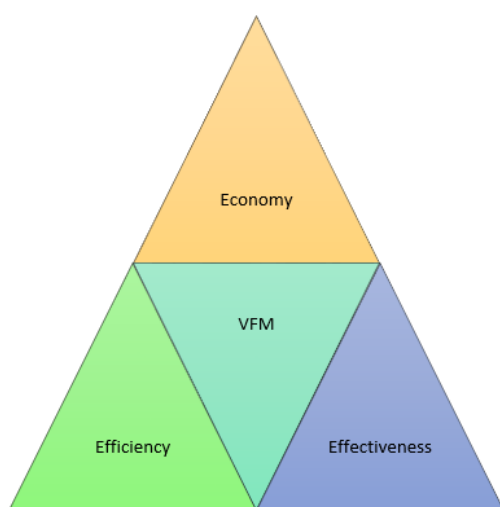


Stonewater's Value for Money Strategy – Approved by the Board 30th April 2019

INTRODUCTION STATEMENT

Stonewater's value for money strategy is integral to everything we do as a company. Our mission is to deliver quality services to our customers and work with our stakeholders in a way that is innovative, cost effective and maximises our return on investment. This strategy is embedded into Stonewater strategic plan and in every decision that is made, by encouraging a culture of continuous improvement and making effective, efficient decisions as part of operational behaviour. As part of being more efficient we aim to enhance our digital strategy, and develop other sustainable efficiencies such as environmental factors.

The measures of VFM performance within an organisation are Economy, Efficiency and Effectiveness.



Economy - is the careful use of resources to save expense, time or effort.

Efficiency - is the delivering of the same level of service for less expense, time or effort.

Effectiveness - is the delivery of a better service or return for the same amount of expense, time or effort.

VFM is particularly important due to ever growing demands on the sector:-

- 1% rent reductions per annum until 2020
- Reducing government grants
- Uncertainty surrounding Brexit
- Stonewaters target of £3.2k social housing costs per unit

However Stonewater continues to have an ambitious strategy and is reinvesting in the development program to achieve building 1,000 units per year from 2020/21.

Like other Housing Associations the Board lead the way with the VFM strategy, and have ultimate responsibility for performance and outcomes.

The Board set the strategy and objectives for value for money, however the directors and management have operational control in the delivery of the objectives.

VFM is something that everyone at Stonewater is responsible for, and is central to ensuring the outcome of the strategy. We need to ensure everyone has a good understanding of drivers so we ensure that we don't impact on customer satisfaction.

Our Value for Money Approach

Our approach to VFM is linked with the three themes in our strategic plan.

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

The commitments we have made are in line with delivering Stonewater's strategic plan and the test applied is whether each objective meets the five principles contained in the VFM framework:

- 1) Doing the right things
- 2) Doing things economically
- 3) Maximising the return from our staff
- 4) Maximising the return from our assets
- 5) Achieving the right outcomes

How to achieve VFM?

We must show an understanding of what we are spending, and how we can best achieve our strategy. It can be achieved in a number of ways:-

- Procurement/retender of new contracts (estate services, assets tenders)
- Ongoing process review and improvement and new operating model
- Asset Management strategy ensuring that we are making best use of our existing stock
- Benchmarking against similar high performing organisations
- Budgeting and forecasting is an ongoing process and requires each department to evaluate existing expenditure and strive to make VFM savings and initiatives
- Achieve top quartile performance on unit costs and operating margin

Embedded and monitoring VFM

VFM is lead by the Board and is reported quarterly to finance committee, which contains the RSH standard metrics. These metrics are included in monthly submissions to the executive teams, and is included as part of the annual statutory accounts.

By introducing the metrics into the repots it allow Stonewater to bench mark against our peer group, and by continuing to monitor our performance will ensure we create a culture of continuous improvement.

Therefore as VFM is centred in everything we do we need to:-

- Continue to promote VFM strategy
- Its easy to understand and monitor
- Ensure that it is included as part of directorate targets
- Its discussed when starting any new project as a deliverable
- Forms part of every employees objectives

The real measure of a successful VFM is that it is embedded into every decision Stonewater make. Therefore as part of the annual budget process VFM targets are set by each directorate, and each quarter actuals are compared to the targets set.

Stonewater will ensure that a measurable plans in place to address any areas of underperformance, including clearly stating any areas where improvements would not be appropriate and the rationale for this. These areas of under performances will need to be rationalised and disclosure as part of annual accounts. (example if a business decision is made to improve customer satisfaction we may see an increase in repair costs, however the justification will be due to performance)

Risk

We need to ensure that we are demonstrating VFM, as managing resources efficiently and effectively ensure that Stonewater are able to deliver the mission that “everybody has the opportunity to have a place that they can call home.

Stonewater Budget Targets for 2019/20

VFM Initiatives identified and targets for 2019/20 - £1.7m

- Finance - £0.3m
 - £0.3m the benefit of breaking Barclays SWAP per annum over 24 years.
- Assets - £0.4m
 - The South West responsive and gas contracts will be re-procured during 2019/20, and savings will be confirmed during Q1 forecast. The Finance evaluation of south east re-procurement at the six months showed a saving of £361K, and the expectation will be that the south west will deliver similar savings.
 - The kitchen and bathroom fitting and materials contracts are being retendered to commence in March 2019. It is expected we can achieve price savings from economies of scale, exact figures to be confirmed.
- Development - £0.3m
 - £0.3m negotiation on land purchases
- Housing - TBC
 - Reduced time to sale completion: Development appraisal calls for a 26 week sales period for each shared ownership unit, the team are currently achieving an average time of 11 weeks. This 15 week improvement should have a positive cost impact in terms of development expenditure (particularly in terms of interest and void costs).
 - The cost of sale for each shared ownership unit encompasses marketing, legal and valuation costs. These will be the subject of retender to enable a limited amount of suppliers during early FY 19/20 in order to achieve improved per unit sales costs
- Corporate - £0.7m
 - £0.1m reduced spend on staff travel and subsistence
 - £0.3m saving from IT computer procurement costs
 - £0.1m reduced legal and professional costs
 - £0.2m from reduced training