

Tower Hamlets Homes

Value for Money Strategy

'Making Value Count for Residents'

2009-2012

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1.0 Introduction

Tower Hamlets Homes is committed to providing excellent housing services to residents, while at the same time delivering value for money. The demand for our services is increasing; however resources are limited, so as an organisation we are constantly looking for savings that can be re-invested into our front-line services. Therefore, to meet this challenge; the efficient management of resources remains one of Tower Hamlets Homes highest priorities.

2.0 Value for Money in Tower Hamlets Homes

2.1 Mission, Vision and Values of Tower Hamlets Homes

Our Mission

Tower Hamlets Homes will work with the Council, our strategic partners and our diverse communities to improve the quality of life for all residents through providing excellent housing services and decent homes in decent neighbourhoods.

Our Vision

Going for gold by 2012 – being a 3 star service by 2012.

Our Values

Our values are based on our behaviours that reflect what our residents tell us is needed and which our staff can easily identify with.

We are and will be:

- asking people what they want – not assuming we know;
- getting back to people – so they know what is happening;
- doing what we say – being judged by our actions;
- getting the basics right first time – finishing what we start;
- being courageous about change – admitting when we are wrong;
- being fair and ethical – in everything we do; and
- going the extra mile – no excuses.

Our Key Strategic Aims

Our set of Key Strategic Aims, underpin the delivery of the Vision, these are:

- to deliver excellent housing services;
- to invest in housing and achieve the Decent Homes Standard;
- to provide value for money services; and
- to engage residents in all aspects of our services.

Summary

Therefore VfM is an important factor in every aspect of the organisation, and is considered to be an essential part of the way Tower Hamlets Homes operates and delivers services to residents.

2.2 Linking the VfM Strategy with other Strategic Objectives

To ensure the delivery of VfM Tower Hamlets Homes will provide clear links between the frontline and strategic objectives set out in key documents such as the:

- **Business Plan**, which sets the main objectives that Tower Hamlets Homes, aims to achieve over a five year period, including our VfM objectives.
- **Asset Management Strategy**, that aims to achieve VfM through better utilisation of our asset base, whether this is through better procurement, improving current business processes and the introduction of new technology. An example would be to increase the number of repairs that are completed on the first visit, saving an expensive second visit and the freeing up of resources.
- **Customer Access Strategy** aims to improve the way residents contact us, by offering a variety of options. The strategy also aims to channel customer contacts into lower cost options where appropriate, such as the website.
- **Resident Engagement Strategy** which ensures that residents can participate and influence decisions about all aspects of service delivery and service improvements. This includes the shaping of both current and future services.
- **People Strategy** that ensures that duties are performed by the most appropriate members of staff, i.e. the right person doing the right job at the right level.
- **Work Force Development Strategy** to ensure that all staff members have the necessary skills to perform their duties efficiently and effectively.
- **Leaseholder Strategy** which aims to ensure that the leaseholder service charges and major works charges are collected efficiently and effectively. In addition, the strategy aims to improve the service offered to leaseholders and freeholders, while lowering costs and maximising income.

These plans and strategies all link into operational plans, like the Service Improvement Plan, Team Plans and the Two Star Manifesto, and at the lowest level, to staff members objectives that were set in their Personal Development Reviews.

2.3 VfM Deliverables at Tower Hamlets Homes

How do we show that we are delivering value for money at Tower Hamlets Homes?

Firstly, we will issue a Residents Annual Efficiency Statement that shows how value for money is being achieved in Tower Hamlets Homes. A second Annual Efficiency Statement will be prepared for the London Borough of Tower Hamlets.

These two statements will quantify value for money savings, but it is hoped that residents will notice the difference through the delivery of better services.

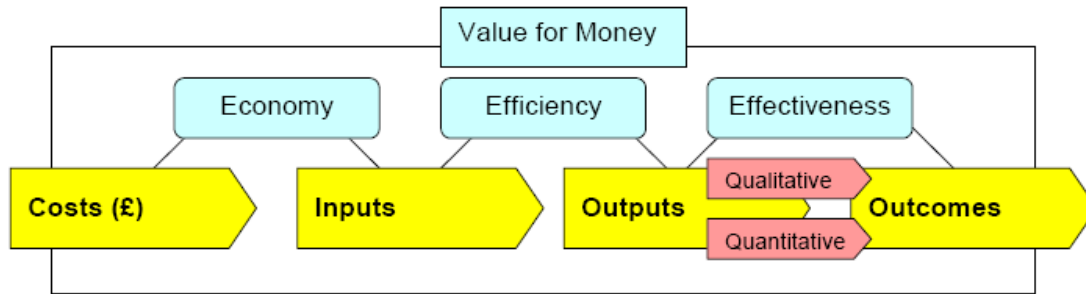
3.0 Background on Value for Money

3.1 What is Value for Money?

Value for Money ("VfM") is a long-standing concept within local government, which develops the relationship between cost ("economy"), efficiency and effectiveness – the 3 "Es". In deciding whether something is value for money, an organisation should look at whether or not it is obtaining the maximum benefit for the goods and services that it acquires or provides within the resources that are available to that organisation.

VfM is more than just the cost of goods and services, but must also take account of the mix of quality, cost, resource usage, fitness for purpose, timeliness and convenience to judge whether or not, together they constitute good value. There is certainly no longer an assumption that the cheapest price is best.

The following diagram illustrates VfM:



Economy is the price paid for what goes into providing a service, for example the annual cost of a Neighbourhood Housing office. Economy is also about minimising the cost of resources for an activity, i.e. doing things at a low price.

Efficiency is a measure of productivity – how much you get out in relation to what is put in, for example the annual costs per property for the collection of rent. Efficiency is primarily associated with the process and delivery of services, i.e. doing things the right way.

Effectiveness is a measure of the impact achieved and can be quantitative or qualitative. Decreasing the amount of time property is empty (voids), therefore reducing the loss of rental income is an example of effectiveness that is quantitative. An example of qualitative effectiveness would be increasing resident satisfaction with grounds maintenance on their estates.

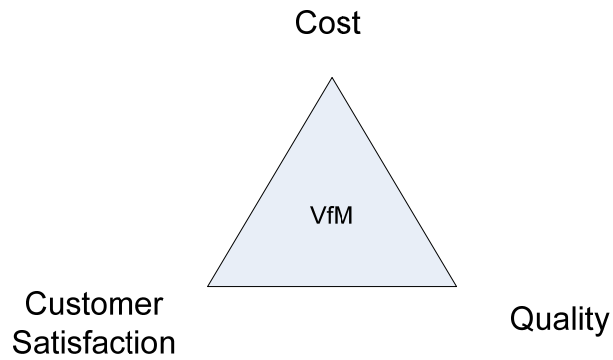
Effectiveness measures include aspects of quality and are primarily associated with the outcomes to residents, i.e. doing the right things.

3.2 How to Achieve Value for Money?

For VfM to be effective it needs to be understood by staff and residents with a good dose of common sense. There are three basic principles to achieving VfM:

1. **Pay less to get the same result**
2. **Get better quality for the same cost**
3. **Get more done for the same cost.**

A further principle of doing less for a lower cost would be a cut in service (not efficiency), which should be avoided, unless we are already doing more than we are required to do in order to achieve a Three Star Service.



Getting good VfM for a service e.g. cleaning, or a process, e.g. invoicing; requires a balance between Paying Less, Getting More, and improved Customer Satisfaction.

An example of the balance between the three sides of the VfM triangle is detailed below.

With the restructuring of the Neighbourhood Housing Service, and the creation of the 26 Neighbourhood Districts, residents will have a greater opportunity to influence VfM decisions in their neighbourhood.

In some instances residents will be able to make decisions on what services they require, and the cost that they are willing to pay for these services. For example, residents within a Neighbourhood District may decide to have a concierge service with limited hours, resulting in a reduction in cost, but with a payoff of less customer satisfaction and lower quality due to the concierge service only being available for a limited period each day.

Another Neighbourhood District may decide that they want a concierge service offering longer hours, but accept that this will cost more, and therefore they are willing to offer a co-payment to ensure the desired service is available, and this will result in an improvement in quality and customer satisfaction as the service is available when the residents require it.

3.3 External Drivers for Value for Money Strategy

In the public sector, efficiency has taken on a new meaning following the publication of the 2004 Gershon Report and the introduction of efficiency targets by the government (currently 3% annually) and the requirement to measure efficiency savings and report them through the Annual Efficiency Statement.

The Audit Commission has also developed their expectations in respect of demonstrating VfM (and efficiency) as part of their inspection process. VfM is an essential element of the Key Lines of Enquiry

(KLOEs) that have been developed to direct the inspection process and against which the performance of housing organisations is being measured. VfM is one element of the KLOE covering the quality of delivery for each activity. In addition, there is a crosscutting KLOE specifically considering VfM that also contributes to the assessment of Prospects for Improvement. The VfM KLOE asks two overarching questions which are addressed in this strategy:

- How do THH's costs compare with other organisations?
- How is VfM managed in THH?

Therefore, it is important Tower Hamlets Homes addresses these issues in order to achieve the necessary standard on VfM for the forthcoming Two Star Inspection by the Audit Commission in June 2010.

3.4 Tower Hamlets Homes Value for Money Strategy

Tower Hamlets Homes VfM strategy is based on six basic principles, being:

- Comparing costs (benchmarking) with other ALMOs
- Reducing costs and maximising income
- Improving the Delivery of Services
- Establishing an embedded VfM culture
- Medium Term Financial Plan and Budgeting
- Procurement Strategy

3.4.1 Comparing Costs

Tower Hamlets Homes contributes to the HouseMark benchmarking service, which can be used to compare our costs against the costs of other ALMOs and housing providers, both locally and nationally.

Using the annual HouseMark benchmarking results, Tower Hamlets Homes can identify both high cost and low satisfaction in its operations, and use the results to identify areas in which future VfM reviews can be focused and VfM savings achieved.

Although benchmarking is a useful tool, caution is required with the results, as local variations need to be taken into account. For instance Tower Hamlets Homes has a higher percentage of homes that do not meet the Decent Homes standard; therefore we may have higher repair costs than an ALMO with a higher percentage of Decent Homes.

Preparing the benchmarking figures is a useful exercise, as it forces us to evaluate our current costs, and is a useful starting point for re-

engineering processes and procedures when they are identified as being inefficient, high cost or ineffective.

3.4.2 Reducing Costs and Maximising Income

VfM can be achieved by reducing costs, while maintaining or improving the current level of service. Using best practice in procurement is one way in which significant VfM savings can be delivered through reducing costs.

Additionally, VfM can be achieved by maximising income, such as improving the collection of rent and leaseholder charges. The obtaining of external funding, such as the grant recently received to insulate the cavity walls in 1,900 properties is an example of improving VfM by maximising income.

3.4.3 Improving the Delivery of Services

Quantitative and qualitative VfM improvements can be achieved through the more effective use of our existing resources.

The Two Star Manifesto details a number of initiatives to improve the services that we deliver, such as the new Customer Services Hub and the revamped Neighbourhood Housing Officers initiative.

3.4.4 Establishing an Embedded VfM Culture

It is important that is not just the Board and Senior Management at Tower Hamlets Homes that are aware of VfM, but VfM awareness should extend to all staff members and most importantly to residents.

3.4.5 Medium Term Financial Plan and Budgeting

The Medium Term Financial Plan is a strategic plan for the Housing Revenue Account (HRA) that is prepared by the Development & Renewal Directorate at the London Borough of Tower Hamlets. As part of this planning exercise, Tower Hamlet Homes will be asked to identify opportunities for savings and generating VfM savings over a five year period.

Including VfM targets into the annual budgeting process will be required to meet the targets identified in the Medium Term Financial Plan.

3.4.6 Procurement Strategy

The VfM KLOE identifies that a robust, modern procurement strategy is needed to apply best practice in achieving improved VfM. Tower Hamlets Homes has revised its procurement code and introduced a procurement tool kit to assist staff procure effectively and efficiently.

Other procurement initiatives being used include:

- Increased use of partnering and collaboration agreements
- Aggregation of contracts and services
- Detailed options appraisal being performed before any decision is made to renew existing contracts.

3.5 Approval of the Value for Money Strategy

Board members are involved in the strategic development and monitoring of the VfM Strategy through the Board, with the Finance and Audit Committee scrutinising the process and the operational results that arise from the VfM Action Plan.

The Board has appointed Ian Fincher as the Board VfM Champion, and VfM is also considered by the performance Management Committee and the Organisation Development Committee.

Sayeed Kadir, the Director of Asset Management is the VfM Champion within Tower Hamlets Homes, and he leads the VfM leadership Group.

All the above parties have input into VfM within Tower Hamlets Homes, and the VfM strategy.

4.0 Delivery of the Value for Money Strategy

4.1 Introduction

The delivery of this overall VfM Strategy and the broad efficiency agenda is primarily through the:

- Efficiency Statement
- VfM Action Plan

The review of the VfM Action Plan and the Annual Efficiency Statement falls within the remit of the Finance and Audit Committee.

Regular reports will be presented throughout the year to the Finance and Audit sub-committee addressing performance against VfM and the efficiency targets. In particular this sub-committee will review progress

in achieving the target set in the Annual Efficiency Statement as well as the delivery of the VfM Action Plan.

4.2 Annual Efficiency Statement

Tower Hamlets Homes will produce an Annual Efficiency Statement specifically for residents. This will show how we met the value for money efficiency target set by the Board, along with other value for money measures on areas that matter for residents, such as management costs per property.

The benefits of the Residents Annual Efficiency Statement are to:

- Present VfM in a format that is relevant to residents.
- Use language that can readily be understood by residents.
- Assist residents in understanding of VfM and the issues that are associated with choices related to VfM.
- Engage residents in making local decisions on choices that have VfM implications.
- Increase transparency of VfM and savings generated.

It is intended to ask residents what they would like to see reported on within the Residents Annual Efficiency Statement, however see Appendix One for an example of what it may look like and measure that it may include.

4.3 Value for Money Action Plan

The VfM Action Plan will be submitted to the Finance and Audit Committee for approval and ongoing monitoring of performance against the targets in the plan.

The VfM Action Plan will:

- Be SMART (**S**pecific, **M**easurable, **A**ttainable, **R**ealistic, **T**ime bound)
- Contain agreed Performance Indicators to measure VfM achievements and savings.

The VfM Leadership Group will be asked to assist in the development of the VfM Action Plan, and the day to day management of the plan will be performed by the VfM Accountant.

See Appendix 2 for the 2009/2010 VfM Action Plan

4.4 The Value for Money Register

The VfM register will be a key document in the delivery of VfM savings, as it will be a central record of:

- VfM ideas received via Personal Development Reviews
- VfM ideas submitted from staff and resident suggestions
- VfM savings realised
- VfM savings yet to be realised
- To whom responsibility for realizing a VfM savings has been delegated to.

The VfM register will be maintained by the VfM Accountant.

4.4 Local Perspective on Value for Money

At Tower Hamlets Homes we understand that our residents have different needs and expectations from us, and one size does not fit all.

This is most important in regards to VfM, as there is often a relationship between the quality of the service delivered and the price of the service, so often difficult decisions need to be made.

With the creation of the new Neighbourhood Districts, it gives us the opportunity to explore devolving budgets to local residents, who then can decide on the type and scope of services that are delivered in their neighbourhood. This element of local choice will mean that residents will have to make informed VfM decisions on how funds are allocated to the provide services, and that often there is trade off between quality, cost and customer satisfaction.

In some instances residents may decide to focus on reducing costs in one area, and transferring the savings to another, or alternatively they may decide to pay additional payments to increase the frequency or quality of an existing service.

Appendix One - DRAFT Residents Annual Efficiency Statement

Tower Hamlets Homes Residents Annual Efficiency Statement			
The Board set the management of Tower Hamlets Homes an efficiency target of 3%, which means they had to save £1.1m in the year ended 31 March 2011.		Target 3% £1.1M	Actual 3.5% £1.3M
Examples of How the Annual Efficiency Target was Achieved	Was	Now	Comments
Cost of the Tower Hamlets Homes Management Fee per Property	£39	£37	<ul style="list-style-type: none"> • Less use of temporary staff • Moved some staff into lower cost offices • Energy efficiency Audit completed and findings actioned – delivering a lower carbon footprint • VfM action plan delivered £200k of savings
Repairs – Cost per Property	£95	£90	<ul style="list-style-type: none"> • Better utilisation of contractors • New contracts are cheaper • Bulk buying off materials
Repairs – Completed First Time	80%	86%	<ul style="list-style-type: none"> • Repeat visits cost more, in both time and money
Repairs – Satisfaction with VfM	89%	93%	<ul style="list-style-type: none"> • Residents believe we are delivering a better repairs service and providing value for money
Estates Cleaning - Satisfaction	55%	60%	<ul style="list-style-type: none"> • Better contract monitoring resulting in cleaner estates as contract is being fulfilled correctly • Satisfaction increased by 15% at no extra cost
Customer Access – Cost per Telephone Call	£8	£7	<ul style="list-style-type: none"> • Call Centre now operated by Tower Hamlets Homes • Satisfaction increased by 15%
Customer Access – Cost per Visit	£14	£10	<ul style="list-style-type: none"> • New Customer Access Hub is more efficient • More visitors seen by less staff • Satisfaction increased by 15%

Note: All figures, percentages and comments are examples.