



Value for Money Strategy (VfM)

Date reviewed – 21st January 2021

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AIMS OF THE STRATEGY

Delivering Value for Money (VfM) is integral to THA's ultimate objective to operate as a financially independent and viable business that can continue to be able to provide our tenants with a safe and secure environment that gives them the independence of living that might not otherwise be available to them.

This strategy sets out how THA will meet the requirements of the regulator, the Regulator of Social Housing (RSH) as described in their (VfM) Standard (effective 1st April 2018) and it will ensure that we are delivering our services as efficiently and effectively as possible to all our stakeholders.

BACKGROUND

THA does not own any properties but is a lease-based provider of specialist supported housing. This has been a key factor for the organisation historically being limited in our ability to easily demonstrate (VfM). THA were placed under regulatory supervision after being graded as G3/V3 due to concerns the regulator had regards our long term viability and the effectiveness of the Board. THA have also recently been deemed as non-compliant with the rent standard.

As a registered provider THA are bound to the (VfM) standards in force from the 01st April 2018 by (RSH). The required outcomes of those (VfM) standards is that registered providers must:

- Clearly articulate their strategic objectives
- Have an approach agreed by their Board to achieving (VfM) in meeting these objectives and demonstrate their delivery of (VfM) to stakeholders
- Through their strategic objectives, articulate their strategy for delivering homes that meet a range of needs
- Ensure that optimal benefit is derived from resources and assets and optimise economy, efficiency and effectiveness in the delivery of their strategic objectives

In 2017 the (RSH) published a new (VfM) Standard and a set of metrics which came into effect for all registered providers on the 1st April 2018. The Standard sets out clear expectations around (VfM).

SCOPE OF THE STRATEGY

The (VfM) Standard requires the THA Board to consider (VfM) across our whole business and therefore THA's objective is to demonstrate:

- we can ensure that the best value from our available resources is achieved
- we have a robust approach to achieving (VfM) – this must include a robust approach to decision making and a rigorous appraisal of potential options for improving performance
- The Board demonstrates regular and appropriate consideration of potential (VfM) gains is given – and this must include full consideration of costs and benefits of alternative commercial, organisational and delivery structures

- Consideration of (VfM) across our whole business has been given and where we do invest in non-social housing activity, we should consider whether this generates returns commensurate to the risk involved and justification where this is not the case
- That we have appropriate targets in place for measuring performance in achieving (VfM) in delivering our strategic objectives, and that we regularly monitor and report our performance against these targets

The three classic components of (VfM): - economy, efficiency, and effectiveness, are –

- Economy - minimising the cost of resources used while having regard to quality
- Efficiency - the relationship between the output from goods or services and the resources to produce them
- Effectiveness - the extent to which objectives are achieved (desired outcomes) and the relationship between intended and actual impacts

THA endeavours to achieve optimum economy, efficiency and effectiveness in delivery of our strategic objectives and corporate plan balancing the available resources, risks and legal requirements to ensure financial viability.

From a regulatory perspective there will be a greater emphasis on THA to ensure that our approach to the management of resources and assets is strategic, comprehensive, and clearly linked to achieving our objectives.

THA must therefore ensure that it meets its organisational purpose and objectives when considering the use of our resources or assets.

THA will have an effective approach to (VfM) objectives that ensures that consideration and action to be taken at both:

- Operational level - optimising (VfM) in the activities we carry out.
- Strategic level - ensuring that the (VfM) is conducted and addressed in strategic decisions

THA has to have demonstrated we have a full understanding of our cost basis and how these costs are compared to other organisations and how they have changed over time. It is expected that a full understanding of what is driving costs should be known and that assurance is provided that we are getting the desired quality at the best price.

THA will have a robust decision making process that includes a rigorous appraisal for improving performance and ensuring best (VfM) can be demonstrated and achieved.

It is incumbent on the board to actively consider the opportunity costs of THA's current structures and to understand the implications changes could have on the delivery of its objectives and what the impact might be for maximising the delivery of (VfM).

The main objective for THA is to ensure that we are financially viable in the short to medium term and that we are able to provide the expected service to our tenants as is required by regulation and legislation.

The objective of achieving financial independence and ongoing viability is intrinsically linked to the ongoing discussions with our main partners relating to historical arrears, future property costs and lease amendments.

THA will continue to develop its database on the cost base for the properties we manage so that these can be built into future business models and lease negotiation templates and we can continue to improve how we demonstrate how the public's £1 is spent.

THA are committed to develop our program for residential involvement regarding the delivery of the service they receive and how it can be improved.

REPORTING

The (VfM) Standard states that Registered Providers must annually publish evidence in the statutory accounts to enable stakeholders to understand the provider's:

- Performance against its own (VfM) targets and any metrics set out by the regulator, and how that performance compares to peers
- Measurable plans to address any areas of underperformance, including clearly stating any areas where improvements would not be appropriate and the rationale for this.

On an annual basis THA will carry out an assessment of how we have delivered (VfM) and the results will be published in our annual audited accounts.

This will include any information and metrics required by the Regulator to demonstrate how we have met the requirements of the (VfM) Standard and Associated Code of Practice.

We will continue to produce a separate (VfM) Self-Assessment which will provide a more detailed analysis of our performance and we will make this available to our stakeholders upon request.

REGULATORS VALUE FOR MONEY METRICS

Alongside the new (VfM) Standard, the Regulator published details of 7 metrics which measure economy, efficiency and effectiveness on a comparable basis across the sector.

These measures are derived directly from our audited accounts and have specific definitions attached to them.

The 7 measures are:-

- Reinvestment %
- New supply delivered %
- Gearing %
- Earnings before interest, tax, depreciation and amortisation Major repairs included (EBITDA MRI)
- Interest Cover %
- Headline social housing cost per unit
- Operating margin %
- All activities

- Social housing lettings only
- Return on capital employed

Not all of these metrics apply to THA as we don't own any of our own assets.

Provide more details on why these metrics don't apply to THA in next iteration of the policy

As a minimum THA will monitor these metrics where it is applicable to do so on an annual basis, tracking its performance against the prior year results and against an appropriate peer group. The results will be published in its annual accounts accompanied by a narrative which explains its performance and sets out any steps being taken to address areas of shortfall.

SECTOR SCORECARD & UNIT COSTS

The Sector Scorecard is a set of agreed metrics adopted by the Housing Sector to measure and compare (VfM). It incorporates the 7 mandatory measures required by the regulator. THA will continue to report in line with those requirements.

THA will continue to measure itself against those metrics that are meaningful and relevant to the organisation and help in our delivery of (VfM). These will be monitored and compared alongside the mandatory metrics and the results will be published in our annual accounts.

We will monitor any updates to the Sector Scorecard and adopt new definitions as they are published. THA will review any new metrics that are developed and will incorporate them into our (VfM) reporting where it is considered appropriate to do so.

THA has a continuous improvements framework to report on and achieve (VfM). The Executive team is charged with delivering (VfM) through Business planning, forecasting and the budget process through a day to day scrutiny of performance management.

SETTING TARGETS & COMPARING WITH PEERS

THA will continue to monitor and report on the income collection targets that have been built into the Business plan and represent a critical target for THA to achieve its main objective of viability and seeking financial independence.

Voids management targets built into the Business plan will be monitored and reported on as part of the monthly management reporting.

It will select individual peers who are comparable based on size, location and structure and using publicly available information such as the global accounts, we will carry out further benchmarking of key measures such as the unit costs.

ACTIVE ASSET MANAGEMENT

The Code of Practice states that "Registered providers must also be able to demonstrate that they have a full understanding of the return they generate from their assets compared to the costs of

maintaining those assets. Registered providers should be able to demonstrate how this return varies across their asset base, e.g. according to stock type or geographical location. Where assets are not apparently achieving the optimum expected return, registered providers should be able to articulate the rationale for continued support of the asset”.

A Stock condition survey of all properties leased by THA has been undertaken in conjunction with our head landlords and Baily Garner. Work programming’s over the short term have been developed to ensure that THA can afford to perform the work so our tenants can continue living in a safe and secure environment and that the asset is protected. This is a key objective for THA’s Board. Cash flow management will continue to be critical element of asset management given THA’s current financial position.

During discussions with its head landlord THA will address properties that it identifies as being detrimental to its future viability and discuss the removal from the portfolio it manages.

Leases that are held with private landlords will not be renewed unless the cost benefit analysis shows they work and generate a positive surplus position.

MAINTENANCE SERVICE

It is important that THA get the best value from the work carried out on the properties it manages. Priority will be given to repairs and maintenance work as per the timelines agreed in tenancy agreements and other third party agreements it holds.

The awarding of maintenance contracts and all work will where possible go through the procurement process. Contractors are vetted prior to awarding any work; this is done via face to face interview, references and/or reviews of work and price.

All contracts that have been taken out with third parties (Ascots & Urban Sky) to deliver the services that THA are legally bound to provide will be monitored and renegotiated, where appropriate, before the end of the agreements to ensure that the service to our tenants isn’t disrupted and remains to a high standard.

PROCUREMENT

THA Procurement Strategy sets out that we will aim to deliver (VfM) by ensuring that we are getting the best possible prices for the required quality of service or goods. All procurement will be made using a balance of cost and quality criteria and wherever possible are weighted towards price.

THA Will ensure that money is spent in a manner that demonstrates both (VfM) and openness, fairness and transparency of the process (Public Contracts Regulations 2015) (“the Regulations”)

All employees are responsible for ensuring that any procurement decisions reached demonstrate a (VfM).

Appendix

Last financial years published VfM statement