



Your Homes  
Newcastle



# Value for Money Strategy

# YHN Value for Money Strategy

## What does the strategy cover?

### What is Value for Money?

This strategy covers YHN's approach and commitment to value for money (VFM) for our clients and their tenants.

VFM means making the money deliver (getting more “bang for your buck”), it's not just about budget cuts.

This has been described in terms of three 'E's:

- **Economy** – buying things cheaply
- **Efficiency** – creating outcomes with minimal resources
- **Effectiveness** – concentrating on the outcomes with the greatest impact

VFM should underpin everything we do at YHN. It is our duty to help ensure that the rent we collect is used for the best outcomes for the tenants of Newcastle.

This strategy supports the YHN Business Strategy by describing how we will “make the money deliver”.

There are also clear links to many of YHN's strategies:

Finance	Procurement	Income management
Equality and Diversity	Asset Management	ICT roadmap

### What is the scope?

For such a wide subject, this strategy can't mandate every action needed in every team across YHN. Instead, this strategy outlines the general approaches to VFM and set out some clear actions that will raise the profile of VFM across the organisation.

## Why do we need this strategy?

### 1. New Operating Environment

YHN is a management organisation for the Housing Revenue Account (HRA) for Newcastle City Council. We also provide housing management services for two small housing associations (Byker Community Trust and Leazes Homes). These clients are increasingly demanding that YHN demonstrate that it represents good Value for Money. YHN should be able to articulate to

Board the income and costs associated with delivering the contract with each client. YHN is competing against other management organisations to retain its housing contracts.

YHN has a refreshed relationship with NCC with a management agreement which expires in 2026. YHN will be working towards outcomes set by the Council, which has assumed strategic oversight of the HRA. At the same time, YHN will have keep the freedom to generate income from commercial activities. This freedom is re-inforced by the creation of our new group structure in 2015 which created two subsidiary companies; Abri Trading Limited and Asfaleia Limited.

## **2. Self-financing**

In April 2012, the subsidy system was abolished and the HRA moved to self-financing. Under this new system, rent collected is used directly to pay for all the services provided to tenants, repairs and maintenance costs, re-investment in our assets and servicing the costs of the HRA debt.

This brought greater freedoms to plan for the future, but also a greater responsibility to ensure business plans are sustainable and make good financial sense. As the management organisation for NCC's HRA, YHN has a role to play to identify and deliver sustainable housing investment.

As the Modern Homes programme ends, HRA investment moves into a new era of maintenance, improvement and replacement. YHN will help direct the investment programme to ensure that HRA stock remains suitable and desirable into the future.

## **3. Management fee scrutiny**

Following the YHN/HRA review, the management fee will be controlled by NCC. While YHN will have some latitude to operate independently within this bound, it will need to ensure that the management fee limit is not exceeded. This will put a clear emphasis on demonstrating VFM through reduced costs, not just increased outcomes.

## **4. Central government austerity**

YHN's clients are affected directly and indirectly by the impact of central government's spending reductions. Welfare reforms are affecting tenants across Newcastle, and NCC's ability to subsidise services is diminishing.

It seems that austerity measures will continue into the next Parliament, no matter which political party is elected. Perhaps the biggest challenge for our clients, the introduction of Universal Credit (UC), is yet to be faced. UC will put pressure on rent collection rates and back office functions. YHN should be prepared to mitigate these costs for its clients.

As UC is rolled out and more tenants are actively paying for their rent from their bank balances, we can expect more tenants to become engaged with how the YHN is using their rent money.

## **Value for Money in the housing sector**

The housing regulator, the Homes and Communities Agency (HCA) is increasing the pressure on housing associations to demonstrate how they are delivering value for money. For the regulator, the ultimate aim is to drive efficiencies out of the sector to release more house-building capacity.

Neither YHN nor NCC is directly impacted by the regulator, but Byker Community Trust is and when Leazes Homes reaches 1,000 units, it will be too. Although YHN is affected by the HCA VFM Standard, their guidance provides an excellent framework for YHN to structure its approach to values for money.

The regulator wants housing associations to:

- Have a robust approach to making decisions on the use of resources to deliver the provider's objectives, including an understanding of the trade-offs and opportunity costs of its decisions;
- Understand the return on its assets, and have a strategy for optimising the future returns on assets – including rigorous appraisal of all potential options for improving value for money including the potential benefits in alternative delivery models - measured against the organisation's purpose and objectives;
- Have performance management and scrutiny functions which are effective at driving and delivering improved value for money performance; and
- Understand the costs and outcomes of delivering specific services and which underlying factors influence these costs and how they do so.

This is best shown by an annual 'Value for Money Statement' that communicates to all tenants and stakeholders how YHN is performing.

VFM discussions have always generated a keen response in tenant consultations. It is intended that YHN's VFM statement, by increasing transparency; will make it easier for us to work with tenants to review our performance and identify areas for improvement. It is important that the statement is produced in a clear and accessible way.

### **Equality and Diversity issues**

Aside from it being our duty to tackle inequalities there is an undeniable link between diversity and value for money. This works in two ways

- Internally – as YHN's staff becomes more reflective of the customers it serves, the organisation is better able to meet their needs
- Externally – by ensuring that we have a diverse customer base that reflects the population of the city, we are making sure that there we are reaching out to all our potential customers, and no group is underrepresented. Knowing our customers and their needs also enables us to use our limited resources more effectively, therefore improving VFM.

### **Where do we need to be?**

In order for YHN to become more responsive to the needs of its clients and tenants, and meet the challenges of the future, YHN needs better knowledge, understanding and control of VFM and be able to react quickly to VFM findings. YHN needs to:

- Have good information and reporting systems on recognised performance indicators that will describe our performance;
- Be able to compare its performance to other housing organisations;
- Communicate to tenants and clients an honest assessment of YHN's VFM performance and use this to set improvement actions for the next year; and
- Strengthen the Board's practical influence on value for money in the organisation.

### **The key priorities of the strategy**

We will:-

1. Understand our services and our customers to maximise efficiency and effectiveness
2. Help our partners understand their assets and invest sustainably to maximise future development potential.
3. Deliver real savings to our running costs and seek new income streams to optimise the fees we charge our clients.
4. Collect evidence of our performance and publish it openly and transparently for tenants and stakeholders.

### **Delivering against our priorities**

This document sets out our key priorities over the term of the Value for Money Strategy. The strategy is underpinned by an operational action plan which details the activities, responsibilities and timescales which our staff will deliver against.

### **Responsibility for this Strategy**

- **Our Managing Director and Chair** have ultimate responsibility for the implementation of this strategy and ensuring that the actions set out in this strategy are carried out;
- **Head of Finance and the Financial Controller** have responsibility for the implementation and monitoring of the action plan;
- **Heads of Service and all Managers** are responsible for ensuring that this strategy is implemented and maintained within their own services and teams. They will ensure that all staff are fully informed about their responsibilities and receive the right training and support in carrying

them out; and

**All staff** have a responsibility to ensure that their actions work to deliver value for money for YHN.

**Monitoring and review**

This strategy will be reviewed in 2018 in line with the NCC's budget planning process. The action plan will be reviewed and updated more frequently to ensure we are on target and that we can respond as new issues arise.

Strategy owner	Head of Finance
Strategy approval	Approved by Board May 2015
Effective date	June 2015
Review date	March 2018