

The
ExtraCare
Charitable Trust

Better lives for older people

Value for Money Strategy

May 2019

Contents

	Page
1 What Value for Money (VfM) means at ExtraCare	3
2 Our Strategic Approach	3
3 VfM Objectives and Monitoring	5
4 Organisational VfM	7
5 Our Approach to Delivering VfM	9
6 Action Plan	12
7 Appendix 1 – Infographic	

1. What VfM means to ExtraCare

The ExtraCare Charitable Trust (ExtraCare) is proud to be a charity that supports older people and a Registered Provider of Social Housing (RP).

Our vision of **better lives for older people** is what puts the value into Value for Money (VfM). Our mission is to create sustainable communities that provide homes people want, lifestyles they can enjoy and care if it's needed and is the basis for all we do. This strategy sets out, amongst other things, to demonstrate how we comply with the Value for Money Standard and Code of Practice as published by the Regulator for Social Housing (RSH) in 2018, in delivering our vision.

We define VfM as getting the right balance of inputs, process and outcomes, as described by the 3 Es:

- Economy: minimising the resources required;
- Efficiency: to accomplish something with the least waste of time and effort; and
- Effectiveness: the relationship between the intended and actual results.

VfM informs how we plan, manage and operate our charity to ensure that we make the best use of limited resources to deliver our mission now and into the future. We approach VfM in delivering the Corporate Plan objectives by understanding our costs across different areas of operations, reducing our reliance on cross subsidy from charitable income and re-sales profits and building a clear strategic framework to ensure VfM is considered in decision making.

ExtraCare demonstrates VfM through our unique model of supported independent living within multi-tenure communities that are underpinned by effective financial and operational management. This model provides significant health and well-being benefits to our residents whilst also reducing the pressure on the NHS and social care providers. *We have created an infographic to illustrate this which is included as Appendix 1.*

Our values reflect how we operate and behave with our staff, residents and our stakeholders:

Empowering: we encourage and support our staff to provide outstanding services to our residents

Compassionate: we show empathy and compassion to our residents

Collaborative: we work together as one team for the benefit of our residents, staff, volunteers and customers

Transparent: we are open, transparent and honest in dealings with our residents, staff, volunteers and customers

This VfM strategy replaces the strategy approved by our Board in 2017, recognising the new code of practice issued by the RSH and changes within the organisation, building on successes and lessons learned, in our continued drive for better VfM.

2. Our Strategic Approach

Our Corporate Plan (2017-20) was created to steer us through a challenging period of increasing financial pressures and changes in our operating environment, whilst ensuring that our focus remained on delivering services that meet our residents' needs and that offered good VfM. Being

efficient, delivering good VfM and generating surpluses is the best way of ensuring we remain successful and sustainable.

Our Corporate Plan objective is to ensure that we develop and operate villages and schemes that:

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

As a charity focussed on improving the lives of older people, we also have a particular focus on social value. Our holistic homes, lifestyle and care model coupled with our mixed tenure of owners, shared owners and tenants is unique. Whilst cost is critical, we knowingly provide services which on their own are not self-financing (e.g. care) but such services are part of our integrated model and produce significant social, environmental and/or community impact. So as a provider of an enriched lifestyle, not just a housing option, we ensure that high quality care, support, wellbeing, catering, gyms and other additional services are delivered, and provide proven benefits to the individual and reduce spending for local authorities and the NHS (see below).

Independent research, by Aston and Lancaster Universities (2012-18), has shown that our model provides significant benefits to our residents as well as local communities, and wider society. The research evidences improvements in the physical and psychological health of residents (including risk of falls reduced by 18%, and anxiety symptoms decreased by 23%), plus reduced costs to the NHS through less GP visits, shorter and less frequent hospital stays (ExtraCare residents cost the NHS 38% less than comparable residents living in the community).

All our care services achieve 'Good' or 'Outstanding' CQC ratings, and our Health and Well-being service and Enriched Opportunity Programme (EOP) are award winning. We also provide dedicated support for residents suffering with dementia, other mental health conditions, end-of-life care, and have partnered with Cruse Bereavement Care to provide bereavement support.

We operate a large-scale volunteering programme which is driven by our Volunteering Strategy. We promote the advantages of volunteering to our 2,300+ volunteers (who contribute over £4 million per annum to ExtraCare annually) in terms of health, wellbeing and social isolation, to our schemes and villages in terms of creating supportive and vibrant communities, and to the charity in terms of enabling the delivery of more services at less cost. As such, volunteering is a key part of our approach to VfM.

We pro-actively support and commission independent research to inform our business decisions and ensure that our services meet the needs of current and future residents, and the wider community.

As well as researching the effects of lifestyle on wellbeing indicators, we are exploring a range of research topics including how the market understands retirement living, what potential residents might want in five or ten years' time, technology that can support our residents, and how to attract and retain good staff.

For example, our IT strategy addresses our relatively cautious approach to IT systems and infrastructure, which has affected our ability to take advantage of new technology to make process, cost and productivity efficiencies. We are moving towards a digital culture which will reduce process costs, speed up response times, increase accuracy and efficiency and provide service users with more choice and flexibility as to how and when they engage with us. Our Board increased their risk appetite in relation to technology to medium to reflect this ambition.

3. VfM Objectives and Monitoring

3.1. VfM Objectives

Our key VfM objectives are to support the delivery of our corporate objectives in the most economic, effective and efficient manner within the resources available. Our Corporate Plan lists 20 targets and 25 commitments that are regularly monitored by the Board via a series of Balanced Scorecards; more than half of these have a direct impact on VfM, the key targets are:



We will develop five new villages and complete one village extension during the life of this corporate plan delivering circa 1,300 new apartments.



Each location will achieve a minimum CQC 'Good' rating overall – with at least a third of having achieved 'Outstanding' in one of the five key questions.



We will achieve a resident experience rating of 80% or above in all villages and 90% or above in all schemes by the end of the corporate plan period.



We will achieve staff satisfaction scores: 75% of our employees will be satisfied with ExtraCare as an employer and 90% employees will be fully committed to our vision.



We will generate an overall operating surplus of between £1-3m each year and a total surplus in excess of £10m each year.

Other targets and commitments that are related to VfM are as follows:



Develop our VfM Strategy.



We will benchmark our unit costs and become more efficient than comparable organisations.



We will develop our cluster strategy in regard to operating existing villages and identifying new sites for development.



We will explore new development models, including hub & spoke model and review our development and construction approach.



Each village will reduce its energy usage by 10% and increase recycling by 15%.



We will reduce our loan to value ratio.

Our VfM targets are a mixture of RSH and (ECCT) bespoke targets. Our performance for 2017/18 and 2018/19 along with our 2019/20 targets are as follows:

RSH based targets	2017/18 Actual	2017/18 Sector comparison	2018/19 Target	2019/20 Target
Reinvestment	12.8%	Upper quartile	15%	10%
New supply delivered, social housing	10.4%	Upper quartile	23%	6.8%
Gearing	80.8%	Lower quartile	75%	70%
EBITDA MRI	249.9%	Median	225%	170%
Headline Social Housing cost/unit	£4,833	Lower quartile	£4712	£4591
Operating Margin	12.9%	Lower quartile	17.5%	15%
Return on Capital Employed	4.6%	Median	6%	4.5%

ECCT bespoke targets	2017/18 Actual	2018/19 Target	2019/20 Target
Arrears (reduce value of payments due)	4.0%	3.5%	3.0%
Voids (reduce average period for re-let)	10 weeks	8 weeks	4 weeks
Operating Surplus	£3.667m	£1-3m	£1-3m
Loan to Value	64.3%	65%	65%
CQC rating Good or Outstanding	100%	100%	100%
Resident experience rating at villages	73.8%	77%	80%
Reduce energy usage	-3%	-5%	-10%

It is our intention that, at its next update, this strategy will include targets relating to the lifestyle benefits that our model provides.

3.2. Monitoring

VfM is reported annually in line with the RSH requirements, and internal reporting has been developed to be consistent with the VfM standard and the Code of Conduct to ensure that these measures are embedded into our processes and underpin our understanding of VfM.

Financial performance is reported at all Board and delegated Committees, including:

- For the approval of annual budgets and significant capital expenditure;
- To track the performance of new village developments over the first two years after opening as a minimum;
- To track our performance and progress against the seven regulatory VfM metrics and unit costs, and comparison to peers;
- To track our performance against our own complementary VfM metrics; and
- To monitor the plans and actions related to these comparators and to address areas of underperformance.

Executive management is introducing additional steps to ensure the approval and oversight processes are more visible to the Board, and to our stakeholders through publication in our annual accounts.

3.3. Customer Feedback

We use a range of customer feedback measures to inform our analysis of our performance and quality outcomes and ensure that our services continue to meet the needs of our residents and stakeholders.

- ‘We Are Listening’ – this scheme provides electronic units at all locations that enable residents, visitors and staff to give immediate feedback against a range of measures. The results are shared with location managers to respond to individual cases and make any local changes, and a summary of results is shared with the Executive Leadership Team (ELT) and all location managers. Cases that require escalating are added to the Learning Log for senior management to review. We communicate our responses to residents locally, and through our resident magazine (ExtraLife) under the banner ‘You Said We Did’.
- Suggestion Scheme – in 2018 we relaunched this scheme to encourage residents and staff to make strategic, and local suggestions to improve services. Suggestions are evaluated by a cross functional panel of staff and winning suggestions receive a £50 voucher. Suggestions are analysed for themes and to track the progress of any that are taken forward. The results of the suggestion scheme are also communicated locally and via our ExtraLife magazine.

- Roadshows are held each year at each location, led by a member of the ELT, to set out our performance and strategic direction, and provide an opportunity for staff and residents to share their views.

4. Organisational VfM

4.1. Governance & Legal Structure

ECCT is governed by a Board of Trustees who ensure we stay true to our unique model and vision whilst also leading on VfM. The Trustees believe that the best way to do that is for ExtraCare to remain as an independent organisation. However, the Board recognises that the operating environment changes rapidly, and therefore reviews periodically its structure, delivery model and vision to ensure there is not a better way of achieving our purpose by working with or within other organisations.

The Board approves the VfM Strategy and the Corporate Plan, and monitors progress using the Balanced Scorecard which is reviewed at each Committee and Board meeting in addition to the VfM targets and actions.

- Minutes of Board and Committee meetings are accurately recorded to ensure decisions are evidenced for transparency.
- All Committee and Board papers are submitted using the ExtraCare template which includes a VfM section, to ensure that the author conveys the costs and benefits of the activity/proposal, enabling comparison and leading to informed decisions.

4.2. Roles & Responsibilities

ExtraCare takes VfM seriously and has invested in a full time permanent post of VfM Manager. However, each strand of our organisation has a role to play in ensuring we achieve our VfM objectives. These are set out below:

Board	Executive Leadership Team (ELT)	Staff	Residents and Service Users	Contractors and Partners
<ul style="list-style-type: none"> • Set strategic direction and priorities • Provide leadership • Ultimately accountable • Create a VfM culture • Champion VfM • Monitor VfM delivery 	<ul style="list-style-type: none"> • Lead by example • Deliver VfM • Create empowered workforce • Create a VfM culture 	<ul style="list-style-type: none"> • Deliver on VfM actions • Challenge colleagues where appropriate (e.g. regarding processes) • Identify efficiencies and better ways of doing things 	<ul style="list-style-type: none"> • Scrutinise performance and cost of services • Give feedback on quality of services • Participate in procurement exercises 	<ul style="list-style-type: none"> • Actively seek out efficiencies to benefit our residents and service users as well as themselves

4.3. Structure, Operations & Processes

We recognise that efficient processes are key to cutting out wasteful practices. Key processes have been mapped to identify inefficiencies and prioritise re-design, further work is planned to build on this.

Unlike most (general needs) housing providers we choose to provide a 24/7, 365 presence in our locations and focus on personal contact rather than call centres or online services. We have invested in, and are in the process of launching, a customer portal storing resident data including charges and key information about circumstances, which will be readily accessible to local operational staff.

Within the Corporate Resources Directorate, the Finance and People teams have introduced Business Partners to better support the organisation by providing expert advice and support for managing costs and staff resources.

Housing, Void Management and Lettings policies are all being reviewed and updated to ensure that they meet the standards required by the Regulator, and that processes and procedures are clear and efficient, to minimise empty properties and to maximise income.

A new Operational Model (NOM) is being introduced for repairs and maintenance to address the costs and structure of repair and maintenance services, improve VfM and align with our Asset Management Strategy.

A range of new or revised strategies are being implemented, and more are in development to be launched in 2019/20, to ensure our priorities are clearly set out and aligned with our Corporate Plan. They include the following:

People Strategy	This strategy recognises the importance of staff satisfaction and morale on performance and includes changes to the team structure, policies and procedures to better support the organisation.
IT Strategy	The IT Strategy will ensure that IT systems and services support secure and efficient operational activity and increase our digital maturity.
Volunteering Strategy	This strategy builds on the value that volunteering presents to residents and the local community as well as reducing the cost of services.
Retail Strategy	This strategy outlines a clear shops model, sets growth targets for Gift Aid and identifies our aspirations in relation to diversifying our retail offers.
Fundraising Strategy	The Strategy sets out focus areas for fundraising and highlights that we are a registered charity.
Commercial Strategy	The range of commercial services in our villages provide significant value to our residents' lifestyles, the commercial strategy is driving better management of costs and performance to reduce losses and increase income for the charity.
Income Management Strategy	This strategy is driving process improvements to reduce arrears and improve the service for residents.
Asset Management Strategy	The Asset Management Strategy sets out how we value and manage our property portfolio, defining our approach to sub-categories of responsive and planned maintenance, alongside investment and modernisation aims.
Treasury Management Strategy	Our approach to managing our funding sources and associated risks will be clearly signalled.
New Village Commissioning Strategy	This strategy will set out the objectives, processes and responsibilities to enable the effective commissioning of a new village.
Development Strategy	This strategy will explain how the Board will determine why, when and where to develop new facilities.

Procurement Strategy	This strategy will establish the direction of how procurement should be organised in order to achieve better value from external providers.
Care & Support Strategy	This strategy will ensure provide an overview of how our care service will operate and the support and development of the staff that provide the service.

5. Our Approach to delivering VfM

5.1. Embedding

The following actions and behaviours will further ensure that VfM is embedded throughout the ExtraCare culture. We will:

- Continuously improve our understanding of our costs, and track efficiencies (cash and non-cash savings). We will do this by analysing the profitability of each income stream (rent, care, restaurants, etc) during 2019/20. We will regularly use internal benchmarking to identify potential efficiency improvements. We will report our progress to each meeting of the Audit & Assurance Committee;
- Benchmark our performance externally, and learn from others. We will analyse our unit costs and set improvement targets and report progress to each meeting of the Audit & Assurance Committee;
- Ensure the performance management system requires all staff to seek VfM improvement opportunities;
- Increase collaboration and sharing of best practice between locations and teams through our internal communication system Workplace and through our staff suggestion scheme;
- Make VfM central to our annual planning process, with a focus on cost and quality;
- Make a sound and robust VfM business case for new activities by introducing a disciplined project management approach;
- Ensure processes are reviewed and improved to deliver better VfM;
- Continue to train staff on what VfM means to ExtraCare and tell VfM 'good news' stories; and
- Continue to develop strategic partnerships with other organisations (e.g. Galliford Try) that allow synergies to be made.

The matrix below summarises the operational areas in which all staff can affect VfM and is widely communicated throughout the organisation so that all staff are able to recognise aspects that are relevant to their role and are prompted to analyse their performance.

<p>PROCUREMENT</p> <ul style="list-style-type: none"> • Follow the policy • Shop around • Contact Procurement team for support 	<p>BUDGETS</p> <ul style="list-style-type: none"> • Manage closely • Plan ahead • Look to out-perform • Build in challenge 	<p>PROCESSES</p> <ul style="list-style-type: none"> • Comply with policy • Challenge inefficiency • Improve • Stop unnecessary tasks
<p>CONTRACT MANAGEMENT</p> <ul style="list-style-type: none"> • Know your contracts • Manage supplier performance • Look to get more 	<p>REGULATOR REQUIREMENTS</p>	<p>ASSET MANAGEMENT</p> <ul style="list-style-type: none"> • Know your assets • Life-time costs • Maintain and repair effectively • Replace when necessary
<p>COST SAVINGS</p> <ul style="list-style-type: none"> • Every little counts • Share best practice 	<p>ENERGY EFFICIENCY</p> <ul style="list-style-type: none"> • Engage residents • Turn off electricals not in use 	<p>BENCHMARKING</p> <ul style="list-style-type: none"> • Internal • External • Address weak areas

5.2. Benchmarking & Understanding Costs

ExtraCare commits to ongoing benchmarking of unit costs with the intention to be more efficient than comparable organisations. Section 3 provides our current headline social housing cost and how this compares to the sector. We will continue to use an external consultancy to support us to analyse cost areas and benchmark these against peer organisations, while deepening our understanding of all cost drivers and opportunities for reducing costs. We also use benchmarking internally to compare and boost performance across our portfolio of villages and schemes. We will report progress to each meeting of the Audit & Assurance Committee.

5.2.1. Internal Benchmarking

Finance Business Partners work with Regional Operations Managers and Location Managers to monitor the income and expenditure between locations. They benchmark cost and income categories to compare performance against budget, and identify above average costs, and improvements, leading to the spread of best practice. The increased visibility of costs between comparable services will lead to further service improvements, cost savings and greater efficiency.

5.2.2. External Benchmarking

Analysis of our costs between the years 2016/17 and 2017/18 identified a small rise in unit cost, at a time that the social housing sector was mainly reducing costs in light of the rent reduction, while our expenditure on development was consistently significantly higher than the sector average.

We identified central overheads as the cost category that saw the largest increase over the period, excluding development, primarily due to IT costs relating to hosting and consultancy. More detailed analysis resulting in changes to supplier contracts, coupled with the new IT strategy will mean IT costs will be significantly lower going forward.

Expenditure on repairs and maintenance has been low compared to other organisations, and data is not effectively categorised to enable detailed analysis. We have embarked on a major project to put in place a new operating model for our repairs and maintenance service (see 4.3). This will give us greater transparency over spend, improve reporting processes and deliver value for money in our balance between responsive repairs and planned maintenance. Alongside this we have developed an asset management strategy to set out and clarify our approach to asset investment (particularly in our buildings). The strategy will ensure that we plan and track the activities, expenditure and benefits of repair, maintenance and other property related investment so that any increase in costs provides an equal or greater benefit to the property and/or our residents' health and well-being.

Further analysis of our data and trends, internal and external, enables us to develop our understanding of our costs and how to relate them to the beneficial value of our services. We will continue to use external expertise and make adjustments to cost classification and cost treatment to ensure that our cost reporting is transparent and understandable to stakeholders, and enables constructive comparison with other providers.

5.3. Procurement

Good procurement and active contract management are key to achieving VfM from bought-in goods and services. A Procurement Strategy is being developed to focus and improve our procurement performance, the key priorities are to:

- Deliver cost savings (including cost avoidance) – annual target £500k;
- Improve supplier and contract management to ensure contract specifics are accurate and up to date, and that high performance is achieved and maintained;
- Collaborate and innovate through relationships with public sector, other RPs and charities;
- Obtain Social Value (SV) through supplier behaviour/added value services – emphasising the importance of SV to ExtraCare and influencing the wider market; and
- Invest in the local economy – where appropriate, prefer small and medium enterprises (SMEs).

5.4. Project Management

Our Project Management Office (PMO) further drives VfM by formalising the system for proposing, assessing the viability of, and managing new projects. Initiators must estimate the costs (financial and staff), timescales, and anticipated outcomes for each project prior to approval. Project proposals are evaluated in terms of their expected VfM and the evaluation panel is enabled to compare and calculate opportunity cost of multiple options for utilising limited resources.

The PMO input to all large projects (excluding new village developments), to ensure they are managed consistently, efficiently and effectively, and achieve their expected aims.

The PMO provides guidance and templates for all staff to better enable effective management of all types of projects, and support project managers to carry out a post project review and capture lessons learned.

6. VfM Action Plan 2019/20

The Action Plan lists the key actions that need to happen, in addition to the activities and processes already in place, to ensure that the drive for VfM is embedded throughout the organisation, and that there is clear strategy behind decision making, target setting and progress monitoring. Progress against these actions and the VfM targets will be reported to the Board on a quarterly basis within the VfM dashboard.

Ref	Specific Action	Measurable Outcome	Responsible	Timescale	Approval Form	RAG Status
1	Finalise our Asset Management Strategy to sit behind funding and staff structure decisions	Approved strategy	Head of Operations (Commercial)	Q1 2019/20		
2	Finalise our Treasury Management Strategy	Approved strategy	Director of Corporate Resources	Q1 2019/20		
3	Create a Development Strategy	Approved strategy	Director of Sales & Development	Q2 2019/20		
4	Create a Care & Support Strategy	Approved Strategy	Head of Operations Health & Social Care	Q2 2019/20		
5	Develop internal measures/VfM dashboard	Working dashboard	VfM Manager	Q1 2019/20		
6	Management Accountants will help progress issues identified by VfM Manager relating to internal benchmarking	Input to VfM dashboard	Head of Finance	Q2 2019/20		
7	Develop a system to capture more accurate Voids & Arrears data	System operational	Housing Manager/ Income Manager	Q3 2019/20		
8	Develop approach to identify & report underperformance; establish annual targets for financial improvement and cost savings	Improved financial metrics	Director of Corporate Resources	Q3 2019/20		
9	Further to process mapping exercise, identify opportunities to simplify & improve processes	Redesign key processes to be quicker and more efficient	Head of PMO	Q4 2019/20		
10	Continue to train staff and promote VfM		VfM Manager	On-going		

11	Develop process/format/targets for measuring social/non-financial value	Targets in place	VfM Manager	Q4 2019/20		
12	Report profitability by revenue stream to the Board	Improved decision making	Director of Corporate Resources	Q4 2019/20		
13	Improve resident reporting	Increased transparency	Head of Compliance & Improvement	Q4 2019/20		
14	Report to each meeting of A&A Committee on unit costs	Increased transparency	Director of Corporate Resources	On-going		
15	Ensure Mitigation plans are up to date and targets are set	Improved decision making	Director of Corporate Resources	Q4 2019/20		
16	Develop action plan as a result of stress testing	Improved efficiency	Head of Finance	Q3 2019/20		