Sir or Madam

Respondent:
[redacted], Executive Director of Finance
Adactus Housing Group Limited
Turner House, 56 King Street, Leigh, Lancs, Wn7 4LJ
[redacted]
01942 608715

On behalf of the Adactus Housing Group Limited (Adactus), we clearly and whole heartedly welcome the objectives and provisions of the proposed Value for Money (VfM) Standard.

It represents what Adactus believes the real focus for value for money for a registered provider (RP) should follow and represents a methodology that Adactus has been following since the original VfM standard was introduced.

We have not formally responded to the survey as our answers to all the questions were YES and we believe it should be what RPs should already be doing.

However we wish to convey our full support for the new proposed standard, its methodology and the metrics suggested.

In terms of the metrics:

We concur with the metrics and methodology being proposed.
We concur that the metrics should be reviewed, measured and reported on a group level in order to eradicate any impact of intra-group transactions.
We concur with continuing to use audited FVA information.
We concur that the "per unit" metrics should be considered using total units irrespective of whether those properties are owned or managed to allow meaningful comparison across providers.
We completely agree with the non-inclusion of metrics of intangible measures such as "social value".
Consideration should be given to widening the collection and reporting of metrics to all providers irrespective of size to focus the whole sector on VfM.

We look forward to hearing the results of the consultation.

Many thanks and best wishes for the festive period.

[redacted]
Executive Director of Finance

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BCHA response to Homes and Communities Agency Consultation on the Value for Money Standard

Introduction

BCHA is a specialist housing provider, helping homeless and vulnerable people access the right housing, living, support, and learning and work opportunities. Founded in 1968, BCHA supports over 10,000 people every year to take control of their lives and equips them to find a way forward.

BCHA has a diverse range of approximately 2,000 homes across the South and South West. Over 600 of these are supported homes for people who find themselves homeless after facing relationship breakdowns, addictions, unemployment, domestic violence and deteriorating mental and physical health.

Question 1 – Do you agree with the objectives for the proposed Value for Money Standard?

Overall BCHA agrees with the objectives for the proposed Value for Money Standard. However, Objective 4 highlights enhancing 'comparability', which for an organisation like BCHA is extremely difficult. Unlike many housing associations BCHA provides a wide range of services from leased, supported and temporary housing to training and community services, so therefore to provide high-level transparency and comparability is challenging and needs context. The Regulator needs to appreciate single ranking lists of disparate organisations are not always helpful and that diversity in the sector, rather than narrow uniformity, is to be celebrated.

Question 2 – Do you agree that the focus on boards ensuring that delivering value for money is an integral part of running their business would support a more strategic outcome-focused approach?

Yes. We are experiencing very challenging times, income wise, which means budgets are much harder to balance. Board must focus on value in setting their strategic objectives, and still need to have the freedom to determine their own view on defining VFM.

Question 3 – Do you agree that registered providers should seek to maximise the financial return from their resources and assets in so far as that is consistent with the achievement of the organisation's wider organisational purposes?

Housing Associations were formed for social housing purposes to meet a particular need. However, many have moved away from that into a more commercial environment and therefore not necessarily taking tenants who are seen as 'higher risk' due to Universal Credit or on zero hours contracts, for example. The original purpose of social housing was to provide accommodation for people on lower incomes, which means that by remaining committed to that focus you will not necessarily maximise financial returns.

However, if an organisation's objectives are to focus on lower income needs (e.g. social rather than affordable rents) then it needs to maximise its performance to be effective.

As long as this is explained and is acceptable to the Regulator this should be acceptable. It does however need to be recognised that smaller charitably focussed organisations will have very different financial performance to larger commercially focussed organisations.

There is also a need to make a reasoned case to subsidise something because of its social value and therefore keep a social and financial balance in decision-making as a financial-only focus could lead to the unnecessary closure of services which will have an adverse impact on our communities. The Regulator should only be concerned with the quality of an organisation's decision-making in this regard and not absolutely on the maximisation of its surplus (assuming that is allowed within its objectives).

Question 4 – Do you agree that boards should consider the full range of operational and strategic issues in delivering value for money?

We believe Boards should not be too operationally focussed and instead reflect a higher-level delivery, remaining committed to broader strategic goals rather than undue detail.

Question 5 – Do you think the Code helps registered providers understand how compliance with the requirement to 'undertake a rigorous appraisal of potential options for improving performance' could be achieved?

Not necessarily. We believe the Code needs to be more fluid and developed/updated by the Regulator more frequently to capture how the Regulator's approach to VFM evolves through ongoing engagement with providers (IDA's, RJ's). Otherwise the Code risks becoming dated very quickly and will cease to be helpful to providers.

Question 6 – Do you agree with the move away from wide-ranging narrative self-assessments in the current Standard towards a specific metrics and targets based approach?

In theory, yes, but in practice, will it make a difference? We believe there is still a need to explain, give context and a wider picture to what we do as an organisation – meaning a need for narrative. We therefore need to understand what is required and not required i.e. clarification of what narrative and context is needed. This also brings us back to the 'comparability' question (see Q1) and who is our comparable organisation?

Question 7 – Do you agree that targets-based approach in measuring performance will help to deliver value for money?

VFM money is not just about operating costs but an inter-play involving costs, performance and satisfaction which is very organisation-specific. A narrow focus on a small range of targets by the Regulator will therefore provide a skewed view of some organisations which may have distinct service models from the norm. Again, there is the issue of comparability so the approach needs to allow sufficient context to explain disparities between organisations (for example for organisations providing support or which have a high proportion of short term housing).

Question 8 – Do you agree that the requirement to report on value for money in the accounts would increase board focus on value for money as well as drive transparency, consistency and comparability for stakeholders?

There are growing financial standards that require organisations to explain their performance and the context to that performance regardless of what the Regulator requires, while major stakeholders, such as funders, also rely on the accounts for this information. Overall we believe the Regulator's proposal of a reasonably tight set of metrics alongside some brief narrative (executive summary) seems a reasonable compromise. In years gone by Housing Associations (including BCHA) were incorporating the full and often quite long VFM statements in their accounts which made the accounts far too long. As long as we are all clear what are the basic requirements are for the accounts from a regulatory perspective this should be workable.

Question 9 – Do you think the proposed Code achieves its aim of amplifying the requirements in the Standard, helping registered providers understand how the requirements of the Standard could be met?

(see Q5 response)

Question 10 – Do you have any comments on our business engagement assessment including in relation to equality and diversity?

We believe that there is a need to have some focus in the Value for Money Standard to Homelessness and Supported Housing to demonstrate access to Housing Association services from the whole community in need.

BUILDEAST
THE FUTURE OF HOUSING

Consultation on a revised Value for Money Standard and Value for Money Metrics

Dear Fiona,

In response to your letter dated 27 September 2017, we appreciate the opportunity to comment on the regulator's revised Value for Money Standard and proposed Value for Money Metrics.

This response is on behalf of BuildEast; an informal alliance of the largest developing housing associations based across the East of England. Collectively BuildEast plans to build over 15,000 homes over the next 5 years, directly employs more than 3,700 people, manages more than 100,000 properties, and houses over 200,000 people.

Value for Money Standard

Do you agree with the objectives for the proposed value for money standard?

A: Yes.

Comment: In principle, all four objectives of the new VFM standard are agreeable. On the third objective, it is important that those registered providers that do not develop (supported housing providers etc.) are not treated unfavourably for not investing in new homes.

Do you agree that the focus on boards ensuring that delivering value for money is an integral part of running their business would support a more strategic outcome-focused approach?

A: Yes

Comment: We believe that VFM is already well embedded across our organisations and our boards have a firm grasp on it being an integral part of the business.

Do you agree that registered providers should seek to maximise the financial return from their resources and assets in so far as that is consistent with the achievement of the organisation's wider organisational purposes?

A: Yes

Comment: We agree that the terms 'resources' and 'assets' must be broad and can include physical assets as well as remuneration, investments etc. However, it is important that achieving value for money doesn't ignore the requirement for value. It is very important to be able to attract staff with the highest potential into the sector or procure goods and services that are fit for purpose. Likewise, with the need to cross-subsidise and other financial pressures it is important that providers are still able to invest in diverse activities where it furthers their social purpose and objectives.

Do you agree that boards should consider the full range of operational and strategic issues in delivering value for money?

A: Yes

Comment:

N/A

Do you think the Code helps registered providers understand how compliance with the requirement to 'undertake a rigorous appraisal of potential options for improving performance' could be achieved?

A: Yes

Comment:

N/A

Do you agree with the move away from wide-ranging narrative self-assessments in the current Standard towards a specific metrics – and targets-based approach?

A: Yes

Comment: Broadly speaking we agree that there are significant benefits of a quantitative system of metrics. However, it would also be useful to be able to continue to report on the qualitative value added by registered providers in the areas in which they operate. For example, place-making, workplace engagement or support for local charities are all worthy of note but not necessarily quantifiable.

Do you agree that a targets-based approach in measuring performance will help to deliver value for money?

A: Yes

Comment: If the sector scorecard (or similar set of metrics) is to be viewed as targets then this could be useful in delivering VFM.

However, we believe it is important that any targets consider the objectives of each organisation, as well as other factors such as geography, rent policy, accountancy practices, client groups served and external operating environment.

Do you agree that the requirement to report on value for money in the accounts would increase board focus on value for money as well as drive transparency, consistency and comparability for stakeholders?

A: Yes

Comment:

N/A

Do you think the proposed Code achieves its aim of amplifying the requirements in the Standard, helping registered providers understand how the requirements in the Standard could be met?

A: Yes

Comment:

N/A

Value for Money Metrics

BuildEast is committed to ensuring its members are efficient and effective businesses, and having been part of the Sector Scorecard Working Group, we are delighted that the Regulator is drawing financial metrics from the pilot.

Moreover, we agree that associations should set their own strategic objectives and report on progress on these targets annually in their accounts.

It is BuildEast's view that the suite of VfM metrics be restricted to data derived from registered providers' Annual Accounts only, as proposed. The pilot of the Housemark Sector Scorecard has evidenced that using different definitions within their system will lead to inconsistencies in the data comparison across organisations.

The proposed metrics identify the degree of investment by RPs into existing stock, as well as new supply. They do not however identify where expenditure has increased due to planned investment into systems that are essential for continued future growth and viability, such as digital business transformation. We therefore support the proposal that RPs should set their own strategic objectives and report on progress on these targets annually in their accounts.

The headline social housing cost per unit metric is based on social housing activity only. We agree that a true social housing CPU will be beneficial; however, having a CPU for care and support would help some associations compare costs in that business stream. The Regulator has indicated, in past correspondence regarding key contextual factors, that high proportions of supported housing, or operating in higher wage regions, are associated with higher headline unit costs than average. We would seek to ensure that there issome indication of these contextual factors within the metrics, for comparison with RPs who do not provide such services.

Specific comments are the metrics are below:

Metric 1 – Reinvestment % (New)

The proposed metric includes capitalised interest. As some members of BuildEast do not capitalise interest on their development costs, these associations will appear lower as a result and it may appear that they are reinvesting less as a % of their stock than those that capitalise interest.

Metric 2 – New Supply Delivered %

This is currently input into the Sector Scorecard as a total, however the new measure asks for this ratio to be reported separately for Social Housing units and Non Social Housing units. This would be an improvement to the current scorecard.

Metric 4 – EBITDA (MRI) Interest Cover %

BuildEast participated in the 2016/17 Housemark Sector Scorecard pilot. During this, errors were detected in the data output report provided by Housemark. When this error was queried it transpired that the difference in definitions between the Housemark and NROSH+ FVA EBITDA (MRI) Interest Cover % calculation had compounded the data error made by Housemark.

BuildEast would like some certainty that the definitions and calculations are to be aligned between the two reporting systems and that all associations will be working to the same definitions to permit meaningful comparison with other organisations.

Metric 5 – Headline Social Housing CPU

The proposal is slightly different to the definition utilised in the Sector Scorecard pilot calculation. Organisations with Care homes and Supported Living units will find their averages increased. A breakdown of CPU by business stream, as utilised within the regulatory FVA, would be more useful.

Metric 6 – Operating Margin %

BuildEast support the inclusion of both A) Operating Margin (social housing lettings only) and B) Operating Margin (overall). Where the sector scorecard is being used to produce this figure it should be checked for consistency of definition. The inclusion of care and support services in A) will however reduce headline operating margin and it would be more useful to separate this type of business from the social housing lettings calculations, for greater transparency.

Warm regards,

[redacted]

Chair, BuildEast

CIH response to the HCA Consultation on the Value for Money Standard

About CIH

Chartered Institute of Housing (CIH) is the independent voice for housing and the home of professional standards. Our goal is simple – to provide housing professionals and their organisations with the advice, support and knowledge they need to be brilliant. CIH is a registered charity and not-for-profit organisation. This means that the money we make is put back into the organisation and funds the activities we carry out to support the housing sector. We have a diverse membership of people who work in both the public and private sectors, in 20 countries on five continents across the world.

Further information is available at: www.cih.org

CIH contact:

[redacted], Policy Adviser

[redacted]

December 2017

CIH response to the HCA Consultation on the Value for Money Standard

Chartered Institute of Housing

Background

The regulator (HCA) is proposing to replace its existing Value for Money Standard. The revised Standard will be supported by a new Code of Practice which clarifies and explains it. This response from CIH covers both documents and also makes reference to an HCA technical paper on the metrics for measuring VfM.

Overall approach

CIH endorses the emphasis on value for money. It is also appropriate for the regulator to focus on financial metrics such as gearing and operating margins. We recognise too the importance of focusing on social housing delivery, and that measures of delivery are more easily standardised than other measures of value generated by the organisation.

Nevertheless we feel that the regulator should also give emphasis to a range of other factors that contribute to VfM. The ones we identify are: tenant and resident consultation and engagement, the affordability of housing delivered, impact on homelessness and the wider social value created by the organisation. We also believe that the regulator should have a nuanced approach to organisational change as a route to delivering value for money.

Our overall message on VfM is that as well as recognising the importance of cost management and investing in building as many new homes as possible, it also needs to explicitly recognise that there are wider objectives for the sector that can easily lose their importance under the pressures to build and to demonstrate a narrow view of efficiency. The strong focus on financial metrics can detract from measuring the wider social value provided by the sector, including its beneficial effects on other public services.

The regulator must therefore ask whether the proposed metrics will help it understand whether good performance against them is actually delivering good services on the ground. Will the metrics in isolation be digested and used as an assessment of the sector, and will it therefore be judged on a narrower definition of 'value' than the sector offers in practice, and indeed is part of the sector's purpose?

The rest of this paper focuses on these wider issues, but there are also some presentational and procedural issues raised by the consultation:

Inclusion in statutory accounts has audit implications and we are not sure this is the right place for the breadth of information required.

For example, an annual VfM statement could be published on websites or as part of annual reports. Indeed it could be argued that a VfM statement is more important to tenants and residents than the annual report or accounts by themselves.
A number of issues will impact on the direct comparability of the metrics between providers, for example tenure mix, geographic location and internal accounting policies. This will need to be borne in mind when making sector- wide comparisons.

Tenant and resident consultation and engagement

It is likely (and appropriate) that in the wake of the Grenfell Tower fire there will be renewed concern about whether providers take sufficient account of tenant and resident views, not only those on broad strategy but also those on specific areas of service provision (e.g. in the Grenfell case, fire safety). While this aspect is covered in the HCA Tenant Involvement and Empowerment Standard, we note that engagement is not mentioned in the VfM metrics and that services to tenants and residents receive few mentions in the main consultation paper.

CIH would argue that a provider that is not focussed on tenant and resident needs and aspirations cannot demonstrate value for money in their operations. Arguably, VfM is fundamentally directed at the customer – current tenants and residents, potential tenants and residents and the wider communities in which providers work
and that judging VfM from this perspective is a key part of VfM. Tenants and residents will undoubtedly have views on service costs and how the quality of services should be assessed.

An important question is how the regulatory framework will ensure that providers are adequately taking tenants' and residents' views into account, and are actively demonstrating VfM to them (as well as to the board, the regulator, etc.)? It can be debated whether this is best taken into account in the VfM standard or by another part of the regulatory framework.

One possible route, given that the metrics have been set, is to indicate that while there is no metric for tenant and resident engagement the regulator expects providers to have one or more metrics that relate to it. This would give guidance but not in a prescriptive form, allowing providers to specify their own metrics for this, but ensuring that they do so. Providers should, of course, involve tenants and residents closely in setting such metrics.

CIH response to the HCA Consultation on the Value for Money Standard

Affordability

The code says that 'where a provider has had to accept lower financial returns in pursuit of their purpose, the rationale for this should be clearly articulated and justified'. This gives the impression that accepting lower returns is undesirable, whereas of course a lower than market-level return from rents is a positive outcome if the objective is affordability.

CIH is concerned that affordability is given insufficient emphasis, as it is a fundamental objective for associations and a key test of one of the 'three Es': effectiveness. For example, it will be important for an association that deliberately keeps rent at affordable levels, subsidising the cost from its balance sheet, to be able to show this as a positive outcome. Equally, it will be important that an association financing new development in part from its own resources is able to show that this is not at the expense of the affordability of rents to the target groups that it typically houses.

An important point here is that VfM should not be narrowly confined to the housing provider, but take into account wider costs (and benefits). For example, high rents may superficially demonstrate better VfM on a narrow definition, but not if the impact on welfare benefit costs were also to be factored in. Reports by the NFA and by Savills, among others, have demonstrated the VfM to be obtained by building at lower, social rents.

In addition, providers should be aware of the effects of rent levels on the residual incomes of tenants and residents, since high rents that squeeze residual incomes cannot be said to provide VfM in any wider sense.

We address the affordability issue in our recent report Building Bridges – A guide to better partnership working between local authorities and housing associations. We call on HAs to work with each other and with LAs to develop *Local Housing Affordability Frameworks*. Whether or not this is the mechanism used to achieve genuine affordability, the issue is a key one to be reflected in VfM assessment. Importantly, there should be no implicit disincentive in the VfM framework to associations embracing affordability.

We appreciate that affordability is a wider issue than can be covered fully by the VfM Standard, and in particular that it is not adequately covered in the current Rent Standard. We consider that the HCA should review the Rent Standard, too, to ensure that - when setting rents - providers make judgements about affordability based on local data and the impact on welfare benefit costs, rather than relying simply on the national formulae set out in the current Standard.

As a minimum (as with tenant and resident engagement), providers ought to show how they are dealing with affordability in the VfM metrics that they devise themselves.

However, this is really a sector-wide task: after all, government support for the sector through grant is aimed at creating a significant volume of output at sub- market rents. Therefore the sector as a whole (and the regulator) should be able to demonstrate whether or not it is achieving VfM in terms of lower rents and what the benefits are to government and to low-income households of doing so.

Impact on homelessness

CIH believes that housing associations also deliver wider VfM through the effectiveness of the contribution that they make to alleviating the plight of homeless people and therefore reducing the burden on local government, the NHS, the police and other public services. As with the previous point about providers' impact on tenant incomes and welfare benefits, the costs of *not* engaging with homelessness provision are borne by these other public services. This is likely to mean provision of support services for homeless households as well as providing dwellings.

This is an issue which applies across the board to housing providers, not solely to those who choose to focus on homelessness. Metrics/targets could be developed to measure performance on alleviating homelessness. For instance, housing associations could report on the number of homeless people/families housed or supported each year. On the basis that homeless people are unlikely to be able to afford to rent in the private rented sector or to purchase a property, the number of new sub-market rent homes delivered each year could be measured. Associations could demonstrate how they are avoiding evictions (and therefore avoiding new homelessness) through debt advice or other support to their tenants and residents.

Wider social value

CIH considers that measuring social value should be an integral part of VfM, since social landlords are not merely housing providers but important agencies in the communities where they work. Many are charities with objectives which include working 'for the benefit of the community', which is what aiming for wider social value is intended to achieve and measure.

Understanding and valuing social impact is therefore as important a part of showing VfM as creating new homes or investing in current stock. For example, a landlord that focuses on keeping people out of prison or providing cost effective, better alternatives to long-stay hospital care would be meeting government objectives and should be able to show VfM accordingly.

CIH response to the
HCA Consultation on the
Value for Money Standard

CIH sets out the arguments in detail in its report on New Approaches to Delivering Social Value. Of course, this is an area in which it would be impossible to specify national metrics and indeed to do so would be contrary to the principles of social value, but nevertheless providers should be strongly encouraged to use their own metrics to show how they add to social value in the communities where they work. There is ample guidance from the CIH and other bodies, both on creating social value and on demonstrating social impacts.

There is a particular case to provide opportunities to smaller landlords which can demonstrate their social impact but which may not have as much capacity to develop housing or may have higher costs per unit or lower return on capital. Again, it is an issue which is likely to be seen of greater importance following the Grenfell Tower fire.

Organisational change

The consultation paper says that providers are expected to consider how they will achieve value for money at both an operational and a strategic level. It suggests that they may need to consider organisational change, such as a different group structure or a merger with another organisation.

This gives the impression that organisational change that delivers greater VfM requires larger bodies, presumably to give economies of scale and increased financial capacity. Yet there is considerable evidence of limitations to this approach, such as the CIH report Does size matter - or does culture drive value for money? – which critically reviewed the evidence, concluding that:

Cost, performance and size are not directly linked – there is little evidence that size and lower costs are related, and indeed there is evidence of a correlation between high cost and poor performance.
Scale alone does not automatically provide efficiency – analysis of available data did not provide any statistical evidence of economies of scale to be achieved through size.
Mergers can lead to better value for money but this is by no means guaranteed.

CIH considers that the regulator should give a more nuanced message on organisational change, encouraging that which creates greater value in the broad senses identified here.

CONSULTATION ON VALUE FOR MONEY STANDARD BY HCA: DEVONSHIRES RESPONSE

Do you agree with the objectives for the proposed Value for Money standard?

The objectives are summarised in 3.2 of the accompanying note. We agree that these are good objectives to pursue.

"Encourage investment in existing homes and new housing supply" is not overtly mentioned as an objective, outcome or expectation within the standard. The standard merely refers to a "strategy for delivering homes that meet a range of needs". The COP (7) gives new development or investment in stock as examples of this strategy.

Item 2.2 of the standard and 3.3 of the note refer to reporting against a suite of value for money metrics defined by the regulator. But there is no further indication of where and when these are or will be defined.

It seems to us that the new guidance needs to recognise the tension between maximisation of return and achievement of objectives. In particular, an RP may have a social objective to help those on lowest income or who are most vulnerable, and this is likely to generate a lower return than (say) market or slightly sub-market renting.

We welcome the recognition in the standard and code that the need to demonstrate VFM applies across both social housing and other activities. In fact, where an activity is not specifically social housing, there is more of an imperative for it to demonstrate a return which can be reinvested into social housing, and management of risk.

Whilst the focus of this standard as a whole is on efficiency and value for money, we suggest it would be useful to embed in the standard the need to strike a balance with other necessities, in particular to meet health and safety requirements.

Do you agree that the focus on boards ensuring that delivering value for money is an integral part of their business would support a more strategic outcome-focused approach?

It is certainly useful to remind boards of the need to embed VFM into the running of the RP's business. This includes ensuring that VFM is at the heart of the RP's strategy.

Do you agree that registered providers should seek to maximise the financial return from various resources and assets in so far as that is consistent with the achievement of the organisation's wider organisational purposes?

We agree.

It might perhaps be helpful to have some guidance on how a board is to assess when it is legitimate to engage in an activity which achieves a social purpose even though the returns from the activity are low and may require cross subsidy from other activities. If an RP engages in a more cost intensive activity, should it "match" this with a less intensive activity (such as market renting) so as to generate cross subsidy, and does it need to acquire the expertise to do so?

Do you agree that boards should consider the full range of operational and strategic issues in delivering value for money?

Yes.

Do you think the Code helps registered providers understand how compliance with the requirement to 'undertake a rigorous appraisal of potential options for improving performance' could be achieved?

The code at paragraphs 14 to 21 is certainly helpful in encouraging RPs to identify options for improving a performance and gives RPs a wide range of approaches to consider. These range from operational to strategic and include "existential" i.e. whether the organisation should continue in its current form or reform or merge. Paragraph 21 emphasises the need to generate a return from non-social housing activity. This is currently explained from the point of view that non-social housing activity may bring greater risk. It might be helpful to add that the main aim must be to maximise funding and other support for the RP's social housing, rather than allow other activities to become self-perpetuating.

Do you agree with the move away from wide-ranging narrative self assessments in the current Standard towards a specific metrics- and targets-based approach?

A problem with the existing VFM standard was that it was not clear what a successful self-assessment "looks like". This led to the HCA finding that a large number of VFM reports did not address the right issues, and RPs in return protesting that HCA had not explained its expectations.
Our recollection is that the HCA originally moved away from a metrics based approach as a means of encouraging a greater sense of responsibility and less of a "tick box mentality" than the preceding regime. The new proposal will give greater objectivity to assessment of VFM compliance. It would be helpful to have an indication of what metrics targets the regulator has in mind. There is no real indication of this in the draft new standard or code of practice.

In view of the diversity of RPs' activities and the cost of land and other resources which they require, there needs to be an opportunity for RPs to explain factors which have led to what might objectively appear to be poor performance.

Do you agree that a targets based approach in measuring performance will help to deliver VFM?

A targets-based approach will certainly encourage RP to operate efficiently, to benchmark against other comparable RPs and to eliminate inefficiencies.

There is a danger that the targets become an end in themselves and other factors are overlooked such as health and safety, quality of accommodation and quality of neighbourhoods. It may also lead to a shift back from the principle of co-regulation, where boards and officers take responsibility for their own compliance, and could even reduce self-challenge. An RP which achieves the regulator's objectively measured metric of achievement may see no reason to strive towards further improvement.

Do you agree that the requirement to report on value for money in the accounts would increase board focus on value for money as well as drive transparency, consistency and comparability for stakeholders?

On one level, it is certainly true that reporting on VFM in the accounts will leave boards with "nowhere to hide". On the other hand, it could lead to unfair comparisons where apparent differences in performance against KPIs are attributable to a number of factors e.g. the age and condition of the accommodation and how long the RP has had to bring it up to standard; the level of cost-intensive activities undertaken such as care and extra care; and geographical market factors. It may be that a full matrix will need to be developed which is transparent on all of these aspects rather than simply focusing on certain KPI ratios. And increasing the complexity of the matrix may in itself make it less transparent and less easy for readers of the accounts to understand.

Do you think the proposed Code achieves its aim of amplifying the requirements in the Standard, helping registered providers understand how the requirements in the Standard could be met?

We agree that the code amplifies the requirements of the code and gives guidance as to how the requirements of the code could be met.

As per above, at some stage there will need to be greater explanation of what sort of metrics will be used.

We welcome the fact that, whilst the code or practice makes suggestions as to ways to comply with the VFM standard, it is not overly prescriptive and makes suggestions as to lines of enquiry that boards should follow, rather than dictate what the answers should be. It may be that some associations will ask for greater guidance. Some may feel it unfair that they may be the subject of what is essentially a backward looking review of whether they have satisfied the HCA on their VFM strategy and VFM performance without a clear statement in advance of "what success looks like". However this is perhaps to be preferred to an overly prescriptive approach which tells RPs how to write their VFM strategy and how to perform against it.

Do you have any comments on our business engagement assessment including in relation to equality and diversity?

Nothing to add here.

Devonshires Solicitors LLP
18 December 2017

Response to the HCA consultation on the Value for Money Standard

The g320 group of smaller (under 1000 unit) associations is a membership body representing the interests of all smaller London based Registered Providers. Our comments relate to the Consultation on the Value for Money Standard.

Do you agree with the objectives for the proposal Value for Money Standard?
We do broadly agree with the objectives proposed. Driving improved Value for Money is essential for tenants and the public sector generally. While we agree encouraging investment in existing homes and new housing supply, we believe the HCA could be more broad in how value for money can be achieved. As most RPs have charitable aims and are social businesses, we would like to see the recognition that ensuring a strategic approach should reflect the social impact of RPs across the communities in which they work. This could be achieved by ensuring there is a social value metric adopted by each RP, to be determined by that individual RP based on their mission and strategy.

Do you agree that the focus on boards ensuring that delivering value for money is an integral part of running their business would support a more strategic outcome-focused approach?
In principle, we do agree that delivering value for money would be part of achieving an outcome focused approach. However, for small RPs the approach must be proportionate and relevant to the organisation and its mission. If the approach is not proportionate then the process could become poor value for money. Therefore, we would suggest the HCA takes a more focused approach to the standard, in particular the metrics for RPs with under 1000 units. We would suggest that small RPs would only report on the most relevant metrics, possibly just 3 but to be determined by the RP's board.

Do you agree that RPs should seek to maximise the financial return from their resources and assets in so far as that is consistent with the achievement of the organisation's wider organisational purposes?
We do agree with this premise. Many of our members are supported housing providers and the higher costs involved in running supported housing may mean that the financial return may not be maximised when compared to housing other client groups. Our members make significant use of benchmarking data to understand whether they are maximising their resources and assets by comparing with similar organisations.

Do you agree that boards should consider the full range of operational and strategic issues in delivering value for money?
We believe that a proportionate and relevancy driven approach to delivering value for money should be taken by boards. Small landlords are not very likely to have the expertise or capacity to carry out full reviews of the full range of operational and strategic issues. Therefore, they may need to bring in external expertise to meet this requirement. Forward planning ought however to be a key element and in order to safeguard the assets and maximise the RP's impact, the board ought to focus on key strategic issues through effective

risk planning. It is important to stress that we would like to see this expressed in terms of taking a proportionate and relevant approach.

Do you think the Code helps registered providers understand how compliance with the requirement to "undertake a rigorous appraisal of potential options for improving performance" could be achieved?
Not answered

Do you agree with the move away from wide-ranging narrative self-assessments in the current Standard towards a specific metrics and targets based approach?
Narrative self-assessments can lack focus and concentrate on many varied means of demonstrating value for money. They may also not be very accessible or focused. However, this will only be effective if relevant and proportionate for small providers. We believe it is essential to refine the regulation to differentiate between the requirements of small and large providers. The regulatory regime differs for those providers under and over 1000 units, and therefore it is logical that where regulatory standards become specific, they should also differ. In this instance, the metrics to be reported by small providers should be reduced to be proportionate.
Some metrics may be distorted if the RP is dispersed and covers a wide area where specific local priorities need to be addressed.

Do you agree that a targets based approach in measuring performance will help to deliver value for money?
Using targets to measure delivery of strategic objectives can be effective. We agree that value for money should be a factor within each strategic objective.

Do you agree that the requirement to report on value for money in the accounts would increase board focus on value for money as well as drive transparency, consistency and comparability for stakeholders?
Where benchmarks exist and RPs make use of them, consistency and comparability will be improved for stakeholders. However, in order to achieve transparency and comparability providers will need to make active use of benchmarking. This may not be possible for the much smaller RPs, say under 200 units. Transparency would be improved if the HCA were to collect and compare data for small RPs, however as RPs under 1000 units do not complete FVA returns, we understand that the HCA has no plans to gather this. As a result transparency and comparability for small RPs is unlikely to be delivered.

Do you think the proposed Code achieves its aim of amplifying the requirements in the Standard, helping registered providers understand how the requirements in the Standard could be met?
Not answered
Do you have any comments on our business engagement assessment including in relation to equality and diversity?
We would welcome a differentiated approach to the Regulatory Standards for small RPs which recognises the realities of reduced regulatory resources the HCA can commit to the small HA sector.

Please find below our feedback on the proposed VFM metrics. We will also respond separately to the wider VFM consultation document in due course.

Great Places Housing Group welcomes the introduction of a suite of metrics to support the assessment of Value for Money. It is a positive development that will help drive consistency between RPs and, if maintained for a reasonable time frame, will allow analysis of trends both for individual RPs as well as benchmark groups.

We have three overarching comments:

The document helpfully identifies the line references from the FVA submission document which we input to NROSH. This will aid consistency. Will the HCA develop the FVA NROSH input process so that the VFM metrics are automatically calculated from the FVA, hence (1) allowing us to be able to see the outputs immediately and (2) ensuring there is no requirement for a separate input/submission?

There needs to be further refinement of the definitions around unit numbers to ensure consistency. The definitions used in the FVA have been enhanced over recent years, but I think there is further work to do, particularly around leasehold units, estate management, garages, commercial units etc.

The ability to look forward is critical – the FFR data collection process incorporates a large proportion of the data required for calculation of the VFM metrics, so it would be really insightful to further develop the FFR so that it collects all the VFM metric data requirements, and automatically calculates the VFM metric outputs, for at least the first 5 years of an RP's business plan.

We have a number of observations around the detailed definitions of the metrics as follows:

Metric 1: The definition includes "works to existing properties" – but by picking up FVA Part E Notes 1 Line 39, this is only includes works to existing properties that are capitalised, thus exposing the metric to distortion due to accounting policies. Not all reinvestment will be capitalised with a proportion of major repair spend being expensed. The measure could be improved by picking up both capitalised and revenue major repair expenditure, both of which are available in the FVA. The FVA may need amendment to ensure this figure excludes any write off of previously capitalised components which are replaced prior to being fully depreciated.

Metric 2: This is a potentially very good metric as it gives some sense of how much an RP is delivering in terms of new supply, compared to its underlying size. The denominator of this measure might be improved by using "units owned" not "units managed" (though we acknowledge that the FVA does not currently collect units owned), as managed units do not give a true sense of the scale of an RP's balance sheet. The split of the metric between social and non social is relevant, but both should perhaps be assessed as a measure proportion of ALL units owned/managed. Where non social units developed are units for outright sale, the RP may have no non social units owned/managed, so the metric will produce an error output.

Metric 3: Gearing can be measured in many ways and the definition proposed makes more sense than many historic measures of gearing. We would propose that the definition is adjusted to allow cash balances to be netted off the loan figure in the top half of this measure. RPs are increasingly holding higher levels of cash to meet liquidity requirements, or because long term funding is largely only via the capital markets, which can lead to large funding transactions generating cash in advance of actual need.

Metric 5: The Social Housing Cost per unit has been established for a couple of years and been positively received. The measure helps ensure that all relevant costs are included (albeit that different RPs may include costs in the different sub categories within the overall unit cost). We would make four suggestions:

Service charge costs can be driven not by efficiency, but by the services that customers wish to receive and pay for. An RP's responsibility is to deliver those services cost effectively and to efficiently collect the service charge. If a group of residents wish to receive a service fortnightly not monthly and are prepared to pay for it, the RP should not see it's unit cost suffer. The opposite is equally true: If a service was changed from weekly to monthly for example, this should not benefit the RP's unit cost if the income is similarly reduced. We would suggest that the metric includes the NET cost of services (ie cost less income received) – though if the FVA shows the RP makes a surplus on services, this would be restricted to a break even position. The unit cost therefore becomes a measure of efficiency of service delivery.
We would suggest that bad debts could be included in the metric. We recognise that this could be impacted by changes to bad debt provisioning and write off policies, but collection of rent is a key social housing activity and the inclusion of bad debts would bring this an element of activity into the unit measure.
Void loss per unit could be included, or added as a sub-measure for context.
The definitions of "development services" and "Community / neighbourhood services" need to be enhanced to ensure consistency.

We hope these comments are helpful and constructive.

King regards

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Hanover Housing Association
Submission to Homes & Communities Agency on the draft Value for Money Regulatory Standard

Hanover is one of leading providers of housing for older people, managing 19,000 homes across England. We support the Regulator's focus on value for money with one of our strategic priorities being "to place value for money at the heart of all that we do". We have embraced the existing value for money standard, producing an annual Value for Money Self-Assessment built around two core objectives;
driving value and affordability for customers and the public purse
maximising efficiency to generate additional financial capacity

The proposed new standard focuses on the financial performance of registered providers and we understand the government policy to increase the number of homes being built. However, we are concerned that there is an apparent reduced emphasis on affordability and driving quality for customers. As a specialist provider of housing for older people it is important that our homes and services are affordable for those on fixed or reducing incomes. We also need to maintain the quality of our homes and services to keep customers safe and to help to reduce pressures on health and social care services.

Do you agree with the objectives for the proposed Value for Money Standard?

Yes, Hanover agrees with the objectives of the proposed Value for Money Standard. It is important that there is a continued emphasis on driving value for money within the sector helping to drive investment in existing homes and new housing supply. However, customers consistently highlight the importance of affordability and the quality of the homes and services that we provide so we encourage greater recognition on the impact on customers to drive improved affordability and quality.

Do you agree that the focus on boards ensuring that delivering value for money is an integral part of running their business would support a more strategic outcome-focused approach?

Yes. Boards clearly need to provide the strategic direction in achieving value for money, considering the options to achieve value for money at the strategic level. Hanover's Board already takes a strategic view and has agreed to our change programme, Taking Hanover Forward, which is the focus of our approach to delivering value for money.

Do you agree that registered providers should seek to maximise the financial return from their resources and assets in so far as that is consistent with the achievement of the organisation's wider organisational purposes?

Hanover is a specialist provider of housing for older people. Our charitable mission is to support older people in living healthy, independent and fulfilling lives. We reflect this through one of our strategic priorities which is to maintain and improve the health and wellbeing of older people, helping to reduce the pressure on health and social care services. The code of practice and regulation of the standard and the code of practice need to sufficiently recognise that organisations such as Hanover deliver other significant social returns alongside the development of new homes.

Do you agree that boards should consider the full range of operational and strategic issues in delivering value for money?

Yes.

Do you think the Code helps registered providers understand how compliance with the requirement to 'undertake a rigorous appraisal of potential options for improving performance' could be achieved?

The Code moves regulation to more of a prescriptive approach than has been applied in recent years. However, the approach described in the Code is reasonable and represents the approach already taken by Hanover. The Code includes lists of options and benefits and limitations stating that considerations should not be limited to these lists. It is important that providers should be able to consider other options and factors over and above these lists dependent on the circumstances and their organisational mission.

Do you agree with the move away from the wide-ranging narrative self-assessments in the current Standard towards a specific metrics – and targets-based approach?

We support the use of a limited number of sector metrics that should be published within the Financial Statements. This will give consistency in method of calculation and presentation. However, we believe it is valuable to publish an annual report on value for money (given that it is one of our strategic priorities) so we will continue to do so, focussing on our key issues.

The use of sector wide metrics is valuable but it will be important that the data is analysed to understand key variables. The previous sector analysis produced by the HCA in 2016 showed that the unit cost of housing for older people was approximately 55% greater than the 'baseline provider'. The sector scorecard trialled during 2017 similarly showed that housing for older people had a social housing cost per unit 51% higher than the sector as a whole. It is important that publication and comparison of the proposed new metrics reflects this and other factors that lead significant variation within the sector.

Do you agree that a targets-based approach in measuring performance will help to deliver value for money?

Requiring providers to set and report on performance targets is one factor that will help to drive value for money. However, it is important that organisations should be able to set a range of targets that reflect their organisational mission and objectives alongside the views of customers. It should also be recognised that other factors, such as an inclusive and innovative culture, can drive value for money and these factors can be harder to reflect in terms of corporate targets.

Do you agree that the requirement to report on value for money in the accounts would increase board focus on value for money as well as drive transparency, consistency and comparability for stakeholders?

No, it will not increase the Hanover Board's focus on value for money; rather it will stay the same. The Board already focusses on value for money, recognising this through one of our strategic priorities. The Board receives regular reports on our value for money commitments and performance and we have included our performance in our Financial Statements.

Do you think the proposed Code achieves its aim of amplifying the requirements in the Standard, helping registered providers understand how the requirements in the Standard could be met?

The Code is useful in providing some additional guidance. The explanation of how to meet the requirements covers the issues that you would expect when driving and reporting on value for money. There is an emphasis on reporting performance on the financial metrics and the management of assets. As a specialist provider of housing for older people Hanover is keen that there is the recognition assessing the affordability our homes and services to customers and how well our services are supporting health and wellbeing alongside improving outcomes for health and social care services.

Do you have any comments on our business engagement assessment including in relation to equality and diversity?

The assessment acknowledges that "providers' pursuit of value for money does have the potential to disproportionately affect people with protected characteristics", recognising that providers will need to consider their own equalities duties when making difficult decisions. It will be important that in regulating the standard the Social Housing Regulator does not give undue significance to the financial metrics at the expense of providers' strategic priorities that may reflect their commitment to meeting the needs of those with protected characteristics.

Contact:

[redacted]
Director of Service Development
Hanover Housing Association
[redacted]

1.	**Do you agree with the objectives for the proposed Value for Money Standard?**
Havebury Comments;	*Yes*
1.1	**Required Outcomes** (para 1.1 of the Standard and paras 5-13 of the Code)
1.2	**Registered providers must clearly articulate their strategic objectives.**
Havebury Comments;	*Like many HA's, Havebury already clearly identifies objectives, according to key themes of the business within its Strategic Plan. The identified required outcomes are a reasonable expectation of any HA.*
1.3	**Registered providers must have an agreed approach to achieving value for money in meeting these objectives and demonstrate their delivery of value for money to stakeholders.**
1.4	**Registered providers must, through their strategic objectives, articulate their strategy for delivering homes that meet a range of needs.**
1.5	**Registered providers must ensure that optimal benefit is derived from resources and assets and optimise economy, efficiency and effectiveness in the delivery of their strategic objectives.**
2.	**Do you agree that the focus on boards ensuring that delivering value for money is an integral part of running their business would support a more strategic outcome-focused approach?**
Havebury Comments;	*Yes. Boards need sufficient information to evaluate the value driven through this business, and comparative data so they can judge their own performance against peers.*
3.	**Do you agree that registered providers should seek to maximise the financial return from their resources and assets in so far as that is consistent with the achievement of the organisation's wider organisational purposes?**
Havebury Comments;	*Yes, but in view of our charitable objectives and values, there will always be a fine balance between clear business outcomes, and those which drive social return for the community.*

Specific expectations A (para 2.1 of the Standard and paras 14-21 of the Code)	
2.1 Registered providers must demonstrate:	
(a)	**A robust approach to achieving value for money. This must include a robust approach to decision making and a rigorous appraisal of potential options for improving performance.**
(b)	**Regular and appropriate consideration by the board of potential value for money gains. This must include full consideration of costs and benefits of alternative commercial, organisational and delivery structures.**
(c)	**Consideration of value for money across their whole business including their approach to investment in non-social housing activity. They should include whether this generates returns commensurate to the risk involved and justification where this is not the case.**
(d)	**That they have appropriate targets in place for measuring performance in achieving value for money in delivering their strategic objectives, and that they regularly monitor and report their performance against these targets.**
Specific expectations B (para 2.2 of the Standard and paras 22-25 of the Code)	
2.2 Registered providers must annually publish evidence in the accounts to enable stakeholders to understand the provider's:	
(a)	**performance against its own targets and any metrics set out by the regulator, and how that performance compares to peers.**
Havebury Comments;	***Havebury has always reported on its performance against targets and metrics***

	and will continue to do so. It also reports on comparative performance with peers using Housemark/Global Accounts/SDR data.

(b)	measurable plans to address any areas of underperformance.
Havebury Comments;	*Havebury has established effective means of devising and implementing plans to address underperformance. These are challenging expectations, but necessary if value is to be delivered*
4.	Do you agree that boards should consider the full range of operational and strategic issues in delivering value for money?
Havebury Comments;	*In principle yes, but I think it would be more helpful if Board's target their attention to areas where there are clear weaknesses or unexplained variations in performance either against the expected performance for the organisation, or against peers. The Board needs full range of information to do this, but I think their time will be used more effectively if it were targeting areas of concern.*
5.	Do you think the Code helps registered providers understand how compliance with the requirement to 'undertake a rigorous appraisal of potential options for improving performance' could be achieved?
Havebury Comments;	*Yes. The Board should be expected to identify their own points of weakness and undertake improvement plans.*
6.	Do you agree with the move away from wide-ranging narrative self- assessments in the current Standard towards a specific metrics - and targets-based approach?
Havebury Comments;	*Yes*
7.	Do you agree that a targets-based approach in measuring performance will help to deliver value for money?

Havebury Comments;	*Yes. Subject to rigour applied to establishing targets.*

8.	**Do you agree that the requirement to report on value for money in the accounts would increase board focus on value for money as well as drive transparency, consistency and comparability for stakeholders?**
Havebury Comments;	*Yes, although there are likely to be different approaches taken within the accounts in terms of explanatory narrative. The key factor in improving consistency is the application of a standard set of metrics across all organisations.*
9.	**Do you think the proposed Code achieves its aim of amplifying the requirements in the Standard, helping registered providers understand how the requirements in the Standard could be met?**
Havebury Comments;	*Generally yes, although there is still likely to be individual interpretation as to how the Code applies to individual businesses.*
10.	**Do you have any comments on our business engagement assessment including in relation to equality and diversity?**
Havebury Comments;	*Whilst I understand the direction of travel in this consultation, I am not entirely in agreement that the new approach will lead to a net reduction in the regulatory burden placed on Providers. This will depend on the Providers existing approach to Value for Money. The new Standard is likely to require just as much preparation and evaluation.*

Hexagon Housing Association response to the HCA consultation on a revised Value for Money Strategy

General Comments

The consultation says that the new VFM Standard focuses on RPs delivering their objectives and functions efficiently, effectively, and economically. It says that it is "about both outcomes and costs".

In practice, however, most of the metrics proposed are simply about costs and there is just one outcome, namely new units delivered. The value for money equation which is about the intersection between outcomes and costs and the overriding focus on costs is therefore only looking at half the VFM equation.

Whilst we welcome the abandonment of the current narrative self-assessment requirements, we think it's somewhat premature to develop sector-wide matrix based on the Sector Scorecard Working Group. That is only a pilot and it is clear that there are some fundamental issues around the metrics that will limit the ambition to ensure comparability across the sector.

We have commented separately on the difficulties with the metric definitions which we believe will significantly limit their usefulness in driving improvements and value for money in the sector.

Specific comments

Required outcomes

Paragraph 1.1 of the Standard

Section D says that "registered providers must ensure that optimal benefits derived from resources and assets and optimised economy, efficiency, and effectiveness delivery of their strategic objectives".

As mentioned above, the absence of any outcome measures other than units built is overly focused on costs, at the expense of outputs.

Paragraph 2.1 of the Standard

Section B – On the surface it seems sensible that the Board should regularly and appropriately consider the costs and benefits of alternative commercial, organisational delivery structures.

In the current climate, it appears that means that Boards should be actively considering merger options and indeed this is made explicit in Section 3.11 of the consultation document.

Given that there is no empirical evidence to support the relationship between value for money and the scale and size of housing organisations (despite several studies looking at this area) this seems inappropriately biased from a regulation perspective. One could equally imagine a reference to de-merger in the document given the evidence to support merger.

Paragraph 2.2 of the Standard

Although we generally welcome the suggestion that the self- assessment will no longer be required in its current form, we note that the requirements in 2.2. will still require a substantial report to be produced. If this is to be included in full in the accounts, as opposed to the current summary required, this will have the impact of making the accounts longer as well as more costly to audit.

In relation to Question 8, we think that the inclusion of a report on value for money in the accounts has had a fairly marginal impact on driving transparency, consistency and comparability for stakeholders. This is because the accounts contain lots of other information and the readership of the detail of HA accounts is likely to be fairly limited to certain stakeholders in particular, our lenders.

Section 3.3 of the consultation suggests that in addition to our own Board agreed metrics for VFM, those defined by the regulator would become mandatory for all. We think there is a considerable risk that over time, Boards will gravitate towards focusing their attention on improving their relative position in the regulatory metrics at the expense of their social mission, given the primary emphasis on costs alone.

In Section 3.14 of the consultation document, we note the suggestion that feedback on the metrics is not part of the consultation. We think it should be as the proposed metrics will largely drive the approach to value for money and their limitations should be considered as part of this response. We have therefore commented separately on the metrics and we attach our response under **Appendix A** as we do think it is central to the new proposed framework. We believe there are significant flaws in the value for money metric definitions as outlined.

Comments on the Code

If the intention of the Code is to provide amplification to the Standard, it seems to make a limited impact. That is partly because it repeats much of what is already contained in the Standard. Amplification seems minimal, particularly when compared to the sorts of amplification contained in the Codes that relate to the Governance and Financial Viability Standard.

In paragraph 6 of the Code, it would be useful to define the term “business streams” as we think this will mean different things to different people.

Paragraph 13 of the code implies to us that Boards need to justify the rationale of charging of sub market rents, which in the context of our charitable status and regulated rent regime, would seem something of a distraction.

Paragraph 15 of the Code suggests that Boards should ensure that their “approach to the management of resources and assets is strategic, comprehensive, and clearly linked to the achieving strategic objectives. This includes assurance around the robustness of decision making in this area”. We think the Code would be improved if an example of such assurance could be given.

Code 20 suggests an incredibly wide ranging report with evidence to support it. Again, the Code would be more helpful if it illustrated an example.

Code 23 refers to a 5 year time forecast in relation to setting targets for strategic objectives. We currently utilise a 3 year timescale for our Corporate Plan and we think a requirement for setting 5 year targets is too prescriptive as they are of limited value.

Homes for Cathy Group

Response to Homes and Communities Agency Consultation on the

Value for Money Standard

Introduction

The Homes for Cathy group represents 50 housing associations who are gravely concerned about the numbers of homeless people in Britain today and are campaigning for more resources to be devoted to reducing these numbers and supporting those who are homeless. Fifty years on from the first showing of Ken Loach's drama documentary, Cathy Come Home, and despite housing associations building hundreds of thousands of homes in that period, the need for housing associations to prioritise ways of housing and supporting homeless people is more acute than ever.

The Homes for Cathy group welcomes the Homes and Communities Agency (HCA) consultation on the Value for Money (VFM) standard. The Homes for Cathy group has been concerned that the current VFM standard does not place sufficient emphasis on the duty of housing associations to house and support homeless people who do not have the resources to resolve their housing problems through the private rented sector or through home ownership options including shared ownership.

Because social value and social return on investment are more difficult to measure, it is tempting for Value for Money to be defined in terms of purely financial metrics where no account is taken of the level of services provided or of the type and tenure of the housing delivered.

But increasing homelessness places huge strains on our public services both local and national. Shelter has recently estimated that 307,000 people are rough sleeping or in temporary accommodation in Britain - a rise of 13,000 in one year.

Ensuring that 'value for money is obtained from public investment in social housing' should include measuring the contribution of housing associations to reducing the burden on local government, the NHS, the police and other public services and, in particular, to alleviating the plight of homeless people.

Responses from Homes for Cathy Group to the specific questions in the Consultation paper

Question 1 – Do you agree with the objectives for the proposed Value for Money Standard?

The Homes for Cathy group agrees that the Value for Money standard should help to 'ensure that the sector continues to deliver its objectives'.

Many housing associations are charitable and have been formed 'for the benefit of the community' to provide 'housing, accommodation and assistance to help house people and associated facilities and amenities for poor people…'.

The regulator's objectives for the Value for Money Standard should, in our view, make reference to these legal duties which are set out in the rules of registered providers.

As we point out in our introduction, our view is that Value for Money should be defined in terms of social value achieved and wider public benefits achieved rather than just, for instance, 'delivering homes that meet a range of needs'. The regulator should be encouraging investment in **services** (albeit linked to the provision of homes), such as support services for homeless people, that help relieve the pressure on public services and also demonstrate a return on the 'public investment in social housing'. The VFM objectives should point out that higher costs are acceptable where a more intensive or additional service is provided which delivers wider social value.

Question 2 – Do you agree that the focus on boards ensuring that delivering value for money is an integral part of running their business would support a more strategic outcome-focused approach?

In our view, it is important that financial outcomes are not the only outcomes that are monitored and measured. As has been mentioned earlier, housing associations have a duty to 'benefit the community'. Measuring social return/value is more difficult but arguably more important and more strategic than looking purely at financial indicators.

Focussing on outcomes can be beneficial but it can also have a detrimental effect if it leads to essential processes being viewed as less important or insufficient focus on values and behaviours.

Question 3 – Do you agree that registered providers should seek to maximise the financial return from their resources and assets in so far as that is consistent with the achievement of the organisation's wider organisational purposes?

The Homes for Cathy group agrees that registered providers should seek to maximise the **social** and financial return from their resources and assets! If organisational purposes are narrowly drawn then a focus on maximising financial return may lead to a failure to contribute to wider community goals and adverse criticism from external stakeholders.

The Homes for Cathy group would like to see the VFM standard encouraging investment in activities that reduce and alleviate homelessness and thus lessen the burden on other public services. It is understood that measuring social outcomes and social return on investment is more difficult but that should not prevent it being attempted.

Question 4 – Do you agree that boards should consider the full range of operational and strategic issues in delivering value for money?

Of course. It is, however, disappointing that the consultation paper seems to encourage Boards to regularly contemplate mergers and revisions to organisational structures without any evidence that these activities improve VFM. In our view, the focus of the VFM standard should be on organisations expanding their services and growing their housing stock so as to contribute to wider community objectives, such as the relief of homelessness, while hopefully reducing their per unit costs.

Question 5 – Do you think the Code helps registered providers understand how compliance with the requirement to 'undertake a rigorous appraisal of potential options for improving performance' could be achieved?

Yes but see above under question 4. The focus should be on achieving value for money by providing **more** housing and services (especially for vulnerable people such as the homeless) rather than on potentially costly and diverting reorganisations.

Question 6 – Do you agree with the move away from wide-ranging narrative self-assessments in the current Standard towards a specific metrics and targets based approach?

Broadly, yes – but the metrics and targets should not be purely financial and derived from the FVA.

As we have mentioned previously in this response, it is essential that housing associations use their resources to deliver social value for the public investment including housing and services which help to relieve the burden on public services. Metrics need to be developed to measure social value and social return on investment

Homelessness is a major and growing problem. Metrics/targets could be developed to measure performance on alleviating homelessness.

For instance, housing associations could report on the number of homeless people/families housed or supported or the number of people/families evicted each year. On the basis that homeless people are unlikely to be able to afford to rent in the private rented sector or to purchase a property, the number of new sub-market rent homes delivered each year could be measured.

Question 7 – Do you agree that targets-based approach in measuring performance will help to deliver value for money?

As previously mentioned (Question 2), there are advantages and disadvantages with a targets-based approach. Focussing on targets can lead to short cuts being taken in essential processes and to insufficient attention being given to values and behaviours.

Question 8 – Do you agree that the requirement to report on value for money in the accounts would increase board focus on value for money as well as drive transparency, consistency and comparability for stakeholders?

Housing associations have been reporting on value for money in their accounts for several years. Measuring board focus on value for money is difficult as is measuring transparency, consistency and comparability for stakeholders!

Question 9 – Do you think the proposed Code achieves its aim of amplifying the requirements in the Standard, helping registered providers understand how the requirements of the Standard could be met?

Yes but the proposed Standard and Code need amendment to support wider VFM objectives as suggested above.

Question 10 – Do you have any comments on our business engagement assessment including in relation to equality and diversity?

The focus of the changes referred to in the business engagement assessment should be amended to include reference to housing associations delivering social return and investment in housing and services that deliver social value compatible with their objectives and duties.

Consultation on the Value for Money Standard
A response from Incommunities

Incommunities

Incommunities Group Limited was formed in February 2003 following the transfer of the housing stock of Bradford Metropolitan District Council. The Incommunities Group owns and manages approximately 21,700 dwellings with a further 1,000 leasehold units. The stock holding entity, Incommunities HA Ltd, owns and manages 20,500 dwellings across the Bradford District with the balance owned by Sadeh Lok.

Sadeh Lok and its subsidiary companies were acquired by the Incommunities Group on 1 April 2015. Sadeh Lok is a successful BME Housing Association with approximately 1,200 homes in Kirklees and the West and South Yorkshire area, which it manages from its operational office in Huddersfield.

The Group has a workforce of just over 1,000 full time equivalent employees providing the full range of housing management, maintenance and housing development functions supported by a comprehensive resources function.

Overall comments

The move away from a prescribed narrative Self-Assessment is welcomed. The use of clearly defined metrics for assessment and comparisons is helpful as it supports peer review. Critically organisations which have a focus on achievement of corporate objectives may not necessarily maximize financial returns as to do so would be contrary to these objectives. This point is recognised in the consultation but it is important for the regulator not to lose this when focusing the metrics.

Our response

This response is from Incommunities' Executive Management Team and Board Members.

Question 1: Do you agree with the objectives for the proposed Value for Money Standard?

We agree with the regulator's stated objectives, although at Incommunities we believe we have embedded VFM within our strategy. Whilst there are benefits to clarifying the regulator's expectations in terms of compliance, we feel there needs to be real care taking account of the operating context of individual Registered Providers.

Question 2: Do you agree that the focus on boards ensuring that delivering value for money is an integral part of running their business would support a more strategic outcome-focussed approach?

We believe that the Boards are already focused on ensuring Registered Providers deliver VFM. An outcome focussed approach is indicated by the adoption of VFM targets. Care needs to be exercised to ensure that target driven behaviour does not damage this approach.

Question 3: Do you agree that registered providers should seek to maximise the financial return from their resources and assets in so far as that is consistent with the achievement of the organisation's wider organisational purposes?

We believe that registered providers should use their resources to achieve the organisation's social purpose. Where there is a conflict between maximising financial returns and achieving purpose, we believe the purpose should take priority.

Maximising financial returns could result in lack of re-investment or failing to support the most vulnerable customers, which would be contrary to our purpose.

Question 4: Do you agree that boards should consider the full range of operational and strategic issues in delivering value for money?

We believe the focus of Boards should continue to be strategic. Although they have to have operational oversight, care will be needed to ensure Boards do not lose their strategic view as a result of focusing too much on operational detail.

Question 5: Do you think the Code helps registered providers understand how compliance with the requirement to 'undertake a rigorous appraisal of potential options for improving performance' could be achieved?

Setting out the regulator's expectations in terms of 'undertake a rigorous appraisal for potential options for improving performance is helpful.' It should be noted however, that 'improving performance' could be interpreted as referring only to financial performance. Incommunities believe it is important to improve performance across a range of metrics related to the delivery of the strategic objectives.

Question 6: Do you agree with the move away from wide-ranging narrative self-assessments in the current Standard towards a specific metrics – and targets-based approach?
Although there will be some focus on the key metrics it is likely that organisations will need to continue to prepare detailed narrative reports so the Board is able to demonstrate it is compliant with the VFM methodology. The adoption of key metrics based on final accounts will increase consistency and comparability to an extent. However, there is no allowance for local context.
Question 7: Do you agree that a targets-based approach in measuring performance will help deliver value for money?
Targets based around the 6 metrics to some extent reflect the current narrative of increasing supply. However, there is a risk that a target based approach could lead to suboptimal decisions or overlook the complex challenges facing housing associations, particularly with poor quality legacy stock or deprived neighbourhoods.
Question 8: Do you agree that the requirement to report on value for money in the accounts would increase board focus on value for money as well as drive transparency, consistency and comparability for stakeholders?
The use of defined metrics and clearly defined expectations will enable the Board to consider the extent to which it is meeting the regulator's expectations. The challenge to consistency, transparency and comparability for stakeholders is the local operating context that includes rent levels, levels of deprivation, low land values, low quality legacy stock, all of which have a significant impact on operating costs but are not captured easily within the proposed methodology.
Question 9: Do you think the proposed Code achieves its aim of amplifying the requirements in the Standard, helping registered providers understand how the requirements in the Standard could be met?
The code appears helpful in amplifying the requirements of the standards.
Question 10: Do you have any comments on our business engagement assessment including in relation to equality and diversity?
No comments.

Consultation on the Value for Money Standard

Thank you for the opportunity to answer your questions and help inform proposals to replace your existing Value for Money Standard with a revised and strengthened Standard.

Karbon Homes is all about providing foundations, about the importance of a home for enabling people to lead successful lives. We believe having a strong foundation offers the possibility for people to develop the life they want, and this is the opportunity we aspire to offer all our customers.

We are a not-for-profit housing association, so every penny we generate through commercial activities is re-invested to support our core purpose. We work hard to balance a strong business head with a strong social heart, to ensure we are a successful, sustainable business and a values-driven organisation.

We provide strong foundations through providing affordable homes, supporting our communities and making a lasting difference in our neighbourhoods. We are one of the largest housing associations in the North, owning and managing nearly 24,000 homes regionwide and employing almost 800 people.

These are times when our sector is being challenged to think about its core purpose, how we contribute to the economy and how we support the people who make the economy work. As a successful housing provider, we are ideally placed to do more to support and enable our customers and local communities to succeed in life.

The following is our response to your consultation document:

Do you agree with the objectives for the proposed Value for Money Standard?

Yes.

We agree with the new objectives. Our aim is to ensure that everything we do is as effective and efficient as possible so that any capacity within our resources can be reinvested into our communities, either in terms of new homes or improved services. Continued growth, sensible asset management, sustainable procurement, the use of benchmarking, undertaking lean service reviews, a rounded review of current performance and stretching targets for the future remain key, but we also plan to release the untapped capacity within our business plan to provide added value.

Do you agree that the focus on boards ensuring that delivering value for money is an integral part of running their business would support a more strategic outcome-focused approach?

Yes.

We agree that the Board should continue to challenge our approach to Value for Money (VFM) and be responsible for driving it, plus delivering real value for our customers and communities.

The introduction of the new Standard and Code will not alter the fact that our Board ensure that VFM is a fundamental part of all decisions that are made and we will continue to make the best use of our capital, assets and revenue.

3. Do you agree that registered providers should seek to maximise the financial return from their resources and assets in so far as that is consistent with the achievement of the organisation's wider organisational purposes?

Partially/Other

We recognise that if we want to deliver our strategic aims we have to find the additional financial capacity through a combination of managed cost savings and income generation.

Our Business Improvement & VFM Framework ensures a consistent approach to the way service performance, quality, economy, efficiency and effectiveness are achieved, managed, monitored, reviewed and reported at all levels across Karbon Homes.

Value for Money needs to reflect a balance between commerciality or cost, how efficiently we deliver those outputs and the effectiveness or outcomes for customers. I.e. are we delivering what our customers want?

4. Do you agree that boards should consider the full range of operational and strategic issues in delivering value for money?

No.

We agree that the Board should monitor a spectrum of strategic issues and also operational issues that may impact on those strategic issues. We believe it would be inappropriate for the Board to delve deeply into operational issues and blur the lines between operational management and the Board.

5. Do you think the Code helps registered providers understand how compliance with the requirement to 'undertake a rigorous appraisal of potential options for improving performance' could be achieved?

Yes.

The Code is very welcome and will help to evaluate whether the Standard has been met.

It acts as a good ‘starting point’ by highlighting some of the factors that boards may consider when undertaking a ‘rigorous appraisal’ of all potential options for improving performance and delivering their strategic objectives.

6. Do you agree with the move away from wide-ranging narrative self-assessments in the current Standard towards a specific metrics – and targets-based approach?

Yes.

We are pleased that the new standard has moved away from the ’wordy’ self-assessment reporting to far more focused reporting against bespoke targets that measure performance in achieving value for money in delivering our strategic objectives, plus wider metrics.

Through ensuring consistency of definition and measurement, the metrics will provide our Board, Executive Team, other Officers and customers, plus other stakeholders with a more holistic overview of our Value for Money performance.

Although challenging but realistic targets will be set, there may continue to be unforeseen external influences that hinder our ability to meet those targets, e.g. unexpected changes in government policy such as the rent cut and universal credit.

However, please note that the narrative self assessment is useful in providing the opportunity for providers to elaborate and explain VFM performance.

7. Do you agree that a targets-based approach in measuring performance will help to deliver value for money?

Partially/Other.

A target based approach will allow us to benchmark against other organisations. We also recognise that this is not enough on its own and reporting performance against targets will only go so far in helping us understand the true picture. Having said this we appreciate that the sector does need to be more target focussed and the proposals help in that respect.

8. Do you agree that the requirement to report on value for money in the accounts would increase board focus on value for money as well as drive transparency, consistency and comparability for stakeholders?

Partially/other

We agree that there needs to be visibility regarding VFM and that there will be a requirement to provide some narrative in support of the performance measures reported. We are concerned that this may lead to “self assessment through the back door” which, in terms of our accounts (and anywhere else for that matter), we would want to avoid.

9. Do you think the proposed Code achieves its aim of amplifying the requirements in the Standard, helping registered providers understand how the requirements in the Standard could be met?

Yes.

The Code is welcome and amplifies the Standard. It ensures that there is a more consistent approach in evaluating whether the Standard has been met. We are pleased that it is not too prescriptive and does offer flexibility in decision making.

If you require any further information, please contact:

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Value for Money Standard and Code of Practice

Consultation Response

This is the response of the L&Q Group to the Social Housing Regulator's consultation on revisions to the Value for Money Standard and the introduction of a new code of practice.

Do you agree with the objectives for the proposed value for money standard?
Yes.

Providers of social housing have always needed to achieve value for money. The current operating environment and the likely future operating environment demand that all social housing boards sharpen their focus on value for money. It is therefore right to re-invigorate this element of regulation now.

We specifically welcome that "encouraging investment in existing homes and new housing supply" is an objective of the revised standard – especially in light of the well acknowledged housing shortage and the stock investment issues that are likely to arise from the Grenfell fire incident.

However, the draft revised standard and new proposed code of practice say very little on the objective of investing in existing stock. This is particularly the case when compared to the explicit mention of "delivering homes" in the proposed required outcomes of the new standard.

Throughout the standard and code of practice there should be some more explicit mention of how investment in existing stock fits within the value for money agenda.

Do you agree that the focus on boards ensuring that delivering value for money is an integral part of running their business would support a more strategic, outcome-focussed approach?

Yes.

At L&Q it has been our consistent view that the achievement of value for money needs to be an integral part of setting and delivering business strategies and should not be seen as a separate programme of activity, disconnected from the main strategy.

Do you agree that registered providers should seek to maximise the financial return from their resources and assets in so far as that is consistent with the achievement of the organisation's wider organisational purposes?
Yes, with qualifications.

In the main, maximising financial returns is a reasonable objective for a registered provider operating in the current environment – so long as this is tempered by the achievement of wider organisational purposes – which for most in the sector are charitable.

Many social housing providers are seeking to become more rigorous in their measurement and pursuit of non-financial returns. The draft wording of the standard seems to be sufficiently broad to cover a range of non financial benefits but the consultation narrative appears to conflict with this. It should be made clear in the messaging around the standard that pursuit of these benefits is a legitimate and encouraged activity – so long as there is a rigorous approach in place to measurement.

Do you agree that boards should consider the full range of operational and strategic issues in delivering value for money?

Yes, with qualifications.

The wording of the consultation question and consultation document narrative seems to be at odds with the proposed standard and code of practice.

We agree that boards should consider the full range of strategic issues in delivering value for money and should have an appropriate framework for gaining assurance that strategic objectives are being delivered operationally. However, it would not be appropriate for the boards of (particularly) larger and more complex organisations to consider operational matters in detail.

We note the enhanced expectations on applying VfM principles to non-social housing activities. We support the regulator's general aim of seeking to ensure that these activities make a positive contribution to the social housing business. In line with our comments above – we believe the appropriate "pitch" of regulation on these matters will be at the investment policy/ strategic level rather than at the level of operational delivery.

We think that our interpretation of what is meant here is consistent with the wording of the standard and code of practice. If the regulator's intention is that boards are very actively involved in the operational decisions around VfM delivery, we would like further clarification on these expectations.

Do you think the Code helps registered providers understand how compliance with the requirement to "undertake a rigorous appraisal of potential options for improving performance could be achieved?
Yes.

The code makes it clear that the boards of registered providers are expected to look in a self-challenging and rounded way at how value for money could be improved. The level of detail in the code of practice is appropriate to take account the variation in size and complexity of registered providers who will need to comply with these requirements.

Do you agree with the move away from wide-ranging narrative self-assessments in the current standard towards a specific metrics and targets –based approach?

Yes.

We have supported the development of the Sector Scorecard, which the proposed approach closely mirrors.

The downside of the proposed approach is that it may encourage providers to focus on their position relative to others on the regulatory metrics rather than articulate their progress towards their own goals. The regulator will need to strike a fine balance in its operational approach and communications to mitigate against this. For their part providers will need to be bold in articulating what they want to achieve and what the standard regulatory metrics tell them about their progress in achieving their goals.

Do you agree that a targets-based approach in measuring performance will help to deliver value for money?

Yes.

It is good business practice that strategic value for money goals would be paired with measurable targets.

It will be important for providers and the regulator to acknowledge that gains in value for money are often achieved over a number of years with cycles involving investment before gains are made. Progress towards goals is not always linear. In setting targets providers will need to be given the opportunity to explain their individual routes to achieving the value they are seeking.

Do you agree that the requirement to report on value for money in the accounts would increase board focus on value for money would increase board focus on value for money as well as drive transparency, consistency and comparability for stakeholders?

Yes.

In line with the 2015 accounting direction it has been the practice of many registered providers to report on value for money in their accounts and a clear statement of what is expected here is welcome.

Do you think that the proposed code achieves its aim of amplifying the requirements in the Standard, helping registered providers understand how the requirements in the Standard could be met?

Yes.

The proposed code of practice makes clear that compliance with the Value for Money standard cannot be seen as a tick box exercise and gives some indication of what is involved in embedding an approach to value for money in a range of organisations.

Do you have any comments on our business engagement assessment including in relation to equality and diversity?

No.

Contact for further information:

[redacted]
Head of Policy and
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[redacted]

Homes and Community Agency - Value for Money Standard consultation

Submitted by MHA
Contact for more information:

[redacted]
Head of Policy and Research
MHA
[redacted]

Who is MHA?

MHA is an award-winning charity providing care, accommodation and support services for older people throughout Britain. We are one of the most well-respected care providers in the sector and amongst the largest charities in Britain, providing services to older people for almost 75 years. We want to tackle isolation and loneliness among older people by connecting older people in communities that care.

MHA delivers a range of high quality services to 17,000 individuals:
4,620 older people living in 88 care homes - residential, nursing and specialist dementia care
2,500 older people living independently in 72 retirement living communities with flexible support and personalised care
10,000 older people supported through 66 Live at Home services in the community.

Our services are delivered by 7,000 dedicated staff and enhanced by the commitment of 5,500 volunteers.

MHA recognises that loneliness is an increasing challenge that affects many of us as we age and it is manifested physically, emotionally and spiritually. Our ambition is to ensure that every older person can be connected within a community of their choice so they can live an independent and fulfilled later life as they age.

MHA is pleased to respond this consultation. We have small Housing Association arm, providing accommodation to older people in 754 units.

Q1 Do you agree with the objectives for the proposed Value for Money Standard?

Yes, we are fully supportive of the principles.

However, we have some very practical concerns about how the plans to implement the standard as set out will impact on smaller providers, such as ourselves, as we feel they will impose a significant administrative burden.

Q2 – Do you agree that the focus on boards ensuring that delivering value for money is an integral part of running their business would support a more strategic outcome focused approach?

Yes. Delivering value for money is an important element for the Board running the Housing Association. However, for a charity like MHA, there are other equally important outcomes, alongside value for money, such as quality of life and overall wellbeing of tenants/residents. These play a key role in our outcomes focused approach.

Q3 – Do you agree that registered providers should seek to maximise the financial return from their resources and assets in so far as that is consistent with the achievement of the organisation's wider organisational purpose?

Yes. However, there is a balance to be struck for charities like us between maximising financial return and our wider charitable objects. At MHA, the housing association is only part of our wider organisation which is focused on our overarching charitable objects in meeting the needs of older people. Financial return and value for money sit alongside delivering quality of life and overall wellbeing for our tenants/ residents.

Q4 – Do you agree that boards should consider the full range of operational and strategic issues in delivering value for money?

Yes.

Q5 - Do you think the Code helps registered providers understand how compliance with the requirement to 'undertake a rigorous appraisal of options for improving performance' could be achieved?

The Code is helpful. The move to a specific metrics based standard does bring significant logistical and practical challenges to a small provider like MHA.

Q6 – Do you agree with the move away from wide-ranging narrative self-assessments in the current Standard towards a specific metrics and targets based approach?

We agree in principle, but as we have been previously exempt from calculating and tracking this data, as we have less than 1,000 units, we will have to find a way of doing this, which is a significant administrative task.

In addition, it also depends on the freedoms we have to set our targets and the way progress against them is judged. The nuance in assessing performance through a standard set of metrics can get lost in the focus on metrics and targets – so for example, the metric on new supply may not be relevant for us if we were not planning to expand our stock. This would be a conscious decision, in line with our wider strategic plans. Does the new standard recognise that? Does it give us that freedom? How would our target and progress then be judged against another provider if that may be planning significant expansion?

We welcome that the Code empowers providers to provide narrative alongside the metrics and we hope this will be recognised as equally as important.

Q7 – Do you agree that a targets based approach in measuring performance will help to deliver value for money?

It very much depends on what the targets are and how they are set. Value for money is one of several important outcomes for us, alongside quality of life and overall wellbeing. Seeking retrospective cost comparisons to judge value for money would be tricky as we haven't had to use these specific metrics before. Looking ahead, we can plan for this, but as we have said, there is a lot of administration for us to be able to achieve compliance with the new Standard.

Q8 – Do you agree that the requirement to report on value for money in the accounts would increase board focus on value for money as well as drive transparency, consistency and comparability for stakeholders?

It may do. This suggests that boards have not previously been focussed on value for money etc, which is a big assumption. It is important to recognise that value for money must be balanced with other, more person-centred outcomes such as quality of life and overall wellbeing, particularly in older people's housing.

Q9 – Do you think the proposed code achieves its aim of amplifying the requirements in the standard, helping registered providers understand how the requirements in the Standard could be met?

Yes the code is helpful. It's very important that providers are still able to provide some narrative to support the metrics- metrics alone will not tell the whole story. The code makes it clear that provides can still do this.

The standards and the code need to recognise that a focus on metrics and targets must be seen in the context of clarity on what good performance looks like. Monitoring performance must not be subjective or based on assumptions of the regulator. Clarity on what good performance looks like must be seen in the wider context of what the organisation is trying to achieve - for example, reinvestment in existing supply may be much more important to us than new supply. Therefore having freedom to set the targets based on our strategic objectives is key and analysis of our performance needs to recognise that, and not compare us to another provider with different strategic objectives.

HCA Consultation paper: Consultation on the Value for Money Standard

Midland Heart response

December 2017

Introduction

Founded in 1925, we remain true to our charitable aim of providing affordable homes in some of the most challenging areas of the Midlands. We also provide high-quality housing options for older people, and services aiming to prevent homelessness.

We currently own and manage 33,000 homes. We balance great customer service and value for money to provide a range of quality services for 70,000 customers.

We focus on our financial strength so that we can build more homes desperately-needed new homes for social and affordable rent, whilst also supporting customers who aspire to move into homeownership.

Executive Summary

Under our Corporate Strategy, entitled *Fit for the Future*, we have streamlined our organisation in order to maintain maximum productivity and achieve our objectives despite a challenging external environment. Over the course of the last 12 months, we have made £8m in savings on our operating costs.

At the same time we have accelerated our letting processes, reduced rent arrears and maintained high levels of customer satisfaction. We feel that value for money is central to our approach to maximising our productivity as a housing and care provider, and that our success in achieving value for money is also illustrated by our rising surpluses and expanding reach in a challenging landscape.

We welcome the revised Standard as a means to further embed value for money into our operational culture and to improve upon the consistency of reporting across the sector. We also welcome the shift from narrative-based reporting to metrics, as this will enable greater transparency and clearer direct comparison between organisations.

Detailed responses

Do you agree with the objectives for the proposed Value for Money Standard?

We welcome the objectives outlined in the consultation document. The outcomes reflect the values that we uphold, principally maximum return on assets; clear measures, evidence and comparisons of costs and outcomes; and strong governance, scrutiny and performance management.

We feel that these aims support Midland Heart in generating real value for our stakeholders. We look forward to further enhancing our work through ongoing scrutiny of our performance against the revised Standard.

Do you agree that the focus on boards ensuring that delivering value for money is an integral part of running their business would support a more strategic outcome-focused approach?

We welcome the recognised demand for housing for diverse needs. We provide a wide range of homes for different demographic groups. The requirement for registered providers to explain their strategy for delivering homes for a broad range of needs will support our aim of providing the maximum possible output of affordable rented housing.

We aim to be a top 20 developer of affordable and social rented homes. Maximising our financial returns will enable us to invest more in increasing our provision.

Do you agree that registered providers should seek to maximise the financial return from their resources and assets insofar as that is consistent with the achievement of the organisation's wider organisational purposes?

We agree with this principle. As an organisation, we are committed to channelling our financial returns into the provision of more new affordable rented homes.

Our five-year *Fit For The Future* corporate strategy was designed to enable Midland Heart to respond to the new operating environment following the -1% rent cut. This has succeeded in allowing us to grow and thrive during this period: our surplus has risen year-on-year, enabling us to increase our building output.

Following the recent announcement that the previous rent settlement is to be restored and that social tenants' benefit entitlements will no longer be brought into line with local housing allowance rates, our renewed financial stability is expected to increase further. We are therefore reviewing our business model at this point, and expect to boost our projected building output by an additional 10% over the coming five years.

Ultimately, optimising our ability to build will enable us to assist as many people as possible to live independently in a secure and comfortable home.

Do you agree that boards should consider the full range of operational and strategic issues in delivering value for money?

The Board has overall responsibility for ensuring that systems of internal control are established and maintained as well as setting the strategic direction and managing risks. Our Board receives regular reports on operational performance which allows for careful review and prompt action to be taken where performance is below target levels.

We are pleased that the proposed standard will strengthen the role of boards in overseeing a full range of issues from the strategic to the operational and endorse the approach.

Do you think the Code helps registered providers understand how compliance with the requirement to 'undertake a rigorous appraisal of potential options for improving performance' could be achieved?

A criticism of the previous Standard was that it lacked direction; therefore, we welcome the guidance contained in the Code. The list of suggested elements for inclusion in this appraisal is a helpful clarification of the expected detail.

This element of the Code does not address the question of striking a balance between quantity of return and quality of output. Further guidance would be beneficial when comparing alternative options or considering opportunity cost.

For example, offering value for money by reducing costs and maximising financial return could lead to a reduction in the service levels achieved, such as extended healthy life and improved wellbeing. Greater investment for a reduced financial return could, however, allow for a reduction in costs in the longer term, for example due to increased customer wellbeing and satisfaction leading to longer residency and fewer voids.

Do you agree with the move away from wide-ranging narrative self-assessments in the current Standard towards a specific metrics- and targets-based approach?

The narrative-based approach is relatively inconsistent. We welcome the introduction of clear guidance regarding the specific metrics used, and have provided feedback on the chosen metrics; we are broadly in favour of the new approach.

Do you agree that a targets-based approach in measuring performance will help to deliver value for money?

We believe that a targets based approach is essential for delivering value for money. Through an effective regime of target-setting, we have been able to achieve extremely strong performance across a number of housing management indicators including customer satisfaction, number of complaints, re-let times and rent arrears.

Developing a strong understanding of how our costs compare to those of our peers has been critical to the success of this approach and we have taken a leading role in developing performance improvement and benchmarking for the housing sector as a whole.

We are a founder member of 'The Performance Improvement Club'. This is an online community of 20 housing providers that is sharing the most recent financial and non-financial performance data from across the sector, helping providers to understand their cost per unit by taking account of specific factors.

We have worked in partnership with Vantage Business Solutions to develop Global Accounts Plus. This is a tool that collates and uses published financial accounts information from the top 150 providers and 40 Arm's Length Management Organisations (ALMOs), to compare a wide range of sector efficiency measures.

We will continue working with sector experts to develop and enhance rigorous benchmarking techniques.

Do you agree that the requirement to report on value for money in the accounts would increase board focus on value for money as well as drive transparency, consistency and comparability for stakeholders?

We support measures to increase transparency for customers, and are committed to high-quality tenant engagement. Despite the inherent difficulties in engaging customers in relation to value for money, we have been successful in implementing a tenant scrutiny panel. We also ensure that at least one tenant is involved in considering each tendering process, so that service users' views are taken into account when commissioning services.

We consider tenant empowerment to play a crucial role in driving quality and informing our activities, shaping our approach as we adapt continually to a changing social landscape.

Do you think the proposed Code achieves its aim of amplifying the requirements in the Standard, helping registered providers understand how the requirements in the Standard could be met?

Yes, the explanations of elements for consideration and list of examples of subjects to include are helpful in illustrating what is expected. The separate purposes of the Standard and Code are very clear. It would be beneficial to have the Standard and Code published and available together, to minimise any difficulties resulting from having to refer to two separate documents.

Do you have any comments on our business engagement assessment including in relation to equality and diversity?

No; we do not believe that this will have any negative impact on our operations in terms of equality and diversity considerations.

Conclusion

Midland Heart agrees with the principles outlined in the revised Value for Money Standard and accompanying Code as they broadly reflect our own existing values and practices. We will continue to drive improvements across our business in order to meet our corporate objectives and to demonstrate compliance with the Regulator's requirements.

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Response:NHF

Value for Money

Consultation on proposed Standard

20 December 2017

Summary of key points:

We support the proposed shift to a metric-based approach to efficiency and away from the narrative self-assessment currently required

The proposed Value for Money Standard gives insufficient regard to the social purpose of associations, and its focus on financial returns is misplaced

The proposed metrics, which draw substantially on the Sector Scorecard, will not be administratively burdensome for associations that already routinely submit data to the HCA

Smaller associations, however, should have latitude to select their own metrics

NATIONAL HOUSING FEDERATION

Introduction

This is the formal response of the National Housing Federation to the consultation by the Homes and Communities Agency regarding the proposed Value for Money Standard and accompanying Code.

The National Housing Federation is the voice of housing associations in England and our members are united by a common purpose – to ensure everyone has access to a quality home that they can afford. It is central to this purpose that associations apply their resources so as to achieve maximum benefit.

The HCA's suggested metrics in connexion with the proposed Standard were issued in conjunction with the consultation, but were subject to an earlier deadline. For convenience, we have brought together in this document our main response to the HCA proposal, with our earlier comments on the metrics attached at the end.

Summary

In his foreword to the consultation paper, Julian Ashby, Chair of the HCA Regulation Committee, emphasizes the need for housing associations to make 'the best use of every pound and every property'. The Federation agrees. But it is not the interest in the matter taken by the Government or the regulator that makes efficiency so important to associations; it is their commitment as public-benefit organizations to use their resources as effectively as possibly to deliver their social purpose.

That said, we welcome the shift away from the requirement for a narrative self-assessment in the current Value for Money Standard, and we agree with an approach based on metrics, particularly since the HCA has drawn extensively on the 'Sector Scorecard' developed by a group of associations and widely adopted within the sector. A very positive feature is the reliance on data that associations with over 1000 units are already required to submit routinely to the HCA. This will minimize the administrative burden for these associations. The same logic does not apply, however, to smaller associations because they are not currently required to submit data in the form specified by the proposed metrics; we propose, therefore, that they should be given latitude to devise their own measures of efficiency.

While we agree that associations should strive to achieve optimal benefit, we do not agree with the proposed Standard's focus on maximizing financial return. Associations clearly need to manage their affairs so as to remain financially viable, but it is the delivery of their social aims, not the maximization of financial returns, that is the ultimate purpose of their existence.

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Main text

Value for Money: Relationship with social purpose

One of our main concerns with the HCA consultation paper is the half-hearted and belated nature of its acknowledgment of social purpose as the driver for housing associations. It is not until we reach paragraph 12 of the Code that we find a clear acknowledgment that providers 'will generally receive a lower-than-market return on social housing assets as renting properties below the market rate is an integral part of their social business'. Quite so: but this appears only after several references, in the Standard itself as well as in the Code, to the HCA's apparent expectation that providers should seek to maximize the financial return from their assets.

The clear implication of the Standard and Code, if taken literally, would be that the principal driver for providers should be the maximum financial return, constrained only by the consideration that they must remain consistent with their wider social purpose.

If this implication were pressed, it would mean that every provider should endeavour to deliver its social purpose in a manner that generated the best possible outcome measured in financial terms. This would mean that every provider would look for ways of meeting housing need that kept costs and risks as low as possible and generated as much income as is consistent with social purpose. Such an approach would imply a priority for meeting housing need through initiatives based on full or part ownership or on rents as near to market levels as is consistent with social purpose; and the eschewal of activities designed to provide housing at rents very far below market levels, or to meet the particular needs of poorer, more marginal or more challenging client groups where the risks, and often the costs, are higher; and the returns relatively poor.

While we agree, of course, about the importance of financial considerations for associations, we believe that the HCA's emphasis should be reversed. Instead of referring to maximizing financial returns subject to the need to conform to social purpose, the HCA should expect providers to deliver their social purpose, subject of course to ensuring that they remain financially viable. This should be stated as prominently as possible, right at the outset of the Standard. And while we agree that providers should use their resources so as to optimize benefit, it should be made clear that the word 'benefit' is not to be understood purely, or even primarily, in a financial sense. Any reference to maximizing financial return should be explicitly limited to cases where the provider is acting in pursuance of its investment power rather than in furtherance of its social purpose.

In saying this, we are not arguing that providers should maximize social benefit to the exclusion of financial considerations (subject only to remaining solvent). Our position is that it is for each provider's board to determine its business strategy and that, in doing so, it will properly have regard to both social purpose and financial considerations, and the potential tension between them. It is for the Board to strike this balance in a manner that ensures both that the organization remains financially viable and that its social purpose is being achieved. But it is always the social purpose that represents the underlying *raison d'être* of any housing association.

We stress that in making these comments we have focused on housing associations, which account for the overwhelming majority of providers to which the proposed Standard will apply. For-profit providers, for whom we hold no brief, will have their own business priorities and different considerations may apply. However, they represent only a tiny proportion of non-profit providers and if their position needs to be recognized in the Standard and Code, this can be done on an exceptions basis.

Metric-based regime

In terms of the process required by the Value for Money Standard, the HCA proposes a major shift away from the approach taken in recent years, which has relied largely on each provider's narrative 'self-assessment'. Instead, the HCA proposes a metric-based regime that draws heavily on the 'Sector Scorecard' that has been developed by a number of leading associations. Associations will be required to incorporate in their annual accounts a report against the metrics required by HCA as well as any further targets that the association has set for itself. This report must also set out the association's plan for dealing with any areas of underperformance.

The HCA included in its consultation seven proposed metrics, covering the following areas:

Reinvestment
New supply delivered
Gearing
Interest cover
Social housing cost per unit
Operating margin
Return on capital

The proposed metrics were subject to an earlier response deadline of 25 November, as opposed to the deadline of 20 December for the consultation overall. We therefore commented on them separately, and for convenience a copy is attached as an appendix to this response.

Notwithstanding concerns on points of detail, the Federation broadly supports the change to a metric-based approach. We also welcome the fact that the HCA has drawn so extensively on the Sector Scorecard.

Annual accounts

We agree that associations' performance reporting and improvement plans should be included in the annual accounts. This will help ensure transparency because interested parties will know where this information is to be found; in addition, the audit process will provide further assurance that the details are accurate. However, we anticipate that many associations may wish to assemble and publish much more information about performance than is necessary to comply with the requirements of the Standard. We think the HCA should be clear that, so long as the requirements of the Standard are met by material included in the accounts, associations should be free to publish additional material in whatever format, and at whatever time, they see fit. A requirement to include all performance-related material in the accounts would impose unhelpful constraints regarding timing, format, and audit; it would also potentially unbalance the accounts so that the essential financial and other information that should be the main focus of the published accounts is overwhelmed by the weight of performance-related material.

Impact on smaller associations

It is, of course, highly desirable to avoid imposing new administrative burdens on associations. Therefore we regard it as a very positive feature of the proposed metrics that they make of data that are already routinely generated by providers in the course of their activities. However, this raises a specific concern about providers with fewer than 1000 units.

Despite their large numbers, smaller providers account cumulatively for less than 5% of the total stock held by housing associations. Their position is already recognized by the regulatory regime: in particular, they are not required routinely to submit extensive data to the HCA. This is an important feature of the current regime; it represents proportionate regulation and allows the HCA to concentrate its attention where it is most needed.

We suggest that a similar approach should inform the new VfM Standard. It would represent a substantial burden for a smaller organization, not currently subject to data submission requirements, to be obliged to generate and submit the detailed data in the form specified by the proposed Standard. The requirement for the data to be included in the accounts means that significant audit fees would also be involved. In addition, it may prove to be a demanding task for the HCA to chase detailed information from large numbers of small organizations not currently required to submit data; this seems disproportionate given that less than 5% of the sector (by stock) is involved. We therefore suggest that providers with fewer than 1000 units should be excluded from the general requirement to prepare performance data using the metrics laid down by HCA.

This does not mean that we think that smaller providers need not be concerned about efficiency; on the contrary, with their necessarily limited resources it must be a very high priority for them. But because of their small size, limited resources, and exemption from most existing data submission requirements, as well as the fact that many of them are of a distinctive or specialized character that may mean that the normal metrics are less suitable, we suggest that associations with fewer than 1000 units should be allowed to report against their own choice of metrics.

Federation's views

We have set out our overall response to the proposals in the previous section.

However, our response to the specific questions is as follows.

1 – Do you agree with the objectives for the proposed Value for Money Standard?

We certainly agree that it is incumbent on housing associations, as non-profit public-benefit bodies, to ensure that they apply their resources as effectively as possible to deliver their organizational purpose. Regarding the proposed Standard itself, it is part of the HCA's approach to regulating value for money, through which (as stated in paragraph 2.5) the HCA seeks 'to gain a comprehensive understanding of private registered providers' delivery of value for money'. We suggest that only the HCA is in a position to decide whether its understanding has been thus enhanced.

2 – Do you agree that the focus on boards ensuring that delivering value for money is an integral part of running their business would support a more strategic outcome-focused approach?

We agree with the move to a more outcome-focused approach, drawing on the sector-led work in this area (the 'Sector Scorecard').

3 – Do you agree that registered providers should seek to maximize the financial return from their resources and assets insofar as that is consistent with the achievement of the organization's wider organizational purposes?

Had this question referred to 'optimizing benefits' from providers' resources, we should have agreed whole-heartedly. But we cannot accept that associations should be driven primarily by a quest for the best financial return, constrained only by the need to deliver a sufficient degree of social purpose to comply with the organization's constitutional aims. Nor do we think that the HCA would wish to press the view that associations' operations should be driven in this way, which would be alien to their history and culture and would call into question many types of provision that are fundamental to the sector. We suggest that references to 'maximizing financial return' should be confined to cases where an association is exercising its investment function; in other respects, the focus should be on applying resources to 'optimize benefit', on the clear understanding that the 'benefit' in question is not necessarily a financial one. It is for boards to decide how best to strike the balance between ensuring the organization's financial viability (without which it will cease to exist) and delivering its social purpose (without which it has no reason to exist).

NOTE: We have answered this question specifically as it applies to housing associations as non-profit bodies. We acknowledge that different considerations may apply to for-profit providers, but point out that they are only a very small part of the sector.

4 – Do you agree that boards should consider the full range of operational and strategic issues in delivering value for money?

We should prefer to say that boards should consider the full range of strategic issues but we expect that operational issues may well be handled by the management team or by other employees, at an appropriate level depending on the nature of the matter in question and its importance to the organization. There should, however, be clear lines of accountability leading ultimately to the board, which must always have full responsibility for the organization as a whole.

5 – Do you think the Code helps registered providers understand how compliance with the requirement to 'undertake a rigorous appraisal of potential options for improving performance' could be achieved?

Our concerns about the Code relate not so much to the content of the document itself as to the risks that are unavoidable when the HCA strays from its proper role of regulation into the field of guidance. However well-intentioned this may be, and notwithstanding any protestations to the contrary, we know from long experience that 'guidance', when issued by the regulator, will quickly come to be regarded, both by the sector and by front-line regulatory staff, as indistinguishable from regulation. The existence of a Code inhibits non-regulatory bodies from developing guidance and advice, and will stunt the development of good practice within the sector.

6 – Do you agree with the move away from wide-ranging narrative self-assessments in the current Standard towards a specific metrics- and targets-based approach?

Yes. We regard this as a positive move. We welcome the demise of the narrative self-assessment, which clearly failed to meet the HCA's expectations of it and was regarded as unnecessary and burdensome by many associations.

7 – Do you agree that a targets-based approach in measuring performance will help to deliver value for money?

Achieving value for money is a priority for associations regardless of the approach taken by HCA. However, we agree that the metrics-based approach promotes clarity and, for associations that are already required to submit performance data routinely to HCA, will reduce the administrative burden. However, providers with fewer than 1000 units are not subject to the normal requirement to submit data and it will be a significant additional task for them to generate information in the form required by the proposed metrics. We therefore argue that these smaller providers (many of them very small indeed) should be permitted to devise their own approach to ensuring that they operate efficiently.

8 – Do you agree that the requirement to report on value for money in the accounts would increase board focus on value for money as well as drive transparency, consistency and comparability for stakeholders?

We can see the merit of placing the report on value for money in the accounts because the audit process will provide a check on its accuracy, and so that all interested parties will know where the report may be found. However, it is likely that many organizations may wish to publish information about performance that goes well beyond the requirements of the Standard, and there should be no expectation that this further information will necessarily be placed in the accounts.

9 – Do you think the proposed Code achieves its aim of amplifying the requirements in the Standard, helping registered providers understand how the requirements in the Standard could be met?

For reasons stated in the previous section and in our answer to question 5, we do not think the HCA, as a regulatory body, is the right organization to issue an advisory document such as the Code.

10 – Do you have any comments on our business engagement assessment including in relation to equality and diversity?

We have no comments.

Conclusion

We are in complete agreement with the HCA about the importance of applying the resources available to housing associations as efficiently and effectively as possible. We also agree that this is first and foremost the responsibility of boards. We are also pleased that the HCA proposes to move away from the current unhelpful narrative-based approach in favour of a metric-based system that draws on the 'Sector Scorecard', which was developed by a group of associations and has been widely adopted. We think, however, that the proposed Standard gives insufficient recognition to social purpose as the fundamental reason for associations' activities – indeed, for their very existence – and we think the current emphasis on maximizing financial returns is misplaced. Its implications, if it were taken literally, would lead to outcomes that would be markedly at variance from this traditions and practices of the sector. Nor, we feel sure, is this what the HCA would want or expect. We therefore recommend a shift in emphasis to make it clear that the 'benefit' that associations seek to achieve is not necessarily financial, and that it is for boards to balance their business strategy so as both to maintain financial viability and deliver social purpose.

[redacted]

Policy Leader

National Housing Federation

[redacted]

Submission:

Value for Money Metrics - Technical Note

National Housing Federation Response

22 November 2017

Summary of key points:

The metrics proposed in the technical note are broadly comparable to the Sector Scorecard, which was developed by the sector for the sector. As far as possible we would seek to emphasise the need for:

Consistency of definition
Recognition of organisational diversity and varied strategic objectives
A broad and holistic understanding of economy, efficiency and effectiveness

Introduction

The National Housing Federation is the voice of housing associations in England and our members are united by a common purpose – to ensure everyone has access to a quality home that they can afford. We will be responding to the formal Value for Money Standard consultation in detail, therefore this submission focuses specifically on the metrics proposed in the technical note.

We are keen to emphasise that we are strong supporters of the Sector Scorecard initiative – a suite of 15 performance metrics developed by a diverse range of housing associations and adopted by the vast majority of the housing association sector. Our submission is therefore informed by the feedback and views of the organisations who developed and participated in the Sector Scorecard pilot earlier this year.

Summary

We believe the principles adopted by the regulator in selecting the range of metrics are the right ones. Utilising existing regulatory data has the benefit of minimising the reporting burden placed on housing associations and provides a high level of assurance regarding the quality and accuracy of the data itself.

We note the current limitations placed on the regulator, particularly regarding consumer regulation, and can see that the metrics proposed reflect this. We know that the quality of homes and services provided to tenants and customers is a strategic priority for our members and as such is communicated to key stakeholders in a way which is appropriate and relevant to individual organisations. Over the coming months we will be working with members, tenants and other stakeholders to further understand the experience of those who live in social housing, and it may be that this work informs future developments in performance reporting.

Of the proposed value for money metrics, five are consistent with Sector Scorecard measures and definitions:

Gearing
EBITDA MRI interest cover
Headline cost per unit
Operating margin
Return on capital employed

The new supply metric definition differs from the Sector Scorecard equivalent measure, which is consistent with that used by the Federation in our quarterly supply survey, and we have commented further on this below. The reinvestment metric is not included in the Sector Scorecard, although going forward it may be that the "Investment in new supply" measure is aligned with this definition.

Feedback on the metrics

Metric 1 – Reinvestment %

This is a relevant and appropriate metric as it captures housing associations' investment in their existing stock as well as new supply. While recent political and public interest has focused on the sector's contribution to new supply, which is undoubtedly a strategic priority for many organisations, a fundamental responsibility of all housing associations is also to invest in and maintain their existing stock.

We are supportive of the proposed definition and understand that the Sector Scorecard Advisory Group will consider whether the current "investment in new supply" measure in the Sector Scorecard should be adapted to align with this definition.

Metric 2 – New supply delivered %

Given the scale of the housing crisis we face, and the sector's ambition to increase development activity in order to make a significant contribution to resolving it, this metric is crucial. Historically supply data collected by the regulator and government has failed to capture the full extent of housing association's contribution to new supply. For this reason the Federation launched its own supply survey in 2016, with the aim of capturing total housing association output. Our supply survey reports have become an established and trusted source of housing association development data.

The National Housing Federation supply survey is carried out quarterly and includes all new homes developed by housing associations, including new properties completed under section 106 agreements and acquired and owned by housing associations. Importantly, our survey also recognises the increasing use of joint ventures to deliver new homes by including homes developed and sold by joint ventures involving housing associations.

When deciding on a definition for this metric it is important for the regulator to be clear about what it is intending to measure. We recognise the important inclusion of non-social housing units as this is a growing area of activity for some housing associations and clearly contributes to the nation's overall housing supply. The question of whether to include units acquired or not will depend on whether this measure just seeks to understand the sector's delivery of new homes, or whether it is also valuable to include existing homes that have been acquired and brought into the sector.

The current use of 'social units under management' and 'non-social units under management' as denominators for the two value for money sub-metrics means that these will not align with our supply survey nor the overall new supply Sector Scorecard measure, even if the definitions are aligned. If 'total units under management' was used as the denominator for both metrics, these could be summed to equal an overall new supply measure.

As referenced above, our preference is for consistency. Ideally we would hope for the definition used to be consistent with our supply survey and the Sector Scorecard. Not only would this reduce the reporting burden placed on housing associations, it would also make it easier for the sector to communicate a clear and compelling narrative about its contribution to new housing supply.

To that end we would propose the following changes:

Only include units developed, rather than developed and acquired
Include units developed by joint ventures involving housing associations
Use total units under management as the denominator for both the social and non-social metrics
If the regulator adopted this approach we note that the resources expended on acquiring units would still be captured by the suite of metrics through the reinvestment % measure.

Metric 3 – Gearing

Gearing is an important metric to include as it can provide insight into the extent to which an organisation is leveraging its existing assets in order to invest in new and existing stock. However, in our experience there are myriad ways of calculating gearing, none of which are objectively ‘right’ or ‘wrong.’ This is becoming particularly challenging as group structures and treasury vehicles become more complex and the risk of a rigid definition generating unexpected or inconsistent results increases.

We understand that feedback received during the Sector Scorecard pilot identified the use of gross debt rather than net debt, and only including housing properties in the denominator, as possible issues with the existing definition. However, participating organisations were not consistent in proposing alternative definitions.

For this metric to be useful as a tool for comparison, and to be accepted and valued by the sector and its stakeholders, we would suggest the regulator undertakes further specific consultation with housing associations (particularly those with group structures and standalone treasury vehicles) and relevant stakeholders (auditors and treasury advisors for example). The ambition must be to agree a definition which is relevant and can be consistently applied.

Metric 4 – EBIDTA MRI Interest Cover %

This is a relevant and appropriate measure and we are supportive of the proposed definition.

Metric 5 – Headline social housing cost per unit

This is an established metric following the regulator’s 2016 cost per unit analysis, and is consistent with the approach taken by the Sector Scorecard. We recognise that a robust understanding of cost is an important element of an effective value for money strategy.

The findings of the regulator’s 2016 analysis, particularly the impact that supported and sheltered housing can have on cost per unit, is important contextual information for this metric. Housing associations with significant supported and sheltered portfolios should not be unfairly disadvantaged or criticised for having higher costs linked to higher/different service provision.

Metric 6 – Operating Margin %

This is a relevant and appropriate measure and we are supportive of the proposed definition.

Metric 7 – Return on capital employed (ROCE)

This is a relevant and appropriate measure and we are supportive of the proposed definition.

Conclusion

We welcome the opportunity to respond to value for money metrics proposed, and in particular, are pleased to see that the regulator has chosen to adopt a number of the measures included in the Sector Scorecard. We believe overall that the metrics proposed are relevant and appropriate and would reiterate our focus on consistency, organisational diversity and the need for a holistic understanding of performance.

We will be providing a more detailed response to the consultation on the new Value for Money Standard.

[redacted]
Policy Leader
[redacted]

Homes and Communities Agency

Consultation on the Value for Money Standard

About us

The Northern Housing Consortium (NHC) is a membership organisation based in the North of England that works with local authorities and housing associations to advance the cause of housing. Our membership covers around 90% of all housing providers in the North. The NHC brings its members together to share ideas, and to promote their interests and to ensure their voice is heard at a regional and national government level.

We welcome the opportunity to respond to this consultation.

Summary of discussions with NHC members around the VFM Consultation document

In response to the consultation, and in order to get the views of its members, NHC arranged and facilitated three meetings around its sub-regions of North East, North West and Yorkshire and the Humber. The key points in discussions held at those meetings have informed this NHC formal response to the consultation.

Format of the consultation meetings

We have structured our response as follows:

- General commentary around the Standard, its key suggestions and the likely impact on the way members needed to operate as a consequence.
- The consultation posed 10 questions to provide structure to the responses. After the general discussion each of the 10 questions was considered.

General commentary and key points

Move away from an annually submitted VFM self-assessment to an assessment judged on performance against a series of metrics

The current requirements are that organisations submit a VFM self-assessment to HCA, describing their approach to VFM and providing examples and evidence of VFM in practice within their organisation. The consultation proposes that the requirement on housing providers to produce the VFM self-assessment is removed and replaced with a series of performance metrics.

The removal of the mandatory requirement was well received by members, though the majority of attendees recognise the value of carrying out a self-assessment for internal use. It is felt that the current requirement lends itself to the self-assessment document being too comprehensive - to ensure that it contains everything that HCA may wish to see. It is typically at least 30 pages long and is a wordy, narrative report. Members welcomed the opportunity to tailor the VFM self-assessment for internal consumption as a reference guide to themselves rather than a mandatory requirement. This should make it more succinct and relevant.

The metrics contained within the consultation are a list of 7 performance metrics:

Metric 1 – Reinvestment %

This metric looks at the investment in properties (existing stock as well as new supply) as a percentage of the value of total properties held.

Metric 2 – New supply delivered %
The New supply metric sets out the number of new social housing and non-social housing units that have been acquired or developed in the year as a proportion of total social housing units and non-social housing units managed at period end.

Metric 3 – Gearing %
This metric assesses how much of the adjusted assets are made up of debt and the degree of dependence on debt finance. It is often a key indicator of a registered provider's appetite for growth.

Metric 4 – Earnings Before Interest, Tax, Depreciation, Amortisation, Major Repairs Included (EBITDA MRI) Interest Cover %

The EBITDA MRI interest cover measure is a key indicator for liquidity and investment capacity. It seeks to measure the level of surplus that a registered provider generates against interest payments.

Metric 5 – Headline social housing cost per unit
The unit cost metric assesses the headline social housing cost per unit as defined by the regulator.

Metric 6 – Operating Margin %
The Operating Margin demonstrates the profitability of operating assets before exceptional expenses are taken into account.

Metric 7 – Return on capital employed (ROCE)
This metric compares operating surplus to total assets less current liabilities and is a common measure in the commercial sector to assess the efficient investment of capital resources.

As can be seen, the metrics are all financial metrics. Members felt that these should be relatively easy to collect, as they typically form part of the annual financial report anyway. There is a requirement to compare against peers and there was some discussion around the practicalities of carrying out true comparison in a timely manner. As final accounts aren't published until at least 3 months after the end of the financial year, any comparison to follow would inevitably be based on historical information.

There was also discussion around the concentration of VFM within the finance function. Housing providers are encouraged to ensure that VFM is integrated throughout the organisation and it is felt that by concentrating the formal reporting against financial metrics, work will be required to ensure that all parts of the organisation remain involved.

Clear link between the strategic objectives of the business and the delivery of VFM in achieving them, with the Board to be central in accountability around VFM
The proposed standard makes the clear link between strategic objectives and VFM and places the onus on the Board to be clearly accountable. It is expected that VFM is built in to all plans in place to achieve strategic objectives and that this can be demonstrated with evidence to the regulator. Providers will be expected to demonstrate "a strong focus on how value for money is to be achieved in meeting the organisation's objectives".

The overall aim is to improve Board accountability around VFM. To quote the consultation document:

“The proposals set out …would strengthen requirements for board accountability and enhance transparency through a focused, outcome-based approach to measuring and reporting both value for money gains and areas for improvement”

This links to HCA judgements on Governance and Viability, which will be affected by the organisation’s ability to evidence VFM in meeting objectives.

Members felt that board accountability on VFM had improved in recent years and that this was an extension of on-going work. Many report VFM considerations within existing board reporting with VFM champions and Board members with specific responsibilities on VFM in place.

Stated links between VFM and delivering more homes

From the first sentence in the foreword, it was recognised that the HCA is keen to point to the link between VFM and enabling providers to deliver more homes, improvements to the existing housing stock and better services to tenants.

It is clear that this remains a key driver for Government and VFM now exactly aligned to that overarching aim. Essentially, provide better VFM to allow organisations the capacity to build more homes.

VFM and In-Depth Assessment (IDA)

NHC members would welcome further information on the links between the revised standard and how it will feature in IDA carried out by the regulator. We understand the expectation on internal metrics being used in additional to the financial metrics outlined, but members will be interested in any further guidance or learning from IDAs.

Consultation questions
The consultation seeks a response to 10 specific questions. The general consensus around the questions amongst members was that they were designed to provide a positive response, with many of statements in the questions difficult to disagree with. The specific questions and a summary of the discussions are as follows:

1. Do you agree with the objectives for the proposed Value for Money Standard?

The discussions here were more about the pre-supposition that VFM is not already a key consideration. Members were keen to stress that work had been on-going, both before and after the cut in rents. The response is, therefore, that we agree with the objectives, but want to draw attention to previous and on-going work.

2. Do you agree that the focus on boards ensuring that delivering value for money is an integral part of running their business would support a more strategic outcome -focused approach?

There is an enhancement of the focus on Boards to deliver VFM and the HCA has delivered an unambiguous message. However, where a Group structure operates, further clarification is required around the extent to which unregistered subsidiaries are to be included.

3. Do you agree that registered providers should seek to maximise the financial return from their resources and assets in so far as that is consistent with the achievement of the organisation’s wider organisational purposes?

Again, the statement is difficult to disagree with. Members did raise the question of the social value that their organisations provide, and also where the wider organisational purpose is not necessarily to maximise financial return.

4. Do you agree that boards should consider the full range of operational and strategic issues in delivering value for money?

The phrase "full range of operational…." was a cause for debate. Many members felt that the Board should be aware of key operational issues, with some exception reporting included against pressure points, but the terminology used in the question suggests full and detailed reporting against operations. This seems to contradict the stated aim of linking strategic objectives and VFM.

5. Do you think the Code helps registered providers understand how compliance with the requirement to 'undertake a rigorous appraisal of potential options for improving performance' could be achieved?

The Code provides some indicators about compliance with the appraisal of options. However, members felt that the 'rigorous appraisal' suggested would be dependent on the issue under consideration. There was also some discussion as to whether the underlying aim was to encourage more mergers within the sector.

6. Do you agree with the move away from wide-ranging narrative self-assessments in the current Standard towards a specific metrics – and targets-based approach?

Members agreed with the fact that there is an administrative burden attached to the self-assessment document. However, many felt that the document provides the opportunity to give more context and explanation than a simple metrics based approach. Most members will produce an internal self-assessment anyway, though will not necessarily include in the report to the accounts as metrics will be included.

7. Do you agree that a targets-based approach in measuring performance will help to deliver value for money?

A targets-based approach in itself will not help to deliver value for money. It is felt that a targets-based approach is a useful tool for comparison, but it would depend on measures to be used and who measuring against. The consultation is not clear on benchmarking, talking about comparison with peers, but also highlighting year on year comparison internally.

8. Do you agree that the requirement to report on value for money in the accounts would increase board focus on value for money as well as drive transparency, consistency and comparability for stakeholders?

There was a view from some members that VFM gets lost in the accounts, with increasing requirements from financial and auditory point of view leading to a growing financial report to the accounts - "can't see the wood for the trees".
It should increase Board focus; for other stakeholders, it depends on the stakeholders. For funders and institutions, the requirement should help with transparency, consistency and stakeholders.

It was not felt that this would particularly provide information for tenants. VFM for tenants is reported differently (essentially how is the rent spent) and there is not an obvious link to tenants and indeed consumer standards within the consultation.

9. Do you think the proposed Code achieves its aim of amplifying the requirements in the Standard, helping registered providers understand how the requirements in the Standard could be met?

The Code is a useful addition. Whilst not overly prescriptive, it does give housing providers more depth and understanding on what requirements are. It is hoped that this is the first step and could evolve over time.

10. Do you have any comments on our business engagement assessment including in relation to equality and diversity?

No real comments from the group. It reads like a mandatory question asked in all Government consultations.

Next Steps

We look forward to the publication of the final standard following the consultation. NHC will reconvene groups of members following the issue of the standard to discuss implementation of the standard, the timescales involved and any other regulatory issues. We would welcome any contribution from HCA at these sessions and will liaise with HCA colleagues to consider the best way to do this.

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Homes and Communities Agency Consultation

Title: Consultation on the Value for Money Standard

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Response to Homes and Communities Agency Consultation

Octavia believes that good homes make for better lives.

Inspired by our founder, the social reformer Octavia Hill, we are a not-for-profit organisation providing thousands of people with good-quality affordable homes in inner London. Like her we believe in the power of well-planned, well-managed housing to make a difference:

A difference to the people who live in our homes, many of whom would otherwise be priced out of London;
A difference to the vitality of local areas and their ability to give extra care and support to people who need it; and
A difference to London as a whole, playing our part in sustaining the capital's rich diversity and social mix – something that benefits our entire society.

We aim to build happier lives and resilient communities by focusing on people as individuals, providing them with a range of services and the opportunity to support themselves. We spend any surplus income – whether from our houses or our social enterprises – on investing in our homes and building for the future.

We welcome this opportunity to comment on the Homes and Communities Agency (HCA)'s Consultation on the Value for Money Standard.

Overall principles

Octavia Housing takes a long term view and a broad based perspective in regards to Value for Money (VfM). Our approach is to make decisions looking at overall costs, over the full term, and ensure our homes are safe and attractive places to live. We aim to consider the wider impact of the decisions we take on the public sector and our local communities.

Building and providing affordable housing is central to our business, as is providing a range of Care and Support services to vulnerable and isolated people. Through these initiatives, we address a wider need. We are therefore disappointed that changes to the Value for Money Standard proposed focus almost exclusively on narrow financial metrics and new housing supply. An emphasis on economy, efficiency and new homes is entirely understandable, but effectiveness is a much broader area of VfM than the draft Standard suggests.

Below is our response to the questions set out in the Consultation paper.

Q1 Do you agree with the objectives for the proposed Value for Money Standard?

We agree that registered providers should 'articulate their strategic objectives' and this includes VfM considerations. The phrase that we 'must ensure that optimal benefit is derived from resources and assets' is vague and assumes there is an absolute and objective measure of what constitutes 'optimal' in this area, when in reality this is inevitably subjective.

The Code asks providers to articulate and justify decisions, but at the same time there is a move away from narrative based assessments of VfM. There are tensions, if not contradictions, in these mixed messages. On the one hand the Standard acknowledges that context can be important, on the other it is insisting on an overly simple approach.

Q4 Do you agree that Boards should consider the full range of operational and strategic issues in delivering value for money?

It is unclear what is covered by the 'the full range of operational and strategic issues'. It might be preferable to require consideration of a 'broad range of operational and strategic issues' instead.

It is unhelpful to require Boards to consider the 'full range' of these issues without qualification. Depending on the organisation and its governance structure, it would be reasonable (indeed strategic) for some Boards to devolve oversight of certain operational issues to relevant committees.

The additional text in the Code specifying number of years ahead for forecasts and target setting is overly detailed and prescriptive. Registered providers are independent bodies.

Q5 Do you agree with the move away from wide ranging narrative self-assessments in the current Standard towards a specific metrics – and targets-based approach?

There is in-built bias to this question implying that a narrative approach is inevitably 'wide ranging' and that narrative assessments and specific metrics are mutually exclusive. Neither has to be the case. An approach based on a wider set of metrics that also looks at social impact, weighted by agreed factors including tenure and geography for cost indicators, and encouraging a succinct accompanying narrative could provide some useful indicative data and necessary context.

The draft set of metrics proposed is too narrow and could result in providers looking to save money in the short term potentially at the expense of safety and/or additional costs in the longer term. In the past the HCA acknowledged there were factors that explain some of the differences in costs between registered providers, and recognised that they did not have information on other factors that may be in play such as type and age of stock. The Standard promotes the metrics as transparent, but the reality is more complicated as those with practical experience of compiling financial statements will understand. Some insightful accompanying narrative will be needed for the data to be in anyway meaningful.

The set of metrics to be published in annual accounts is essentially a sub-set of those piloted by a number of registered providers working with Housemark earlier in the year. It is disappointing that the one and only metric about the resident experience in that pilot is excluded in the Standard metrics, namely resident satisfaction with overall service. It may be that resident satisfaction is viewed as part of the consumer standards, however the omission is striking and sends out the wrong message about what the sector views as important and not important in terms of measuring success. Tenant feedback surely has value.

Q9 Do you think the proposed Code achieves its aim of amplifying the requirements in the Standard?

Our view is that the Code is unnecessary, and having both the Standard and the Code is potentially confusing. The Code is lengthy and risks venturing onto ground best avoided given the recent de-classification of registered providers as public bodies. As independent bodies, registered providers should focus on meeting their own objectives.

In conclusion

VfM is not an objective science but includes a large degree of subjectivity. Despite this the proposed new Standard is built on a set of narrow metrics, and the belief that through this partial dataset there will be transparency and comparability.

It is tempting to reduce assessment of performance to a set of simple data. However in an area such as VfM and social housing, more work needs to be done to understand how we can best measure value. It may be that this can only be achieved when set within the context of the organisation’s mission and ambitions. It would be a sign of greater sector maturity to acknowledge this is still a work in progress.

O
originHousiNG

22 November 2017 VFM

consultation
Referrals and Regulatory Enquiries
Homes and Communities Agency-The Regulator of Socjal Housing 1st Floor
The Lateral 8 City Walk Leeds
LS11 9AT

RE: Consultation on a revised Value for Money Standard

Dear HCA

Thank you for inviting Origin Housing to respond to the consultation on a revised Value for Money Standard

We would like to respond as follows:

Do you agree with the objectives for the proposed Value! for Money Standard?

Yes, Origin fully supports the principles but we would suggest a review of the requirement for 'regular and appropriate consideration by the board of potential value for money gains – this must include full consideration of costs and benefits of alternative commercial, organisational and delivery structures' Options appraisals and cost benefit analysis needs to be proportionate to avoid diVE!rting an unnecessary level of resource away from delivery. In addition 'consideration olf value for money including their approach to investment in non-social housing activity' should only be required in as far as there is risk to the regulated activity.

Do you agree that the focus on boards ensuring that delivering value for money is an integral part of running their business would support a more strategic outcome- focused approach?

Yes, Origin fully supports this approach.

Do you agree that registered providers should seek to maximise the financial return from their resources and assets in so far as that is consistent with the achievement of the organisation's wider organisational purposes?

The provision of affordable homes is clearly the core purpose of registered providers and this by its riature conflicts with the objective of simply maximising financial returns. In addition investment in communities and support for residents as well as improvements to existing homes are legitimate priorities within the contextof a housing providers core purpose. We would suggest a slight re wording which talks of maximising financial returns in order to support delivery of organisational purpose.

Do you agree that boards should consider the full range of operational and strategic issues in delivering value for money?

Yes, this underpins an approach that puts VFM at the heari of decision making.

Do you think the Code helps registered providers understand how compliance with the requirement to 'undertake a rigorous appraisal of potential options for improving performance ' could be achieved?

A code may lead to an overly prescriptive approach by the regulator in assessing compliance with the standard when there is quite righty a focus on Boards to take ownership.

Do you agree with the move away from wide-ranging narrative self-assessments in the current Standard towards a specific metrics – and targets-based approach?

Yes on the basis that (and we believe this is the intention) the metrics ae used as a 'can opener' rather than applied as a blunt regulatory tool. Providers need the opportunity to offer a rationale/explanation based on their unique circumstances and VFM journey.

Do you agree that a targets-based approach in measurirng performance will help to deliver value for money?

Yes on the basis that it is accepted that each provider will set its own targets for the chosen metrics based on its balance of priorities and circumstances.

Do you agree that the requirement to report on value for money in the accounts would increase board focus on value for money as well as drive transparency, consistency and comparability for stakeholders?

Yes.

Do you think the proposed Code achieves its aim of amplifying the requirements in the Standard, helping registered providers understand how the requirements in the Standard could be met?

Origin takes the view that the code is not necessary as the standard is clear.

Do you have any comments on our business engagement assessment including in relation to equality and diversity?

No.

Yours faithfully

[redacted] CEO
Origin Housing
[redacted]

Stephen Javes Direct Dial: (01473) 228602
Email: stephenjaves@orwell-housing.co.uk

Orwell

Orwell Housing Association
Crane Hill Lodge
325 London Road
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Social media: 1J 1Jii

Our Ref: SRJ/jar

Date: 14 December 2017

VFM Consultation
Referrals and Regulatory Enquiries
Homes and Communities Agency-The Regulator of Social Housing 1st Floor
The Lateral
8 City Walk
Leeds LS11 9AT
consultation@hca.gsi.gov.uk

Dear Sir or Madam

Re: Consultation on the revised Value for Money Standard

Further to your request for responses to the consultation paper, the view of Orwell Housing Association is as follows:

Do you agree with the objectives for the proposed Value for Money standard?
Yes.

Do you agree that the focus on boards ensuring the delivery of Value for Money is an integral part of running their business and will support a more strategic outcome focussed response?
Yes.

Do you agree that registered providers should seek to maximise financial return from their resources and assets, so far as that, is consistent with the achievement of the organisations wider organisation purpose?
The association agrees with this to some extent but there should be an acknowledgement whereby an organisation does not seek to maximise its return on investment because of social impact and, therefore, while an organisation remains financially viable, that this is acceptable and reasons are given.

Do you agree that boards should consider the full range of operational strategic issues in delivering Value for Money?
Yes.

Do you think the code helps registered providers understand how compliance with the requirement to undertake a regular appraisal; a potential opportunity for improving performance could be achieved?
See the narrative and proposed response in question 9.

Do you agree with the move away from wide ranging narrative self-assessments in the current standard towards a specific metrics and targets based approach.
Yes, however, concerns remain as to the Metrics allowing comparability from one Housing Association to another. It is felt that
the current Metrics are unlikely to achieve this where associations have significant support and care businesses.

Do you agree that a targets based approach in measuring performance would help delivery of Value for Money?
Yes.

Do you agree that the requirement to report on Value for Money in the accounts would increase board focus on the Value for Money, as well as, drive transparency, consistency and comparability of the stakeholders?
Yes; however, please see the comments in relation to question 6 where there are still concerns regarding comparability.

Do you think that the proposed code achieves its aim of amplifying the requirements in the standard, helping registered providers understand how the requirement and the standard could be met?
The association supports the code but would emphasise its position whereby the code must remain as a guide leaving the regulator to enforce the standard only. Furthermore, it should be made clear that organisations are free to interpret the code as they see fit.

It is hoped that the above is useful but should you require any further details lease do t hesitate to contact me on 01473 228602.

Homes and Communities Agency

Value for Money Standard and Code of Practice

Response from Peabody

14 December 2017

About Peabody and Family Mosaic

Peabody is one of the oldest and largest housing associations in London and the South East, established in 1862 by the American banker and philanthropist, George Peabody. In 2017 we merged with Family Mosaic and now own and manage around 55,000 properties, providing quality homes and support services to 111,000 people. Our care and support arm is one of the largest providers in the South East, helping 8,000 people to live a more independent life.

Our mission is to help people make the most of their lives by providing good quality affordable homes, working with communities, and promoting wellbeing. We distinguish ourselves by putting the most vulnerable first, creating great places at scale where people want to live, and building resilience in people and communities. We plan to build 2,500 homes a year by 2021, directly addressing the housing crisis by maximising the number of low-cost rent and shared ownership homes we build.

As well as bricks and mortar, Peabody provides community programmes for the benefit of its residents and for people living in the surrounding neighbourhoods, including employment and training support; health and wellbeing projects; family support programmes; welfare benefits advice; and activities for younger and older people. This work aims to tackle poverty at its roots, supporting people to transform their lives and communities for the better.

Our response

Peabody welcomes the opportunity to provide feedback on the HCA's proposed Value for Money (VfM) Standard and accompanying Code of Practice. We recognise the regulator's interest in how we make the best use of all the resources, including finances, at our disposal. We therefore support a move to a more transparent and consistent approach to reporting on VfM across the social housing sector. At the same time, we note that the proposed standard allows Boards to exercise discretion in determining the outcomes they value most, and setting their own targets for achieving these.

Question 1: do you agree with the objectives for the proposed Value for Money Standard? YES

The objectives of the proposed VfM standard are closely aligned with Peabody's strategy. The rationale for the Peabody-Family Mosaic merger is to deliver efficiency gains and unlock additional resources for investment in existing and new homes. This rationale will continue to inform our decisions as our integration proceeds and as we move into future business transformation.

Peabody is one of the most recognised names in social housing. We are conscious of stakeholder interest in the value for money we achieve – stakeholders that include our customers, employees, regulators, investors, partners, central and local government, the tax-payer and our social housing peers. Therefore, we agree with the objective to drive continuous improvements in VfM for the sector, and to enhance the comparability and consistency of VfM reporting.

Question 2: do you agree that the focus on boards ensuring that delivering value for money is an integral part of running their business would support a strategic outcome-focused approach? YES

Boards are responsible for setting out the values, objectives, and strategic direction of registered providers. It is natural, then, that board oversight of VfM will lead to a more strategic approach and will ensure greater congruence between efficiency objectives and the RP's social purpose.

Question 3: do you agree that registered providers should seek to maximise the financial return from their resources and assets insofar as that is consistent with the achievement of the organisation's wider organisational purposes? YES

There is a need to recognise that registered providers are businesses with a social purpose. Maximising financial returns from resources and assets must therefore be carefully balanced with the needs of our tenants, service users and other stakeholders. Insofar as this balance is achieved, it is appropriate to seek the optimal return on available resources.

Question 4: do you agree that boards should consider the full range of operational and strategic issues in delivering value for money? YES

Boards should certainly consider value for money in the shaping of organisational strategy. This includes defining what value means in the context of the provider's social purposes and objectives. As noted in 1 above, VfM considerations were central to the merger of Peabody and Family Mosaic, and the specific objectives of the merger closely align with the delivery of VfM.

The Board should of course have oversight of operational issues but the micro-management of operations by Boards should not be encouraged. Authority should be delegated as appropriate to ensure operational efficiency.

Question 5: do you think the Code helps registered providers understand how compliance with the requirement to "undertake a rigorous appraisal of potential options for improving performance" could be achieved? YES

The Code amplifies the Standard in a way that will prove useful alongside the well-established methods that Peabody and other providers are already using.

Question 6: do you agree with the move away from wide-ranging narrative self-assessments in the current standard towards a specific metrics- and targets-based approach? YES

We believe that that the time is right to move on from the narrative self-assessment approach. In their current format the VfM statements are time-consuming to produce, often overlap significantly with other strategic documents and can lack true insight. The proposed metrics-based approach will result in more meaningful information, provide more comparability, and should prove to be more streamlined.

We support the move to a suite of standardised metrics and have provided feedback on those proposals. We also believe that the greatest value will be derived from the setting of, and measurement against, organisation-specific objectives and targets. These metrics will help to contextualise the results of unique organisations. They will also provide insight into delivery against the social purpose and objectives of the organisation, insight that it can be difficult to present in financial terms.

We do note, however, the tendency for standardised metrics to be interpreted in rankings, ratings or “league tables”. Such an approach is simplistic: it is important for stakeholders to be presented with contextual information. We support the suggestion from the g15 that it may be more appropriate to establish upper and lower bands in normal performance. Providers can provide meaningful, supporting commentary to enhance understanding of performance both inside and outside the normal range.

Question 7: do you agree that a targets-based approach in measuring performance will help to deliver value for money? YES

If Boards are thoughtful in their selection of bespoke metrics to complement the standard suite, and performance against all metrics is monitored and managed, this is likely to prove true.

Question 8: do you agree that the requirement to report on value for money in the accounts would increase board focus on value for money as well as drive transparency, consistency and comparability to stakeholders? YES

We agree with this statement, particularly regarding comparability, which has been a growing concern in the sector for some time.

Question 9: do you think the proposed Code of Practice achieves its aim of amplifying the requirements in the standard, helping registered providers understand how the requirements in the standard could be met?

The additional clarifications provided in the Code will prove useful to many providers.

Question 10: do you have any comments on our business engagement assessment including in relation to equality and diversity?

Peabody has no comments

in this regard. Thank you for

considering our feedback.

Peabody contact:
[redacted] | Director,
Finance Services
[redacted]

Tel:
[redacted]6

Response to the HCA consultation on the Value for Money Standard

Peter Bedford HA is a small supported housing provider in North East London with 272 units of accommodation. We house vulnerable adults in shared and self-contained community accommodation. Our comments relate to the Consultation on the Value for Money Standard.

Do you agree with the objectives for the proposal Value for Money Standard?
We do broadly agree with the objectives proposed. Driving improved Value for Money is essential for our tenants who are all on very low incomes. While we agree with encouraging investment in existing homes and new housing supply, we believe the HCA could be more broad in how value for money can be achieved. PBHA has a strong charitable purpose and is a social business, therefore we would like to see the recognition that ensuring a strategic approach should reflect the social impact we have across the community in which we work. This could be achieved by ensuring there is a social value metric adopted by each RP, to be determined by that individual RP based on their mission and strategy.

Do you agree that the focus on boards ensuring that delivering value for money is an integral part of running their business would support a more strategic outcome-focused approach?
In principle, we do agree that delivering value for money would be part of achieving an outcome focused approach. However, for small RPs the approach must be proportionate and relevant to the organisation and its mission. If the approach is not proportionate then the process could become poor value for money. Therefore, we would suggest the HCA takes a more focused approach to the standard, in particular the metrics for RPs with under 1000 units. We would suggest that small RPs would only report on the most relevant metrics, possibly just 3 but to be determined by the RP's board.

Do you agree that RPs should seek to maximise the financial return from their resources and assets in so far as that is consistent with the achievement of the organisation's wider organisational purposes?
We do agree with this premise. As a supported housing provider, the higher costs involved in running supported housing may mean that the financial return may not be maximised when compared to housing other client groups. However the social impact of the supported accommodation is incredibly valuable. We make significant use of benchmarking data to understand whether we are maximising our resources and assets by comparing with similar organisations.

Do you agree that boards should consider the full range of operational and strategic issues in delivering value for money?
We believe that a proportionate and relevancy driven approach to delivering value for money should be taken by boards. Small landlords are not very likely to have the expertise or capacity to carry out full reviews of the full range of operational and strategic issues. Therefore, they may need to bring in external expertise to meet this requirement. Forward planning ought however to be a key element and in order to safeguard the assets and maximise the RP's

impact, the board ought to focus on key strategic issues through effective risk planning. It is important to stress that we would like to see this expressed in terms of taking a proportionate and relevant approach.

Do you think the Code helps registered providers understand how compliance with the requirement to "undertake a rigorous appraisal of potential options for improving performance" could be achieved?
Not answered

Do you agree with the move away from wide-ranging narrative self-assessments in the current Standard towards a specific metrics and targets based approach?
Narrative self-assessments can lack focus and concentrate on many varied means of demonstrating value for money. They may also not be very accessible or focused. However, this will only be effective if relevant and proportionate for small providers. We believe it is essential to refine the regulation to differentiate between the requirements of small and large providers. The regulatory regime differs for those providers under and over 1000 units, and therefore it is logical that where regulatory standards become specific, they should also differ. In this instance, the metrics to be reported by small providers should be reduced to be proportionate.
As a fundraising charity, we will continue to produce a narrative Annual Report each year for funders and stakeholders as this report serves a dual purpose, rather than solely focusing on Value for Money.

Do you agree that a targets based approach in measuring performance will help to deliver value for money?
Using targets to measure delivery of strategic objectives can be effective. We agree that value for money should be a factor within each strategic objective. This is an approach we already take.

Do you agree that the requirement to report on value for money in the accounts would increase board focus on value for money as well as drive transparency, consistency and comparability for stakeholders?
Where benchmarks exist and RPs make use of them, consistency and comparability will be improved for stakeholders. However, in order to achieve transparency and comparability providers will need to make active use of benchmarking. This may not be possible for the much smaller RPs, say under 200 units. Transparency would be improved if the HCA were to collect and compare data for small RPs, however as RPs under 1000 units do not complete FVA returns, we understand that the HCA has no plans to gather this. As a result transparency and comparability for small RPs is unlikely to be delivered.
We would like to see assurance from auditors that the VfM metrics will not need to become fully audited.

Do you think the proposed Code achieves its aim of amplifying the requirements in the Standard, helping registered providers understand how the requirements in the Standard could be met?
Not answered

Do you have any comments on our business engagement assessment including in relation to equality and diversity?

We would welcome a differentiated approach to the Regulatory Standards for small RPs which recognises the realities of reduced regulatory resources the HCA can commit to the small HA sector.

Our Response to HCA consultation: Value for Money Standards

Places for People

November 2017

Places for People

Places for People is one of the largest property management, development and regeneration companies in the UK. We currently own or manage more than 190,000 homes and provide services to over 500,000 people. We have assets of more than £3.6 billion. Our vision is to create aspirational homes and inspirational places. We have a long track record of successful development and a solid reputation for delivering large-scale developments in towns and cities. We built more than 1,000 new homes last year and have plans to build 16,000 more over the coming years. Our approach goes much further than simply building homes. We look at what an area needs to be able to thrive - whether it is new schools, shops, leisure facilities, job opportunities, and access to learning and training or specialist support services. In September 2016 we were named Residential company of the year.

We welcome the opportunity to provide our views on the proposed value for money standards and code of practice.

Any queries with regards to our representation should be addressed to:

[redacted]
Group Chief Executive
Places for People The White
House 10 Clifton
York YO30 6AE

Tel: 07775 535155
Email: [redacted]

Places for People response to consultation on proposed value for money standards questions

Our Approach to Value for Money

The Board of Places for People believe that being efficient and effective is crucial to our success in delivering services and value for money is therefore embedded throughout Places for People and is intrinsic to what we do. Our business planning and performance monitoring systems are designed to drive continuous improvement and to ensure we maximise the efficiency and quality of our services. We are committed to ensuring that we are making the best use of resources in continuing to improve services for our customers, increase the return on our assets and achieve our vision

Innovation also has a key role to play in our approach to value for money. Assessing the best delivery models and evaluating alternatives is a key element of our annual business planning process and ensures that achieving value for money remains central to how we operate. We also recognise the importance of comparing ourselves to our peers are members of the sector wide Scorecard Pilot, working with HouseMark to review, agree, and gather and compare results on a key set of 15 metrics that help demonstrate value for money on a more comparable basis.

Q1: Do you agree with the objectives for the proposed Value for Money Standard?

Yes. We agree that the changes you propose – including a shift from narrative to targets would enhance accountability and transparency.

Q2: Do you agree that the focus on boards ensuring that delivering value for money is an integral part of running their business would support a more strategic outcome-focused approach?

Yes. As our most recent Annual Report and Value for Money report makes clear, the Board of Places for People believe that being efficient and effective is crucial to our success in delivering services and value for money is therefore embedded throughout Places for People and is intrinsic to what we do. We already monitor our performance against a range of VFM metrics.

Q3: Do you agree that registered providers should seek to maximise the financial return from their resources and assets in so far as that is consistent with the achievement of the organisation's wider organisational purposes?

Yes. The Group recently realigned our management arrangements so there is a clear locus – in the form of a new Director of Assets and Investments – for holding Group assets to optimise their value and usage.

Q4: Do you agree that boards should consider the full range of operational and strategic issues in delivering value for money?

While we agree in principle, we want to ensure the standard does not undermine the strategic focus of boards by requiring them to review – in detail – all aspects of operational performance. Our business planning and performance monitoring systems are designed to drive continuous improvement and to highlight key performance improvements and challenges for the Board in order to maximise the efficiency and quality of our services.

Q5: Do you think the Code helps registered providers understand how compliance with the requirement to 'undertake a rigorous appraisal of potential options for improving performance' could be achieved?

Yes. The specific expectations set out in paragraph 2.1 of the Code provide sufficient guidance

Q6: Do you agree with the move away from wide-ranging narrative self-assessments in the current Standard towards a specific metrics – and targets-based approach

Yes. This will provide a more focussed, measurable approach with data that enables performance to be more easily comparable over time.

It should also be noted that for some specialist supported housing providers delivering social value is also a key contributor to delivering value for money and there must continue to be scope for providers to offer contextual narrative alongside their metrics.

Q7: Do you agree that a targets-based approach in measuring performance will help to deliver value for money.

Yes. Targets are integral to our business planning and performance monitoring system and help drive continuous improvement, efficiency and effectiveness.

Q8: Do you agree that the requirement to report on value for money in the accounts would increase board focus on value for money as well as drive transparency, consistency and comparability for stakeholders?

While we agree with the approach to value for money metrics we do not consider that the case for including those metrics in the annual accounts is made. The metrics should be publicly available and comparable but we do not consider it the regulator's role to specify precisely where and how they are reflected.

Q9: Do you think the proposed Code achieves its aim of amplifying the requirements in the Standard, helping registered providers understand how the requirements in the Standard could be met?

Yes. The specific expectations set out in the Code provide sufficient guidance

Q10: Do you have any comments on our business engagement assessment including in relation to equality and diversity

No

Places for People
November 2017

PLACESHAPERS RESPONSE TO HCA CONSULTATION ON PROPOSED CHANGES TO THE VALUE FOR MONEY STANDARD NOVEMBER 2017

1. INTRODUCTION

1.1 PlaceShapers is a national network of community-based housing associations formed in 2008. Currently comprising 118 members of varying types and sizes, between us we own or manage nearly 900,000 homes, with another 88,000 in the pipeline by 2022. Details of our members and more about what we do can be found on our website: www.placeshapers.org

1.2 We welcome the opportunity to respond the HCA's consultation on a revised 'Value for Money' regulatory standard. We have regular engagement with senior members of the HCA's regulation team and have been active contributors to the piloting of the new sector scorecard to more effectively measure performance outcomes. In this context, there was nothing of major surprise to us in the consultation and we would be happy to discuss further the few comments made below if that would be of help.

1.3 This response is limited to general comments on the consultation questions of most interest to us. No doubt some of our members will respond individually and in so doing may in go into more detail.

2. RESPONSE TO CONSULTATION QUESTIONS

Do you agree with the objectives for the proposed Value for Money standard?

In general terms yes, we do agree with proposed objectives, with two caveats:

Firstly, we wonder whether required outcome 1.1c for providers to "articulate their strategy for delivering homes that meet a range of needs" could be seen as implying that all providers are expected to deliver a full range of homes. This will patently not be the case for specialist providers and those working in localities where housing markets give rise to varying needs for new provision.

And secondly, the current wording of 1.1c could also be seen to imply an expectation that housing associations should be focussed only on the supply of new homes. Whilst it is crucial that the sector contributes as much as possible to new building targets in order to help solve the housing crisis, and our members are responding effectively in this respect, our role in providing a wide range of services to tenants and our local communities should be acknowledged here too.

Do you agree that the focus on boards ensuring that delivering value for money is an integral part of running their business would support a more strategic outcome-focused approach?

Yes, and in our experience the need for this focus at board level is already well understood.

Do you agree that registered providers should seek to maximise the financial return from their resources and assets in so far as that is consistent with the achievement of the organisation's wider organisational purposes?

Yes, so long as it is acknowledged that in order to operate in line with housing associations' charitable purposes, objectives will necessarily include investment to achieve social purpose too. This may, for example, include ensuring that rents are set at levels that will still be affordable to those being housed, that the organisation is contributing to a local authority's efforts to reduce homelessness and that investment in wider community support such as pathways into employment is maintained. The social value resulting from such activities involves a balancing of objectives and it would be helpful for there to be acknowledgment that the new standard is not just aimed at ensuring financial metrics are optimised as would be the case in the for-profit sector.

Do you agree that boards should consider the full range of operational and strategic issues in delivering value for money?

Yes.

Do you think the Code helps registered providers understand how compliance with the requirement to 'undertake a rigorous appraisal of potential options for improving performance' could be achieved?

In general, yes. The need to be open to alternative operating structures to improve performance and deliver strategic objectives is already understood and our members continue to assess the benefits or otherwise of structural change in partnership with their tenants and local stakeholders.

Do you agree with the move away from wide-ranging self-assessments in the current Standard towards a specific metrics-and-targets based approach?

We agree wholeheartedly with the move away from narrative self-assessment returns to the sharper outcome-focussed approach of consistent reporting against a defined set of metrics. As always, the metrics reported will require comment and context to ensure full understanding but, so long as the results are not used in the form of crude league tables, the outcome should facilitate healthy debate and greater understanding of sector performance.

Do you agree that a targets-based approach in measuring performance will help to deliver value for money?

A consistent set of reported metrics will assist understanding of relative performance within the sector and year-on-year improvement. However, whilst this may assist with more accurate global conclusions, actual delivery of value for money will link back to individual providers' strategic objectives and improvement plans. These will vary depending on an organisation's purpose, context and local needs and as well as financial targets will often include measures to achieve social objectives agreed in partnership with tenants and other local stakeholders.

Do you agree that the requirement to report on value for money in the accounts would increase board focus on value for money as well as drive transparency, consistency and comparability for stakeholders?

Having everyone put this information in the same place is helpful. Many already use the annual accounts for this purpose and a requirement to do so will help drive transparency, consistency and comparability for stakeholders.

Do you think the proposed Code achieves its aim of amplifying the requirements in the Standard, helping registered providers understand how the requirements in the Standard could be met?

Yes, so long as the Code is genuinely additional guidance and clarification rather than a set of prescriptive requirements.

The proposed code could include additional reference to social and community investment being recognised operating activities. Whilst there is reference to reporting requirements being appropriate for stakeholders, an omission is the lack of any mention of tenants or other local stakeholders with whom all providers should be engaging when setting objectives and reviewing performance.

We will be interested to see how the use of the code plays out in practice in terms of regulatory engagement and will welcome the ability to discuss any emerging issues as part of our regular liaison meetings with senior regulatory staff.

Do you have any comments on our business engagement assessment including in relation to equality and diversity?

No.

Consultation on the HCA's Value for Money Standard – Progress Group

Consultation Question 1: Do you agree with the objectives for the proposed VFM Standard?

Response:

Yes, the four objectives proposed are clear and are not a significant departure from the existing standard nor the purpose of RPs in the social housing sector. It is helpful that the regulator is providing a choice for RPs as to whether they embed VFM within their own strategic objectives or may alternatively have a standalone VFM strategy.

Consultation Question 2: Do you agree that the focus on boards ensuring that delivering VFM is an integral part of running their business would support a more strategic outcome-focussed approach?

Response:

Yes, the requirement of the standard for board to clearly demonstrate their VFM activities to its strategic objectives again does not appear to be a significant departure from the existing standard and is acceptable. The requirements for RPs to articulate their strategy for delivering homes to meet a range of needs with a suggestion of how development plans are to meet unmet needs in particular localities and focus on investment on particular client groups, provides scope for RPs to demonstrate VFM in a way pertinent to their own business. Boards will need to manage the risks to their business as well as considering VFM in its decision-making.

Consultation Question 3: Do you agree that registered providers should seek to maximise the financial return from their resources and assets in so far as that is consistent with the achievement of the organisation's wider organisational purposes?

Response:

We agree that this could be an objective, however it would need to be for the RP to determine within its Corporate Plan the focus and context which may impact maximisation of financial return. We are of the opinion that the inclusion of the 3 E's in the standard do not add value and are a throwback to historic public sector reporting. There are a wide range of approaches to efficiency in business and it seems odd to favour just one of them. It is the principal strategies and metrics which will clearly demonstrate the individual RPs management of resources. These will include Development and Asset Management strategies and associated metrics which should demonstrate to board and the regulator on resources used and managed for new and existing stock.

Consultation Question 4: Do you agree that boards should consider the full range if operational and strategic issues in delivering VFM?

Response:

Yes, Board should consider VFM as part of its setting of the organisations strategic objectives and have oversight of high level operational targets and progress against targets. The proposed metrics and the fact that boards can report on their own bespoke targets will also assist boards with driving VFM and comparability with other RPs.

Consultation Question 5: Do you think the Code helps registered providers understand how compliance with the requirement to 'undertake a rigorous appraisal of potential options for improving performance' could be achieved?

Response:

Yes, The Code appears to provide some additional context than the existing standard on consideration of options and four bullet points to provide a base framework to improve performance which should aid compliance. It is however not overly prescriptive.

Consultation Question 6: Do you agree with the move away from wide-ranging narrative self-assessments in the current Standard towards a specific metrics and targets based approach?

Response:

The consultation covering letter states that there is a move away from the self-assessment. The metrics and targets should simplify the process of demonstrating compliance with the standard and will be more informative and aid comparability with other RPs. However, not all that counts, can be counted, and not everything that can be counted, counts. The directive emphasis appears to be somewhat inconsistent with deregulatory agenda.

Consultation Question 7: Do you agree a targets based approach in measuring performance will help to deliver VFM?

Response:

Yes, the introduction of targets and standard metrics will assist with monitoring over time and comparability. It will be interesting to note how the metrics will translate into VFM deliverability in the short term.

Consultation Question 8: Do you agree that the requirement to report on VFM in the accounts would increase board focus on VFM as well as drive transparency, consistency and comparability for stakeholders.

Response:

Under the current VFM standard Board are required to demonstrate clearly accountability for understanding and driving VFM so there is no change here. Requiring inclusion of the statement on VFM in the accounts is unnecessarily prescriptive, and it should not matter whether the statement appears in the accounts or as separate statement so long as it is readily available, and it is likely that the requirement to include the statement in the accounts will also create obligations on external auditors and corresponding cost.

Consultation Question 9: Do you think the Proposed Code achieves its aim of amplifying the requirements in the Standard, helping registered providers understand how the requirements in the Standard could be met?

Response:

Yes, the requirements are simpler with the introduction of the metrics.

Consultation Question 10: Do you have any comments on our business engagement assessment including in relation to equality and diversity?

Response:

No comments

Dear Sirs

Value for Money Consultation

We write in connection with the consultation and to inform you of Radian's views, as follows:

In general, we are supportive of the proposals;
More specifically, we welcome the metric based approach;
We are disappointed with the perception given by the proposed standard that the principal role of housing association is to maximise financial return. We believe the role of housing associations is more accurately expressed in paragraph 12 of the accompanying Code of Practice (which refers to our social purpose and the possibility that this could generate lower financial returns). We recommend that the social purpose of housing associations be more prominently acknowledged in the Standard.

Should you have any queries about our response, please contact our Compliance Manager, Sarah Pearson.

[redacted]

Many thanks,

[redacted]

[redacted]
Compliance Manager and Solicitor

RADIAN
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Consultation on the Value for Money Standard – Sanctuary Group

1. **Do you agree with the objectives for the proposed Value for Money Standard?**

Whilst Sanctuary welcomes the regulator's commitment to improve value for money across the sector, it does not believe that the new standard is an appropriate means of delivering the improvement. Whilst Sanctuary believes that value for money should be embedded within all organisations, from the board down, it is concerned that the blunt nature of the proposed metrics will lead to inappropriate conclusions when comparing providers and potentially damaging media headlines for the sector as a whole.

2. **Do you agree that the focus on boards ensuring that delivering value for money is an integral part of running their business would support a more strategic outcome-focused approach?**

The role of a board is to balance a range of objectives and ensure that it directs and controls the strategy of the organisation; however these objectives will often be inconsistent with maximising financial return. The board is therefore responsible for ensuring that value for money is embedded across the organisation in line with its own organisational objectives, which is the approach Sanctuary's Group Board currently takes.

3. **Do you agree that registered providers should seek to maximise the financial return from their resources and assets in so far as that is consistent with the achievement of the organisation's wider organisational purposes?**

This principle is fundamental to Sanctuary's strategy. However, we would note that financial returns are not easy to compare across organisations due to differences in business models and purposes and that the proposed metrics take no account of these differences. For example, Sanctuary considers one of its key purposes to be the provision of care for elderly people, an ever important concern at a time when the population is growing, the NHS is under increasing pressure and the care home market is decreasing in size. However, the financial margins from care homes are not comparable to that provided by general needs housing and therefore it is critical that appropriate conclusions are made when evaluating performance across the sector. Unfortunately the blunt nature of the metrics, which override differences in organisational purposes, mean that this is unlikely to be the case.

Sanctuary also has a concern regarding the Standard's repeated description of 'optimal benefit', as it is believes that there is no objective definition of what 'optimal' performance looks like, due to the differences in organisations' purposes. While the intention is undoubtedly to ensure that providers seek to maximise financial returns and value for money within the context of their strategic frameworks, optimal cannot be defined in a way that provides comparability across organisations. Optimal is typically taken to mean 'the highest', however organisations that provide supported housing services will generate consistently lower margins than general needs housing. Consequently, there is a danger that they are seen to be delivering 'sub-optimal' returns. It is therefore critical that financial returns are taken strictly within the context of an organisation's strategies and objectives, which may not be obvious when comparisons across the sector are made.

4. **Do you agree that boards should consider the full range of operational and strategic issues in delivering value for money?**

Yes, value for money cannot and should not be considered in isolation from day to day business considerations. However, the focus on an inadequate set of standardised metrics may lead some providers to focus on those rather than considering the full range of issues.

5. **Do you think the Code helps registered providers understand how compliance with the requirement to 'undertake a rigorous appraisal of potential options for improving performance' could be achieved?**

Sanctuary believes the Code to be confirmation of its existing approach to value for money rather than prescribing an alternative. However, it may provide other organisations with useful guidance regarding the requirements for compliance.

6. **Do you agree with the move away from wide-ranging narrative self-assessments in the current Standard towards a specific metrics – and targets-based approach?**

The previous narrative self-assessments provided flexibility to providers who were able to tailor their reporting of value for money to the unique nature of their overarching business objectives. Reporting could then be considered against the context in which a provider operates. The move to a specific approach greatly increases the risk that the focus on a small set of metrics will lead to inappropriate conclusions being drawn and unintended consequences.

For example, the inclusion of EBITDA MRI as a metric may lead to providers seeking to improve their reported performance by reducing reinvestment in its stock, a short sighted approach that would be particularly undesirable. Furthermore, the use of standardised metrics across the sector ignores its diverse nature; no two providers are the same but they will be compared as such and therefore misleading conclusions regarding a provider's performance may be drawn. As stated previously, Sanctuary considers one of its primary aims to provide care for elderly people yet this staff intensive business generates very different metrics from general needs housing.

The inclusion of a new supply delivery metric within the Standard may also have an unwanted side effect. Whilst the sector undoubtedly has an important role to play in the development of new housing, providers should not be encouraged to risk their financial viability in order to achieve greater delivery. We have no doubt that this would be completely contrary to the Standard's overriding aim, however the possibility needs to be considered.

7. **Do you agree that a targets-based approach in measuring performance will help to deliver value for money?**

We would expect every provider to already have a comprehensive budgeting and target setting process. The Code specifies the use of five year forecasts and targets and whilst these offer providers' best estimates at a particular time, it is inevitable that targets for future years will change (to incorporate, for example, the latest rent setting regime). It is therefore hoped that in the future the regulator does not expect providers to be held accountable for targets that were set five years' previously, under what could be a very different economic and political climate.

8. **Do you agree that the requirement to report on value for money in the accounts would increase board focus on value for money as well as drive transparency, consistency and comparability for stakeholders?**

Sanctuary believes that responsible boards would focus on value for money regardless of where the report is published, while the accounts are typically a primary resource for stakeholders so ensuring that value for money is incorporated within them may increase the likelihood of stakeholder recognition. However, given Sanctuary's concerns regarding the metrics it is also likely that any value for money report, regardless of where it is published, will need to contain explanatory notes regarding the inadequacies of the metrics in order to provide as much context as possible and reduce the risk of misinterpretation.

9. **Do you think the proposed Code achieves its aim of amplifying the requirements in the Standard, helping registered providers understand how the requirements in the Standard could be met?**

The Code provides useful guidance and examples for providers that do not already have a comprehensive approach to value for money.

10. Do you have any comments on our business engagement assessment including in relation to equality and diversity?

We agree with the assessment's findings.

Consultation Response
HCA: Value for Money Standard

Contents

Introduction

With 56,000 quality affordable homes for 130,000 people, Sovereign are now the sixth largest housing association in the country. We oversee one of the largest development programmes of affordable housing in the sector. We currently build around 1,200 homes per year and plan to increase this to 1,500 homes per year.

At Sovereign we recognise the importance of showing our residents, our stakeholders, the Government and the general public that achieving value for money is embedded in the way we run our business. We support the HCA's proposed Value for Money Standard and Code and feel it will help the sector to prove that we are efficient and well-run businesses. However we would suggest that the role housing association's as social businesses is made clearer within the proposed Standard and Code.

Questions

1. Do you agree with the objectives for the proposed Value for Money Standard?

We agree with all of the suggested objectives and feel it will help the sector move take a more proactive and forward-thinking approach to monitoring and value for money. However, we are concerned that the objectives listed are purely financial. Housing associations are social businesses and as such we feel that the objectives should provide more balance around the need for the sector to provide social as well as financial value.

2. Do you agree that the focus on boards ensuring that delivering value for money is an integral part of running their business would support a more strategic outcome-focused approach?

Yes, we agree that increasing the level of Board oversight will encourage a more strategic approach to value for money and will help the sector move from a more reactive approach to one which is more proactive in nature. We also think that increasing Board oversight will prompt more initiative from management teams.

3. Do you agree that registered providers should seek to maximise the financial return from their resources and assets in so far as that is consistent with the achievement of the organisation's wider organisational purposes?

Yes, we agree. However, as previously stated, we think that the sector's social purpose should be more prominently placed within the Standard and the Code. There is no mention of this in the Standard itself and it is only acknowledged in the supplementary Code that social housing involves 'a lower than market return'. It is crucial that housing associations are financially strong and efficient but we do ultimately have a social purpose. It's what differentiates us from other housing providers and as such we feel reference to this should be more prominent within the Standard itself. This will help validate decisions that achieve value for money in line with strategic objectives, but do not necessarily maximise financial returns. For example a housing association may choose to refurbish homes in a high value area rather than selling them as there is a distinct need for affordable homes within that area.

4. Do you agree that boards should consider the full range of operational and strategic issues in delivering value for money?

Yes we agree with this approach.

5. Do you think the Code helps registered providers understand how compliance with the requirement to 'undertake a rigorous appraisal of potential options for improving performance' could be achieved?

Yes we think this section of the Code is clear.

6. Do you agree with the move away from wide-ranging narrative self-assessments in the current Standard towards a specific metrics and targets-based approach?

We welcome the move away from a more narrative approach to one which is centred on metrics and targets. However we would caution against moving away from a narrative approach entirely if individual associations would like to provide narrative to support their submission. This could help to provide context and to explain any anomalies or areas of concern. It also provides a way to outline any plans which have been put in place to address these concerns.

There is a danger that metric-centred reports will focus too heavily on performance in the year without considering the long term implications of investment decisions. Narrative is often needed to explain investment within the year which is planned to provide value for money beyond the reporting year. This narrative allows the value for money submission to be more strategic and forward-thinking.

As mentioned previously housing associations have to bear in mind not just the financial value of their business decisions but the social value too. Measuring these types of benefits is much more difficult and this is when a more narrative and contextual approach may be needed to complement a metrics based approach.

7. Do you agree that a targets-based approach in measuring performance will help to deliver value for money?

This approach may not actively deliver value for money in itself but it will make it much easier for housing associations to report their value for money. It will also undoubtedly make it easier for associations to make comparisons across the sector and benchmark their performance. The current approach offers no methods of comparison and this should be a positive outcome of the proposed new approach.

8. Do you agree that the requirement to report on value for money in the accounts would increase board focus on value for money as well as drive transparency, consistency and comparability for stakeholders?

Yes, we feel this would be a positive step and would increase business focus on value for money. Some associations will want to use their own metrics to complement those which have been proposed. This will help them ensure they are also measuring value for money performance against their own strategic objectives.

9. Do you think the proposed Code achieved its aim of amplifying the requirements in the Standard helping registered providers understand how the requirements in the Standard could be met?

Yes, we agree that the Code sufficiently amplifies the requirements of the Standard.

10. Do you have any comments on our business engagement assessment including in relation to equality and diversity?

No comment.

Dear Sir/Madam,

Please find our response to the consultation on the proposals for a revised Value for Money Standard. This is a joint response on behalf of, One Vision Housing (OVH) and Pine Court Housing Association (PCHA).

Having reported on the proposals to both OVH and PCHA Boards in November and through internal discussions with the Senior Management Teams they have asked me to respond to the consultation on their behalf. Both OVH and PCHA have not identified any specific issues relating to the consultation questions within the published document. They would like to convey a general consensus of approval for the revised Value For Money Standard(VFM), accompanying Code of Practice and standardised metrics reporting and have asked me to forward the following statement:

We agree completely with the proposals being put forward for the revised VFM Standard, without modification or any adverse comment. On the whole we believe the revised Standard will help the regulator achieve its economic objective and this comes at no additional or administrative burden to the sector.

We fully endorse the view that the Board should have full control and oversight for ensuring the strategic approach to VFM is embedded throughout the business. Both OVH and PCHA Boards already consider the best use of stock through a detailed options appraisal process and we believe it is right for them to periodically review the business delivery model, in particular in an increasingly commercialised operating environment.

We also appreciate the increased emphasis on outcomes and local target setting and we believe annual reporting on performance against these targets will provide transparency to our customers that we are making the best use of their rents and will help drive efficiencies.

Regards

[redacted]
Group Director – Governance and Compliance
Chief Executive's Team

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Consultation Questions (deadline for response 20th December 2017) - TCHG

Respond online via SurveyMonkey:
https://www.surveymonkey.co.uk/r/ValueforMoneyStandard

1. ***Do you agree with the objectives for the proposed Value for Money Standard?***

Yes. Individual registered providers and the sector as a whole should continue to drive improvement in value for money through a strategic outcome-based approach, but paying due regard to the Charitable Objectives of the organisation. This should ensure providers are striving to deliver increased investment in new housing supply and existing homes. We welcome the defined metrics which will enable greater comparability, consistency and transparency in reporting value for money performance across the sector, and enhance understanding the relative performance of providers in line with their strategic objectives.

2. ***Do you agree that the focus on boards ensuring that delivering value for money is an integral part of running their business would support a more strategic outcome-focused approach?***

Yes. This approach is consistent with the co-regulatory approach and the overarching strategic approach taken by boards.

3. ***Do you agree that registered providers should seek to maximise the financial return from their resources and assets in so far as that is consistent with the achievement of the organisation's wider organisational purposes?***

Yes. This is, and continues to be, a fundamental and integral aspect of registered providers delivering and improving their value for money performance.

4. ***Do you agree that boards should consider the full range of operational and strategic issues in delivering value for money?***

Yes. Boards should actively engage in evaluating both operational and strategic issues and opportunities in delivering value for money in line with strategic objectives. This is consistent with the co-regulatory approach and board accountability for compliance with the Code.

5. ***Do you think the Code helps registered providers understand how compliance with the requirement to 'undertake a rigorous appraisal of potential options for improving performance' could be achieved?***

Yes. The Code clarifies the requirements for all providers to undertake 'rigorous appraisal' of potential options and alternative approaches for improving value for money, and the requirement to clearly capture the rationale for making particular decisions.

6. ***Do you agree with the move away from wide-ranging narrative self assessments in the current Standard towards a specific metrics – and targets-based approach?***

Yes.

7. ***Do you agree that a targets-based approach in measuring performance will help to deliver value for money?***

Yes.

8. ***Do you agree that the requirement to report on value for money in the accounts would increase board focus on value for money as well as drive transparency, consistency and comparability for stakeholders?***

This change will make it easier for stakeholders to find and compare value for money performance; however, consideration should be given to how this information is presented in the context of individual providers' priorities and objectives. The metrics may well be comparable; however, the range of priorities and objectives are likely to be diverse. This approach should facilitate board focus on value for money for providers seeking to more firmly embed value for money across their organisation; however, this should already be a key strategic function for boards.

9. ***Do you think the proposed Code achieves its aim of amplifying the requirements in the Standard, helping registered providers understand how the requirements in the Standard could be met?***

Yes. The Code clearly articulates regulatory requirements and the shift to an outcome-focused, target driven approach to value for money. It provides sufficient detail and examples in order to convey the requirements and expectations of the Code without prescribing how this is achieved.

10. ***Do you have any comments on our business engagement assessment including in relation to equality and diversity?***

We believe it is appropriate for registered providers to assess and understand the impact of decisions relating to the delivery of value for money, the requirement should sit with decision making bodies, and should continue to be an integral part of the decision making process. No additional comments.

The Value for Money Metrics

Information about the proposed metrics

The proposed metrics are primarily based on existing regulatory data included in Annual Accounts and Financial Viability Assessment regulatory returns. The objective is to minimise interference and potential burdens on providers. This means annual reporting of the metrics should be straightforward; however, providers wishing to monitor the metrics on a more regular basis may need to adapt their financial reporting arrangements. The regulators objective is to measure economy, efficiency and effectiveness on a comparable basis across the sector.

The proposed suite of metrics (in part derived from the Sector Scorecard) is as follows:

1. **Reinvestment %:** Investment in properties (existing stock as well as new supply) as a percentage of the value of total properties held.

2. **New supply delivered %:** Two ratios for the number of new social housing and non-social housing units acquired or developed in the year as a proportion of total social housing and non-social housing units managed.

3. **Gearing %:** To what degree adjusted assets comprise debt and the degree of dependence on debt finance (often used to assess appetite for growth).

4. **Earnings Before Interest, Tax, Depreciation, Amortisation, Major Repairs Included (EBITDA MRI) Interest Cover %:** A key indicator of financial liquidity and investment capacity, it measures the level of surplus generated against interest payments (it accounts for distortions from depreciation charges).

5. **Headline social housing cost per unit:** This is a unit cost metric to assess the social housing costs per unit as defined by the regulator's 2016 publication 'Delivering Better Value for Money'.

6. **Operating Margin %:** This demonstrates profitability of operating assets before exceptional expenses are taken into account. Increasing margins are one way to improve financial efficiency; however, the purpose and objectives (including social objectives) of providers must be considered when assessing the ratio.

7. **Return on capital employed (ROCE):** This is a comparison of operating surplus to total assets less current liabilities commonly used in the commercial sector to assess efficient investment of capital resources.

It is proposed that feedback on the proposed metrics is gathered by Finance and the Business Improvement Team for circulation to EMT.

Metrics Feedback (deadline for response 22nd November 2017)

We would welcome your feedback on the proposed selection of metrics and their calculation. In particular, we would welcome views on whether the proposed suite of measures captures the key aspects of performance, or whether there are other measures, derived from FVA data, that should be included instead.

All responses should clearly set out:

I. Which metric you are referring to
II. Whether you agree/disagree with the measure set out for the metric
III. If you disagree, which other measure would you use that can be derived from the FVA data?

If you have feedback which you would like us to take into account before we publish the final version of the metrics, please send it to us by 22 November 2017.

Email your response to the following email address: vfmmetricsfeedback@hca.gsi.gov.uk.

Written responses can be sent to:

Referrals and Regulatory

Enquiries
Homes and Communities Agency – The Regulator of Social
Housing 1st Floor
The
Lateral 8
City Walk
Leeds
LS11 9AT

<u>Consultation on the Value for Money (VfM) Standard – Thirteen Group</u>

Consultation questions

Do you agree with the objectives for the proposed Value for Money Standard?
Yes. The formation of Thirteen was built upon the foundation of value for money principles. (VfM) is about obtaining the maximum benefit over time with the resource available. Spending less. Spending well. Spending wisely.

2. Do you agree that the focus on boards ensuring that delivering value for money is an integral part of running their business would support a more strategic outcome-focused approach?

Yes. It is clear that the new approach seeks to strengthen board accountability and ensure that a consistent and transparent approach is delivered in Thirteen. The implication of providing evidence throughout the year, rather than stockpiling information until the self-assessment is welcomed. This change will support the increased emphasis of VfM in our governance structure.

3. Do you agree that registered providers should seek to maximise the financial return from their resources and assets in so far as that it is consistent with the achievement of the organisations wider organisational purposes?
Yes, however current and emerging risks and a reduction in financial income mean Thirteen must continue to exercise strong governance around financial decisions and ensure that we meet competing demands relating to maximising the number of new homes, deliver high quality services, invest in our existing stock and remain financially robust.

Achieving VfM in some areas will free up resources that can be spent elsewhere in the business, for example on social value and investment initiatives or new or existing projects.

4. Do you agree that boards should consider the full range of operational and strategic issues in delivering value for money?
Yes. At an operational level, to consider maximising VfM in all the business that Thirteen carries out, including commercial ventures. At a strategic level, the Board will ensure that VfM is considered and addressed in all strategic decisions.

5. Do you think the Code helps registered providers understand how compliance with the requirement to 'undertake a rigorous appraisal of potential options for improving performance, could be achieved?

Yes. A performance driven approach is emphasised in most aspects of housing. Any content that provides additional detail against what you will measured against, can only be viewed as a positive development. The code provides clarity and understanding on how the regulator interprets value for money, details clear expectations to housing providers and highlights what the regulator is looking for when seeking assurance on compliance with the standard. The practical examples cited in the document are welcomed.

6. Do you agree with the move away from wide-ranging self- assessments in the current Standard towards a specific metrics – and targets-based approach?

Self – assessment can be subjective, metrics are factual. The proposal is much more robust and transparent, though we must be guarded against making both the internal and external metrics too onerous to collect. The requirement to measure performance against an agreed set of metrics, go a long way to recognising the increased diversification in the sector. It is helpful that the metrics broadly represent the work and content of the Sector Scorecard and are based upon the Financial Viability Assessment, (FVA) which will ensure consistency of reporting. We recognise that it is vital duplication is avoided between the Sector Scorecard, Value for Money metrics and our internal performance measures.

Thirteen appreciates the importance of the metrics and the potential of the regulator to use published outcomes during stability checks and stress testing and identify organisations which have performance metrics that may cause concern and that this may trigger an In Depth Assessment.

7. Do you agree that a targets-based approach in measuring performance will help deliver to deliver value for money?

Yes. The new standard is much more focused, supported by a Code of Practice that provides significant detail. Together this helps better communicate the regulatory standards. We need to ensure that the metrics are not too constraining and make some allowances for the environment that some housing providers operate in.

8. Do you agree that the requirement to report on value for money in the accounts would increase board focus on value for money as well as drive transparency, consistency and comparability for stakeholders?

Yes. It would be part of the Boards accountability to focus on this and highlighting via the accounts is one of the clearest ways of showing this. However it is vital that this is not the only way, as VfM cannot just be measured by efficiencies and savings.

9. Do you think the Code achieves its aim of amplifying the requirements in the Standard, helping registered providers understand how the requirements in the Standard could be met?

Yes. This has been covered to some extent in question 5. The availability of the code is vital. Content that provides detail against what you are measured against is welcome and will provide consistency in reporting.

Thrive Homes

Question	Thrive Response
Do you agree with the objectives for the proposed Value for Money Standard	The objectives are reasonable and greater consistency of approach in reporting is welcomed. However, it would be helpful if the regulator could provide greater clarity around Continue to drive improvements in value for money in the sector And how it is likely to evaluate success against the objective, given that there is no proscription and nor should there be around approach/outcomes.
Do you agree that the focus on Boards ensuring that delivering value for money is an integral part of running their business would support a more strategic outcome focused approach	Any competent board will engage with the costs/benefits of operating its business. Regulatory focus is likely to make this more overt but this may not result in the strategic/outcomes focus that is envisaged.
Do you agree that registered providers should seek to maximise the financial return from their resources and assets in so far as that it is consistent with the achievement of the organisations wider organisational purpose	It is difficult to disagree with this statement however there will always be a degree of judgement being exercised by providers when establishing what an acceptable level of return is and how this links to the achievement of a wider purpose such as delivering sale or market rent as part of a regeneration strategy that might not achieve the same returns as are available in a different area. Also that returns in market rent may fluctuate based on market conditions. This needs to recognised when compliance to the standard is being evaluated.
Do you agree that the board should consider the full range of operational and strategic issues in delivering value for money	To a degree this is reasonable however it must be recognised that there is a cost in undertaking this exercise and in pursuing options e.g. shared services/mergers that are not guaranteed to deliver and that may divert boards and executive teams from their primary focus.
Do you think that the code helps registered providers to understand their requirement to 'undertake a rigorous appraisal of potential options for improving performance' could be achieved	The code is helpful in setting out the principles of the approach that the regulator is looking for however the 'working definition' used to evaluate 'rigorous' will only emerge as the Standard is tested. It would be very helpful if the regulator could share examples of good/bad practice to further support associations in understanding its approach. It would also be helpful if the regulator could provide some comfort for associations that it understands the level of resources that are available in different types of organisations when evaluating this.
Do you agree with the move away from	Metrics are helpful (and Thrive has

wide ranging narrative self-assessments in the current Standard towards a specific metrics –and targets – based approach	commented separately on the issues that we have identified in respect of this proposal). Targets need to include a time/trend element as more strategic vfm initiatives are unlikely to deliver within 12 months. The impacts of external factors needs to be recognised in evaluating performance against metrics as does the inherent issues of definition. It is unclear from the consultation whether the proposed metrics will continue existing practices e.g. on Cost per unit where this used to be flexed to reflect young LSVTs, housing for older people etc. Clearly these kinds of factors continue to influence outturns v. metrics when comparing to other organisations that may not share characterisitics.
Do you agree that a targets based approach in measuring performance will help to deliver value for money	It is difficult to respond to this – value for money is subjective irrespective of whether measures/targets are in place to evaluate impacts of business decisions/practice
Do you agree that the requirement to report on value for money in the accounts would increase board focus on value for money as well as drive transparency, consistency and comparability	No – most associations already include the VFM statement within their accounts and publish these on their web site. Stakeholders with the greatest interest in the financial statements e.g. lenders and ratings agencies are more interested in the visible effects of vfm/efficiency measures such as the profitability of the organisation
Do you think that the proposed code achieves its aim of amplifying the requirements of the Standard, helping registered providers understand how the requirements in the Standard could be met	Any insight into how the Standard can be met is helpful but as previously stated, feedback from the regulator on what good looks like would be beneficial.
Do you have any comments on our business engagement assessment in relation to equality and diversity	No.

[redacted]

CE- Thrive Homes

11/12/2017

Good morning,

Please find below the official response from Torus Group concerning the Value for Money Consultation. For queries and any clarifications required, please reply to this email.

1. Do you agree with the objectives for the proposed Value for Money Standard?
a. Yes
2. Do you agree that the focus on boards ensuring that delivering value for money is an integral part of running the business would support a more strategic outcome-focused approach?
a. Yes
3. Do you agree that registered providers should seek to maximise the financial return from their resources and assets in so far as that is consistent with the achievement of the organisation's wider organisational purposes?
a. Yes
4. Do you agree that boards should consider the full range of operational and strategic issues in delivering value for money?
a. Yes
5. Do you think the Code helps registered providers understand how compliance with the requirement to 'undertake a rigorous appraisal of potential options for improving performance' could be achieved?
a. Yes
6. Do you agree with the move away from wide-ranging narrative self-assessments in the current Standard towards a specific metrics – and targets-based approach?
a. Whilst this is positive there is a risk that this approach may not reflect the specific context for some RPs' and drive behaviour not in line with stakeholder views.
7. Do you agree that a targets-based approach in measuring performance will help to deliver value for money?
a. Yes
8. Do you agree with the requirement to report on value for money as well as drive transparency, consistency and comparability for stakeholders?
a. Yes
9. Do you think the proposed Code achieves its aim of amplifying the requirements in the Standard, helping registered providers understand how the requirements in the Standard could be met?
a. Yes, although in point 1 of the Code it states "*The Code clarifies the Standard by explaining and elaborating on the content, with illustrative examples where* necessary". There are very few examples mentioned within the code. More examples should be used in order to ensure that registered providers fully grasp what is intended by the HCA.
10. Do you have any comments on our business engagement assessment including in relation to equality and diversity?
a. Are the HCA going to be operating a league table approach to the proposed metrics? Will the HCA be using the performance of the metrics as a primary tool to intervene in the operations of poorer performing organisations?

Please note that the head office address for Torus 62 Limited is as follows:

Helena Central,
4 Corporation Street,
St Helens,
Merseyside,
WA9 1LD

Kind Regards,

[redacted]
Performance and Assurance Advisor
Direct Line: [redacted]
Email: [redacted]

torus
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@wearetorus
Torus 62 Limited
(trading as Torus)

HCA VfM Consultation Response – Trent and Dove Housing

Do you agree with the objectives for the proposed Value for Money Standard?

Yes, in principal the proposals are an evolution of the current Standard. It is good to ensure that VfM is integrated in organisation's overall objectives, rather than creating a separate industry to measure VfM in isolation. The mix of local and national metrics is a good way to provide a balanced view of VfM across individual organisations and the sector generally.

Do you agree that the focus on boards ensuring that delivering value for money is an integral part of running their business would support a more strategic outcome-focused approach?

Yes, it is a good way to ensure boards continue to consider VfM when setting objectives and making strategic business decisions. It is good to have the pure financial metrics which can be compared sector wide, whilst taking due consideration to compare relevant peers, and taking account of any variations at a local level that affect the organisation.

Do you agree that registered providers should seek to maximise the financial return from their resources and assets in so far as that is consistent with the achievement of the organisation's wider organisational purposes?

Yes although Boards and organisations need to balance this with their social and ethical purposes as set out in Rules, Memorandum and Articles of Association etc. Including some measures around social value in the metrics would be a positive move and would help Boards in their decision making.

Do you agree that boards should consider the full range of operational and strategic issues in delivering value for money?

Yes, it is prudent for boards to have oversight of VfM across the organisation.

Do you think the Code helps registered providers understand how compliance with the requirement to 'undertake a rigorous appraisal of potential options for improving performance' could be achieved?

The suggested Code signposts areas for a board to consider, particularly around non-social housing related activities where risks may be higher. It is helpful to have fuller explanatory text and detail for the Standard which is useful guides for Boards and organisations about how to develop their approach to and reporting of VfM.

Do you agree with the move away from wide-ranging narrative self assessments in the current Standard towards a specific metrics – and targets-based approach?

Yes and No. Each organisation should be recognised as having their own objectives, so therefore any narrative behind performance and decisions should not be ignored. This risks a "league table" approach to a very varied sector. Some narrative to explain differences in metrics will still be useful. Furthermore, some of the explanatory text in the Code lends itself much more to a narrative than to a metrics approach (for example, requirement to illustrate an understanding of absolute costs and explanation of investments in particular services or businesses).

Social Return on Investment (SROI) is an important factor in assessing overall value for money and the HCA should want to see this explained in some form of narrative.

Do you agree that a targets-based approach in measuring performance will help to deliver value for money?

Yes, measuring performance is traditionally a good way to ensure a focus on performance. However, there is a danger of "chasing targets" and Boards will need to ensure that they are measuring all relevant performance for their organisation (for example, a small, local supported housing association will have a different set of priorities and metrics from a large, national, general needs organisation).

Do you agree that the requirement to report on value for money in the accounts would increase board focus on value for money as well as drive transparency, consistency and comparability for stakeholders?

As with most housing associations, VfM is already included in our financial statements and this requirement will reinforce the message, providing more consistency across the sector.

Do you think the proposed Code achieves its aim of amplifying the requirements in the Standard, helping registered providers understand how the requirements in the Standard could be met?

Yes, as stated in the answer to question 5 the Code has some good practical guidance, which assists in identifying areas which boards should be focusing on with regards to VfM.

Do you have any comments on our business engagement assessment including in relation to equality and diversity?

No, it is clear that the onus is on individual organisations to make their own assessments with regards to equality and diversity when making strategic and tactical business decisions.

The Value for Money Standard

UK Finance response to the HCA consultation

December 2017

Introduction

UK Finance is a trade association formed in July 2017 to represent the finance and banking industry operating in the UK. It represents around 250 firms in the UK providing credit, banking, markets and payment-related services. The new organisation brings together most of the activities previously carried out by the Asset Based Finance Association, the British Bankers' Association, the Council of Mortgage Lenders, Financial Fraud Action UK, Payments UK and the UK Cards Association.

Scope of response and background

In addition to representing residential mortgage lenders, UK Finance members also lend and invest to support the housing association sectors across the UK. We welcome the opportunity to provide this submission to the Social Housing Regulator's consultation on the Value for Money Standard.

General comments

We have responded, below, to the specific consultation questions, but more broadly highlight the importance of value for money as an indicator of governance strength. Associations which make efficient use of their assets and drive value from them to achieve business plan objectives and deliver excellent services to customers are more likely to be well governed. Together with strong financial viability, funders and investors expect associations to be well governed, and take comfort and reassurance from the work of the regulator in assessing and promoting the highest standards in this respect.

The sector has strived for many years to successfully demonstrate how and the extent to which it delivers value. The recent sector-led scorecard initiative is a strong positive in this direction; it is right, now, for the regulator to review its VFM Standard and introduce an associated Code of Practice.

Specific comments

Objectives for the proposed Value for Money standard *(question 1)*

Yes, we agree with the objectives for the proposed VFM standard, which are sensible, particularly in the context of embedding a strategic approach to delivering VFM and encouraging investment in existing homes and new supply.

Focus on boards; maximising financial return from resources and assets *(questions 2 & 3)*

Yes, we agree that the focus on Boards ensuring delivery of VFM is integral to running the business and should support a more strategic outcome-focussed approach. We also agree that registered providers should seek to maximise financial return from their resources and assets in a way that is consistent with achieving wider organisational purposes.

Consideration of full range of operational and strategic issues *(question 4)*

Yes, we agree Boards should consider the full range of operational and strategic issues in delivering VFM

Role of the Code: supporting providers to understand how compliance could be achieved *(question 5)*

Yes, we do think the proposed Code should help providers to understand how compliance could be achieved.

Moving from narrative self-assessment to targets-based approach *(question 6)*

Yes, we agree with the move to a targets-based approach rather than narrative self-assessment. The move will help to bring greater focus on outcomes.

Effectiveness of a targets-based approach *(question 7)*

Yes, we agree that a targets-based approach should be effective in delivering VFM.

Reporting on VFM in the accounts *(question 8)*

Yes, we agree that reporting on VFM in the accounts should drive greater focus on VFM as well as transparency and accountability in this area.

The Code, and achievement of its aim *(question 9)*

Yes, we think the proposed Code should be capable of achieving its aim – but this should be kept under review to ensure that it does so, going forward.

Comments on the business engagement assessment *(question 10)*

We have no comment in this respect.

Contact

To discuss this submission further, please contact [redacted]

Consultation on the Value for Money Standard

Response of Waterloo Housing Group

Introduction

Waterloo Housing Group welcomes the opportunity to respond to this consultation. We hope that our response is of use in taking forward the important issues highlighted in this consultation paper.

We are a registered provider working across a range of local authority areas in the Midlands and Lincolnshire, owning and managing around 26,000 homes across the above areas.

In terms of the specific questions asked in the consultation paper, our response is as follows:

Consultation questions:

1. **Do you agree with the objectives for the proposed Value for Money Standard?**

We agree with the overall objectives set out for reviewing the VFM Standard and the proposed requirements set out in section 3 of the consultation. We have already confirmed separately that we concur fully with the related Value for Money metrics proposed.

2. **Do you agree that the focus on boards ensuring that delivering value for money is an integral part of running their business would support a more strategic outcome-focused approach?**

Our view is that boards should already have a clear strategic focus on value for money in the context of an overall co-regulatory approach.

We agree that where this is not the case, a focus on boards ensuring a clear strategic outcome-focussed approach to value for money would be helpful.

3. **Do you agree that registered providers should seek to maximise the financial return from their resources and assets in so far as that is consistent with the achievement of the organisation's wider organisational purposes?**

Yes. To us that is a given. Given the widely recognised national housing shortage, providers have a clear responsibility for ensuring that they maximise the return from their resources and assets to invest in delivery of new homes as well as to ensure that investment in existing housing is appropriate, within the overall context of their organisational objectives. Due regard will also clearly have to be given within this context to the overall need to ensure the protection of social housing assets.

4. **Do you agree that boards should consider the full range of operational and strategic issues in delivering value for money?**

We agree that the approach taken needs to take full account of both overall strategic objectives and an honest assessment of the supporting operational arrangements. This may lead to reviewing with stakeholders how these services are delivered and whether there is merit in combining resources, whether that be through merger or shared services where appropriate.

5. **Do you think the Code helps registered providers understand how compliance with the requirement to 'undertake a rigorous appraisal of potential options for improving performance' could be achieved?**

Within the overall context of a wider co-regulatory approach, the Code of Practice does amplify the key expectations and required outcomes arising from the proposed VFM Standard. It strikes the right balance between clarifying these requirements, while at the same time allowing providers to deliver this within the context of their own specific businesses.

6. **Do you agree with the move away from wide-ranging narrative self assessments in the current Standard towards a specific metrics – and targets-based approach?**

We agree that this is most definitely the right approach. It is more focussed than the current narrative self assessments, and the proposed metrics give a significant element of consistency to this approach. It will enable greater transparency and comparability across the sector as outlined in the consultation paper.

7. **Do you agree that a targets-based approach in measuring performance will help to deliver value for money?**

Yes. As outlined above we agree that this is clearer and more focussed than the current approach. We do agree too that it is for each registered provider to determine the most appropriate targets for their organisation and to report against those. That is in our view a proportionate regulatory approach.

8. **Do you agree that the requirement to report on value for money in the accounts would increase board focus on value for money as well as drive transparency, consistency and comparability for stakeholders?**

The proposal is likely to provide such a focus by boards, and drive consistency, transparency and comparability as outlined in the consultation paper.

9. **Do you think the proposed Code achieves its aim of amplifying the requirements in the Standard, helping registered providers understand how the requirements in the Standard could be met?**

Yes. We agree that overall it achieves this aim, but allows for providers to meet the requirements set out in the Standard within the context of their own respective businesses and organisational objectives.

10. **Do you have any comments on our business engagement assessment including in relation to equality and diversity?**

We have no specific comments about the business engagement assessment undertaken, other than to the extent that we concur with the view expressed within it that for many businesses what is proposed should already lie within their existing approach to achieving value for money. Therefore for many providers, the new requirements would not amount to any significant extra burden or cost and are proportionate.

Conclusion

We hope that our response is of use, but if you do have any queries about our response please contact the author below.

[redacted]

Group Head of Policy and Communications

Waterloo Housing Group

Tel [redacted]

Email [redacted]

Consultation Response
December 2017

wm housing group

Consultation on the Value for Money Standard

WM Housing Group Consultation Response

WM Housing is a mutually supportive group of housing associations organised on a federal basis, sharing resources and expertise for the benefit of its customers and to facilitate the effective delivery of services and new homes.

The Group consists of the parent organisation WM Housing Group, Family Housing, West Mercia Homes, Optima Community Association and Whitefriars Housing.

The Group manages more than 30, 000 homes across the West Midlands, Herefordshire and Worcestershire.

The Group is a large regional organisation and in addition, operates as the partner lead for the Spectrum Development Partnership, which works to utilise its strength in diversity to be able to deliver the provision of affordable housing across the whole West Midlands region.

WM Housing Group
4040 Lakeside
Solihull Parkway
Birmingham
B37 7YN

Tel. 0300 790 6555

For further information on this response, please contact:

[redacted]
Head of Audit and Regulation
[redacted]

Tel: [redacted]

<u>Consultation on the Value for Money Standard</u>

<u>Question 1</u>

Do you agree with the objectives for the proposed Value for Money Standard?

<u>Required Outcomes</u>
1.1 Registered providers must clearly articulate their strategic objectives.
1.2 Registered providers must have an agreed approach to achieving value for money in meeting these objectives and demonstrate their delivery of value for money to stakeholders.
1.3 Registered providers must, through their strategic objectives, articulate their strategy for delivering homes that meet a range of needs.
1.4 Registered providers must ensure that optimal benefit is derived from resources and assets and optimise economy, efficiency and effectiveness in the delivery of their strategic objectives.

<u>Response</u>
Yes, however we feel that for 1.3 a more appropriate wording for the required outcome is – "*Registered providers must, through their strategic objectives, articulate their strategy for delivering homes that meet an appropriate range of needs"* to enable providers to link this requirement to their strategic corporate aims and objectives. At present it implies all types of housing for all providers.

<u>Question 2</u>

Do you agree that the focus on boards ensuring that delivering value for money is an integral part of running their business would support a more strategic outcome-focused approach?

<u>Response</u>
Yes, value for money is a strategic issue and should be embedded throughout an organisation and its principles rooted in corporate objectives. Boards should challenge ways of achieving corporate aims when making decisions.

<u>Question 3</u>

Do you agree that registered providers should seek to maximise the financial return from their resources and assets in so far as that is consistent with the achievement of the organisation's wider organisational purposes?

<u>Response</u>
Yes, providers should have a rationale and approach for balancing investment in existing stock, improvements in service delivery and investment in new developments.

Question 4

Do you agree that boards should consider the full range of operational and strategic issues in delivering value for money?

Response

Yes, this will help to ensure that optimum economy, efficiency and effectiveness is achieved in the delivery of strategic objectives whilst enabling boards to recognise the need to balance factors such as available resources, risks and health and safety requirements, etc to ensure long-term financial viability.

Question 5

Do you think the Code helps registered providers understand how compliance with the requirement to 'undertake a rigorous appraisal of potential options for improving performance' could be achieved?

Response

Yes, it assists providers in understanding the requirements and the need to be able to clearly articulate strategic objectives and set measurable targets to show how value for money is being achieved and that Boards whilst considering potential VfM gains should fully understand the return they achieve on assets and ensure they maximise financial return from resources and assets.

Question 6

Do you agree with the move away from wide-ranging narrative self-assessments in the current Standard towards a specific metrics – and targets-based approach?

Response

Yes, we agree that more transparency enables effective benchmarking but would highlight that specific measures need to have very clear definitions for providers to work to. However, we are concerned that by only using metrics there is the potential to miss out the contextual or qualitative elements to demonstrate VfM within an organisation, our intention would be to do this within our Financial Statements.

Question 7

Do you agree that a targets-based approach in measuring performance will help to deliver value for money?

Response

Yes, it will enable providers to clearly articulate strategic objectives and set measurable targets to show how value for money is achieved. It will help to demonstrate both achievements and under performance and provides greater understanding. However, we would want to be assured that target setting does not compromise other methods of monitoring success in an organisation and that short term targets do not undermine future long term decisions or aspirations.

<u>Question 8</u>

Do you agree that the requirement to report on value for money in the accounts would increase board focus on value for money as well as drive transparency, consistency and comparability for stakeholders?

<u>Response</u>
We agree that this requirement could drive board focus on transparency however; there remain numerous inconsistencies in the reporting of financial accounts which could hinder effective comparison.

<u>Question 9</u>

Do you think the proposed Code achieves its aim of amplifying the requirements in the Standard, helping registered providers understand how the requirements in the Standard could be met?

<u>Response</u>
Yes, it achieves its aim and provides clarity of what is expected under the VfM standard.

<u>Question 10</u>

Do you have any comments on our business engagement assessment including in relation to equality and diversity?

<u>Response</u>
None.