



**DALE & VALLEY HOMES**  
**VALUE FOR MONEY AND PROCUREMENT STRATEGY**  
**2011 - 13**

## Strategy Update Record

Version		Date	
V.1		July 2011	
Author	Last Reviewed	Date of next review	
D.Sanders	New Strategy	July 2012	

Version	Date	Author	Date of EIA	Summary of latest amendments
V.1	July 2011	D.Sanders		The previous VFM and Procurement strategies have now been combined into one overall strategy.

## Contents

- 1. Introduction**
- 2. Our vision, values and strategic objectives**
  - a. Our vision and values**
  - b. Our strategic objectives**
- 3. Current position**
- 4. Links to other strategies**
- 5. Objectives of the Strategy – Action Plan**
- 6. Review and Reporting Timetable**
- 7. Performance Measures**
- 8. Assessing the Risks**
- 9. Consultation**

## 1. Introduction

Dale & Valley Homes last updated its value for money strategy and procurement strategy in June 2009. Since that time the company has further developed its business processes through Business Planning and strategy reviews and these led to a decision to combine the two strategies into one at their next review. The financial environment and structures faced by the company have also changed significantly over the past two years and it has been important to ensure that the combined strategy remains fit for purpose.

The purpose of this document is to clearly communicate the company's approach to value for money and procurement to our customers, staff and other stakeholders.

## 2. Our vision, values and strategic objectives

### 2.1 Our **vision** and purpose is to provide:

“Homes and neighbourhoods that our customers want to live in and are proud to live in”

The **values** that underpin this vision all centre on our customers:

- We will be honest fair and open in all we do.
- We will listen to our customers and treat them as individuals.
- We will maximise the benefits to customers of all available resources.
- We will achieve excellence and continue to improve.
- We will work with all partners to improve the lives of our customers.

### 2.2 Our four **strategic objectives** are:

- Delivering Excellent Services
- Delivering and Maintaining Decent Homes
- Running our Business Well
- Sustaining local neighbourhoods

This strategy is “cross cutting” and supports all four strategic objectives.

### 2.3 **Definition:**

Improving value for money means doing “the same for less”, “more for the same” or at best “doing more in terms of delivering better outcomes for customers for less money”. The way we procure goods and services is a key component of our strategy for improving value for money.

## **3. Current position**

- 3.1 Dale & Valley Homes’ overall track record in improving value for money is one of improving outcomes and declining costs. We continue to benchmark both our costs and service quality against other organisations in our sector through membership of the Housemark benchmarking club.
- 3.2 Since the company was established in 2006 its running costs have reduced by 12% in real terms and cost improvement initiatives already carried out will further reduce costs over the next two years so they are down to 75% of the 2006-07 level - a reduction of about £1.4 million. This dramatic cost reduction is only part of the story: a significant level of additional savings has been made and used to provide enhanced services to customers rather than reduce the management fee paid to the company by the council. Examples include the creation £220k budget for cyclical painting works, and the £48k budget for enhanced services to customers provided by the Citizens Advice Bureau.
- 3.3 Large cost efficiency improvements have also been made in the Decent Homes programme and other capital budgets that we manage for the Council. For example, supply chain improvements made in conjunction with our Decent Homes contractor resulted in savings of £600k in 2008-09. Overall savings in excess of £4m have been made since the start of the programme and these have been reinvested in further capital works. This has contributed to the reduction in the number of “non-decent” homes down to 6%.
- 3.4 Over the same period performance has steadily increased across a range of indicators. This has been supported by the company’s Performance Management Framework introduced in 2009 and recognised as good practice within and beyond the housing sector. The company’s implicit objective of aiming for and maintaining “top quartile” performance is applied during the annual review of the Business Plan and through regular performance reports to the Board. Our progressively improving standards are illustrated by customer satisfaction figures obtained from our large scale STATUS surveys. The latest survey was completed in 2011 and the table below shows “headline” results for surveys before and since the establishment of the company.

Table 1: Headline STATUS survey results

	2003	2006	2008	2011
Overall satisfaction with Housing Services	72%	76%	80%	88%
Satisfaction with Repairs service	74%	78%	78%	85%
Overall quality of repairs	87%	88%	90%	91%
Attitude of workers	95%	94%	94%	94%
Home represents good value for money	69%	71%	79%	86%
Neighbourhood as a place to live	80%	78%	82%	87%
Satisfaction with outcome of contacting us	67%	70%	72%	81%
How well we keep customers informed	71%	80%	78%	91%

3.5 Cost reductions and efficiency improvements have been made in a number of ways including:

- Competitive tendering has brought savings in both “frontline” services and “back office” activity (eg reductions in the cost of insurance in 2009-10);
- Reviews of services provided by the council have led to: outsourcing to third party contractors (e.g. the repairs service); bringing some services in-house (eg legal services); service improvement/cost reduction in other areas (eg gas serving and repairs);
- Supply chain improvements and “pain and gain” arrangements in our major contracts for works;
- Redesigning processes and staffing structures;
- Introducing new services in response to customer demand on a cost recovery basis;
- Costs of external consultancy minimised by improving capacity of our own staff through investment in training and development.

3.6 Two major influences on the company’s 2011-12 budget and medium term financial forecast have been the major staff restructuring which has now been implemented and the introduction of new services funded by additional income from service charges. The restructure has been important in reducing in staffing budgets. It has also been an opportunity to “re-shape” the company’s structure so that it can continue to attract additional income and reduce costs. Two new posts created are a “Value for Money Analyst” and “Business Development Co-ordinator”. Both of these are intended to enhance our capacity for improving value for money.

3.7 The financial environment in which we are operating has significantly changed since the VFM strategy was last revised in 2009. At that time the County Council was working to integrate the Housing Revenue Accounts “inherited” from three predecessor district councils who had retained their housing stock. This work is now complete and emphasises the mutual interest of the Council, Dale & Valley Homes, East Durham Homes and Durham City Homes in achieving value for money across the Durham County HRA. This has been further underpinned by the national move to a system of “self-financing” for the HRA due to be implemented in April 2012. Savings made in administration and

running costs will be available to support the investments needed under the Councils long term investment plans.

- 3.8 Consultants employed by the Council have modelled a 30 year business plan for the housing stock in support of the “Stock Options” project. This has shown that whatever model is chosen for the future ownership and management of the stock, significant savings will be needed to make the plan viable. Savings in management costs across the whole of the account amounting to £1.5million per year in both 2012-13 and 2013-14 have been assumed in the Council’s medium term financial plan. The stock options modelling has identified a need for a further £2million saving within the next five years. The overall cumulative effect will therefore be a required reduction in annual costs of some £5million.
- 3.9 The recent restructuring of the company and associated operational changes have already put in place arrangements that will deliver significant contributions to the overall savings needed across the HRA. Our medium term financial forecast indicates that we can accommodate a reduction in our management fee of over £300k based on changes we have already made. A key point is that we have also created the capacity to make further cost savings without adversely impacting on the improvements in value we are delivering to customers.
- 3.10 We have identified a number of potential threats to our maximisation of cost efficiencies. The first relates to the need to develop a prioritised programme of overhead cost improvements building on the implementation of the new structure. The second is the need to improve the quality of the financial information and guidance we are able to give to our designated budget holders. This has been a long standing issue and we have been adversely affected by delays in implementation of the Councils new financial systems (The Council provides financial services to us under a “service level agreement”).
- 3.11 Our approach to procurement has had an important part in delivering value for money improvements (see examples above) and will continue to do so. As a matter of good governance it is essential that our procurement arrangements are transparent, clear and documented and can stand up to challenge. At the same time, procurement itself carries a cost and we need to carry it out in a cost effective way. Our approach to this was not formalised in the existing procurement strategy but has been use to existing “framework agreements” wherever possible. Agreements currently used are:

- North East Procurement
- Your Homes Newcastle
- Northern Housing Consortium
- Procurement for Housing
- LHC Network
- Durham County Council

#### **4. Links to other strategies and plans**

This strategy is at the core of delivering the company's business. It brings together the arrangements we have for delivering high (and improving) quality services and our arrangements for doing this at the lowest possible cost. It links particularly closely with:

- The Performance Management Framework (PMF)
- Equality and Diversity strategy
- Customer Involvement and Communications strategy
- Asset Management strategy
- Organisation Development strategy
- Information Communication Technology strategy

#### **5. Objectives of the strategy**

5.1 Four objectives have been identified in support of this strategy: They are directly linked to our 2011-13 Business Plan and build on our achievements to date.

- |   |
|---|
| <p>1. To reduce costs to average or below average levels in all areas of the business unless we can justify higher costs as a customer priority spend area.</p> |
|---|

The company's membership of the Housemark benchmarking club provides a sound basis for comparing costs with peer organisations and identifying areas for further investigation. The revised staffing structure will allow increased focus on a greater analysis of the Housemark results for 201-11 which will be received later in 2011. We will also be able to model the impact of the changes to our cost base on our benchmarking position.

The poor quality of the financial information we have been able to provide to our budget holders has been a concern. This has arisen as our service provider, the Council, has moved away from the separate financial systems of the former district councils towards a suite of new common financial systems. This process has encountered a number of delays and the implementation of robust systems for Dale and Valley Homes has been delayed from its original implementation date of October 2009. Although there are still a number of issues with the systems, we are finally close to the position where we can provide appropriate information to budget holders to support the achievement of value for money and improved cost control.

We have in the past considered the development of a formal staff value working group, but to date this arrangement has not been implemented. In the light of consultation and the approach set out in our Organisation Development strategy it is proposed that we should create a small "network" of individuals from across

the organisation who will each take the lead on particular “cross-cutting” cost/VFM reviews

2. To have top quartile performance in all areas of the business

This objective has been implicit in our work in developing performance targets to support our business plan and in our strategies related to the delivery of value to customers (eg customer involvement and communications strategy and equality and diversity strategy). This objective should now be made an explicit part of the business planning process.

The arrangements for managing performance where targets are not being met is comprehensively set out in the Performance Management Framework. Improving and embedding the framework is included in the 2011-13 Business Plan as a separate objective.

3. To ensure that all procurement of goods and services is conducted properly and cost effectively and achieves high quality at average or below average cost

Both our own work and internal audit reviews have identified the need for a formal written policy and guidance for staff on how procurement should be carried out to build on our standing orders for the regulation of contract notes and “overview” guidance. We now need to implement these findings. Among other things, this will assist with our programme to reduce overheads.

4. To support the Council in delivering outcomes from the stock options process and 30 year HRA business plan that give optimum value for money for Dale & Valley customers

The company has currently not set a target for additional value for money/ cost reductions in the short/medium term. The savings resulting from our recent restructure and process changes have been sufficiently certain and specific to include in our budget for 2011-12 and our financial forecasts through to 2014. In addition to this we need to identify a minimum target for savings yet to be identified, but which we anticipate we can realistically achieve from the work set out elsewhere in this strategy. It is anticipated that the majority of these savings will come from reducing non-pay costs or new income sources.

Following the advent of the “self-financing” arrangements for the HRA and a unified HRA for County Durham across all three of the Council’s current providers, it has become increasingly clear that the company has a strong interest in helping the Council and partner organisations to achieve cost reductions across the HRA as a whole, in order to support a sustainable 30 year business plan. The Company’s strong track record and experience in this area

means that it is in a good position to provide support to its “parent” organisation and partner organisations.

## 5.2 Value for Money and Procurement strategy Action Plan

<b>Objective</b>	<b>Key action</b>	<b>timescale</b>	<b>Responsible</b>
1. To reduce costs to average or below average levels in all areas of the business unless we can justify higher costs as a customer priority spend area.	- Analyse results of the 2010-11 Housemark benchmarking exercise to identify areas where costs are above average in order to inform a programme of cost investigation.	Sept 2011 to Dec 2011	Performance Manager & Company Accountant
	- Implement improved systems and guidance for designated Budget Holders	Sept 2011	Company Accountant
	- establish a network of staff with the capacity to undertake cost and process reviews across functions/budgets and initiate a programme of reviews	Sept 2011	Director of Resources
2. To have top quartile performance in all areas of the business	- Ensure that this objective is explicit rather than implicit in the Business Planning process for 2012-13 and subsequent years	ongoing	Assistant Chief Executive
3. To ensure that all procurement of goods and services is conducted properly and cost effectively and achieves high quality at average or below average cost	- Produce a formal procurement policy together with guidance for staff	October 2012	Director of Development
4. to support the Council in delivering an outcome from the stock options process and 30 year HRA business plan that gives optimum value for money for Dale & Valley customers.	- Identify additional savings in net administration and running cost budgets of at least £200k which can be put in place for the 2013-14 financial year	July 2011 to July 2012	Director of Resources
	- Support the Council in investigating and identifying other savings that can be made across the HRA to improve the sustainability of the 30 year HRA Business Plan	Ongoing	Director of Resources

## 6. Review and Reporting timetable

The value for money and procurement action plan (detailed at 5.2) has been developed to highlight the key actions necessary to meet the objectives of the strategy over the next two years. Progress will be reported to the Finance & Audit

Committee on a six monthly basis. The plan will be reviewed in 2012 in view of the rapidly changing economic environment.