



## **Value for Money (VFM) Policy and Procedures**

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## 1. Introduction

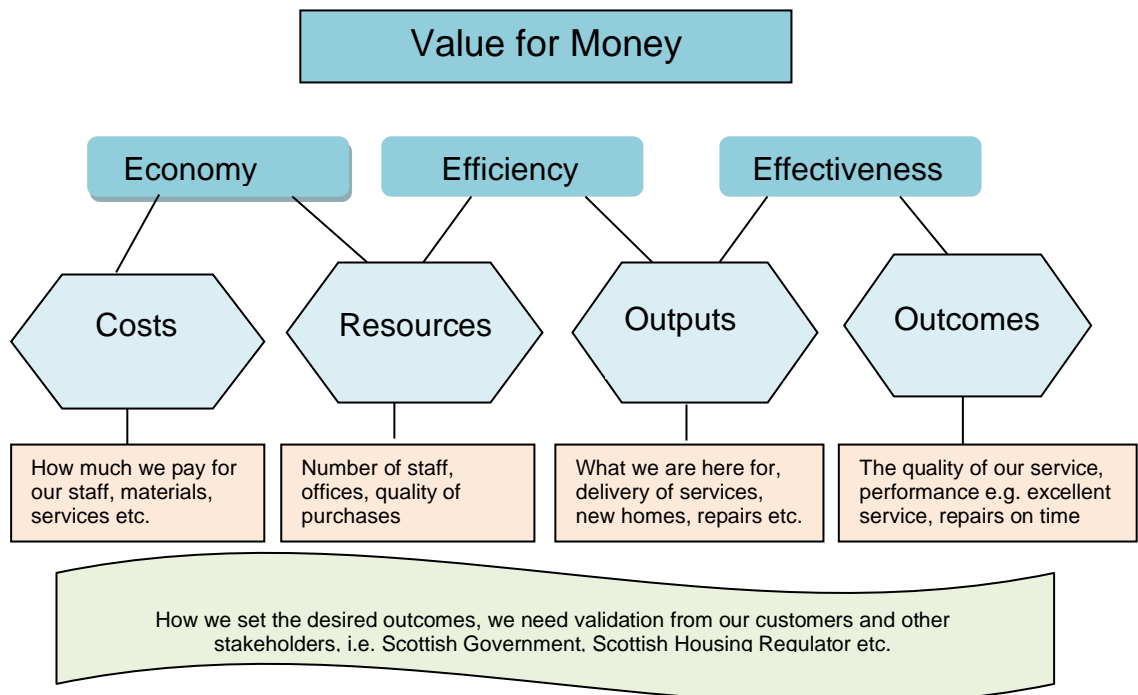
This policy is intended to provide an overarching framework to guide work within the Ore Valley Group on value for money, efficiency, procurement and related areas. It is intended to have Group wide application.

## 2. Equality & Diversity

The Value for Money policy, like all Group policies, needs to be interpreted in the context of policies relating to the Group's approach to wider corporate responsibility. The implementation of this policy will be consistent with the Group's policies on equality and diversity.

## 3. What is Value for Money (VFM)?

VFM is the relationship between economy, efficiency and effectiveness, sometimes known as the 'value chain'. It is illustrated below:



To ensure that VFM is achieved, it is necessary to address each of its three components:

### **Economy**

Have we minimised the costs of procurement or service provision **consistent** with achieving the desired outcomes in terms of quality of service?

### **Efficiency**

How close are we to having organised ourselves as far as possible to achieve

- The maximum outputs from the given inputs?

or

- The minimum inputs for a desired output?

### **Effectiveness**

Are we sustainably achieving the desired outcomes in terms of service provision?

VFM has to be considered on a holistic basis – it is not about reducing costs with no regard to service objectives and outcomes.

### **Validation**

How are our customers validating our planned and delivered outcomes in terms of service provision? How are customer's views on service and VFM taken into account in our processes?

The simple example of a car journey illustrates the principles. The objective is to arrive on time at the destination. How do we assess VFM?

### **Economy**

How much did we pay for the car?

How much did we spend on petrol?

### **Efficiency**

How long did the journey take?

How many miles per gallon did we achieve?

### **Effectiveness**

Did we get where we were going?

Did we get there on time?

### **Validation**

Did we really need to go?

## 4. Policy Statement

Ore Valley Group is committed to providing services that represent VFM for our customers and commissioners. This is fundamental to our objective of being a role model service provider.

The Ore Valley Group is committed to embedding a common approach and understanding of VFM throughout the Group and ensuring that staff at all levels understand, participate in, and feel empowered to initiate and engage with VFM activity.

At the heart of VFM is consideration of the questions:

- Are the customers getting what they want?
- Is it delivered in an appropriate manner?
- Is it to agreed quality and cost?
- Is it consistent with the requirements of wider corporate responsibility ?

The Ore Valley Group is committed to engaging with customers and others in the design and implementation of its VFM activities and processes.

It is recognised that the nature of this involvement will vary depending upon the service or activity being considered

The Group exists to “Work within our communities to provide good quality housing and community services”. Financial strength and viability are therefore pursued with a social purpose – not as an end in themselves. There is therefore a presumption that where improvements in VFM lead to a release of cash or other resources these resources will be used to help the Group achieve its visions:

- Delivering a programme of continuous improvement
- Minimising waste through development and implementation of effective/efficient processes
- Meet, maintain and exceed the requirement of SHQS and EESSH
- Become a top performing Housing Association, built on internal and external alliance
- Continue to develop new housing where it’s needed
- Custodians of high quality sustainable open spaces
- Be a top employer; aligning employer and employee in a common purpose
- Promote, support and deliver non-housing community benefit projects

- Be financially secure based on the delivery of 'value for money' activities

## **5. VFM Approach**

There are 4 principle approaches, which will be adopted.

### **5.1 Service Reviews**

The Ore Valley Group will

- Conduct regular reviews of the VFM achieved by their activities
- Consider the outcomes of these reviews
- Where appropriate take such action as is indicated to improve VFM
- These reviews will include the provision of central as well as customer facing services. They will consider the three distinct elements of VFM including amongst other things
  - The comparison of costs compared to those of others, allowing for local context, performance and policy choices
  - Where appropriate the views of customers and stakeholders on the desired service outcomes and
  - The VFM objective.

So far, as is possible, customer consultation will focus on planning and principles rather than detail.

### **5.2 Benchmarking**

The Group will undertake and report on benchmarking activity, (we may choose to use services such as Housemark), to better understand its comparative costs and to provide details for service reviews and related VFM / efficiency activity.

### **5.3 Procurement**

For all major non-capital procurement exercises (defined as those that fall within OJEU requirements), the Group will :-

- Adopt as the normal approach to general procurement the principle that we first determine the quality threshold that has to be achieved and then seek the lowest cost provider who satisfies the quality requirement.
- Consider and report on VFM

In general, the Group will

- Look to maximise the benefits of the Group's combined purchasing power

- Actively consider approaches such as joint procurement, i.e. through partnership working / consortia etc.
- Seek appropriate professional advice when required

#### 5.4 **Monitoring and Review**

The Ore Valley Group will incorporate VfM within their individual Business Plans, which will in turn be reviewed annually. The Association will set and review key VfM performance indicators and will monitor progress against these.

Progress will be reported to the Management Team, Customers and the Board.