



Value for Money Strategy

2020 - 2024

February 2020

A Group Corporate Core
Operational Strategy

Table of Contents

- 1. Strategic aim..... 2
- 2. Context 2
- 3. Principles 4
 - Maximise economy, efficiency and effectiveness across all aspects of service delivery
 - Make best use of assets and resources
 - Maximise social value
 - Robust focus on performance, service quality and satisfaction
 - Use insight and data intelligence to inform strategic business decisions
 - Maintain regulatory compliance and long-term financial viability
 - Enhance customer involvement, scrutiny and accountability structures
- 4. Risks 9
- 5. Governance, monitoring and review 9
- 6. Associated strategies and policies 9
- 7. Document control 10

1. Strategic aim

Torus is committed to achieving the best possible outcomes for tenants, customers and communities with the resources available. We will do this by maintaining a core focus on Value for Money (VfM) and adopt a comprehensive and transparent approach across all areas of the business to unlock financial capacity and extract maximum value from our activities and investments.

Operating as a sustainable business with VfM at our core means we can do more to meet local housing need and deliver innovative solutions that tackle the housing crisis and enhance communities. VfM considerations will, therefore, play an essential part in all aspects of internal business planning, management and operation, and support the delivery of sector leading services, as well as the group's broader growth and regeneration objectives.

We will always strive to:

- optimise efficiency;
- strike the right balance between cost and quality;
- manage our assets and resources wisely;
- develop a strong internal culture around performance;
- embrace value-adding technologies, where appropriate; and
- provide consistently high quality services that improve lives and communities

2. Context

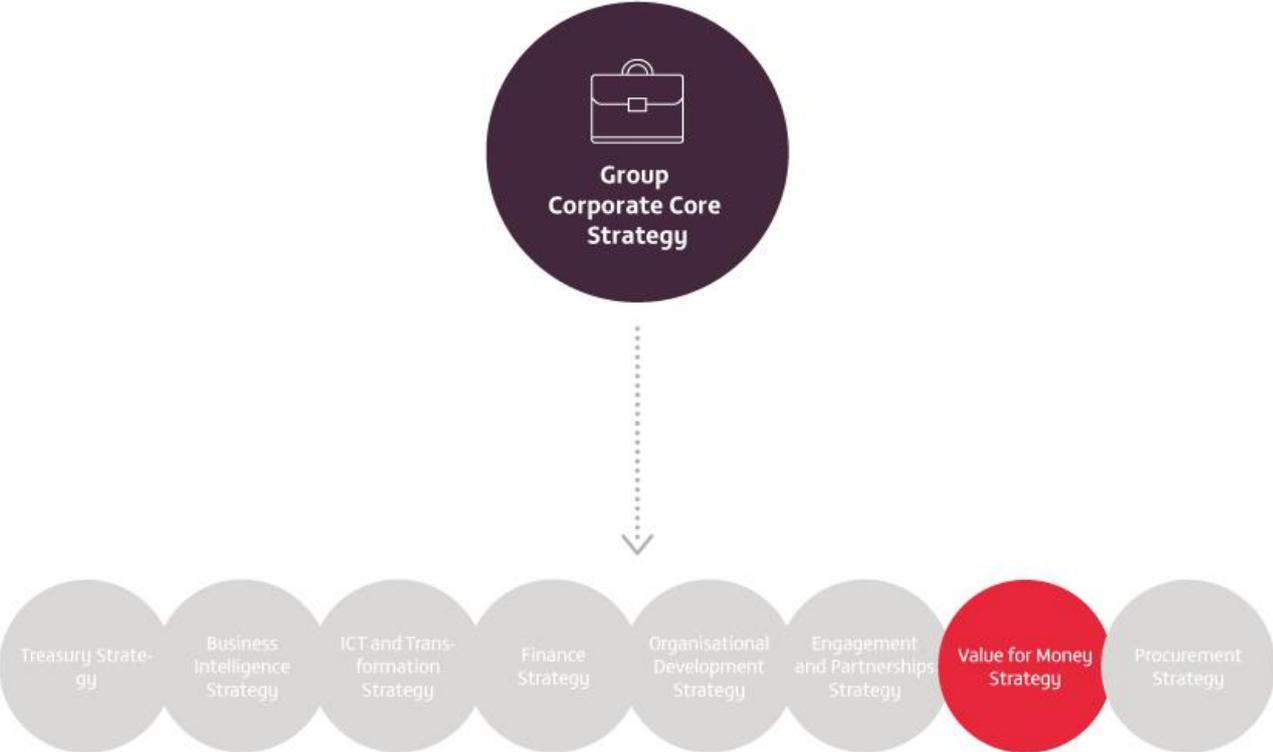
Torus' Corporate Plan 2019-2024 sets out the group's five-year delivery ambitions, including the creation of at least 5,300 new affordable homes for the North West and an annual Gift Aid target of £5m from commercial activity, which will be used to fund social projects across Torus geographies.

Value for Money objectives and plans are directly aligned to the group's mission of '*growing stronger communities*' and vision to '*support the development of economically vibrant communities and independent lives*'. This strategy, therefore, has a cross-cutting mandate and sits within the Corporate Core, one of five overarching Group strategies that were approved at Group Board level in February 2020. The Group Corporate Core Strategy includes '**Maximising value for money across all parts of the organisation**' as a Core objective.

The strategy takes account of the expectations set out by the Regulator of Social Housing (RSH) in the Value for Money Standard (April 2018), and associated Code of Practice, and describes how Torus will aim to exceed regulatory requirements through the implementation of its **Seven Principles of Value for Money**.

These principles have been created to embed the philosophy of 'value for money at all times' across the Group and are designed to shape business planning and ensure we have the resources to support delivery of the Group's vision.

Group Corporate Core Strategy Framework



3. Principles

The principles shown below have been developed to reflect our values and support our ambitions and commitment to sustainable social purpose. All principles will be delivered through the implementation of this Strategy and will contribute to our overall VfM performance.



VFM Principle One: Maximise economy, efficiency and effectiveness across all aspects of service delivery

This principle looks at how we deliver commitments made in the Detailed Business Case, which formed the basis of the decisions by the boards of Torus and Liverpool Mutual Homes to amalgamate in January 2019, and in Torus' Corporate Plan 2019-2024. The Business Case set out the expectation that the new group would make £14.6m in efficiencies over the initial transformation period, and utilise increases in financial capacity to invest in new build homes, existing stock improvements and, as Gift Aid from commercial activity, in meaningful social impact activities.

Maximising economy, efficiency and effectiveness means embracing innovation, digital technologies and insight to design better ways of working, enabling Torus to make insight-based decisions that drive value.

Strategic outcomes:

- Resources are targeted at services in line with Corporate Plan priorities.
- Implementation of efficient operating structures and aligned services enable key VfM targets to be met, including an overall Operating Margin of 35.3%, a Headline Social Housing Cost per Unit (CPU) of £2,697 and Transformation Programme efficiencies of £14.6m.
- The Group's greater purchasing power delivers £1m in savings by 2021-22.
- £5m generated annually in commercial surplus is Gift Aided to our charitable arm by 2024.

Actions to achieve this principle:

- Deliver Torus Transformation Programme and organisational restructuring activities.
- Review services on a regular basis to identify opportunities where more value can be delivered, from single processes, team structures and delivery methods to Torus business and operating models.

VFM Principle Two: Make best use of assets and resources

This principle describes how the commitment to Value for Money will underpin the work of the organisation and how clear business plans and strategies will ensure teams use resources wisely, based on the priorities detailed in the Group Corporate Plan.

Making best use of assets and resources, which include our homes, infrastructure, people and financial capability, means we will always focus on robust business planning processes. These will be linked via a 'golden thread' to the Group's overarching commitments to tenants, customers, communities and stakeholders.

Strategic outcomes:

- Resources are directed wisely to ensure long-term sustainability of our assets, including ongoing investment in homes, services and people.
- Target use of resources enables Torus to achieve our 10.7% reinvestment and 5.4% Return on Capital Employed (ROCE) targets, and to complete over 5,300 new build homes in a range of tenures by 2024.

Actions to achieve this principle:

- Set zero-based budgets every year to target resources wisely
- Identify opportunities to standardise components, lifecycles and materials across Torus stock, taking a whole-life, intelligent approach to asset management.
- Deliver the Torus Development Strategy, including a continued strategic partnership with Homes England (Wave 2 and Wave 2 extension) within financial targets, increase in land-led schemes and the creation of standard house types.
- Conduct robust investment appraisals before committing to growth and new commercial opportunity.
- Continually focus on rigorous budget setting to ensure an appropriate level of resources is allocated to business priorities, challenging targets are set to reduce waste and year on year savings are achieved.
- Use asset grading models to evaluate performance of properties and utilise this information for decision making on stock investment and divestment.

VFM Principle Three: Maximise social value

This principle establishes a clear link between the Group's commercial activities and the work of our charitable arm, Torus Foundation, to improve lives and communities across Torus geographies. Every £1 generated in profit at contracting subsidiary HMS and Torus Developments will be Gift Aided to support the delivery of social projects, with a focus on skills, employment and digital training, money advice services and health and wellbeing initiatives for those most in need.

Maximising social value ensures Torus has the biggest possible impact across our geographies and fulfils our commitment to 'improving lives and life chances for customers and the communities we serve'.

Strategic outcomes:

- Effective business planning enables diversified commercial activities, driven by VfM considerations, and generates an annual surplus of £5m by 2024 to fund a spectrum of social impact projects.
- An intelligent approach to social impact improves the lives of our customers, sustains tenancies and supports the wider community to grow strong, to thrive and to be more resilient.

Actions to achieve this principle:

- Maximise opportunities for growth through internal and external work streams. The Group's risk appetite approach will determine which opportunities are pursued and the need to have the right information in the business case for growth.
- Use social impact calculations to establish the social value of our activities, wherever possible, and publish these results annually in the Torus Foundation Social Value Report.

VfM Principle Four: Robust focus on performance, service quality and satisfaction

This principle ensures that we strike the right balance between cost and service provision, and that increased efficiency does not affect our commitment to a 'landlord plus' offer, or to wider housing solutions and choice for people needing homes. A strong focus on service quality and satisfaction will be embedded across the Group to instil a culture of performance alongside delivery cost.

Strategic outcomes:

- Long-term organisational viability without a reduction in service standards or customer satisfaction.
- Performance targets are achieved or exceeded, including Rent Collection of 99%, Occupancy of 99% and Overall Customer Satisfaction of at least 90%.

Actions to achieve this principle:

- Implement the 'landlord plus' commitments made in our Great Homes Strategy, including 'providing tenancy services that respond to specific customer and local strategic need'.
- Review Torus income management processes, ensuring a focus is maintained on achieving rent income targets.
- Implement a new Group approach to tenant and customer satisfaction, including delivery of the Tenant Voice Strategy.

VfM Principle Five: Use insight and data intelligence to inform strategic business decisions

This principle explains how we will be a modern organisation, in which business intelligence and data analytics increasingly guide decision-making. Operating as an agile, insight-driven organisation will ensure we can target resources where they are most needed whilst minimising duplication and waste. Focus will be given to changing customer demand across Torus geographies and how we adopt VfM principles when designing homes and services for the future.

Strategic outcomes:

- A data and insight-focused approach to performance and wider sector trends, enabling Torus to make informed decisions that respond efficiently to changing customer need.
- An intelligent organisation that looks ahead, ensuring we make the best use of our assets and resources.

Actions to achieve this principle:

- Establish processes to monitor performance against the Sector Scorecard.
- Achieve a more detailed perspective on performance through wider benchmarking analysis, to assess areas of above median costs and below median performance.
- Identify broader opportunities to increase VfM in a challenging external environment through a comprehensive programme of in-house research and horizon scanning.

VFM Principle Six: Maintain regulatory compliance and long-term financial viability

This principle outlines our focus on maintaining high levels of regulatory compliance and long-term financial viability, which in combination will ensure business sustainability and our capacity to achieve responsible growth. We will regularly monitor the Group's exposure to financial and business risk, including capacity, liquidity and governance structures, to ensure we remain fully compliant with the Governance and Viability standards set by the RSH.

Strategic outcomes:

- Continued compliance with regulatory standards for Governance and Viability, and with funders' covenants, backed by efficient, intelligence-driven Finance and Business Assurance functions.
- A strong, effective and committed Board structure, focused on organisational sustainability and growth, strategic objectives and risk management.
- Achievement of financial performance targets, including EBITDA MRI of 302% and Gearing of 43%, and maintenance of funding availability.

Actions to achieve this principle:

- Review and reassess the Torus Business Plan on a quarterly basis, and carry out an annual formal Board review, undertaking robust stress testing of the plan, backed up with recovery plans.
- Conduct annual reviews of the organisation's risk appetite at Board level.
- Implement the Torus Treasury Strategy, including potential to undertake a public bond issue.
- Undertake regular Board member appraisals to ensure effective, priority-driven governance.
- Establish effective governance processes and benchmarking to promote accountability on VfM.
- Publish our VFM performance, including the regulator's VFM metrics, in a transparent and open manner within the statement of accounts.

VFM Principle Seven: Enhance customer involvement, scrutiny and accountability structures

This principle will embed a culture across the organisation that puts customer priorities first. We will involve tenants, leaseholders and other core customer groups in the VfM agenda and in checking our priorities to drive value. We will operate transparently and encourage involved customer groups to scrutinise our performance in line with tenant and resident priorities. Working closely with our customer base will ensure we remain on track to deliver sustainable, value-focused services across the business.

Strategic outcomes:

- Tenants, customers and stakeholders understand the Group's core commitment to, and actions to achieve, value for money across the business.
- Effective involvement mechanisms enable core customer groups to scrutinise key areas of performance and services

Actions to achieve this principle:

- Deliver the Torus Tenant Voice Strategy and associated Tenant Voice Action Plan 2019-2022 to enhance engagement and consultation mechanisms with tenants and leaseholders
- Report to the Landlord Operations Committee on VfM activity and performance
- Communicate the spectrum of Torus VfM activities and outcomes in our Annual Report and Financial Statements, and well as other relevant reporting outputs

4. Risks

Failure to put an effective Value for Money Strategy in place has a direct impact on the risk 'to manage our long-term financial resilience'. This strategy will play a key role in mitigating this risk, ensuring efficiency targets are achieved and enabling Corporate Plan outcomes to be delivered within our financial resources.

Failure to deliver VfM also has an impact on other, associated risks, particularly the 'failure to maintain the confidence, satisfaction and trust of customers and other stakeholders' and delivery risks including 'failure to deliver the development programme', 'failure to reshape the business and implement the new intelligent operating model' and 'unable to deliver our social impact ambitions'.

5. Governance, monitoring and review

We will measure our performance providing value for money by comparing Torus data to the metrics for housing associations set out in the Sector Scorecard. Targets and key performance indicators will be agreed internally and robust data will be collected to measure value for money outcomes.

VfM results will be presented at the Torus Quarterly Performance Review, part of the group's performance management framework, and we will undertake annual benchmarking via the Sector Scorecard, with results reported to the Board and Landlord Operations Committee (LOC). If we identify areas of underperformance in achieving VfM, strategic Action Plans will be developed to address any issues promptly.

We will profile our value for money metrics and report on all relevant group activities in our Annual Report and Financial Statements, which are available publicly and published on the Torus website.

This will include:

- Our targets
- Operational cost analysis and sector benchmarking
- Savings achievements compared to previous year results
- Future plans to enhance VfM across the business

6. Associated strategies and policies

Value for Money is a cross-cutting strategy with fundamental application across the Torus strategy framework.

7. Document control

Title: Value for Money Strategy: 2020-2024

Author: Allen Barber, Group Finance Director

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