

VALUE FOR MONEY STRATEGY

2018 - 2021

The Wrekin
Housing Group

We will be relentless in our search for value and efficiency'.



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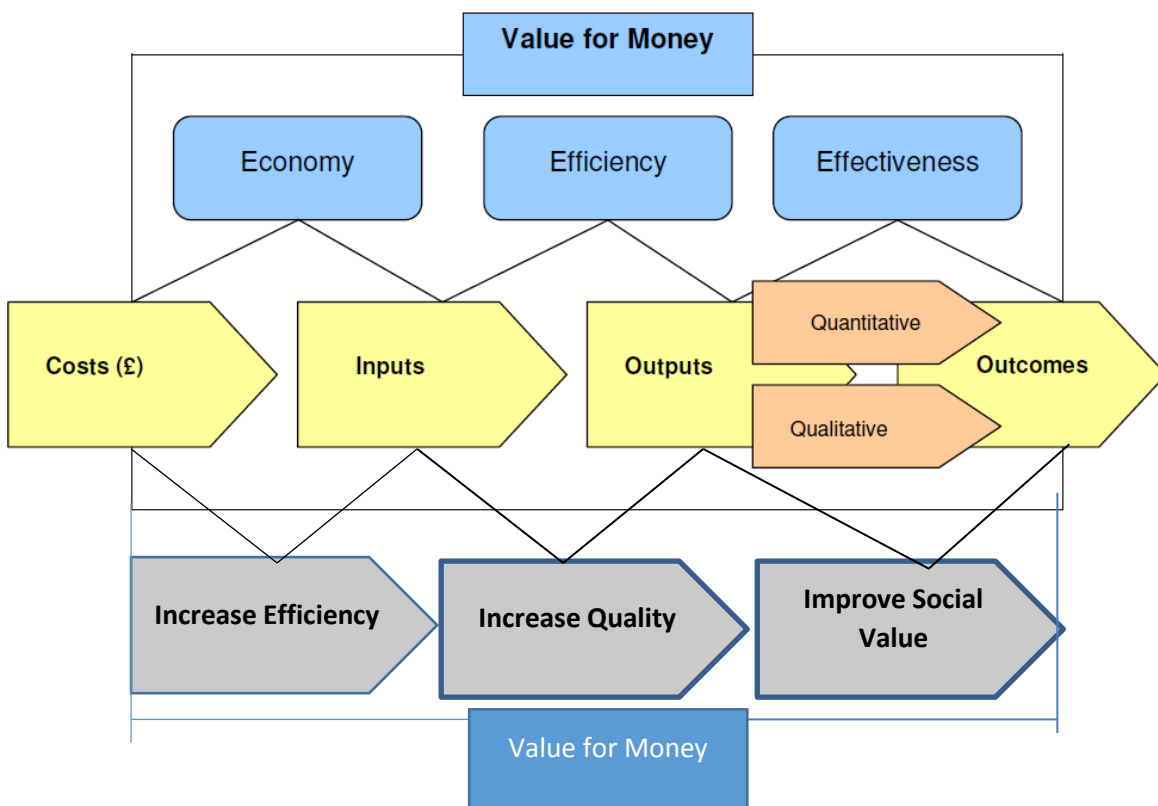
Introduction

This Value for Money Strategy sets out the Wrekin Housing Group’s approach to achieving and continually improving high levels of value for money (VFM) throughout the Group. The Wrekin Housing Group, notwithstanding the regulatory agenda, embraces the principles of VFM in order to work towards its purpose **“To be an outstanding housing association that excels in meeting and supporting local housing need”**.

The Group Corporate Strategy 2018 – 21 also includes a high level objective: **‘We will be relentless in our search for value and efficiency’**.

What is Value for Money?

VFM is often defined as the relationship between, economy, efficiency and effectiveness. However, the Group has recognised over many years the significant impact it has on society as a whole and has included this within its Strategy and VFM framework to deliver a more holistic approach. The diagram below translates the traditional VFM framework into a Wrekin Housing Group framework.



Background

During the last five years the Group has made significant VFM gains against ambitious targets.

However, the operating environment of the Group continues to be increasingly challenging through welfare reform, economic downturn, cost increases, availability of additional borrowing, increased emphasis on health and safety, and the crisis in the NHS and Social Care.

This VFM Strategy reflects the Board's aspirations of, achieving greater value for money for its customers, stakeholders, neighbourhoods and society in general. It builds on the existing VFM culture within the Group and the previous successes as set out in the Group's 2017/18 Value for Money Statement.

Regulation

The Homes and Communities Agency (HCA) introduced a Value for Money Standard in 2012. In June 2016, the HCA further published its report 'Delivering Value for Money: Understanding Differences In Unit Costs' and 'Delivering Better Value for Money: Review of Value for Money Self Assessments'. In 2017 the HCA now the Regulator of Social Housing (RSH) further reviewed the Standard and published its new VFM standard in March 2018, which came into force in April 2018.

Sector Risk Profile and other risks

The HCA Sector Risk profile published in October 2019 highlights the following key areas of risk for the sector currently. A summary is shown below. The full sector risk profile can be found on the RSH's website:-

A. Strategic Risks

- Consumer issues and health and safety
- Reputational risk
- Fraud
- Data integrity and technological risks

B. Operational Risks – existing stock and development

- Existing stock quality
- Counterparty risk
- Rents and rental market exposure
- Welfare reform
- Supported housing
- Costs and inflation
- Low cost home ownership and market sales
- Diversification

C. Financial & Treasury Management

- Existing Debt
- New Debt

- New business models – equity structures, lease structures and real estate investment trusts
- Pensions

Other risks: Not contained in the Sector Risk Profile.

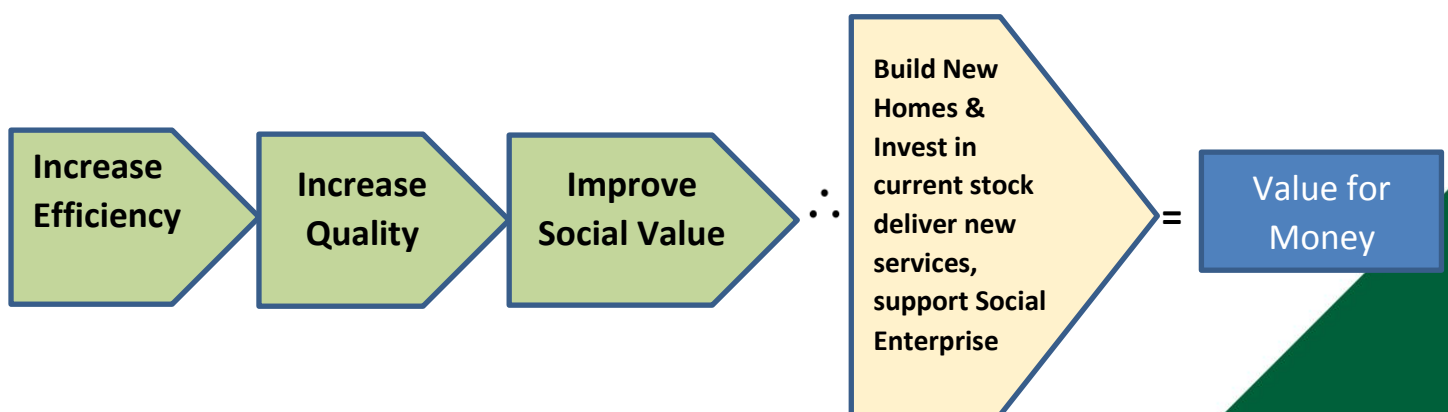
- Care Provision
 - Driving down of costs by commissioners of services
 - The increase in the National Living Wage driving up costs
 - The contract bidding process
 - National shortage of skilled staff
- Reduction in Local Authority grant funding to charitable bodies

The Group’s strategic risk register covers all of the above risks in so far as they are relevant to the Group’s activities and these are all monitored and reviewed by the Group board on a regular basis. There continues to be strong focus on cost control and reduction, dealing with the impact of welfare reform, maintaining investment in existing stock whilst delivering an ambitious development programme, having robust systems and controls in place to maintain cyber security and mitigate the risk of fraud and ensuring that the Group’s care and support activities are viable.

The refinancing of the Group’s debt portfolio has just been completed and the Group board are looking at options to mitigate the risk of increasing defined benefit pension scheme liabilities. Enhanced monitoring and reporting arrangements, together with a programme of independent specialist audits, have been put in place to ensure that the Group meets the highest standards of health and safety compliance.

Objectives of the Strategy

There are three top level key VFM objectives within this Strategy which will, when achieved, support The Wrekin Housing Group in achieving its ambition and purpose: **“To be an outstanding housing association that excels in meeting and supporting local housing need”**.



Future Value for Money Objectives

The Wrekin Housing Group 2019/24 Strategic Objectives

In the new strategic plan, for the period from 2019 to 2024, the group will aim to achieve its purpose through the following actions:-

- Through listening to our customers we will understand the current and future needs of our locality better than any other;
- We will work towards providing homes that are best in terms of energy efficiency and sustainability;
- We will be a fair and trusted employer supporting the development and skills of our people;
- We will be considered by partners to be trusted and collaborative;
- We will seek opportunities to promote jobs and economic growth in our locality, directing our spending to support the people in our locality, maximising the social value of our services and delivering wider community benefits;
- We will develop business models of care and support to create a bold and innovative service provider; and
- We will ensure that we meet the highest standards of leadership, management and governance

And of particular relevance to this document:-

- We will be relentless in our search for value and efficiency. We will:-
 - ensure we have a sound financial base to sustain quality at a minimum cost
 - have in place the right finances at the right time to ensure business growth
 - understand efficiencies to point where the service would be compromised

The key deliverables and the action required to deliver them are set out in the table below:-

How we will achieve this	Measurement
<p>Have a fully financed and robust financial business plan in place</p> <p>Set tight but realistic budgets</p> <p>Complete the refinancing strategy at the most appropriate time</p> <p>Monitor ourselves against sector key metrics to understand what it would take to be the best</p>	<ul style="list-style-type: none"> • By 2021 we will have reduced operating costs by 2.6% • From 2021 to 2024 we will continue to reduce operating costs by 1% per year • By the end of 2020 we will have refinanced £215m • By 2021 refinanced a further £80m • By 2024 secured total re-finance of £600m • We will have unit costs that are comparable to others

Value for Money metrics

VFM Standard Metric	Objective
Reinvestment	<p>Identify and take action on non-performing assets, disposing of 140 properties per year, generating proceeds of £7.7m per year for re-investment</p> <p>Deliver annual planned maintenance programme in line with business plan profile</p>
New Supply Delivered (Social Housing)	<p>Increase our property portfolio by 500 units per year predominantly in Shropshire and Staffordshire</p>
New Supply Delivered (Non-Social Housing)	
Gearing	Remain within our agreed golden rules, thus ensuring we meet our gearing covenant limits while achieving our development strategy
Interest cover	Remain within our agreed golden rules, thus ensuring we meet our interest cover covenant limits while achieving our development strategy
Social Housing Cost Per Unit	Maintain below inflation increases in social housing costs per unit

Operating Margin (Social Housing Lettings)	Continue to achieve annual 1% reductions in operating costs Achieve levels of group surplus in line with approved budgets and business plan Deliver all approved operational team plans
Operating Margin (Overall)	
Return on Capital	Achieve level of return on capital as per approved budgets and business plans
Other VFM metrics	
Overall satisfaction with Landlord (STAR)	Achieve top quartile performance
Social housing rent collected as a % of rent due	Achieve top quartile performance
Average relet time – social housing	Achieve top quartile performance
% Responsive repairs completed the same day	80%+ completed the same day
% gas servicing completed or within the no access process	100% within completed or within the no access procedure.
CQC Care Home ratings	To achieve 'good' ratings in all Care Quality Commission inspections

Monitoring of this strategy

The delivery of this strategy will be monitored by the Group Board as part of the monitoring of the delivery of the strategic objectives, presented at each Group Board meeting.

On an annual basis as Self-Assessment against the strategy will be undertaken and agreed by the Wrekin Housing Group Board.

A summary of our VFM activities and achievements will be published within the Wrekin Housing Group Annual Accounts and the full statement published on the Wrekin Housing Group website.

