



# Value for Money Self-Assessment

**2016-2017**

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# 1. Executive Summary

## 1.1 Introduction

Value for Money (VfM) underpins the delivery of the ExtraCare Charitable Trust (ExtraCare) vision for providing better lives for older people and our mission of creating sustainable communities that provide homes older people want, lifestyles they can enjoy and care where it's needed. We recently reviewed and refined our vision, mission and values to better reflect what we do and how we do it.

- **Our vision** captures our aspiration and is – better lives for older people.
- **Our mission** describes what we do and is – creating sustainable communities that provide homes older people want, lifestyles they can enjoy and care if it's needed.
- **Our values** reflect how we operate and behave with our residents and our stakeholders and are:
  - Empowering
  - Compassionate
  - Collaborative
  - Transparent

We are proud to be a charity that supports older people and is committed to improving the lives of older people through our innovative retirement communities.

The environment we operate in has become more challenging over recent years as the funding we and our residents receive from government has decreased. At the same time the level of regulation we are subject to and its associated cost has increased significantly. To ensure we navigate our way successfully through this challenging environment there will be a continued focus on ensuring our services meet our resident's needs, whilst offering good VfM.

We recognise there is potential to increase the focus on VfM, which is why the Board approved a new comprehensive VfM strategy as part of the Corporate Plan 2017 – 2020. To help deliver this ambitious strategy, a cross departmental project group was established led by the Executive Director of Corporate Resources with a dedicated Project Manager.

Achieving VfM is a fundamental part of our new three year Corporate Plan. The Board and Executive Leadership Team (ELT) have overall accountability for the delivery of the VfM activities to our stakeholders, and across the charity. During these three years, we will ensure we develop and operate villages and schemes that:

1. Are financially sustainable now and in the future;
2. Have a sustainable community balance; and
3. Become increasingly environmentally sustainable.

The Corporate Plan includes the following target and commitments specifically related to VfM:

- T19 – we will benchmark our unit costs and ensure that by the end of the

Corporate Plan period (March 2020) we will be more efficient than comparable organisations.

- C24 – develop our VfM strategy; including benchmarking, procurement and tracking our VfM performance.

## 1.2 Value for Money Strategy

Our VfM Strategy can be found on our website

<https://extracareuk.sharepoint.com/vfm/Public/Forms/AllItems.aspx>

Progress against the objectives and targets included within the VfM Strategy will be measured and reviewed on a quarterly basis by the Board and each month by the ELT.

ExtraCare see VfM as:

- Being effective in how we plan, manage and operate our charity against an increasingly difficult economic and financial environment;
- Ensuring that we make the best use of our resources throughout the end to end supply chain. Efficient use of our resources will enable us to develop and sustain more retirement communities thereby helping the ageing population;
- Helping us achieve our charitable objectives, and provide services to our residents regardless of their ability to pay;
- Having digital at the core we will be better able to withstand the increased financial pressures whilst at the same time, continuing to provide quality homes, lifestyles and care to our residents;
- Embedding VfM in the hearts and minds of all stakeholders and throughout our organisation (we understand and appreciate the cultural change required in order to do this successfully); and
- Achieving high quality standards at optimum cost in all our activities.

The Homes and Communities Agency (HCA), expects all housing providers to articulate and deliver a comprehensive and strategic approach to achieving VfM. We aim to make a real difference through the implementation of our VfM strategy and Corporate Plan, and do not merely wish to comply with the Regulator's VfM standard.

We are embedding VfM as a central theme to our culture, throughout the charity, with leadership from the ELT, and oversight by ExtraCare's Audit & Assurance Committee. This approach will enable the planning and delivery of VfM in the longer term, whilst supporting the delivery of our corporate targets. The VfM strategy will be reviewed within its first year of operation to ensure relevance, and to ensure that it remains fit for purpose.

With VfM being a central part of what we do, this will drive better VfM, greater transparency and accountability, and enhanced service provision to our residents and customers. Whilst complying with the HCA's VfM standards, we will continue to drive positive change for the benefit of residents, customers, employees and volunteers.

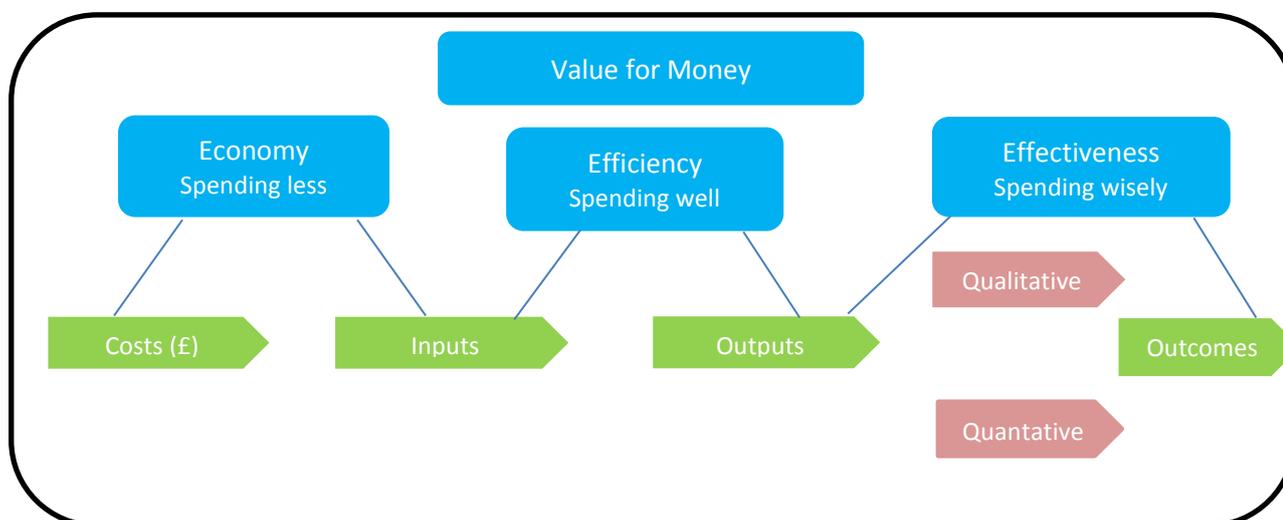
## 2. What VfM means to the Charitable Trust

### 2.1 Background

ExtraCare uses three set criteria to assess VfM; the three E's - Economy, Efficiency and Effectiveness.

- **Economy:** minimising the cost of resources used or required (inputs) – **spending less**;
- **Efficiency:** able to accomplish something with the least waste of time and effort – **spending well**; and
- **Effectiveness:** the relationship between the intended and actual results of time, effort and resources (outcomes) – **spending wisely**.

VfM is achieved when there is an optimum balance between all three E's for ExtraCare. This means relatively low costs, high productivity and successful outcomes, whilst maximising financial, social and environmental value by unlocking all the resources at our disposal. It is especially important during times of financial pressure to do more with less, and to ensure that our residents feel the benefits of these efforts. VfM success is measured by the quality of services delivered to our customers, and the resources required to deliver that service, and ultimately how our residents (and other customers) rate their experience.



In practice, VfM to ExtraCare means delivering the right service, at the right time, at the right cost. The balance can change over time as our customer priorities or resources vary, so ExtraCare aim to keep VfM under regular review.

## 2.2. Our Increased Focus

During 2016/17 there has been a significant focus on delivering VfM more widely across ExtraCare. Our new VfM strategy has helped give this renewed momentum, although several other initiatives have also helped. There has been an increased importance placed on achieving our financial targets. Each location manager has objectives relating to generating additional income and budgetary control. This is reviewed twice a year by the Chief Executive and Executive Director of Operations. We have also introduced a "Sharing Best Practice" section on our intranet that seeks to ensure that good ideas (to save costs and/or improve customer service) are communicated so that others can benefit from everyone's good ideas.

ExtraCare have embraced benchmarking (see section 6) and developed a plan to improve performance. In addition ExtraCare recognise that smarter procurement is one of the key enablers to driving VfM. This is achieved through more strategic and collaborative procurement initiatives, better adherence to policies, and managing suppliers to ensure they meet their contractual and service obligations. The vital

message 'that procurement should be embedded in all business decisions' will continue to be re-enforced throughout ExtraCare going forwards.

## 3. Regulation and Compliance

### 3.1 Standards

Due to the government austerity measures over the last five years, and the direct and indirect cut in funding, our operating environment conditions has become increasingly challenging. We have directly felt the effect of measures such as the National Living Wage, Apprenticeship Levy and 1% per annum rent reduction. We have also seen local authorities cut back funding to care and withdraw funding entirely – especially Housing Related Support (HRS). This trend is expected to continue with the Government signaling further funding changes to come. At the same time the level of regulation our sector is subject to and its associated cost has increased significantly.

The regulator, HCA, published its standard on VfM in March 2012. The requirements of the standards are consistent with our strategy and underpin our work on the delivery for VfM. The standard requires evidence that Boards:

- Are driving the VfM agenda and thinking strategically about achieving VfM in their activities, asset base and operations;
- Have a robust approach to making decisions on the use of the resources used to deliver our objectives;
- Have performance management and scrutiny functions which deliver improved VfM performance;
- Understand the costs and outcomes of delivering specific services;
- Demonstrate to stakeholders how we are meeting this standard;
- Publish a robust self-assessment which is transparent and accessible; and
- Focus on embedding a VfM culture throughout their organisation, with an organisation wide interpretation of VfM, as opposed to VfM being undertaken as an annual compliance exercise.

To ensure we are doing everything we can to meet the standard set out above by HCA, ExtraCare are ensuring our staff, skills, structures, systems and processes that enable us to continually challenge and improve our performance meet the evolving needs of our residents.

In addition to the HCA, the Care Quality Commission (CQC) also regulates our Care Services. This is a key element of our holistic service offering and we were delighted that in 2016/17 all of our localities were rated "Good" by CQC.

## 4. Our Strategy and Approach – how we achieve VfM at ExtraCare

### 4.1 Introduction

Delivering good value for money and generating surpluses is the best way of ensuring ExtraCare remain successful and sustainable now, and in the future. We aim to do this by obtaining the maximum benefit with the resources we have available, and aiming to achieve the right balance between the 3E's. Delivering VfM requires our activities to be prioritised. The Corporate Plan details the corporate targets set for future years (2017-20). Our five key targets for the three-year Corporate Plan (2017-20) are set out below:

1. Develop more apartments;
2. Provide a good quality care service in all our locations;
3. Improve our resident satisfaction scores;
4. Improve our staff satisfaction scores; and
5. Generate both operating and total surpluses.

VfM directly contributes to all five key targets. The key targets are supplemented by a further fifteen targets and twenty five commitments, which are highlighted in the Corporate Plan 2017-20. Please see:

<https://extracareuk.sharepoint.com/pr/Public/Corporate%20Publications/Corporate%20Plan%202017-2020/Corporate%20Plan%202017-20.pdf>

Our targets are aligned to five core activities across ExtraCare:



This VfM strategy seeks to support the Corporate Plan targets and commitments and therefore, where appropriate, the commitments have been referenced using a C followed by the relevant commitment number e.g. C1, C2, etc, within our VfM strategy document, so everything remains aligned.

**The key VfM Objectives we have agreed to deliver over the next 3 years are set out below:**

Value for Money Objective (VfM) No.	Objective
<b>VfM1</b>	To embed the pursuit of increased VfM throughout ExtraCare, and encourage a culture of continuous improvement and innovation
<b>VfM2</b>	To deliver improved service quality to our current and future residents
<b>VfM3</b>	To deliver increased efficiency resulting in reduced charges to our residents
<b>VfM4</b>	To provide improved financial performance for ExtraCare (through the correct balance of the 3 E's) meaning that our future is more secure and we are able to invest with confidence
<b>VfM5</b>	To ensure robust systems and controls are in place so that we can more accurately measure performance
<b>VfM6</b>	To ensure the efficient use of new technologies
<b>VfM7</b>	To identify, deliver and quantify enhanced social value
<b>VfM8</b>	To improve transparency for all our stakeholders

<b>VfM9</b>	To ensure that Extra Care has the ability to demonstrate that VfM is being achieved
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ExtraCare have prioritised VfM Objectives 1 – 5, as we recognise they cannot all be delivered at the same time. (Appendix A summarises the VfM Objectives and the project objectives). The VfM project considers all aspects of VfM, with the goal of identifying and disseminating this throughout ExtraCare.

A VfM project team was established in Quarter 4 of 2016, to facilitate the delivery of objectives outlined above, with a key focus on reducing costs of our services and ensuring that we get more for our money, from assets and people. This is made up of a Project Sponsor (Executive Director Corporate Resources), Project Manager, Procurement Manager, Head of Finance, HR Manager, Village Managers, an Area Maintenance Supervisor, and Contracts and New Services Manager

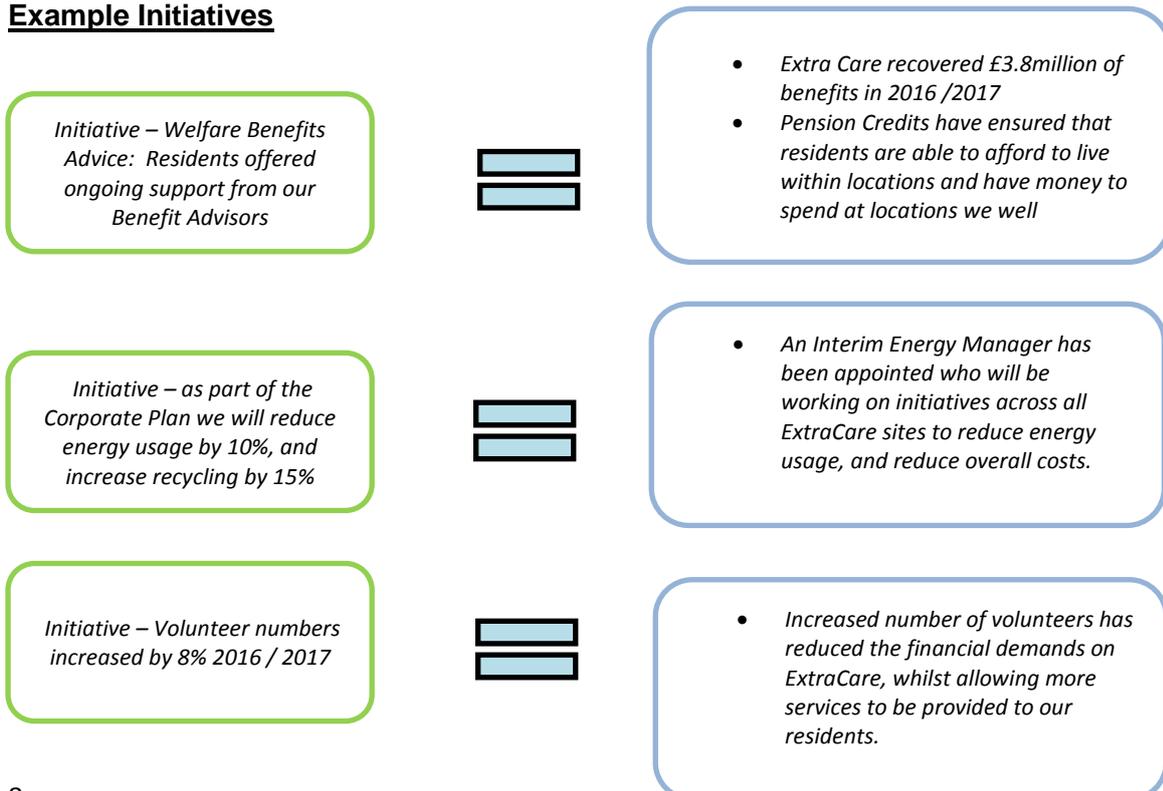
Managers have responsibility to maintain an awareness of good practices in their own area of operation, to ensure that these are followed appropriately, and to raise awareness within their teams and seek out VfM opportunities. Managers also have responsibility for ensuring all staff are targeted in their performance reviews with delivering VfM for ExtraCare, residents and its customers.

The VfM project group are in the process of developing an annual action plan of efficiency improvements which shows the financial savings to be achieved, and also articulate any anticipated increases in social value. The action plan will be approved by the ELT before being shared with the wider organisation.

#### 4.2 Improving affordability for residents

Improving affordability for residents continues to be a key strategic objective (VfM 2 and VfM 3) in our VfM strategy. The Board has recognised the importance of this as central to ExtraCare’s charitable purpose, as well as to protect our future income stream. There are a number of initiatives which ExtraCare have already implemented, and are delivering benefits;

##### Example Initiatives



“Understand the return on its assets, and have a strategy for optimising the future return on assets – including rigorous appraisals of all potential options for improving value for money including the potential benefits in alternative delivery models – measured against the organisations purpose and objectives.”

HCA VFM Standard

## 5. Managing our Assets

### 5.1 Asset Management and Return on Assets



*Through VfM, ExtraCare are looking to understand what assets they have, and to manage them more smartly. This approach will enhance the return on investment of assets, and allow ExtraCare to make more informed decisions about the management of assets and ensure they are managed in accordance with ExtraCare policies.*

The VfM Project will deliver an Asset Management solution, enabling ExtraCare to manage all their assets proactively and smartly, delivering better return on investment, whilst ensuring they are maintained safely in accordance with ExtraCare policies. ExtraCare will also conduct a financial performance appraisal of housing assets at a more granular level during 2017/2018. This will help ExtraCare to make better informed management and performance decisions about housing assets.

We are ensuring that investment in new and existing assets represents good VfM and offers a good return on investment. This is done by rigorously reviewing new development opportunities to ensure they achieve “board agreed” financial benchmarks. The performance of new development opportunities are also reviewed after completion to ensure the agreed benchmarks are achieved.

We continue to operate and grow, providing housing for older people to meet local needs. With a presence in smaller towns and large metropolitan areas, we own or manage thirty one schemes and retirement villages. Most properties being made up of one and two bedroom apartments, together with extensive communal space giving residents the opportunity of engagement in a variety of activities.

### 5.2 ExtraCare - Our unique approach

The benefits of our villages and schemes can be summarised as follows:

- They present an option for housing in later life for all members of a community, rather than simply those who are dependent in some way or defined by income;
- They offer an activity based healthy lifestyle – proven to have a positive impact on health and well-being;
- They offer a form of care that encourages continued independence;
- They present an aspirational option for older people to downsize into more appropriate accommodation, releasing capital for those moving; and
- They offer a community hub for local friends to enjoy.

There are a number of initiatives which ExtraCare have already implemented when it comes to Asset Management - the table as set out in Appendix B, outlines our progress against our 2015/6 initiatives, and what we have introduced or developed during 2016/2017.

Research has shown that older people spend proportionately more time in their home than younger householders. This supports ExtraCare's Board decision to increase the investment in existing properties, to improve overall condition and energy efficiency, presenting better value for current residents, but also to future proof the income stream. Key statistics are as follows:

	<b>2014/15</b>	<b>2015/16</b>	<b>2016/17</b>
Operating surplus (£000)	£3,337	£6,899	£9,384
Total assets less current liabilities (£000)	£97,337	£183,498	£231,068
Financial return on assets (%)	3.04%	3.75%	4.1%

The full financial statements are available on our website (<https://www.extracare.org.uk>).

### **5.3 Asset Management – key activities in 2016/17**

The following key activities took place in relation to asset management

- We opened a new village in Longbridge in the summer of 2017;
- We agreed further funding of £35 million with BAE Pensions;
- We started on site at two new villages in Stoke Gifford and Bedford;
- We commenced the build of 16 additional cottages at our Bournville Gardens village; and
- We bought land at Solihull so that a village can be developed in 2018.

We believe we continue to have a good overall position on the use of our assets and the return on assets has been and will continue to be of paramount importance to us.

### **5.4 Asset Management – key activities in 2017/18**

We will continue to grow and enhance our service offering through maximising economies of scale, with specific plans for five new village developments and one village extension delivering 1,300 new apartments by March 2020. This will include;

- Bournville Cottages – July 2017
- High Wycombe – May 2018
- Stoke Gifford – September 2018

- Bedford – May 2019
- Solihull – January 2021

## 6. Benchmarking

### 6.1 Background

ExtraCare commissioned RSM in 2016 to undertake a preliminary benchmarking exercise in order to provide comparisons against other registered providers. Whilst ExtraCare are comparatively smaller to other registered providers (3,759 units, FY16) and therefore unlikely to have the same level of scrutiny from the HCA, ExtraCare were still keen to see how we compared.

Benchmarking exercises can provide the catalyst for identifying areas of the charity that are delivering and not delivering VfM. Prior to this ExtraCare had undertaken very little benchmarking and views this exercise as a good starting point on our VfM journey. We requested RSM to focus on operating costs as this was the area of focus for HCA.

Scope included:

- Comparisons to the sector global accounts for the financial year 2015; and Benchmark with a peer group of 8 – 10 Associations using the financial year 2016 accounts.

### 6.2 Key Findings

#### Global accounts analysis (2014 -2015):

<b>ExtraCare Headline Social Housing Cost per Unit</b>	<ul style="list-style-type: none"> <li>• £5,287 for FY15.</li> <li>• Higher than upper quartile £4,300 per unit across global accounts.</li> <li>• Lower than specialist provider level (care and support focus). HCA calculate this as being £10,000 per unit.</li> </ul>
<b>Social Housing Lettings Operating Costs (Management and Service costs)</b>  <i>Excludes other social housing activities and capitalised components.</i>	<ul style="list-style-type: none"> <li>• ExtraCare were higher than the median for FY2015;</li> <li>• Repairs and maintenance costs were below the median, however ExtraCare accept this could be distorted by factors such as the age and build of properties.</li> <li>• Management and Services costs require further investigation</li> </ul>

*Note: ExtraCare's headline social housing cost per unit calculated in accordance with the HCA definition*

#### Peer group analysis (2015 – 2016):

<b>ExtraCare Headline Social Housing Cost per Unit</b>	<ul style="list-style-type: none"> <li>• Cost per unit £5,949 for FY16</li> <li>• Third highest in peer group, 12.5% increase from FY15.</li> <li>• ExtraCare's management costs above median level indicating further investigation required.</li> </ul>
<b>Social Housing Lettings Operating Costs (Management and Service costs)</b>	<ul style="list-style-type: none"> <li>• ExtraCare's management and service costs above median level, indicating further</li> </ul>

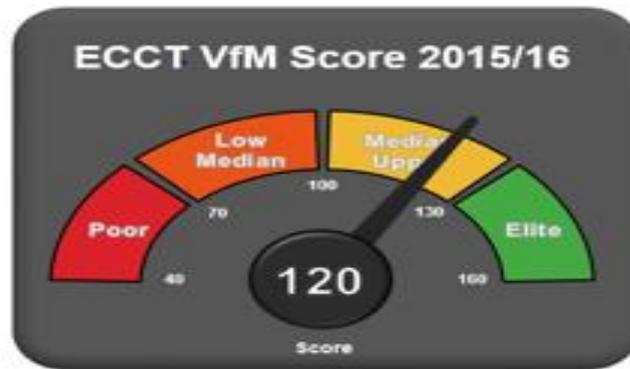
<b>Excludes other social housing activities and capitalised components.</b>	investigation required. Consistent with FY15 analysis and recommendations made.
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**Note:** ExtraCare's headline social housing cost per unit calculated in accordance with the HCA definition

### 6.3 Intel4Housing (I4H) Benchmark

Following RSM's initial benchmark review, the Board felt a more detailed benchmark was required via a specialist organisation, to identify areas which would benefit from proactive action, to help to improve VfM and the associated benchmark scores. Intel4Housing (I4H) were commissioned to carry out this task.

I4H were tasked to compare our performance across a range of disciplines ranging from routine repairs, cyclical maintenance, housing management, overhead costs and estate services. The I4H benchmark for FY16 showed ExtraCare's VfM score as being in the upper median quartile (score 120 out of 160). This indicates a positive VfM starting position for the organisation.



The dial score provides our overall VfM score based on the Score 15/16 in the table below.

This score was based on financials, cost, operations and satisfaction. The methodology used to conduct this analysis stripped out cost and management of care services, shops, home ownership units, development services, communal repair costs, communal estate service costs and partner schemes so that underlying costs were on a comparable basis with other social housing providers.

VfM Measure	Results 2015/16	Median 15/16	Quartile 15/16	Score 15/16
Total Cost Per Unit	£2,349	£3,189		40
Total Operational Performance Score	90	125		20
Total Customer Satisfaction Score	70	60		30
Total Financial Score	270	250		30
<b>Total VfM Score</b>	<b>120</b>	<b>100</b>		<b>120</b>

As a result of the detailed benchmarking work, an action plan was developed to address those areas that could be improved. Key points are as follows:

<b>Area of Focus</b>	<b>Description</b>
<b>Housing management costs to be further reviewed to identify where there are overspends compared to the other providers</b>	Particular attention will be paid to tenant arrears and rent collection. ExtraCare's Housing Services Manager will work with the Head of Finance to investigate the Housing Management costs in greater detail (mostly related to income collection).  The Housing Services Manager will also look at the apportionment of staff roles across the organisation to Housing Management, and then understand how other similar sized organisations apportion their Housing Management costs.
<b>ELT are reviewing head office staffing and this should identify savings</b>	During 2017/18 each head office department will be reviewed so that any areas of inefficiency can be addressed and savings can be identified
<b>A process review will be undertaken to establish how Extra Care could reduce re-let times</b>	Extra Care will map out the process for Sales, this will include buy backs/resales to identify what the key elements are for sharing best practice across the organisation for buybacks and resales (especially considering the amount of time an apartment is void in between). This will support the future reduction of void times.
<b>Further work to be done to understand why satisfaction scores with rent and repairs is low.</b>	The Resident Scrutiny Group will be looking at repairs, and one key areas they have been asked to look at is how residents should give feedback on their repair.
<b>Printing and stationery costs to be reviewed</b>	Explore how ExtraCare costs compare to similar sized organisation, and where appropriate review sourcing arrangements to ensure ExtraCare are getting best Value for Money.
<b>Consideration should be given to the development of a performance management framework in line with other providers so that comparisons can be more easily made. This should include customer satisfaction measures</b>	ExtraCare to investigate the various performance management frameworks available to us so comparisons can be made more easily.
<b>Energy Initiatives</b>	ExtraCare are to review recycling and energy reduction initiatives across the estate. An Energy Manager has been appointed for 2017 / 2018 to lead on this initiative.
<b>Increase the number of Volunteers</b>	A Volunteer Strategy has been published to assist Extras Care hit their 2020 Volunteer target of 3,000 active volunteers.

Further plans will be developed when the benchmarking results for 2016/17 are received in late summer of 2017. Progress against this action plan will be reported in the next VfM self-assessment.

### **Sector Score Card – Benchmarking Outcome**

ExtraCare have also reviewed the Key Performance Indicators (which are currently being trialed across multiple housing associations) and have provided our internal benchmarking outcome:

The Sector Scorecard was designed by 15 housing associations over the last 18 months. The aim was to create a set of metrics for housing providers to compare their performance and check they are providing value for money.

The scorecard measures 13 indicators across five areas of business.

ExtraCare have provided our statistics based on 13 of the core KPI's.

EXTRA CARE KPI DATA							
			Y/E 2015		Y/E 2016		Y/E 2017 (Draft)
Ref No.	KPI Description	%	Excl FA Sales	Trend	Excl FA Sales	Trend	Excl FA Sales
1	Operating Margin	%	6	→	8.4	↑	10.9
2	Increase / decrease in operating margin	%	4.1	↓	2.4	↑	2.5
3	EBITDA	%	206.3	↑	254.5	↑	266.3
4	Units Developed	No.	240	↓	212	↑	262
5	Units Developed (as a percentage of units owned)	%	40%	↓	20%	→	20%
6	Gearing	%	198.6	↑	215.1	↑	247.8
7	Investment in new housing for every £1 generated from operations	Ratio	-1.3	↑	36.1	↓	1.9
8	Investment in communities for every £1 generated from operations	Ratio	-0.1	↑	1.3	↓	0.1
9	Return on capital employed	%	2.2	↑	3.8	↑	4.1
10	Responsive repairs for every £1 planned maintenance spend	Ratio	5.2	↓	3.1	↓	2.1
11	Headline social housing cost per unit	£	7693	↑	7689	↑	8469
12	Rent collected for every £1 of rent due	Ratio	1.1	→	1.1	↓	1.0
13	Overheads as a percentage of adjusted turnover	%	Not available		8.1	↓	6.9

**Note:** EBITDA is Earnings before Interest Tax and Amortisation Major Repairs Included.

## 7. New Initiatives

### 7.1 Internal Process Efficiencies

ExtraCare continue to explore process efficiencies and encourage greater digitisation (digital by default). A thorough review of our end to end processes will occur in the coming year, to understand what we can simplify, improve through increased efficiency and digitisation where appropriate. Our process work will be guided by the following key principles:

- Understand the customer/stakeholder journey;
- Simplify wherever possible;
- Avoid duplication of effort;
- Cut out ineffective processes where safe to do so;
- Redefine processes and roles and, critically, commission supporting technology;
- Aim for consistency of processes;

- Implement appropriate changes to processes without regard to the current organisational boundaries;
- Ensure effective change management and robust implementation plans;
- Digital by default; and
- Measure the outcome.

A smarter use of technology including digitised services for our residents, will help improve customer satisfaction, through more services being available, delivered at a fraction of the cost, and much quicker. The technology will also provide actionable insight in a secure manner helping to support a culture of continuous improvement.

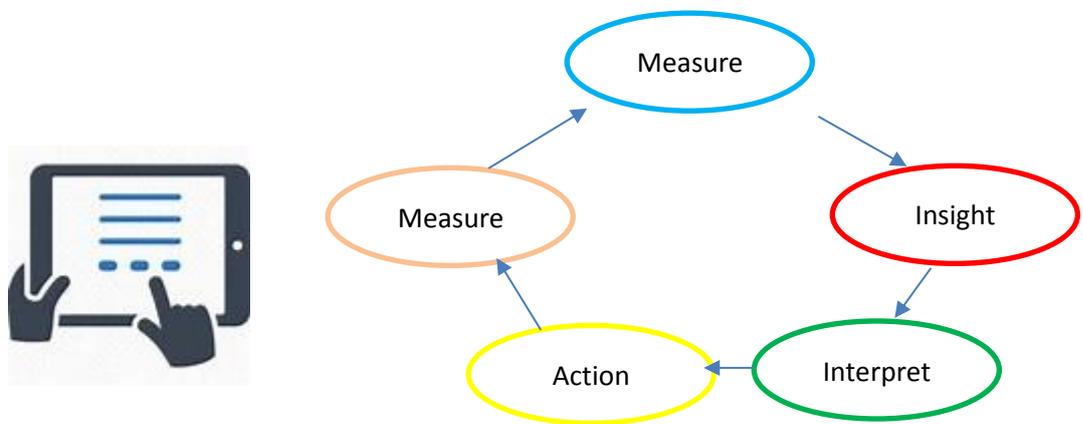
All ExtraCare policies will be reviewed, ensuring that VfM is included where appropriate, and that they are communicated effectively and enforced accordingly.

### Example 1: Customer Portal

An example of a process efficiency we are looking to launch in January 2018 to our residents is our new electronic customer portal which will link to our finance system. This will drive service efficiencies, automation, collate customer data and actionable feedback and in a secure manner, helping ExtraCare to provide a better customer experience, which is value for money. Please refer to Appendix C for more detail.

### Example 2: Feedback Ferret

Provision of real time electronic feedback from residents, visitors, and staff. Provides feedback on what ExtraCare can improve on but also helps measure what is done well.



Under pins the culture of continuous improvement, improved service quality & quantifying enhanced social value.

Through 2017 we are rolling out an electronic resident, visitor and staff survey solution called 'Feedback Ferret'. This will provide real time, actionable and quantifiable feedback, on the services provided. This insight will help ExtraCare to deliver informed solutions, to take actions to address any issues, and to benchmark ourselves against peer groups.

Both the Board Operations Committee and Resident Forums will be actively involved in oversight of the feedback, and actions taken on an on-going basis.

This tool is forecasted to save Extra Care in excess of £170,000 by March 2020, and will help deliver many of the VfM objectives.

ExtraCare recognise that actionable, real time insight is key to happy residents, customers, and staff, and is an enabler to allow ExtraCare to measure performance and ultimately deliver their 2017 – 2020 Corporate Plan.

## **7.2 Procurement**

A three year tender plan has been produced to underpin the Corporate Plan. This ambitious plan is forecasted to deliver £750,000 (exc Vat) in cash savings by March 2020, building on the £586,000 (exc VAT) delivered over the last two years. This will be achieved through targeted Procurement activity, which will include tenders, and where appropriate the use of Government and third sector procurement frameworks. These activities will seek to deliver better quality products, improved services, and on better terms.

In support of this, as part of VfM there will be;

- An emphasis on Supplier Performance Management, ensuring there is clear transparency and accountability for service delivery;
- A new centralised contracts register, supporting proactive management of supplier contracts;
- Effective partnering with our strategic suppliers, to drive innovation and value;
- Procedures and controls, will be reviewed, to support the new VfM culture;
- On-going training and support of staff by Procurement will be introduced, to ensure smart and effective commercial decisioning; and
- A quarterly Procurement report provided to ELT tracking benefits, highlight opportunities, but also non-compliance with policies and procedures.

## **7.3 Contract Management**

Through proactive contract management we will also seek to ensure that there is full visibility on our contractual obligations with our commissioners, and that we actively work to fulfil those obligations across all contracts on a continuous basis. We will continue to re-enforce good procurement disciplines throughout the charity, although good procurement needs to be complimented by strong contract management. We will carry out further contract management training. We also plan to improve our management information in this area.

## **7.4 People and Culture**

ExtraCare are committed to supporting a culture which puts quality of service for our residents and customers, and VfM at the heart of what we do.

This will be achieved through:

- Ensuring accountability and responsibility for cost and quality outcomes through team plans and individual objectives;
- Encouraging and rewarding staff for innovation and great ideas driving VfM;
- Shouting about and sharing our staff successes with colleagues, customers and residents;
- Investing in our people to ensure they are equipped with the tools to deliver VfM; and
- Fostering a culture which encourages colleagues to challenge ways of working, to drive better quality and performance.

We also recognise that we need to further develop the culture of complying with policies and procedures and hold accountable those members of staff that don't.

## 7.5 Development

We have, and will continue to develop and evolve our 'clusters' of villages and schemes strategy, which drives operational efficiency and sustainability by sharing resources, ideas, facilities, activities, opportunities and good practice.

We will also look at opportunities to expand existing villages and schemes - again to strengthen our clusters. This cluster approach will also allow us to consider developing villages that are either mainly owned/part owned or villages with a higher proportion of tenants – by maintaining a tenure mix of owners, part-owners and tenants across the cluster. We also know that new villages need a critical mass of resident usage and for their facilities to be open to the community to be sustainable. Each new village commissioned during the corporate plan period will therefore be a minimum of circa 250 apartments. Last year we secured £155m worth of loan funding. This funding, plus our sales income, funds our development programme. Each new village costs circa £45m to £55m so again our pace of development is partly constrained by the funding available.

We have a methodology for identifying where we will build and our development programme is set out in our 10 year development plan. (Appendix 2 Corporate Plan 2017-2020).

Our villages are designed using innovations through the application of new ideas and technology the market brings, and the lessons we learn from one build to another. We will refine the design of village centres using resident feedback and space utilisation figures to maximise usage, creating flexible spaces that can be re-configured quickly for different purposes. Our villages are part of wider communities and their success will be based, at least in part, on the level of community support and community usage of village facilities. We will therefore design new villages with this in mind, villages that are open and outward looking – but always with the safety and security of our residents in mind. We will also explore opportunities to increase intergenerational contact and support as we commission and develop new villages – learning from what has worked well elsewhere in countries like Holland and the USA where preschool nurseries or after school clubs have been 'twinned' with retirement communities or where villages have introduced reminiscence museums.

There is an increasing body of evidence that demonstrates that environmentally friendly villages and apartments are not only good for the environment and residents' pockets (particularly as energy prices rise) but they are also good for residents' health and well-being. All new villages will be built with this in mind

Our development decisions represent a significant investment for ExtraCare, it is therefore imperative that these decisions are robustly scrutinised, and that ExtraCare investment appraisal procedures and practice are fit for purpose, and champion the use of evidence and quantification of outputs.

**“Have a robust approach to making decisions on the use of resources to deliver the provider's objectives, including understanding of the tradeoffs and opportunity costs of its decisions.”**

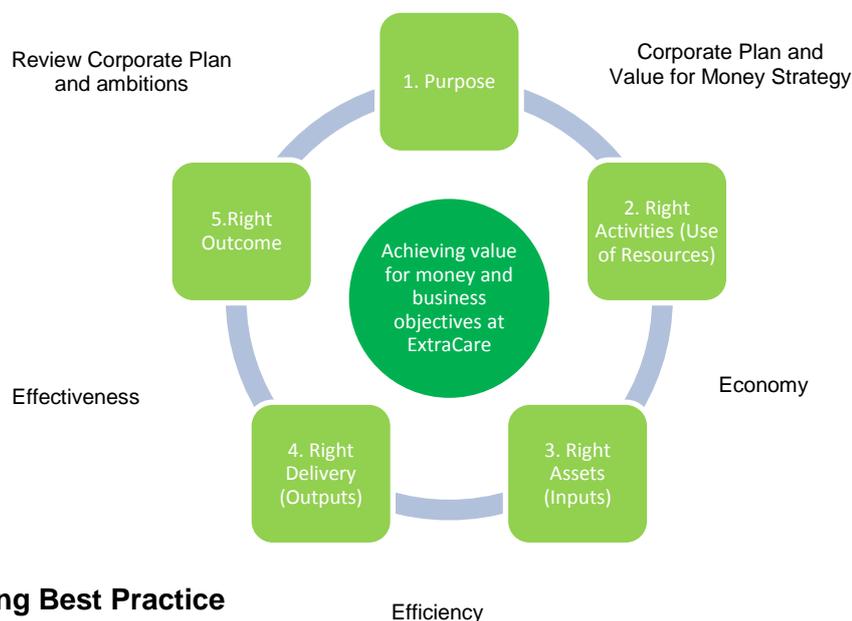
HCS VFM Standard

ExtraCare will:

- Work to demonstrate VfM throughout the full development lifecycle, including consideration for the ultimate cost impact on our customers (e.g. energy efficiency); Have two innovation apartments in each village we open (starting with Longbridge in summer 2017) to trial new assistive technologies to see what works and what could be used at future developments;
- Apply lessons learnt regarding space usage and our aspiration for our villages to be more outward looking, environmentally friendly and technology enabled to our existing villages;
- On the tenth anniversary of opening, ExtraCare will work collaboratively with residents to agree and deliver a package of refurbishment; and
- Through a Project Group for Assistive Technology and Innovation, will identify what technologies are currently being used/trialed across locations, identify new opportunities, and assess the cost benefits (VfM).

## 7.6 Service Reviews to Challenge Current Service Delivery

Service reviews, supported by ongoing customer feedback, cost and quality benchmarking, impact assessments and process mapping reviews, will support a number of service improvement initiatives as set out in the Corporate Plan. Initial focus being on areas identified by the I4H study, however all services over a programmed period of years, will be assessed to ensure they are fit for purpose, whilst promoting the three E's. This will become part of a standard operating model, as opposed to one off initiatives, to help us strive for best in class service provision.



## 7.7 Sharing Best Practice

ExtraCare have set up a "Sharing of Best Practice" web page on our intranet. This allows all staff to share their best practice ideas, to promote value for money, to share lessons learnt, reduce silo working across locations and duplication of tasks/effort spent on the same ideas. Progress will be reported on in next year's Self-Assessment Report.

## 7.8 Energy and the Environment

Energy is a significant area of expenditure for ExtraCare, and directly impacts our residents through the charges they pay to live in our villages and schemes. Whilst new villages and

schemes will comply with the 'Fabric First' environmental build policy, thus being energy efficient, a dedicated resource has been appointed to review all schemes and villages, to work collaboratively with resident groups and ExtraCare Staff across all sites, to drive initiatives to make sites more energy efficient and hitting our goal of reducing energy consumption by 10%, by March 2020.

Waste Management is another key area for us, focusing on new ways of reducing, reusing, recycling, and if possible avoiding waste. Initiatives will start with better ways of working with our supply chain partners, through to local projects within our villages and schemes, whereby we can mitigate our impact on the environment through smarter ways of working, and ultimately the direct costs on ExtraCare. Supporting this will be a new Waste Management policy, informing ExtraCare staff on the best ways of working.

Finally, working collaboratively and smartly with Procurement, the VfM Project Team will seek to source services which deliver the best value, utilising the various sourcing options open to ExtraCare. All these initiatives will be continued to be assessed and benchmarked to ensure they are delivering value for money, and ultimately ensuring ExtraCare are delivering on their commitments.

## 7.9 Communications

The VfM communication and marketing plan was launched in July 2017, with the aim that the same message will be delivered at every managers meeting, street, residential meetings, and via the organisation's intranet. We are also looking to include VfM statements within our documentation that is issued internally and externally so we can embed VfM throughout the end to end supply chain.

**"Have performance management and scrutiny functions which are effective at driving and delivering improved value for money performance."**

HCA VFM Standard

Our new customer involvement policy has now been launched in June. This will mean residents will be updated on the VfM project progress, VFM matters and initiatives via ExtraCare's resident magazine 'Extralife' which is published three times a year.

## 7.10 Consultation and Involvement

Resident engagement and consultation are key in setting our VfM priorities. ExtraCare will continuously engage and collaborate with our residents on VfM initiatives, and to measure their success, through various channels, including the new digital channels. This will in turn will be supported by our new customer involvement policy, which will set out our approach to customer engagement within VfM prioritisation, and activities.

# 8. Creating Social Value

## 8.1 Introduction

Assessing how we meet our social purpose through community investment and support is key to ExtraCare, and the delivery of our VfM strategy and Corporate Plan targets - to drive and create social value, and seek to demonstrate the social return on investment.

The VfM Project;

- Are exploring new ways on how our customers can feedback to us, and help ExtraCare measure social value, such as customer enjoyment and happiness from their experience of the services we provide;
- Are reviewing how we can look to build more outward facing villages (such as Longbridge) creating greater accessibility to the wider community, and the services/amenities offered to ExtraCare residents. Additional income generated from the wider community, will help keep site running costs down for residents. We will develop a methodology for measuring social value, taking into consideration the right balance between community use and resident's security and privacy;
- Will seek to explore further research opportunities to drive product and service innovation, whilst continuing with the housing and welfare benefits advice already provided; and
- Will continue to promote and measure, energy and waste efficient initiatives to deliver VfM.

ExtraCare will continue to develop our volunteering strategy, and seek to encourage and promote the benefits to the individual through an active and participative lifestyle. This can be through our activities, wellbeing and volunteering programmes and opportunities, along with quantifying the financial contribution of our volunteers.

Our residents live independently in safe, secure, supportive communities and are encouraged to stay active and to use their skills, talents and experiences to benefit their community as well as their own physical and mental well-being. We help our residents celebrate ageing and support them to live their lives to the full, maintaining their connections and forging new relationships – essentially helping them to challenge the prevailing ageist view of older people in our society. Our 'extra-care' model has been independently validated by Aston University as being good for residents' health, well-being and happiness as well as taking significant pressure off the NHS and freeing up family housing.

## **8.2 Welcoming communities**

Extra Care are committed to upholding the highest standards of equality and diversity – because we passionately believe all our residents, staff, volunteers and external customers deserve that respect. As part of our corporate plan, we will work with residents, staff and volunteers to ensure everyone regardless of their ethnicity, religious beliefs, sexuality or disability feels welcomed in our villages and schemes and we will challenge residents or staff whose behavior does not respect the diversity of their village or scheme. Community use of village and scheme facilities can help sustain the finances of a village or scheme, keeping costs down and also enhancing their vibrancy. However villages and schemes are also our residents' homes, so we work with residents to ensure that we strike a balance between community use and residents' security and privacy.

## **8.3 Care and support**

Provision of care for those who need it is integral to of our business model. Most care services lose money as local authorities, due to the recent austerity measures, are unable to meet the true costs. We will continue to provide care services in the most efficient way possible for residents who need it now or may in the future. ExtraCare are currently reviewing our charges for residents who pay privately for care, ensuring we do not make a loss on the care we provide, whilst looking to increase the proportion of private payers, to partially offset the losses from our other care services.

To complement the care services provision, working with residents we will seek to assess and introduce additional services which deliver added value to residents. These may range from handyman services through to building on the growing use of assistive technologies, which can help residents stay in touch with friends and family, through to reminding them to

take medication. As with care, we will review our charges for residents who pay privately for these services, ensuring we do not make a loss on the support we provide for them (including our Enriched Opportunities Programme, EOP).

#### **8.4 Pioneering Health and Well-being**

Our well-being programme, led by dedicated well-being advisors, provides residents with easy and approachable access to regular health screenings, referring them to GPs and other health specialists where appropriate. It also offers drop-in advice and information for all residents and overcomes many of the barriers faced by older people in accessing services they may perceive as distant and fragmented. The programme embraces all aspects of physical and mental health, as well as lifestyle and fitness, diet and even health and safety around the home.

For people who need high levels of support or care, our approach typically results in a reduction in medication, hospitalisation and morbidity, compared with people living in traditional residential care.

#### **Research has shown that The ExtraCare Charitable Trust's model:**

- Results in a 24% reduction in social care needs within 5 years\*;
- Reduces NHS costs by 38%\*\*;
- Reduces unplanned hospital stays from 8-14 days to 1-2 days\*\*;
- Reduces routine and regular GP visits by 46%\*\*; and
- Results in significant cost savings on social care for local authority commissioners\*\*.

#### **8.5 Supporting people with dementia**

Our enriched opportunities programme (EOP) provides specialist support for those residents with dementia or mental health issues. Based on state-of-the-art research and expertise in dementia care, the programme is led by dedicated team members called Locksmiths, who work one-to-one with residents to develop tailor-made support and activities.

Six years on from the start of the research, the EOP supports around 20% of ExtraCare's residents who have needs such as dementia and depression, and need support with positive lifestyle changes.

#### **ExtraCare residents involved with our enriched opportunities programme are:**

- 50% less likely to have to move out into a care home;
- 42% less likely to spend time in hospitals;
- More likely to rate their quality of life positively; and
- Less likely to experience symptoms of depression over time.

## **9. Conclusion**

During 2016/17 ExtraCare has significantly raised the importance of VfM within the organisation. Good progress has been made, but we recognise that there is still much more work to be done. We look forward to confirming the progress into 2017/18 and beyond so that we can really be sure we are delivering *“better lives for older people”*.

## Appendix A – Summary of Tasks

Summary of Work Group Tasks - CONSOLIDATED		Task Removed from Work Group	Follow On Activities	VFM Project Opportunities Noted
Work Group Ref.	VFM1	VFM2	VFM3	VFM4
VFM Strategic Objective	To embed the pursuit of increased economy, efficiency and effectiveness (E3) throughout ExtraCare and encourage a culture of continuous improvement and innovation	To deliver improved service quality to our current and future residents	To deliver increased efficiency resulting in reduced charges to our residents	To provide improved financial performance for ExtraCare (through the correct balance of the 3 E's) meaning that our future is more secure and we are able to invest with confidence
Tasks - Identified:	<p>1) Develop and implement a FM Communication and Marketing Plan. (VFM Focus)</p> <p>2) Embed FM within internal mechanisms. Includes identifying various opportunities to include FM considerations, and then initiating changes (e.g. board papers, etc.).</p> <p>3) Define and implement an approach to inclusion of FM within policies (to consider new, updated and existing policies).</p> <p>4) Review of external documents and marketing materials/communications – identify and embed opportunities for FM messaging</p> <p>5) Work with HR to develop detailed plan - detailing the inclusion of VFM within recruitment process, induction &amp; training, and development programme. [Flexible working review and recommendation. Will also include review and recommendation with regards to relocation of head office staff to location facilities.</p> <p>6) Staff Satisfaction Survey - review/evaluate outcome and recommendation.</p> <p>7) Staff Satisfaction Survey - review/evaluate outcome and recommendation.</p>	<p>1) Launch new Customer Involvement Policy to residents / staff to ensure principles of policy are understood and appropriate local and organisational actions take place in accordance with policy.</p> <p>2) Begin customer scrutiny of ExtraCare's repairs in house services in Villages._____</p> <p>3) Customer Portal Project - separate work-stream is on-going, but VFM elements to be assessed as part of this project group?</p> <p>4) Resident survey / customer experience ratings</p> <p>5) Best Practice Sharing - focus on internal mechanisms and methods for sharing best practice between villages &amp; schemes.</p>	<p>1) Review and Implement an Energy and Environmental Management approach to include, resident involvement, identification and implementation of initiatives, best practice sharing, communication, etc.</p> <p>2) Review approach to innovation/new technology trials/adoption (includes - assistive technology) and recommend an approach/process. To include transparency, impact, costings, cost benefits analysis, decisions, lessons learnt and shared knowledge, etc.</p> <p>3) Support the local communities through volunteering work, support local recruitment, work with local businesses to help them grow, share best practice across local communities and businesses.</p> <p>4) Review Design and Build process, and recommend an approach which takes account of options, decisions and impacts, at all stages (concept, design, build, commissioning, and review post-opening).</p>	<p>1) Support the development of user friendly materials and communications to support compliance with the Procurement Policy.</p> <p>2) Develop and implement a Benchmarking approach. (Annual &amp; Quarterly) Covers initial set-up and development.</p> <p>3) Develop guidance/toolkit to aid income generation across ECCT. - Develop a communication plan to support marketing of community facing facilities. This task relates to the development of the toolkit/guidance VFM2 to determine scope. Suggest a sub-group is formed to inc. Village/Scheme Managers</p> <p>4) Develop guidance/toolkit to aid proactive contract management (for both suppliers &amp; commissioners)</p>
				VFM5
				<p>To ensure robust systems and controls are in place so that we can more accurately measure performance</p> <p>1) Establish what key performance measures we need to have in place, and ensure appropriate mechanisms are in place to capture the required information.</p> <p>2) Undertake a review of financial, operational and maintenance reporting to ensure relevant and useful, and then implement revised/streamlined financial reporting structure.</p> <p>3) Review of Asset Management (large and small assets) to ensure processes and procedures defined to ensure appropriate control and good practice across ECCT. To include work exploring ECCT's return on assets (ROA).</p>
				<p>4) Develop dashboard/communications which specifically demonstrate to residents on a periodic basis how their money is spent. <b>Follow On Task - Phase 2, linked to Task 2 - Jan 2018</b></p>
				<p>5) Develop dashboards/communications which seek to regularly demonstrate to residents on a periodic basis how their money is spent <b>Follow On Task - Phase 3 - Date to be confirmed</b></p>
				<p>6) Develop a Communication and Marketing Plan that provides and maintains a regular dialogue on all key performance metrics with various stakeholders. Measure, Publish and Promote. <b>Follow On Task - Linked to Task 1 - Phase 2, September 2017 - Project Manager</b></p>
				<p>7) Develop the use of annual/quarterly benchmarking to support year on year performance comparison. Note: benchmarking being explored currently under VFM4, this relates to the ongoing annual task. <b>Follow On Task - linked to VFM4 - task 2, August 2017</b></p>
				<p>VFM Work plan - Specific Task Opportunity (SE3) links to Task 2</p> <p>Full review of ECCT maintenance services to include in-house maintenance services, use of and management of, external contractors. Activities to include process mapping, review of resources (inc. pay structures), consider administrative burden/tasks, compliance processes, roles &amp; responsibilities; systems (do not have a Housing Management System), data availability (performance and delivery), alternative solutions/models, etc. To consider ECCT processes and the customer journey, and any potential to interface with existing systems e.g. customer portal, finance. Also opportunity for involving the residents in full end to end project, and linking to service charges for transparency.</p>
			<p><b>Specific initiatives for potential consideration:</b></p> <ul style="list-style-type: none"> <li>Review opportunity and solutions to support residents and customers booking and paying online for various services. Note: may be a development opportunity via the Customer Portal.</li> <li>Review of systems used to support the delivery of care. Need for consistency across sites, support commissioner reporting, etc</li> <li>Review of food ordering system (Epsy's). Query reference whether fully implemented/utilised, additional functionality we can use, training for chefs to ensure maximum use and benefit.</li> </ul>	<p>7) Review and Recommendation with regards to Roles &amp; Responsibilities across ECCT. (Relates to HO vs. Locations roles &amp; responsibilities, inc authority. <b>Revisit as a Follow On task once restructure completed and new directors are in post (September 2017)</b></p> <p>8) Review of Cluster approach. Potential to establish a group/determine level of support required from wider business to support this important future strategy. <b>Use to speak to Louise and confirm timescales</b> <b>Revisit once Cluster Approach ready for involvement - Follow On Task (October-December 2017)</b></p>

## Appendix B – Asset Management Initiatives

Initiative	Financial Outcome/ Benefits 2015/16	Financial Outcome/ Benefits 2016/17	Non-Financial Outcome/Benefits 2016/17	2017 – Future Planning – Working in progress Initiatives
New development opportunities – board agreed financial benchmarks	NA	NA	Rigorously reviewing new development opportunities to ensure they achieve "board agreed" financial benchmarks. These benchmarks include: Operational Return, Return on cash invested, Loan to Value, Interest Cover	Continual review of the key measures in line with a changing construction market and external influences that can impact on our revenues.
Long term plans are agreed to ensure that appropriate repairs and cyclical maintenance is performed on all our assets.	NA	NA	Improvement to reliability and therefore a reduction in repair costs through planned investment.	All service providers being procured by the procurement team. Plans are in place to deliver planned and cyclical maintenance objectives.
ECCT Board took decision to increase the investment in our existing stock, to improve overall efficiency and to future proof the income stream	Planned Maintenance Spend - £161k, Responsive Repairs Spend - £506k Increased by 35% from 2014/15 figures.	Planned Maintenance Spend - £324k, Responsive Repairs Spend - £678k Increased by 50% from 2015/16 figures.	Improvement to reliability and therefore a reduction in repairs costs through planned investment	Work with Finance team to ensure that planned investments meet with resident's affordability to fund through their service charges.
Use of local contractors to provide repairs services at ECCT villages/schemes	NA	NA	Approach adopted following resident consultation. 78% of residents were very or fairly satisfied with the overall service, therefore to improve and add social value ECCT have decided to review the adoption of utilising small and medium-sized businesses.	All service providers being procured by procurement team, so have undergone the relevant financial/operational and environmental checks.
Following a 'fabric first' energy efficiency strategy on all new developments.	NA	NA	Reducing energy demand of the building using LED's where practical, explore the option of standardising this across all new and existing villages/schemes. This will reduce energy costs for our residents	Undertaking a full review of the lighting situation across ECCT locations – so a full, phased LED switch over can be implemented. Part of the Corporate Plan targets.
Measuring demand for our stock, assess how housing meets local needs, reviewing the satisfaction of our customers, working with partners to acquire discounted land or by using our own land for development.	Net surplus on property resales of £2.02m.	Net surplus on property resales of £3.60m. Customer Satisfaction outcome: The cost has been minimised by innovating and by digitising the new process. Achieving the same result, using our old survey methods, would have cost ExtraCare an additional £102k per annum.	Increased resales surplus has allowed us to utilise this money in other areas of the organisation, such as innovation and research. With regards to Customer Satisfaction - we now gain much more frequent, actionable feedback, from the widest possible number of residents, as well as other customers from four of our villages. Customers will be able to rate and review us at any time and our village managers will follow up the feedback with 'You Said We Did' communications each month.	Demand for our stock continues to be strong, which allows us to increase the property prices on a consistent basis – usually twice a year. We're also looking at the opportunity to build additional properties in existing locations where demand is particularly strong, like Shenley Wood Village. With regards to Customer Satisfaction, ECCT previously conducted a customer satisfaction survey every 2 yrs (in 2015/16), however, from 2017, ECCT are introducing electronic feedback stations in all our village community areas, supported by mobile devices, an online version, and comments cards for use where required. Our schemes have fewer residents than our villages and tend to have higher satisfaction scores. For scheme residents we'll ensure they are able to rate and review us at least annually as part of a revised annual resident survey.
Working with partners to acquire discounted land or by using our own land for development	Est £2 million	NA	Own/manage more than 5000 homes, to be committed to sites for a further 2000 homes and provide service for 5000 non residents	By working with partners and LA planning authority's we have secured two sites (Solihull and Stoke Gifford) where by reducing the developers affordable housing obligations we have secured a discounted land price
Using the increased value of our balance sheet to secure finance to develop new homes	£43.4 million (Balance Sheet Total)	£50.7 million (draft Balance Sheet Total)	73% - 65% - Loan to Value Targets (Corporate Plan) – ECCT are borrowing less against more assets.	73% - 65% - Loan to Value Targets (Corporate Plan) – ECCT are borrowing less against more assets.
Operating Costs	£74.9 million	£76.4 million (Draft)	NA	NA
Total Housing Portfolio	Currently valued at £183.5 million, Depreciated Cost Value £133.4 million	Currently valued at £TBC million, Depreciated Cost Value £158.1 million	NA	NA
Longbridge, High Wycombe, Coventry, Bedford, Stoke – new development – started in 2015/16 – further funding provided to support these plans	801 Units in Development	1,064 Units	4 New villages with forecasted dates for opening are as follows: Longbridge – July 2017, High Wycombe – May 2018, Stoke Gifford – September 2018, Bedford – May 2019 and Solihull – January 2021	

