



Our strategic approach to Value for Money

Strategy owner	Group Director - Resources	Version	8
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Introduction

This document outlines our approach to achieving Value for Money.

Our corporate vision

Our Corporate Strategy (outlined in the document “Our Corporate Journey”) is underpinned by our purpose.

To realise the potential in our communities

To achieve our purpose, we have set ourselves five objectives and our approach to Value for Money is underpinned by these objectives



Diagram one – Our Corporate Journey

Our approach to Value for Money

Value for Money (VfM) is traditionally defined as a mix of economy (investing at the right price), efficiency (doing things the right way) and effectiveness (doing the right things), known as the 3 Es. We have translated this into our VfM strategic approach.

For us VfM is about *increasing our investment by doing the right things in the right way using the right investment*



We are a financially strong business with a robust 30-year Business Plan that demonstrates we can deliver our objectives within our current investment capabilities. However, we are committed to transforming our business to create efficiencies that will better enable us to target and deliver our objectives whilst continuing to build financial strength for the next stage of our journey.

VfM makes business sense to us, to our customers and to our stakeholders, including the government and the Regulator of Social Housing (the Regulator).

Our three key criteria in achieving VfM are:

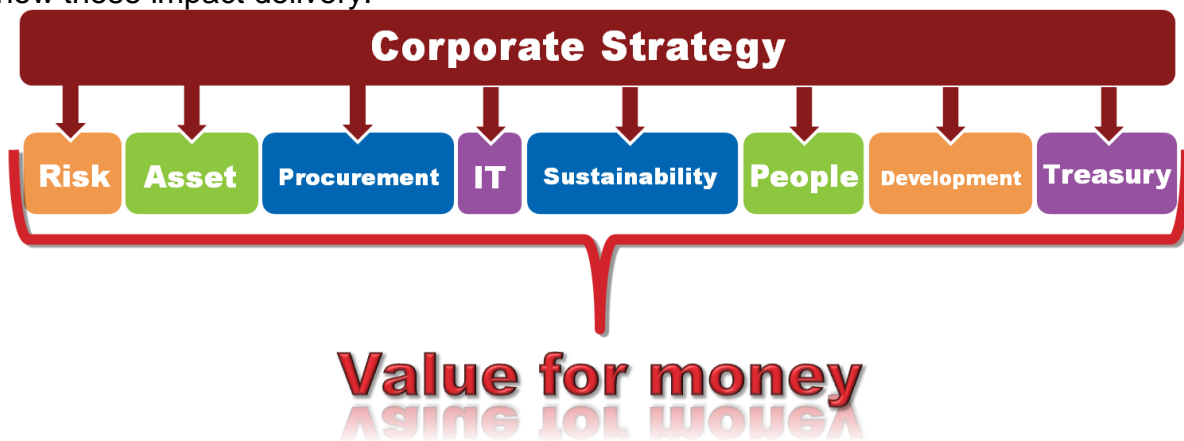


Diagram two – What VfM means to us

These criteria need to be looked at as a whole. For example, before knowing the right way of doing something we need to understand the cost of it. We want the best result but it needs to be affordable. So, let's look at each criterion.

What are the *right things*?

We are a social landlord with the community at our heart. We have outlined what the *right things* are for us in our Corporate Strategy (diagram one). Our key objectives cascade down into our more detailed and focused strategies (diagram three). When setting our strategies we will challenge the way we do things and ensure a clear understanding of our costs and how these impact delivery.



Diagram

three – How VfM is delivered through our corporate strategies



We will know we are doing the *Right Things* when

- We are involving our tenants and leaseholders, relevant partners and stakeholders in shaping and designing our strategies
- Our strategies are relevant, aligned and targeted to deliver our corporate objectives
- Our strategies embed our VfM approach
- We have clear action plans to deliver our strategies
- We are recruiting the right people and skills and are investing in our staff to deliver the right cultural environment to deliver transformation in our business

What we need to do

- Ensure our strategies are regularly reviewed
- Ensure strategies are clearly linked to our Corporate Objectives
- Ensure where relevant that our strategies are clear on how they will achieve VfM
- Challenge everything we are doing that does not help us to meet our objectives and be clear on why we are doing it
- Select metrics which are aligned to the delivery of our objectives and regularly measure and review our performance against those metrics

What is the Right Way?

When doing the *Right Things* we need to make sure we do them in the *Right Way*. This could be through better use of IT, eliminating waste through better processes or ensuring that we have the most effective delivery vehicle for achieving our purpose. We need to be clear on what is the right and best way for us, as Red Kite. This was reviewed by the Board in 2017 and will continue to be reviewed on at least a three year basis. Our community focus will be a key aspect of doing things the right way and will be a driver in how we deliver.

We make sure we are doing things the *Right Way* by having a transformative management culture and structure to encourage and enable innovation, challenge and creativity, focused on meeting our Corporate Objectives. We have experts across the organisation in roles designed to enable and support teams to deliver services to our customers. Most importantly we have developed a group structure to better deliver against our corporate objectives in the way in which we meet housing need across the communities we serve.

We will know we are doing things the right way when:

- We have high customer satisfaction levels
- We meet our performance forecasts
- Our performance is amongst best in class (and when not we have a reason or plan to correct this)
- Our processes are in line with and enable us to meet our key objectives
- We are meeting our regulatory requirements



- We can demonstrate we are a learning organisation delivering a performance and compliance culture that is people focused, picking up on the issues emerging from the green paper on social housing
- We have positive Internal Audit reports
- We are attracting and retaining highly skilled and motivated staff
- Our governance structure is aligned with our approach

What we need to do:

- Actively engage with our customers to understand how they feel about us in terms of quality and cost and the balance between the two
- Benchmark performance – comparing results and learning from others
- Drive value from a focus on people i.e. tenants and home safety.
- Test our processes to ensure they meet their objectives
- Eliminate waste from our processes
- Set clear performance measurement linked to our objectives
- Create a learning organisation – individually and corporately
- Explore innovative solutions
- Carry out regular self-assessments and ‘lessons learned’ exercises
- Create a working environment that enables staff to work innovatively and effectively
- Further embed VfM into our culture
- Have clear service plans that link into our strategic aims
- Create clear development plans for staff

What is the Right Investment?

Investment is the third key element of our VfM approach. We need to make sure that our financial investment is the best it can be, to allow us to operate in the *Right Way*.

To achieve this, we are committed to working efficiently. We will do this by having a clear understanding of our costs and cut out unnecessary spend through adopting better ways of working. However, we understand the optimal cost is sometimes not the lowest, so in some cases costs may increase to meet our objectives.

We will know we are making the *right investment* when we can demonstrate:

- We are forecasting investment in line with our Corporate Objectives
- We balance investment between existing and new customers
- We are optimising the use of our assets to best meet our Corporate Objectives
- Our costs are comparable to best in class (and when we are not we have a reason or plan to correct this)
- We have identified our delivery method is the most cost effective (e.g. in-house, outsource, shared service)
- Effective competitive procurement that balances quality and cost



- We use benchmarking, customer insight and performance information to understand and review our costs and investments

What we need to do:

- Demonstrate we have a clear knowledge of our costs and an understanding of an acceptable balance of quality and cost
- Have a clear business case that shows a clear understanding of the cost of different solutions before major projects are launched
- Investigate the different cost options of service delivery (e.g., in-house, outsource and shared service)
- Review from time to time (at least every three years) whether our delivery structures still are a good fit to the delivery of our objectives

Delivering, measuring, monitoring and reviewing VfM

We need to demonstrate that we are achieving VfM and we will do this through:

Delivering our strategic plans by:

- Challenging ourselves to identify where we can do things better
- Being clear on the value of change when we review the way we work

Monitoring our progress against our strategic delivery plans:

- All major projects and investment will identify how they will achieve VfM
- Through targeting and benchmarking our performance against our peers using the standard VfM metrics selected by the regulator (see Appendix 1)
- Through reporting on a regular basis to the Board on our progress against the metrics set
- Through understanding where our performance is different and ensuring it is aligned to our objectives or putting in place remedial plans where it is not
- Through selecting additional measures that are related to the achievement of our objectives (targeted and benchmarked where practical)

Measuring the impact of our activities through the metrics selected above and reporting on that within our annual accounts and making available an accessible report separately to our key stakeholders (our tenants and leaseholders) on at least an annual basis

Reviewing our approach by learning from our own experiences and from good practice externally. Our Board will review our approach annually.

Roles



Our approach to achieving VfM reinforces our key values of Partnership, Respect, Pride. Everyone has a role in achieving VfM as we aspire to be a business that innovates through sharing ideas and creating solutions at every level.

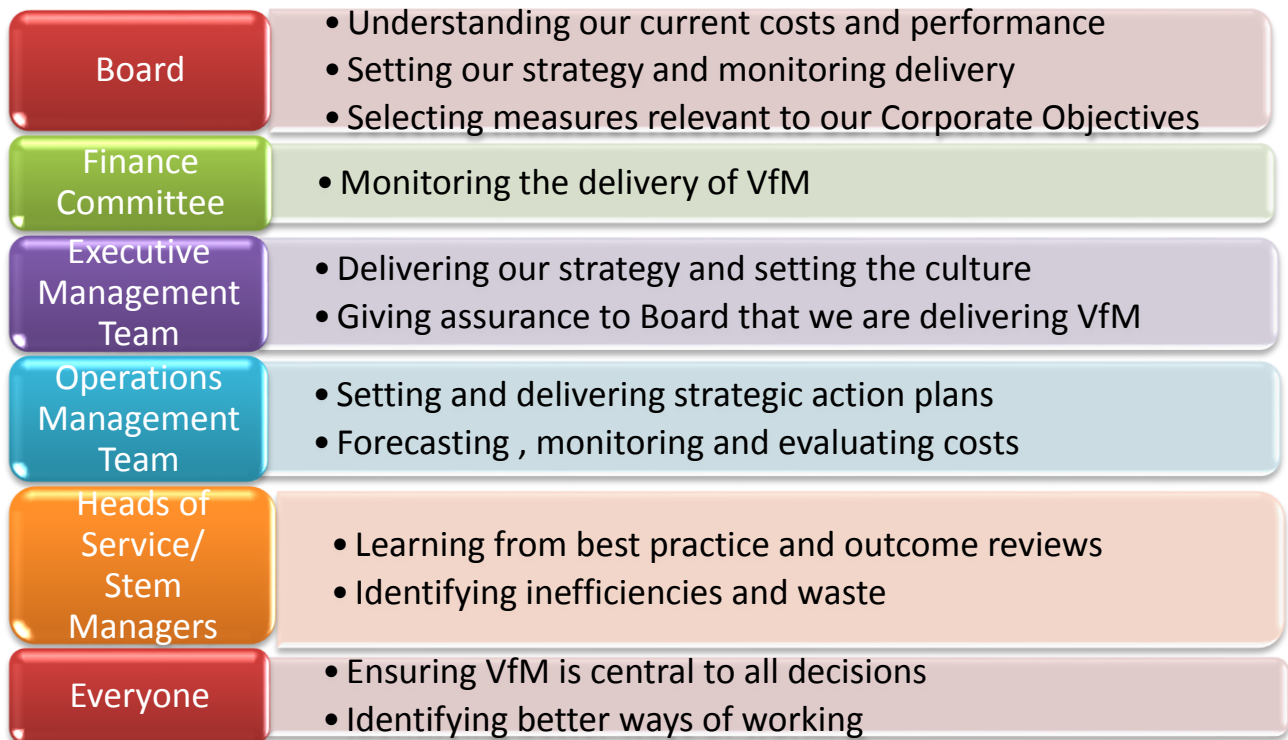


Diagram four – Key roles in achieving VfM



Legal and regulatory framework

Whilst there is no specific legislation on VfM, the Localism Act 2011:

- gives the Regulator powers to set an “economic standard”
- states VfM is a key feature of local involvement in services and service delivery.

The Public Services (Social Value) Act 2012 requires us to consider the wider social impact when procuring goods and services.

The Regulator’s standards include a [VfM standard](#) (completely revised and reissued from 1st April 2018) as part of the Economic Standards.

This requires us to:

- clearly articulate our strategic objectives
- have an approach agreed by our board to achieving value for money in meeting these objectives and demonstrate our delivery of value for money to stakeholders
- through our strategic objectives, articulate our 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 our strategic objectives



APPENDIX 1: VfM Targets

These were agreed by the Finance Committee at their meeting of 28th June 2020
For Standard measures (defined by the regulator)

Required VfM measures				
KPI No.	Description	Lower Guiderail	Upper Guiderail	Comment
1	Reinvestment percentage	90%	105%	Based on 2020 budgeted figure
2 (i)	New supply (social)	80%	97%	Based on 2020 budgeted figure
2 (ii)	New supply (non-social)	80%	97%	
3	Gearing	95%	115%	Based on 2020 budgeted figure
4	EBITDA (MRI)	95%	115%	Based on 2020 budgeted figure
5	Cost per home	90%	105%	Based on 2020 budgeted figure
6 (i)	Operating margin (social)	95%	115%	Based on 2020 budgeted figure
6 (ii)	Operating margin (overall)	95%	115%	Based on 2020 budgeted figure
7	Return on Capital Employed	95%	115%	Based on 2020 budgeted figure

Bespoke objectives selected to demonstrate achievement against Corporate Objectives:

Red Kite measures				
KPI No	Description	Lower Guide rail	Upper Guide rail	Corporate objective
A1	Membership	825	975	Tenant Led
A2	Tenant participation - influencing	20	40	
B	%age staff who recommend/are proud of working at Red Kite	72%	80%	Inspiring people
C	CPH Management	90%	105%	Providing great homes Increasing our investment
	CPH Service Charges	90%	105%	
	CPH Maintenance	90%	105%	
	CPH Major Repairs	90%	105%	
D	Occupancy Level - General	99.4%	99.7%	Providing great homes
	Occupancy Level - Sheltered	98.9%	99.4%	
	Rents Collected	99.9%	100.4%	
E1	Customer satisfaction - repairs	85%	93%	Knowing our customers
	Customer satisfaction – ASB (satisfied with neighbourhood)	80%	90%	
E2	Positive/negative feedback	85%	97.5%	
F	Development plan mix (affordable homes)	163/375	189/375	Commitment to the community
G1	Twenty11 – average Tenancy Sustainment Licence Score	97	105	Providing great homes
G2	Twenty 11 – discounted rental as a %age of market rental	60%	68%	



There are this year two new Red Kite measures;

- measure B replaces a measure which we could not use last year which related to a way of measuring performance no longer adopted by the organisation. It is a people related measure which looks at an objective within our Corporate Journey strategic plan, that 75% of our staff or more would recommend Red Kite as a place to work (note the question may be phrased slightly differently going forward to gauge more accurately staff's feelings about working for Red Kite; hence the slightly wider definition;
- measure G2 replaces the previous measure (which measured arrears in Twenty11 as opposed to Red Kite) as it is less subjective and relates to a Business case assumption (that the average rental would be 63.4% of Market Rental)

The only guiderails that have been changed on the existing measures are in respect to membership; as of May 2020 this was at 833, below the previous guiderail of 850. However, this is bound to be a declining number as properties are moved into Twenty11 and there is no opportunity due to the current Covid-19 crisis to run events or campaigns encouraging people to become members. Therefore it is sensible to move the guiderails to 825 and 975 respectively.