

# **Group Value for Money Framework 2016-2017**

## **1.0 Introduction**

- 1.1 Strong and effective management is integral in the process of delivering and improving business productivity. For Coastline this aim is embedded within the corporate objectives through the expectation of increased growth in units with no or limited expectations of staffing increases. A key part of this is achieving continuous improvement and excellence in running the business, essentially improving 'value for money' (defined in Section 2 below).
- 1.2 Value for money contributes to both sustaining financial viability and maintaining customer and stakeholder satisfaction. Value for money can also release resources for future investment in new homes and a range of related services. This is particularly relevant as the social housing sector continues to experience significant changes in the way it is both funded and regulated against a backdrop of continuing economic uncertainty, increased risk and increased market competition, particularly (but not exclusively) for those organisations with an active development programme like Coastline Housing Group and for those providing care and support services such as Homelessness, Extra Care, Older Persons Accommodation and wider community based initiatives.
- 1.3 To deliver value for money, the Coastline group (Coastline) must continually look at how resources are used to improve how the organisation operates. When viewed in this way, it is clear that value for money is not a standalone activity, but something that is intrinsic to all core activities and decision making processes. There is no single policy or strategy that sets out how value for money will be achieved, although the various threads are pulled together in the corporate plan, and there is a particularly strong link with performance management and improvement processes.
- 1.4 This framework therefore does not aim to duplicate what is already in place in other parts of the organisation, for example the Group Performance Management Framework. Rather the focus is on how Coastline ensures that appropriate data is available (to inform improvement and to evidence results) and on how value for money thinking can continue to be embedded across the organisation, being "part of the day job", with board members, managers and staff continually looking at ways to target resources more efficiently and effectively.
- 1.5 This framework (refreshed from the 2012-2015 version) is programmed to be reviewed in 12-months' time as opposed to the usual 36-month period reflecting on the level of change in both the operating and regulatory environment and the timing of a Corporate Plan update.

## **2.0 Definition and Assessment of value for money**

### **2.1 Definition**

- 2.1.1 Good value for money is the optimal use of resources to achieve the intended outcomes. 'Optimal' means 'the most desirable possible given expressed or implied restrictions or constraints'. Value for money is not about achieving the lowest initial price.

## 2.2 Assessing value for money

2.2.1 The National Audit Office (NAO) uses three criteria to assess the value for money of government spending i.e. the optimal use of resources to achieve the intended outcomes<sup>1</sup>:

2.2.2 Economy: minimising the cost of resources used or required (inputs) – spending less;

2.2.3 Efficiency: the relationship between the output from goods or services and the resources to produce them – spending well; and

2.2.4 Effectiveness: the relationship between the intended and actual results of spending (outcomes) – spending wisely and ensuring that outcomes link directly to objectives set out in the organisation’s Corporate Plan

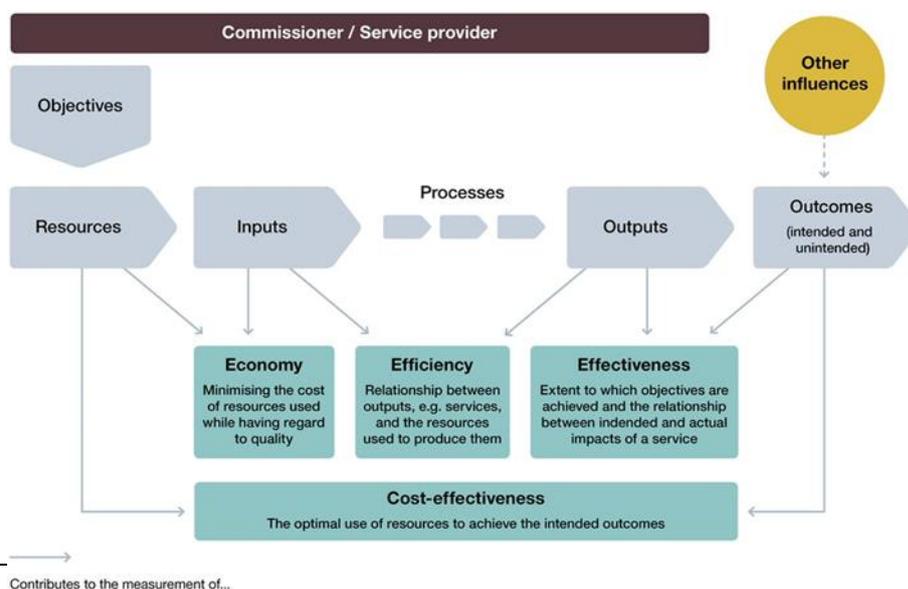
Besides these three ‘E’s, a fourth ‘E’ is applied in some places:

2.2.5 Equity: the extent to which services are available to and reach all people that they are intended to – spending fairly. Some people may receive differing levels of service for reasons other than differences in their levels of need.

For example:

- the cost and level of provision of a service is more for one group of people than that for another group of people with similar needs;
- some people cannot reach, see, hear or use a service;
- the service may be unsuitable for some people’s specific needs;
- a service is provided in a language that some people do not speak or terms they do not understand; or
- some people are unaware that the service is available to them.

2.2.6 In addition to these components consideration of a further E – Environment (impact on both the local community and the wider natural environment taking account of sustainability and the longer term effect of decisions) - should be included in value for money assessments as



<sup>1</sup> <https://www.nao.org.uk/successful-commissioning/general-principles/value-for-money/assessing-value-for-money/#>

should Social Value (see Section 11 for more detail).

### 2.3 Increased value for money can be achieved by:

- Reducing costs for the same outputs;
- Reducing inputs for the same outputs;
- Obtaining greater outputs or improved quality for the same inputs; or
- Obtaining proportionally more outputs or improved quality or better outcomes in return for an increase in resources.

### 2.4 Principles of Good Commissioning

2.4.1 The Government is working to improve commissioning to get the best possible services that deliver value for money. Previously, the then Office of the Third Sector outlined eight principles of good commissioning. If embedded, these could yield efficiency gains and community benefits, through smarter, more effective and innovative commissioning, and optimal involvement of third sector organisations in public service design, improvement, delivery and holding the public sector to account. This should result in better public outcomes for individuals and communities.

The eight principles of good commissioning are:

1. Understanding the needs of users and other communities by ensuring that, alongside other consultees, you engage with the third sector organisations, as advocates, to access their specialist knowledge;
2. Consulting potential provider organisations, including those from the third sector and local experts, well in advance of commissioning new services, working with them to set priority outcomes for that service;
3. Putting outcomes for users at the heart of the strategic planning process;
4. Mapping the fullest practical range of providers with a view to understanding the contribution they could make to delivering those outcomes;
5. Considering investing in the capacity of the provider base, particularly those working with hard-to-reach groups;
6. Ensuring contracting processes are transparent and fair, facilitating the involvement of the broadest range of suppliers, including considering sub-contracting and consortia building, where appropriate;
7. Ensuring long-term contracts and risk sharing, wherever appropriate, as ways of achieving efficiency and effectiveness; and
8. Seeking feedback from service users, communities and providers in order to review the effectiveness of the commissioning process in meeting local needs.
9. The principles do not mention grant making but neither do they preclude it. Where it would provide better value for money (for example, where it is a more economic process, or a more effective approach to the achievement of outcomes) then it remains an appropriate way to source services and meet users' needs.

2.4.2 The guidance on good commissioning is included to prompt those involved in delivering services to ensure that our wide ranging role in the communities we serve is always referenced back to the most effective way of getting the service provision to those who most need it. This may take the form of signposting and financial support for other organisations as much as Coastline providing those services.

## 2.5 Coastline internal control / guidance documents

2.5.1 There are a number of control processes and limits to the delegated authority of staff at Coastline and these are contained in the following documents which are available on Coastnet (Coastline's intranet):

- CHL Group Contract Standing Orders
- Code of Governance and Standing Orders
- CSL Financial Regulations and Standing Orders
- Scheme of Delegation
- CHL / CSL Financial Regulations
- Intra Group Agreement

## 3.0 Framework aims and objectives

### 3.1 Framework aims

3.1.1 The aim of this framework is to provide an effective framework for Coastline to ensure that its assets and resources are used economically, effectively and efficiently so that we can improve outcomes for our customers and other stakeholders, and so that we can evidence what we achieve.

### 3.2 Framework objectives

3.2.1 To achieve the aim, the objectives of the framework are to:

- Develop our use of business intelligence to inform our decisions better - understanding our cost drivers, how these relate to performance and compare to others;
- Integrate value for money principles within existing governance, management, strategic and operational planning and review processes;
- Ensure all staff understand what value for money is and how this can be achieved and are enabled and encouraged to seek value for money as part of their routine activities;
- Improve our approach to procurement and obtain maximum benefit (including, where relevant, enhanced social value) from goods and services procured;
- Promote and embed a culture of continuous improvement and value for money;
- Actively demonstrate our commitment to value for money to all stakeholders.

### 3.3 Expectations and outcomes

3.3.1 The Corporate Plan sets out a range of measurable outcomes, and it is currently being refreshed to ensure that it fits the current and future expected operating environment and delivers against the expectations of the communities we serve. There are specific measurable objectives outlined in the Performance Improvement Plan for 2016/17 (PIP17) and these are reviewed on an annual basis.

## 4.0 Context and relationship with other strategies and plans

4.1 Value for money is linked with our Corporate and Business Plans, our key business strategies and plans, our performance management arrangements and our service reviews

to ensure that it is embedded across the organisation. External factors such as customer choice and regulatory and statutory requirements are also taken into account.

4.2 These relationships are illustrated in the following diagram and set out in more detail in the paragraphs that follow.

4.3 Corporate plan

4.3.1 This sets our strategic direction. Objectives are set to be stretching while being achievable and are regularly monitored and challenged to ensure they remain relevant and appropriate to our business and our stakeholders. A highly focussed approach to value for money will underpin the achievement of Corporate Plan targets, driving customer satisfaction and profitability, and increasing the capacity of the organisation to deliver more to meet the requirements of its various stakeholders. Our current objectives (to 2017) are:

- Provide excellent housing and support services;
- Invest in our homes and neighbourhoods;
- Grow the organisation sensibly;
- Continuously improve our financial strength.

4.3.2 The Corporate Plan will be reviewed this year (2016) and 2016-2020 objectives will be set.

#### 4.4 Business (financial) plan

4.4.1 This is our long term plan which sets out the financial limits within which we operate and which can also be used to measure our performance and achievement of efficiency targets. In addition, our annual budget process provides an opportunity to review costs and identify the potential for reducing these. Any new initiatives (referred to as growth bids) which require funding need a robust business case.

#### 4.5 Group Procurement strategy

4.5.1 This includes the framework for achieving value for money when procuring goods and services e.g. tendering, exploration of partnering arrangements and other forms of collaborative working, e-procurement, and assessment criteria including social value.

#### 4.6 Human Resources (HR) strategy

4.6.1 This aims to build the capacity and competence of Coastline staff. It sets out how we will ensure we have the right people with the appropriate skills and experience in place in the correct numbers and working on those things which are necessary to deliver excellent services to our customers alongside ensuring that our business objectives are met and our legal and statutory responsibilities are fulfilled. The strategy emphasises the need for managers and staff to be more customer focussed and to work in ways which are more evidence and knowledge based, more commercial and more outcome focussed – all of which will help strengthen our drive to deliver and demonstrate value for money.

#### 4.7 Benchmarking

4.7.1 We benchmark our performance through membership of HouseMark, by using performance information published by our regulator (HCA Regression Analysis, HCA Sector Global Accounts) and by comparing our performance against national averages and with peer groups. Activity-based costing supports our benchmarking activity. However, we recognise that benchmarking is not an exact science but more of a “can opener” which can highlight areas for further investigation and scrutiny. Coastline is a member of Housemark’s Southern LSVT Benchmarking Club.

4.7.2 Whilst there can be difficulties in ensuring the correct comparators are used (for example, compared to other providers in this peer group, Coastline utilises a maintenance subsidiary and care and support services which changes the nature of the business away from that of many LSVTs).

#### 4.8 Service improvement plans

4.8.1 These are produced following the completion of service reviews. Each directorate has a responsibility to review costs and processes to identify areas of spend which could be reduced and services or functions which are no longer a priority. Actions to improve services are cascaded to staff responsible for implementation through directorate and team plans and through personal objectives. The Organisational Development Group (ODG) monitors performance against these plans.

#### 4.9 Performance management

4.9.1 The performance management framework ensures key performance indicators (which are documented in our Performance Improvement Plan (PIP) and linked to Corporate Plan objectives) are subject to annual target setting with actual performance measured and reported regularly to management and Board. GPMT reviews monthly KPIs and performance reports are also submitted to each Board meeting. Staff performance is monitored through monthly one to one's and the annual staff appraisal process which includes the setting of SMART<sup>2</sup> targets linked to our corporate objectives and goals.

#### 4.10 Government and regulation

4.10.1 The most recent Autumn Spending review (2015)<sup>3</sup> highlighted that government is prioritising the areas of the NHS, Defence and Housing alongside the aim of balancing the books and achieving a £10bn per year surplus by 2019-20. The majority of movement is to be funded via reducing spending as opposed to tax increases. Whilst identifying housing as a priority the government has so far reduced rents by 1% each for four year (2016-2020) and there has been a reduction in capital grants for new rental housing products. The focus is currently around increasing levels of home ownership through homebuy and shared ownership new build and by seeking to extend right to buy.

4.10.2 Whilst the current policy direction from Government is clear operational details have taken time to emerge especially in relation to rental income and this along with a regulatory focus on delivering and evidencing value for money make capturing and reporting our achievements an important element of this framework.

4.10.3 There is also a clear message from government that greater efficiencies are expected from the sector and that it equates value for money largely in terms of the numbers of new homes being built per annum. It is therefore critical that housing associations are able to demonstrate delivery of value for money to the regulator specifically through annual statements and directly through the investment in new housing.

#### 4.11 Customer scrutiny into Coastline (customer involvement and participation)

4.11.1 This is important in securing high customer satisfaction with our services which is achievable by "involving customers in difficult choices around priorities and service standards"<sup>4</sup>. Coastline's approach to customer scrutiny and wider involvement is described in the "Involve" strand of the Access and Digital Transformation Strategy. The Great Homes and Great Services Teams review performance and can raise issues with the customer scrutiny panel (Customer Scrutiny into Coastline [CSC]) which would then review the services by working as a co-regulator, checking they meet customers' needs while offering high standards and good value. The CSC reports regularly to the Coastline Board.

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<sup>2</sup> Specific, Measurable, Achievable, Realistic, Time Bound

<sup>3</sup> [www.gov.uk/government/news/spending-review-and-autumn-statement-2015-key-announcements](http://www.gov.uk/government/news/spending-review-and-autumn-statement-2015-key-announcements)

<sup>4</sup> Embedding Value for Money in Housing Association Services, CIH and HouseMark

## 5.0 Value for money and performance improvement

5.1 Coastline's approach to continuous improvement has three stages as follows:

- Stage 1: Understanding Where We Are – Benchmarking and Feedback
- Stage 2: Reviewing What We Do
- Stage 3: Taking Action To Improve

5.1.1 While this process is 'owned' by the performance improvement framework and driven at a high level by the corporate plan, the value for money framework has a key role to play. Each stage is set out in more detail below with commentary on the key elements of Coastline's approach.

5.2 Understanding Where We Are – Benchmarking and Feedback

5.2.1 Managers use data and business intelligence (e.g. performance measures) together with qualitative information including customer feedback. This will provide the basis for deciding priorities for improvement in conjunction with our customers and stakeholders.

5.2.2 Benchmarking requires an evidence-based self-assessment of costs and cost drivers together with an understanding of performance measures at both a strategic and operational level to identify areas where savings can be made with the least impact on satisfaction and areas where improvements can be made with maximum impact on satisfaction.

5.3 Coastline:

- Uses HouseMark data as one of the mechanisms for cost and performance comparisons because it enables us to compare our performance with other organisations in a way that is structured and managed independently;
- Compares our performance to indicators submitted to and published by the Homes & Communities Agency;
- Monitors our membership of benchmarking and good practice groups so that these are only maintained where they add value;
- Continually reviews and seeks feedback on our cost and performance data to ensure Board, managers and staff, and our customers receive the most appropriate information to assist them in their roles;
- Uses a range of customer satisfaction surveys and other feedback mechanisms (e.g. complaints and compliments) to gauge the quality and performance of our services; and
- Maintains detailed information on the condition of our properties and the cost of maintaining them over a 30-year life cycle.

5.4 Reviewing What We Do

5.4.1 The evaluation of the current position will include an assessment of the baseline position against good practice and include a robust challenge to the 'status quo'.

#### 5.4.2 Coastline:

- Continually challenges value for money in our “back office” functions as well as in our services delivered direct to our customers;
- Analyses the costs and benefits of our chosen delivery models and procurement activity;
- Uses our customer scrutiny arrangements to ensure our customers’ views are at the forefront when reviewing or proposing services; and
- Prioritises areas where our performance is weakest (i.e. costs are high, our assets underutilised and/or our performance poor);

#### 5.5 Taking Action to improve

5.5.1 Coastline has established service and departmental improvement plans which are supported by individual performance targets. These focus on areas we have prioritised for improvement in consultation with our customers and stakeholders. Improvement plans are integrated into our performance management framework.

5.5.2 Coastline’s action plans are the key tool for driving value for money improvements in front-line service delivery and in supporting “back office” functions. We have also developed action plans to drive value for money improvements in the way we utilise our assets.

#### 5.5.3 Coastline:

- Bases action plans on the results from benchmarking, customer feedback and service reviews;
- Reviews all areas of the business on a cyclical basis;
- Sets targets and timescales for delivery of improvements in conjunction with our customers and stakeholders;
- Actively manages performance using performance monitoring reports to identify variances from performance targets and/or any slippages in our plans, and determining any corrective action required;
- Continues to include value for money within our business plans and strategies and service improvement plans to ensure there are no gaps or duplications;
- Identifies the members of staff responsible for approved actions;
- Ensures that relevant business and service reviews by Internal Audit or other external bodies include coverage of value for money;

### 6.0 Embedding value for money

6.1 Our approach is designed to ensure value for money is embedded throughout the organisation and across all services and activities.

6.2 This is achieved through a wide variety of mechanisms as set out below:

- Giving value for money a high profile, including;
- Having a cross-departmental value for money and procurement group, led by the Director of Finance, to ensure the profile of value for money remains high;
- Ensuring Board papers “For Decision” include a discussion of options considered in addition to a recommendation so as to both evidence how proposals have been developed and to facilitate informed debate at Board level;
- Establishing value for money considerations as part of the annual budget setting and business plan review processes;

- Reporting KPIs, taking appropriate corrective action where targets are not being achieved;
- Having team and individual targets which include value for money, using the “golden thread” approach to developing and cascading objectives which link to our corporate objectives and goals;
- Maintaining a procurement and tendering toolkit that focuses on getting the best value in the purchase of goods and services; considers how to maximise social value in relevant procurement activity; and is supported by our financial regulations and standing orders;
- Ensuring our approach to value for money is rolled out to and adopted by our subsidiaries as well as by the parent CHL;
- Providing board members, staff and customers with value for money awareness and (where relevant) procurement training;
- Engaging with our customers and other stakeholders in the review and development of our services;
- Providing feedback on progress against the value for money framework including information on value for money achievements.

## **7.0 Obtaining assurance on value for money and documenting achievements**

- 7.1 Obtaining assurance that the framework for delivery value for money is effective and evidencing and documenting achievements is critical to the successful delivery of value for money.
- 7.2 The organisation has a Value for Money & Procurement Group whose membership comprises the Director of Finance and members of staff from key business areas and whose original remit was “to champion value for money and support best procurement practice across the Group”. In addition to its existing terms of reference the group’s remit has been extended to reflect the central role they will play in obtaining assurance with respect to Coastline’s value for money framework and in documenting achievements. The group’s terms of reference are set out in Appendix 1.
- 7.3 The Value for Money & Procurement Group has played a lead role in the preparation of this framework and the associated action plan and will take a lead in preparing the annual value for money statement required by the regulator<sup>5</sup>.
- 7.4 The regulatory statement is required to set out “in a way that is transparent and accessible to stakeholders how they are achieving value for money in delivering their purpose and objectives...(and)...shall:
- enable stakeholders to understand the return on assets measured against the organisation’s objectives
  - set out the absolute and comparative costs of delivering specific services
  - evidence the value for money gains that have been and will be made and how these have and will be realised over time.”
- 7.5 Some of the key areas of work that will be involved in ensuring Coastline gains assurance on value for money activities and achievements are:

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<sup>5</sup> The Regulatory Framework for Social Housing in England from April 2012 (HCA March 2012)

- Reviewing progress against the Value for Money Framework Action Plan and presenting a report to GPMT each quarter;
- Reviewing on an annual basis the Performance Improvement Plan indicators captured in CorVu and ensuring these are appropriate;
- Refining how Coastline makes use of HouseMark benchmarking information to ensure the processes are efficient, robust and of practical use;
- Preparing an annual evidence-based assessment of value for money;
- Maintaining a value for money log to record all cashable and non-cashable gains which will be reviewed quarterly by the Value for Money and Procurement Group;
- Ensuring that staff receive appropriate induction and training so that corporate policies are understood and adhered to and so that delegated authorities as defined in the Group standing orders are not exceeded.

## **8.0 Management arrangements for value for money**

- 8.1 Overall responsibility for managing value for money rests with the CEO, supported by the ET and GPMT. The Director of Finance provides the ET lead. Delegated responsibility for individual service areas will be set out in Performance/Service Improvement plans.
- 8.2 GPMT's terms of reference set out that it aims to "...identify poor or adverse business performance issues across the group and to determine appropriate actions to drive improvement". It is responsible for overseeing the Performance Management Framework and will keep under review all Performance Improvement Plans, ensuring targets are achieved (Service Improvement Plans are reviewed by ODG).
- 8.3 GPMT will review progress against the Value for Money Framework Action Plan each quarter ensuring appropriate action is taken to address any variances. It will also receive regular reports on the Value for Money Log through the VFM and Procurement Group's minutes.
- 8.4 All business strategies and plans and all Directorate, Team and Service Improvement Plans will have a value for money section to indicate where these will have a value for money impact.
- 8.5 Guidance for setting organisational budgets will be prepared and updated each year and will set out what value for money considerations will apply.

## **9.0 Governance arrangements for value for money**

- 9.1 The Board will set the strategic direction for value for money: approving objectives, priorities and targets as part of the Corporate Planning process and ensuring approved strategies for value for money and for procurement are in place and are formally reviewed at least every three years.
- 9.2 The Board, supported by the Audit and Risk Committee (A&RC), will also hold the ET to account for value for money performance, overseeing performance against agreed objectives, targets and action plans.
- 9.3 All Board reports will have a value for money section to consider and explain the value for money impact arising from the report. Board papers "For Decision" will also include a discussion of options considered in addition to a recommendation.
- 9.4 The Board, supported by ET and the Value for Money & Procurement Group, will conduct an annual evidence-based self-assessment of the organisation's performance in relation to value for money.

## **10.0 Regulatory requirements**

- 10.1 Under the regulatory framework effective from April 2012, the value for money standard moved from consumer to economic regulation, raising its profile and ensuring that it will be actively regulated. Further, the HCA confirmed that a key objective of regulatory

engagement is to “deliver value for money improvements to support providers to deliver their social housing objectives”. There is a clear emphasis that boards are expected to understand the organisation’s approach to, and position, with regard to value for money.

- 10.2 Providers are expected to drive value for money across their operations and asset base, adopting a comprehensive approach which takes into account the interests of and commitments to stakeholders. Resources are to be managed economically, efficiently and effectively to provide quality services and homes, and plans for delivering year on year improvements in value for money are required.
- 10.3 The standard also requires organisations to have an understanding of options and opportunity costs (including considering ‘alternative models of service delivery’) and to understand the underlying cost drivers behind service functions.
- 10.4 As part of its routine regulatory engagement with providers, the HCA will perform a “review of the assurance provided to Board on the strategy for and achievement of value for money in the organisation”. This will be used to supplement other areas of evidence including financial and business plan information and any public assessment the organisation has made. HCA regulatory engagement managers and financial analysts are expected to collaborate closely on the assessment of value for money.

## **11.0 The legal framework for housing**

### 11.1 Public Services (Social Value) Act 2012

11.1.1 Section 3 of relates to the contract arrangements of public bodies including local authorities and, in England, housing associations.

11.1.2 For housing associations the Act applies in two important and distinct respects:

- Firstly, as a relevant authority when procuring a service; and
- Secondly, when tendering for a service to a local authority or other relevant body.

11.1.3 The Act complements existing procurement legislation and applies to contracts for all products and services and framework agreements to which the Public Contracts Regulations (2006) apply. It sets a requirement for contracting organisations to have due regard for the social and economic value of their procurement processes and to raise the profile of the social value agenda when contracting for services.

11.1.4 “Social value” is a way of thinking about how scarce resources are allocated and used and looks at the wider community benefit; for example, can a construction contract generate jobs for local unemployed people and raise the aspirations of local school pupils through promoting careers in construction and trades to local schools?

11.1.5 Value for money in terms of the “whole life costs” of a contract will remain the over-riding factor that determines all procurement decisions but how value for money is defined is widened to include social and environmental benefits which can be measured alongside economic factors and together with careful consideration of how risk is eliminated, mitigated or managed.

11.1.6 In terms of tendering to provide services, Coastline needs to consider the social value it creates and actively promote this as part of its offering.

### 11.2 Public Contracts Regulations 2015

11.2.1 Following on from the 2014 EU Procurement Directives coming into force, the government prioritised the Public Contracts Directive for early implementation as it deregulates and simplifies the rules for where most procurement spend and activity takes place. The changes have enable buyers to run procurements faster, with less red tape, and greater focus on getting the right supplier and best tender in accordance with sound commercial practice. The UK's implementation of the Public Contracts Regulations 2015 took effect from 26 February 2015 concluding the transposition process.

11.3 The HM Treasury publication "Managing Public Money" (updated August 2015) provides further guidance in relation to best practice and expectations around public procurement.

12.0 Appendices

Terms of reference for Value for Money & Procurement Group