

**VALUE
FOR
MONEY
POLICY
2014-17**

Introduction and Background

Welcome to the Value for Money (VfM) Policy for the Group. In Gentoo the application of VfM is fundamental to the Group's operation and underpins the achievement of the Group's vision and values.

VfM has been a consideration of, and a priority within Gentoo Group since the Group's inception in 2001. Over the last few years Gentoo Group has changed shape significantly, with the acquisition of new companies and the creation of a strategic partnership with West of Scotland Housing Association. Following changes by the Government in 2015, the Group embarked on a significant strategic review to ensure ongoing viability. It is both necessary and timely, therefore, to continue to review the Group's approach to VfM to ensure our historically robust approach continues into the future.

Regulation and Legislation

In terms of regulation, the regulatory standards introduced by the Homes and Communities Agency (HCA) in 2012 provide clear guidance on VfM to ensure our approach is both robust and appropriate. The expectations contained in these standards form the backbone of this policy going forward.

Our sector regulator, the HCA identifies VfM as being at the heart of how Housing Associations ensure current and future delivery of their objectives and as such expect providers to have a strategy for optimising VfM and systems to ensure that strategy is delivered. The Value for Money Standard specifically expects providers 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.
- Understand the costs and outcomes of delivering specific services and which underlying factors influence these costs and how they do so.

Contribution to Organisational Goals

The vision and values of the Group effectively set the headline rationale and culture for the Group. This policy operates within the vision and value.

Vision

Great Homes – Strong Communities – Inspired People

Values

Do the right thing

Make a difference

Work together

Keep learning

Give all you've got

Gentoo Group's strategic framework is designed to ensure that all activity is considered, developed and delivered through a VfM lens. This means that VfM will be woven into all supporting strategies and policies, business plans and the Group's Business Strategy, thus ensuring that VfM is considered at every level of the organisation.

The Group's Business Strategy sets out the high level principles and strategic direction for the Group. All subsidiaries operate within these principles including the application of VfM within their business plans.

Stakeholder engagement forms a key part of the Group's VfM approach. This includes engagement with customers, funders, boards, local authorities and regulatory bodies to ensure our strategies are delivering against VfM principles.

Monitoring and Review

Engagement and Communication

Engagement of staff, board members and stakeholders will be critical to ensuring the success of this policy. A key component of the Group's ethos is a belief in the capacity of people and their ability to contribute. To this end, the Group has robust methods of communicating with staff, board members, customers and other stakeholders and a track record of true engagement.

In order to enable all stakeholders to be both engaged in the development of this policy and informed of progress against its objectives, an engagement and communications plan has been developed to enhance existing frameworks and the success of our engagement and communications will be measured via existing feedback mechanisms.

Progress against the policy action plan will be reported to Risk and Audit Committee and to stakeholders via the VfM Self- Assessment which will be published annually.

Ensuring Success

Effective monitoring and review mechanisms will be critical in ensuring that this policy is applied in practice. To this end, a three year action plan has been developed, incorporating headline targets. The policy will be reviewed annually to measure progress against those targets and to ensure that objectives remain fit for purpose.

Governance in the Group will be strengthened to ensure performance management and scrutiny are effective and drive improved value for money performance.

The Group's performance framework, will be further developed to establish links between leadership, strategy, processes, partnerships and resources, people and customer and the achievement of VfM.

Business challenge will be introduced via the Business Improvement Approach, and the application of why, how and what challenge.

Responsibility for delivery of this strategy rests with the Gentoo Senior Executive Team who will be accountable to the Group Board. Detailed analysis of progress will be considered by Risk and Audit Committee on a 6-monthly basis.

Our Policy

What is Value for Money?

VfM is generally defined as the relationship between economy, efficiency and effectiveness, sometimes known as the “value chain” or 3 E’s:

- **Economy** - the price paid for what goes into providing a service. It is also about minimising the cost of resources of an activity, whilst not losing sight of quality.
- **Efficiency** - a measure of productivity considering how much you get out in relation to what is put in.
- **Effectiveness** - a measure of the impact achieved or a measure of outcomes.

This can be summarised as “doing the same for less or more for the same” (Peter Gershon)

In Gentoo, VfM is about achieving economic, social impact and environmental sustainability benefits. This approach incorporates both the 3 E’s and the HCA’s Value for Money standard, but also captures the vision of Gentoo.

Our aim is to ensure that we have a comprehensive approach to VfM in the Group which ensures the effective delivery of the Group’s vision, in a way that meets the needs of our regulators and stakeholders. To achieve this we have identified 9 VfM objectives.

Our VfM Objectives

1. A robust approach to strategic decisions

- We will scrutinise every aspect of our business to understand how each area fits with our vision and to ensure they remain an integral part of our Group Business Strategy.
- We will look closely at our Group Business Strategy and business planning process to make sure that VfM is an integral part of them both and that a golden thread exists.
- We will evaluate our business-making decisions to ensure that any costs they incur and any trade-offs they generate are fully documented and understood.
- We will make sure that VfM is at the heart of our Leadership Programme.

2. Ensure the financial sustainability of the Group

- We will put in place a sound financial strategy which takes into account our current situation and priorities. This will include our approach to loans, debt management and how we make the most of any capital.
- We will ensure that our financial management processes clearly identify any potential risks and take into account how our business is performing.
- We will appraise our financial reporting arrangements so that our risk analysis, business performance and mitigation decisions are both sound and clear.

3. Optimise the use of our assets to achieve our vision, values and strategic aims

- We will look at every aspect of the Group's assets to ensure we are getting the best possible return on those resources.
- We will assess our Asset Strategy to make sure it is in line with our stated priorities, our approach to risk and our VfM targets.
- We will calculate what our assets are worth and what profit we can expect them to generate. We will also work to ensure that the value of these increases from one year to the next.
- We will identify how any economic or social issues in the neighbourhoods we look after are affecting the value of our assets.

4. Ensure robust management of all performance and costs

- We will make a detailed analysis of costs across the whole Group.
- We will set VfM targets for everyone in the Group according to agreed priorities and these will be used to develop a plan for re-investment.
- We will roll out the way we benchmark performance so that each year it covers a wider range of activities.
- We will assess all internal transactions to ensure they represent VfM.
- We will look at all operations undertaken by the USTOO Scrutiny Group to make certain that VfM is put in place across their activities.
- We will create a golden thread of scrutiny throughout the Governance structure to ensure that we are really driving improvements in VfM performance.
- We will look closely at all our Business Improvement programmes to be certain they achieve year-on-year improvements in cost-saving and results.

5. Ensure the Group's approach to VfM is transparent to all stakeholders

- We will communicate our strategy across a variety of media in a way that is clear and easy to understand.
- We will evaluate and publish how effectively VfM is performing in relation to our strategic objectives.

6. Maximise our capacity to achieve the Group's priorities by working in partnership and procuring goods and services in the most sustainable economic way possible

- We will update the way we currently procure goods and services to be certain we are obtaining them as efficiently and effectively as we can.
- We will put procedures in place that will measure the VfM of those we partner with.
- We will work with contractors to ensure the best possible cost is achieved across the board.

7. Maximise the value and capacity of our people

- We will examine the Group's approach to people, leadership and culture to make sure that VfM is evident in them all.
- We will ensure that all levels of the business understand our behavioural map and performance management.
- We will set clear personal targets of performance and promote continuous improvement to enable each person to take personal responsibility for their own development year on year.
- We will create ways to measure how significantly training initiatives are helping with personal development and put in place realistic targets for improvement.
- We will establish an effective internal communications plan that will ensure everybody understands and is helping to deliver our initiative.
- We will make certain that VfM becomes an integral part of the Employer Brand project.

8. Deliver social and environmental value that achieves the Group's vision and values

- We will establish an effective social accounting framework within the context of our operating environment and Group Business Strategy.
- We will put in place methods of assessing how well the Group's environmental sustainability activity is performing.

9. Create a framework to measure our approach to VfM

- We will put clear targets in place for every one of our VfM objectives.
- We will measure VfM performance by developing the Group's performance framework.
- We will ensure that satisfaction levels are measured against our approach to VfM.
- We will publish an open and honest report every six months on how our VfM approach is progressing.

If you have any queries about this policy please contact:

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