not, in essence, a strategy in its own right, rather it is a document that demonstrates how the value for money components of the corporate strategy will be delivered. It therefore provides further assurance to the Board and other stakeholders as to the 'deliverability' of the corporate strategy and its objectives in the most effective, efficient and economical fashion.

1.3   Our strategic objectives

This strategy clearly links to the three themes of our Strategic Plan and how our VfM approach demonstrated in the delivery of our objectives:

Customer experience

- Deliver outstanding service that meets the diverse needs and aspirations of our customers.
- Deliver a retirement living service that meets the diverse needs and aspirations of our customers.

Growth and influence

- Deliver an ambitious programme to provide more homes for people in need.
- Develop an increased range of housing options from home ownership to affordable rented homes to meet the changing needs of the market.
- Build a reputation as a thought leader in the sector with influence on national issues and local agendas.

Business excellence

- Achieve consistently high standards of performance for our operational key performance indicators.
- Invest in and support our people and promote a culture of high performance.
- Achieve VfM in all that we do.

1.4   Our VfM commitments

The VfM commitments that we have made are:

- Doing the right things

- Doing things economically
- Maximising the return from our staff
- Maximising the return from our assets
- Achieving the right outcomes

Through this strategy we plan to reduce our unit costs from the median of the sector to the lower quartile.

1.5   Context

The delivery of genuine value for money is an organisational imperative; it is captured as one of the primary themes of our strategic objectives. The operating environment in which that objective must be attained are some of the most challenging that housing organisations have faced.

Housing supply and affordability

There is a continued under supply of new homes in England, and so the pressure on house prices and a shortage of affordable homes continues to be a significant challenge for the sector. Social rented homes construction is at its lowest level for almost 30 years and availability continues to decline.

The homeownership agenda and the changing landscape for affordable rented housing

Legislation requiring social rents to be reduced by 1% per year for four years means a loss in predicted income of 12%, requiring us to become even more commercially-focussed, innovative and operationally efficient.

The focus of government policy is now on supporting homeownership rather than affordable rented housing:

- Half of the housing budget is for 'Starter Homes' for first time buyers;
- 'Rent to buy' aims to help tenants to save for a deposit while they rent;
- A Help to Buy shared ownership scheme has also been introduced;
- 'Pay to Stay', links rents for social housing to household income;
- A voluntary 'Right to Buy' scheme for housing association tenants.

We see starter homes as an alternative to what we are able to provide, but we will be adopting this agenda while aiming to continue to provide new affordable rented housing where possible.

Welfare reform and cuts in government spending

The Summer Budget 2015 announced further reductions and restrictions in welfare benefits. The Government has reduced its funding to local authorities by 37% in real terms between 2010-11 and 2015-16, leading to cuts in adult social care budgets and plans to reduce it by a further 6.7% by 2020. This will impact our tenants who are dependent on these services to support their day to day lives, including sustaining their tenancies.

The current economic climate

The Bank of England is forecasting reduced economic growth following the referendum on membership of the European Union. An increasing proportion of employment in Britain is in low skills/low pay jobs and cost of living pressures are likely to continue for people in low pay jobs, with high housing costs and a shortage of affordable rented properties causing a particular problem. Stable or falling house prices would affect our shared ownership programme, but we have considered this scenario in our business planning.

Demographic changes

The population of England is projected to increase by five million between 2014 and 2024. With a disproportionate number in the over 75 and over 85 groups, this is likely to lead to an increased need for homes for older people and also additional support services to allow them to live independent lives.

The number of single person households in the UK has been increasing so that the need for more homes will increase at a faster rate than the increase in the population as a whole, though this is partly off-set by the increase in multi-generation households.

2.   The strategy

2.1   Strategic Objectives – link to Business Plan

Our business case for the merger was based on the benefits of being able to deliver housing services at lower cost without compromising quality so that we could deliver additional new homes.

Original 2015/16 business plan	£5.8m savings per annum from 2020/21	1,680 additional new homes over 10 years
	Summer 2015 budget	-£20m per year income from rents from 2019/20
Revised business plan (October 2015)	£10.9m savings per annum from 2020/21	5000 new rented and shared ownership homes over 10 years

We have reviewed our service offering to focus on the key elements. This, along with the use of mobile working and increased digital access for our customers will enable us to deliver the service with fewer staff and offices.

2.1.1   Cross-cutting/enabling themes

At the point of merger, the operating costs of Stonewater were at the median for the sector. Significant cost savings have been identified which will improve the position without compromising performance. These include:

Efficiency Project	Merger business case	Current position
Housing software changeover	New target	£2m over 5 years
Reducing the number of offices	£500k over 5 years	£900k over 5 years
Reducing our Executive Management Team	Overall savings of £364k	Savings of £140k in 2015/16, with further £475k per annum from Jan 17.
Reduced staffing	£9.3m over 5 years	Ongoing restructuring with

		headcount reduction from 733 to 624 FTEs as at 31 March 2016
Procurement	£6.2m over 5 years	5 year saving of £2.3m just from new contracts procured in 2015/16
Changes to staff terms and conditions	£3.7m added value over 5 years	£6.8m added value over 5 years

We are the custodians of an asset base of £1.6bn. Our Asset Management Strategy ensures that we are making the right decisions about the stock that we retain and invest in to provide a place that our customers can call home. We will sell where by removing liabilities and reinvesting the proceeds we can increase the number of good quality homes.

Digitalisation is an important part of our VfM Strategy. We have established a set of digital principles are aligned with our five VfM tests, so that:

- Wherever our people find themselves they are able to work effectively
- We are customer centric in everything we do,
- Our delivery solutions are digital by default
- We have a vision for a single digital brand
- Our customers are able to interact with us at a time that suits them.

Our aim is that by the end of 2017 100% of homeowner contact is digital, and by the end of 2020 75% of all our customer transactions are on-line.

Stonewater has put in place a Customer Involvement Strategy and set up a Customer Scrutiny Panel. This is how we ensure that we are listening to our customers, understanding who our customers are and involving our customers. Our aim is that involvement is meaningful and effective and in itself provides VfM.

We have established an improved programme of customer opinion research and insight that can help us in the way we design and deliver our services. This will give us better analysis of what our customers' genuinely value – and therefore what we should do more of, do less of or do differently.

2.1.2 Embedded VfM

We recognise that the achievement of VfM needs to be embedded in the culture of the organisation and not restricted to major strategic projects. We have commissioned an independent review that concluded that VfM and its importance are well understood in management processes, decision-making and strategy and that it was a lynchpin of the merger business case.

2.2 Even more…

On an annual basis we will set out in our VfM self assessment the detailed plans for the year. These will cover:

- Innovation
- Culture change
- Technology change
- Inorganic growth
- The ways in which gains will be applied.

3.   Accountability

The normal principles strategic programme management are to be applied to VfM with accountability against key deliverables and milestones.

3.1   How we know how well we're doing

The baseline position Stonewater has been assessed and plans and targets set for future improvement.

3.1.1   Tools

In order to assess our VfM performance we are a member of HouseMark and compare ourselves with other RPs of a similar stock size. These are:

Amicus Horizon	The Hyde Group
Gentoo	Riverside Housing Group
WM Whitefriars	Southern Housing Group
Orbit Group	Affinity Sutton
Circle	Thirteen Group
Peabody	Home Group

The HCA is also providing comparative cost information for the sector overall.

3.1.2   Baseline and target

The latest available information from the HouseMark group is for 2014/15 which shows our position at the point of merger.
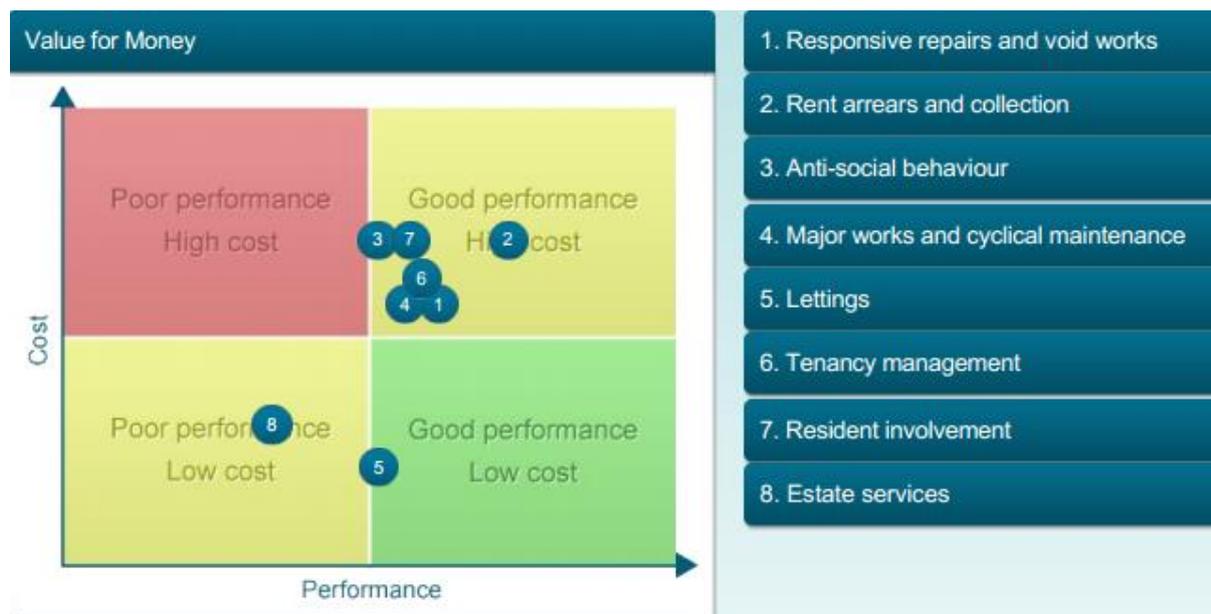
The HCA sector information on operating costs for 2014/15 shows that Stonewater's costs were at the median. Comparison of our business plan projections to projections collected by the HCA as part of their regulatory processes shows an improving position.

Stonewater	2015/16	2016/17	2017/18	2018/19	2019/20
Social Housing Cost (£k) per unit	3.39	3.33	3.3	3.03	3.03
Projected Sector Average	4.11	3.89	3.81	3.82	3.86

As the business plan is underpinned by firm and specific plans this shows that we are able to do more for less. The merger business case showed that it would give us the capacity to produce an additional 1,000 homes over 10 years compared to the predecessor organisations.

	Top Quartile	Q4 2015	Target
Overall satisfaction – General needs	85.2%	79.1%	n/a
Overall satisfaction – Retirement living	85.2%	82.8%	n/a
Satisfaction with value for money	77.4%	76.3%	78.6%
Views taken into account	67.6%	62.7%	63.8%

3.2   Accountability, scrutiny and oversight

Overall responsibility for VfM lies with the Board and it has delegated to the Finance Committee detailed governance oversight through the following terms of reference, including:

- Oversight of budget and treasury management;
- Development of a VfM Strategy and oversight of its implementation;
- Identification of VfM targets and monitoring of progress towards achieving these.

The Board has agreed a VfM appetite, which will be monitored quarterly using a unit cost profile to ensure that Stonewater continues to achieve the benchmark set at merger to perform strongly within our peer group.

The annual self assessment is also designed to provide transparency in what we are achieving through our VfM approach to all our stakeholders, which we consider to be:

- Customers
- Government and the regulator
- Local authorities
- Funders

The mechanisms and structures that are in place for scrutiny and governance, particularly related to VfM, have been subject to an external review. They allow views and representation from a range of stakeholders, especially Board members.

Approved by the board: 23.8.16