Regulator of
Social Housing

Consultation on a revised Value for Money Standard and new Code of Practice

Decision Statement

Contents

Consultation on a revised Value for Money Standard and new Code of Practice – Decision Statement

1. Introduction

1.1. The regulator published a consultation on the revised Value for Money (VfM) Standard and new Code of Practice[1] on 27 September 2017. The consultation closed on 20 December 2017.

1.2. This document provides a summary of the key areas of feedback and sets out the regulator's decision on the final VfM Standard and Code of Practice. The change will come into effect on 1April 2018. This document is not intended to be an exhaustive exploration of all responses received (all of which have been taken into account in reaching the conclusions set out in this Decision Statement), but a summary of the key issues and comments made. A list of respondents is provided in Annex 1.

1.3. The Business Engagement Assessment with Equality Analysis has also been reviewed in light of the responses received. The final version is provided in Annex 4.

2. Overview

2.1. The current VfM Standard was introduced in 2012. The proposed revised Standard and new Code of Practice (Code) updates and builds on progress made since the introduction of the 2012 Standard. The existing Standard has had a positive impact, encouraging board engagement in driving improvements and supporting a greater level of transparency and accountability across the sector. Building on these improvements, the regulator's objectives for revising the Standard were to:

- continue to drive improvements in value for money in the sector
- ensure a strategic approach to delivering value for money is embedded within businesses
- encourage investment in existing homes and new housing supply and
- enhance the consistency, comparability and transparency of value for money reporting.

2.2. The proposed Standard focuses on outcomes. It places value for money at the heart of the business, requiring registered providers to have an agreed approach to achieving value for money in meeting their strategic objectives.

[1] https://www.gov.uk/government/consultations/consultation-on-the-value-for-money-standard

2.3. The proposed Standard and Code are intended to give a clear understanding of how the regulator interprets the outcomes and specific expectations in respect of value for money and the resulting expectations on the sector. Registered providers would need to ensure that they achieve optimal benefit from resources and assets, maximising economy, efficiency and effectiveness in the delivery of their strategic objectives.

2.4. The proposed Standard would move the focus of our regulatory approach away from the primarily narrative self-assessment to include focused monitoring and reporting by providers. This includes measuring their performance in delivering value for money in meeting their strategic objectives, including a suite of metrics to be defined, from time to time, by the regulator.

2.5. Alongside this consultation we engaged in a discussion with the sector about a possible suite of metrics to help demonstrate what value for money might look like. We sought feedback separately on these metrics; this Decision Statement does not address that feedback. The metrics themselves do not form part of either the Standard or the Code of Practice. The results of the metrics discussion[2] are addressed separately and are available on our website.

2.6. As part of the consultation we put forward a number of questions, each asking for views on a different aspect of the revised wording in the Standard or Code.

3. Summary of responses

3.1. A total of 226 responses were received, 188 via Survey Monkey and 38 in writing, predominantly via email.

3.2. Fifty two of the 188 responses to Survey Monkey set up a response, but did not actually respond to any of the questions asked. They have therefore been excluded from the analysis. The remaining 136 of the Survey Monkey responses were added to the total received in writing (38) and the analysis of responses was carried out on this total of 174 responses.

3.3. Of the 174 responses received, 12 were from trade or representative bodies, 161 from private registered providers and one response from an individual.

[2] https://www.gov.uk/government/publications/value-for-money-metrics-technical-note

4. Analysis of individual questions[3]

Question 1

4.1. 172 respondents provided a response to this question.

Table 1: Overview of responses to Question 1

Question 1 - overview	Yes	Yes%	No	No%	Other	Other %
Do you agree with the objectives for the proposed Value for Money Standard?	150	87.2%	2	1.2%	20	11.6%

Issues raised by the response to Question 1

4.2. The overall response to this question was very positive with only 2 (1%) respondents disagreeing with the objectives for the proposed Standard.

4.3. Respondents welcomed the move away from a narrative approach to VfM reporting and understood and supported the metrics approach that we had proposed. It was recognised that it is vitally important for delivery of VfM to be open and transparent across the sector and that the proposed objectives and approach would ensure that this was achieved.

4.4. 20 respondents (11.2%) answered ‘other’ to this question. Their responses, while in the main being supportive of the approach, raised a number of issues including that the Standard did not address social value/charitable objectives as much as they felt it should and that there needed to be a differentiated approach for small providers.

4.5. Many respondents commented that they agreed with the requirement for providers to articulate their strategy for delivering homes that meet a range of needs. Some providers emphasised that delivery of new housing supply was not appropriate for all providers, and they would welcome in the Standard more of an explicit focus on investment in existing stock.

4.6. A specific issue raised by a small number of respondents was that more clarity was needed in relation to the requirement to achieve ‘optimal benefit’ and to ‘maximise the financial return’. A few providers pointed out that an acknowledgement in the Standard that providers would often take a lower return in furtherance of their social objectives, would be helpful.

[3] Please note that percentages may not add up to 100 because of rounding up.
The percentages are of the number of respondents who answered the particular question (i.e. they did not leave it blank), rather than on the total number of respondents.

Question 2

4.7. 171 respondents responded to this question.

Table 2: Overview of responses to Question 2

Question 2 - overview	Yes	Yes %	No	No %	Other	Other %
Do you agree that the focus on boards taking responsibility for delivering value for money is an integral part of running their business would support a more strategic outcome-focused approach?	152	88.8%	3	1.8%	15	8.8%

Issues raised by the response to Question 2

4.8. The response to this question was positive with only three respondents (1.8%) disagreeing with the question. 15 respondents answered 'other' to this question and an analysis of these shows that in the main these responses were positive and supportive of the question but raised some additional issues for the regulator to consider.

4.9. There were many positive comments received and generally respondents felt that the Standard effectively linked the VfM agenda with the strategic objectives of an organisation. This has provided greater clarity for providers, and will encourage the delivery of VfM as part of day-to-day business.

4.10. In the main there were fewer comments in relation to this question than there were for other questions.

Question 3

4.11. All 168 respondents responded to this question.

Table 3: Overview of responses to Question 3

Question 3 - overview	Yes	Yes %	No	No %	Other	Other %
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 organisations wider organisational purposes?	129	76.8%	7	10.3%	32	19%

Issues raised by the response to Question 3

4.12. Responses to question 3 were in the main positive with over 75% of respondents agreeing with the focus presented in the question. Seven respondents did not agree (10.3%) and 32 respondents (19%) answered 'other' to this question.

4.13. All those who answered 'no' to this question raised the issue of social purpose and how this did not always sit well with maximising the financial return from resources and assets. This same issue was the main feedback from those respondents that had answered 'other' to this question as well as being given by many respondents who answered 'yes'.

4.14. A number of respondents suggested that the word 'maximise' should be replaced with the word 'optimise'. The reason for this is that it was felt that 'maximising' financial return was difficult for businesses with a social purpose and could effectively never be achieved. Optimisation on the other hand was more of a judgement that can be taken with regard to organisational objectives. It was also suggested that we use 'optimise benefits' in place of 'maximising financial returns'

Question 4

4.15. 169 respondents responded to this question.

Table 4: Overview of responses to Question 4

Question 4 - overview	Yes	Yes %	No	No %	Other	Other %
Do you agree that boards should consider the full range of operational and strategic issues in delivering value for money?	149	88.2%	8	4.7%	12	7.1%

Issues raised by the response to Question 4

4.16. The response to question 4 was positive with eight respondents not agreeing with the question. Most comments in relation to this question related to respondents commenting that boards should not be considering operational issues. This was more a comment about how we had phrased the question in the consultation rather than a specific comment on the Standard itself..

4.17. There were only limited comments in relation to other areas in regard to this question the main one being that 'full range' would be better expressed as 'proportionate range' as this was more achievable.

Question 5

4.18. All 168 respondents responded to this question.

Table 5: Overview of responses to Question 5

Question 5 - overview	Yes	Yes %	No	No %	Other	Other %
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?	121	72%	11	6.5%	36	21.4%

Issues raised by the response to Question 5

4.19. Responses to question 5 were mainly positive.11 respondents (6.5%) did not agree with the question posed. 36 respondents (21.4%) also recorded ‘other’ against this question.

4.20. There are many different comments recorded by respondents in relation to this question and the list below contains the most commonly expressed ones:

- This will assist boards to stay focused on VfM.
- Smaller providers do not have the resources to undertake the ‘rigorous appraisal’ in every case.
- The Code hit the right balance and is clear and concise.
- The introduction of the Code is welcome.
- Paragraphs 19 and 20 are helpful guidance but care should be taken that this does not become prescriptive and prevents boards from being innovative.
- Not everything demands a ‘rigorous appraisal’ – would be dependent on the issue under consideration.
- A number of providers objected to mergers requiring consideration.

Question 6

4.21. 169 respondents responded to this question

Table 6: Overview of responses to Question 6

Question 6 - overview	Yes	Yes%	No	No %	Other	Other %
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?	126	74.6%	7	4.1%	36	21.3%

Issues raised by the response to Question 6

4.22. The support for this question was again high with three quarters of respondents agreeing with the question and only 7 (4.1%) disagreeing. 36 (21.3%) replied ‘other’ to this question.

4.23. The main feedback was that the move away from wide-ranging narrative self-assessment was very welcome but there would still need to be some narrative explanation of the metrics. By themselves the metrics did not explain differences in providers’ businesses or provide the context for the performance.

4.24. A small number of providers raised the issue that a one-size-fits-all metrics approach would disadvantage many smaller providers who may not have the skills and resources to do it. In these cases they felt the narrative approach was easier for them to comply with.

Question 7

4.25. 166 respondents responded to this question

Table 7: Overview of responses to Question 7

Question 7 - overview	Yes	Yes%	No	No %	Other	Other %
Do you agree that a targets-based approach in measuring performance will help to deliver value for money?	107	64.5%	13	7.8%	46	27.7%

Issues raised by the response to Question 7

4.26. There was support for this question with only 13 (7.8%) of respondents disagreeing. 46 (27.7%) of respondents answered ‘other’ in response to this question.

4.27. Respondents welcomed the development of a targets-based approach to measuring performance in VfM as they felt that this would ensure continued focus and improvement across the sector. Some providers commented that there were no measures in relation to social value/service delivery which was to the detriment of the overall approach. It was acknowledged by some respondents that these softer measures would need to be developed by organisations themselves dependant on their organisational objectives.

4.28. A number of respondents made the observation that targets do not ‘deliver’ VfM as the question asked. They acknowledged that targets at best help drive behaviour that lead to increased VfM and ensure that the focus is kept on VfM within an organisation.

4.29. A number of providers spoke against the use of league tables. They explained that the sector was far too diverse and for organisations to find true peer group comparators with similar organisational objectives would be extremely challenging.

Question 8

4.30. 170 respondents responded to this question

Table 8: Overview of responses to Question 8

Question 8 – overview	Yes	Yes%	No	No %	Other	Other %
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?	103	60.6%	24	14.1%	43	25.3%

Issues raised by the response to Question 8

4.31. The responses to this question were the lowest of any question. 24 (14.1%) or respondents disagreed with this question.

4.32. The vast majority of respondents felt that reporting in the accounts was appropriate as this would maintain the board focus on VfM. Respondents also felt that reporting in the accounts would drive consistency across the sector, which would aid benchmarking.

4.33. A number of respondents commented that reporting in the accounts was not transparent and doing so would not make it easy for stakeholders and tenants to access. In addition to the transparency issues respondents felt they would be limited in what could feasibly be included in the accounts and this would further hinder transparency.

4.34. A number of respondents explained that due to the transparency issues they would also be publishing a form of narrative explanation to supplement what was included within the accounts.

4.35. A couple of providers made the observation that due to accounting cycles, the VfM commentary in annual accounts as described in the Standard would relate to a period over 12 months old, the financial period prior to the closing period. As such, any benchmarking carried out would be a historic reflection and may not add sufficient value.

Question 9

4.36. 166 respondents responded to this question

Table 9: Overview of responses to Question 9

Question 9 - overview	Yes	Yes%	No	No %	Other	Other %
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?	131	78.9%	10	6%	25	15.1%

Issues raised by the response to Question 9

4.37. The response to this question was positive with 10 (6%) of respondents thinking the Code did not achieve its aims. Almost 79% of respondents agreed fully with the question.

4.38. The majority of respondents felt the Code was well structured and achieved its aim of amplifying the Standard without being too prescriptive. A number of providers took issue with paragraph 23 of the Code which includes a reference to five-year forecasts, and targets for five-year forecasts in relation to strategic objectives not being applicable to all providers.

4.39. Again smaller providers expressed concern as to the applicability of the Code to them and the resources and skills that would be necessary to undertake some of the examples within the Code. A couple of supported housing providers also made similar comments in relation to the Code and its applicability/relevance to supported housing providers.

Question 10

4.40. The structure of question 10 differed to the other questions as it just asked for any comments on the Business Engagement Assessment (BEA) including in relation to equality and diversity. Altogether 45 respondents commented on this question.

4.41. The responses received were overwhelmingly positive and there were no suggestions for any changes to the BEA or its equality-related content.

4.42. A number of providers fully supported our assertion that the onus was on individual organisations to fully understand the impact of their VfM actions on groups with protected characteristics. They acknowledged that a VfM decision could have an adverse impact if not properly considered.

4.43. Linked to the above point a number of respondents commented that they agreed with our assessment that our proposals did not have any direct effect associated with the proposed changes.

5. The Regulator's response to the consultation feedback – Final position on the changes to the Value for Money Standard and Code of Practice

5.1. The following section seeks to address the major areas of feedback that we received as a result of the consultation. It also outlines any areas of change to both the VfM Standard and/or the VfM Code of Practice following the consultation.

Social value/impact

5.2. One of the main areas of cross-cutting feedback we received was that while respondents agreed with the objectives and approach of the Standard, there were a number of responses that felt that the Standard and supporting Code were too financially focused and did not reflect the social value/impact of the sector.

5.3. While the metrics themselves did not form part of this consultation, given that there was considerable feedback around the focus on financial measures which impacted on the Standard and Code, we have included feedback within this document. Further detail on the metrics feedback[4] is provided on our website.

5.4. In developing the revised Standard we were conscious that the Standard needed to be applicable across a diverse sector and to achieve this we were limited in the amount of focus we could give to social value metrics. To help balance this we introduced an additional requirement through the Standard that providers must report performance against targets which they have set for themselves based on their organisational objectives.

5.5. It is these targets where providers have the opportunity to demonstrate their work in social value/impact related to their organisational objectives. These targets will be unique to each organisation and reflect its core values and beliefs. We felt it was only right that as independent organisations registered providers should be free to set these and not have requirements set by the regulator which may not be appropriate to their organisation and objectives.

5.6. A number of providers acknowledged that they understood that this was the rationale for the financially focused metrics but made the observation that the supporting Code of Practice did not explain this sufficiently enough and that strengthening the Code would ensure providers were clear that social value and impact were important and needed to be reflected in the self-defined targets.

5.7. In addition to the above, in order to reduce burdens and meet our statutory objective to be proportionate and minimise interference, the decision was taken that any metrics defined by the regulator should be on the basis of existing information collected through our regulatory returns. We acknowledge the importance of organisations developing and measuring themselves against performance targets that are appropriate to their organisation and that for some, factors such as social value continues to be a key element of their purpose and objectives. However in order to set a Standard that is applicable across the whole of the sector, it was not appropriate for the regulator to widen the scope of the metrics into these more subjective and contested measures. It is our view that these are matters for boards, not the regulator.

5.8. Due to the feedback received we have amended the Code to reflect the suggestion to bring social value more to the fore, this can be found in paragraph 12.

[4] https://www.gov.uk/government/publications/value-for-money-metrics-technical-note

Small providers

5.9. A cross-cutting theme by respondents to the consultation questioned the applicability of the proposed approach to VfM on small providers as highlighted in response to the question in the previous section.

5.10. We are aware of the difficulties that are faced by smaller providers and that their reporting on performance will be proportionate to their organisation and complexity of their business.

5.11. Being in a regulated sector it is a requirement for all registered providers to comply with the standards set. Our regulatory approach and level of engagement differs for organisations below 1,000 units which reflects the size and risk profile of those organisations. Our regulation of the VfM Standard would be proportionate and in line with our existing approach to regulating smaller providers. However, we do not consider it appropriate to except smaller providers from the requirement to meet the Standard. Full details of our approach to the regulation of small providers can be found in the document Regulating the Standards.

5.12. A number of smaller providers raised a specific point about them not submitting the FVA and how this would lead to them struggling to obtain the necessary data to report against. We do not intend to place any new requirements on small providers to submit the FVA. Private registered providers of social housing are required by Section 127 of the Housing and Regeneration Act 2008 to comply with a direction of the regulator about the preparation of their accounts. The Accounting Direction for private registered providers of social housing 2015[5] sets out the regulator's directions about how providers must prepare their accounts. All VfM metrics can be derived from data that is already in providers' own accounts.

Other issues

5.13. Paragraph 12 of the Code states that providers should seek to 'maximise the financial return from their assets and activities'. Feedback received was that 'maximise' should be replaced with the word 'optimise' as it was felt that 'maximising' financial return was difficult for businesses with a social purpose and could effectively never be achieved. Optimisation on the other hand was more of a judgement that could be taken with regard to organisational objectives. Having considered these issues, we have reflected this feedback in revised wording of the Code.

5.14. In question 4 we asked - Do you agree that boards should consider the full range of operational and strategic issues in delivering value for money? Many respondents pointed out that it was not the remit of boards to routinely consider operational issues as they should restrict themselves to strategic issues where ever possible. We acknowledge that this is correct; it being included in the question was an oversight.

[5] https://www.gov.uk/government/collections/accounting-directions-for-social-housing-in-england

5.15. ‘Rigorous appraisal of potential options’ as mentioned in the Standard raised a number of comments about how this should be interpreted. Comments were also received in relation to ‘not everything needing a rigorous appraisal’. The reason for using this term is to convey that we require the consideration to be commensurate to the issue at hand. It is for providers themselves to decide the level of detail needed in relation to the consideration of options as long as they are clear that in most cases a cursory appraisal will not meet requirements. It is for boards to assure themselves that they are comfortable with the level of consideration they have given to options and for this reason we will not be changing the Standard or Code in relation to this point.

5.16. Publishing the VfM metrics in the accounts was an area that raised some questions from respondents as some felt this requirement would not lead to transparency for stakeholders. While we accept that there are some disadvantages to requiring the information in the accounts it is felt that they are outweighed by the advantages. Placing the information in the accounts not only provides additional assurance, it highlights the importance of value for money to boards and allows for additional scrutiny over the information reported. The requirement to publish in the accounts currently exists; continuing this approach does not represent a change in approach. As such, we will not be changing this requirement of the Standard.

5.17. This requirement does not stop providers communicating in any way they see fit with the full range of their stakeholders and inform them of their progress. Many respondents highlighted that there would still be a need for narrative reporting of VfM which may be too detailed for the accounts. Transparency requires appropriate reporting and providers can set out additional narrative on their performance measures in published documents alongside their accounts. We have included a new paragraph in the Code to reflect this.

5.18. Paragraph 23 of the Code of Practice contains a reference to five-year forecasts. We received a number of responses that questioned if this was appropriate given not all providers will use five-year forecasts. We have considered this and have replaced this with ‘future forecasts, targets against forecasts’.

5.19. A number of respondents raised concerns about how the metrics could lead to crudely constructed league tables. Respondents raised the point that the sector was extremely diverse and differed in relation to geography, structure, stock make up, proportion of supported housing, organisational objectives etc. For this reason finding appropriate benchmarks to use within the sector could be difficult and if not done sensitively could lead to impropriate comparisons. We acknowledge the concerns raised and are alive to the challenges of finding appropriate groupings to use for comparison purposes. Despite this we consider that it is important that comparisons can be made across the sector, and that it is valid to do so.

5.20. While there are inevitably differences from one organisation to another, the majority of the sector's activity, and the vast majority of its turnover, is still based on social housing lettings. There is therefore a core of activity that is common to most providers, making comparisons between them a valuable and legitimate exercise. We will continue to provide additional context similar to the Unit Cost analysis publication to reflect the variability in performance across the sector, including that of specialist providers.

5.21. In addition to the changes we have made to the Code of Practice we have also made one change to the Standard itself. This can be found at paragraph 2c where we have clarified our meaning and made it clearer that this statement only applies to non-social housing activity.

5.22. Due to the overwhelmingly positive response to the BEA and its equalities content, no changes are being proposed to the document. The final BEA can be found in Annex 4.

Final position – changes to the Value for Money Standard

With effect from 1 April 2018, the VfM Standard will be as set out in Annex 2 with all changes following the consultation highlighted.

Final position – changes to the Value for Money Code of Practice

With effect from 1 April 2018, the VfM Code of Practice will be as set out in Annex 3 with all changes following the consultation highlighted.

Annex 1: List of respondents to the statutory consultation on changes to the Value for Money Standard

The table below shows the respondents to the consultation. Where the response was on behalf of an organisation and the respondent used a corporate email address, the organisation's name is given rather than the individual officer who completed the response. Where an organisation's name appears more than once, this is because more than one officer completed a Survey Monkey response on behalf of the organisation. Where an individual responded we have classed these as an 'individual response'.

Accent Group	Accord Housing
Adactus Housing Group Limited	Alliance Homes
Aldwyck Housing Group	Arawak Walton Housing Association
Anchor Trust	Arneway Housing Co-op
Arcon Housing Association	Aster Group
Ashton Pioneer Homes	Black Country Housing Group
BCHA	bpha Limited
Bolton at Home	Broadland Housing Group
Broadacres Housing Association	Build East
Bromford	CESSA HA Ltd (L0104)
Campbell Tickell	CIH
Chartford Housing Limited	Clarion Housing Group
Cirencester Housing Limited	Connect Housing
Comunity Gateway Association	Co-operative Housing in Partnership
Connexus	Cornerstone Housing
Cottsway	County Durham Housing Group
Crosby Housing Association	Crown Simmons
Curo	DCH
Derby Homes Limited	Devonshires
Dimensions	Easy Housing Association

EMH group	English Rural Housing Association
Evolve Housing + Support	Estuary Housing Association Ltd
First Choice Homes Oldham Ltd	Falcon Housing Association CIC
Flagship	First Priority Housing Association
Fortis Living	Franklands Village Housing Association
ForViva	Futures Housing Group
Gentoo	G320
Golden Lane Housing	Gloucester City Homes
Great Places Housing Group	Grand Union Housing Group
HACT	GreenSquare Group
Halton Housing	Hanover
Hastoe Housing Association	Hexagon Housing
Homeless Action Resource Project Limited	Home Group
HouseMark	Homes for Cathy
Housing & Care 21	Impact housing
Individual response	Incommunities
Innisfree Housing Association	Irwell Valley Housing Association
Islington and Shoreditch Housing Association	Johnnie Johnson Housing
John Hodges Associates	Karbon Homes
King Street Housing	L&Q
Langley House Trust	LCH
Livin	Local Space
Luminus Group	Manningham Housing Association
Moat Homes	Maynard Co-operative Housing Association
Mears Group	Merlin Housing
MHA	Metropolitan HT
NHF	Midland Heart

North Hertfordshire Homes	New Longsight Housing Co-op
Octavia	Northern Housing Consortium
One vision and pine court HA	ONE MANCHESTER
Opendoor Homes (The Barnet Group)	Onward Homes
Orbit Group	Optivo (on behalf of the g15 group of housing associations)
Origin Housing	Origin Housing Limited
Orwell Housing	Peabody
Peaks & Plains Housing Trust	PENGE CHURCHES HA
Peter Bedford HA	PHA Homes
Phoenix Community HA	Pioneer Group
Places for People	Placeshapers
Plus Dane Housing	Plymouth Community Homes
Polish Retired Persons Housing Association Ltd.	Progress Group
Radcliffe Housing Society	Radian
RAFA Housing Ltd	Raven Housing Trust
Redditch Friends Housing Association Limited	Riverside
Royal Air Forces Association	Salix Homes
Salvation Army Housing Association	Sanctuary
Savills (UK) Ltd	Shepton Mallet United Charities
Small Heath Park Housing Co-operative Ltd	Soho Housing Association
South Lakes Housing	South Liverpool Homes
South Yorkshire HA	Sovereign
St Lawrence Hospital Charity	St Mungo Community Housing Association
Stafford & Rural Homes	Stockport Homes Group
Stoll	Stonewater Limited
Suffolk Housing	TCUK Homes RP No 4756

Teign Housing	Thames Valley Housing Association
The Abbeyfield Society	The Guinness Partnership
The Havebury Housing Partnership	The Housing Plus Group Limited
Thirteen Group	Thrive Homes
Together Housing Association	Torus Group
Town and Country Housing	Tpas
Trafford Housing Trust	Trent & Dove Housing
Tuntum Housing Association ltd	Two Rivers Housing
Two Saints Limited	UK Finance
Vale of Aylesbury Housing	Wakefield and District Housing (WDH)
Walterton & Elgin Community Homes Ltd	Waltham Forest Housing Association
Warterloo Housing	Watford Community Housing Trust
Walsall Housing Group	West Kent Housing association
Wellingborough Homes	Willesden Green Housing Co-operative Limited
Westward Housing Group	WM Housing
Winchester Working Men's Housing Society Limited	Yarlington Housing Group
Wythenshawe Community Housing Group Limited	YMCA Fairthorne Group
YMCA England & Wales	Your Housing Group
Yorkshire Coast Homes	

Annex 2: Value for Money Standard 2018 (to take effect 1 April 2018)

[Changes to the version proposed in the consultation, as a result of the feedback received, are shown track changed for clarity.]

1 Required outcomes

1.1 Registered providers must:

a) clearly articulate their strategic objectives

b) have an approach agreed by their board to achieving value for money in meeting these objectives and demonstrate their delivery of value for money to stakeholders

c) through their strategic objectives, articulate their strategy for delivering homes that meet a range of needs

d) ensure that optimal benefit is derived from resources and assets and optimise economy, efficiency and effectiveness in the delivery of their strategic objectives.

2 Specific expectations

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 and where they invest in non-social housing activity, they should consider ~~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.

2.2 Registered providers must annually publish evidence in the statutory accounts to enable stakeholders to understand the provider's:

a) performance against its own value for money targets and any metrics set out by the regulator, and how that performance compares to peers

b) measurable plans to address any areas of underperformance, including clearly stating any areas where improvements would not be appropriate, and the rationale for this.

Annex 3: Value for Money Code of Practice (to take effect 1 April 2018)

[Changes to the version proposed in the consultation, as a result of the feedback received, are shown track changed for clarity.]

The role of the Code of Practice

1. This Code of Practice (the Code) is designed to amplify the requirements in the Value for Money Standard (the Standard). It is designed to help registered providers [6] understand what the regulator is looking for when seeking assurance on compliance with the Standard. The Code clarifies the Standard by explaining and elaborating on the content, with illustrative examples where necessary. Registered providers must have regard to the Code when assessing their compliance against the Standard. In considering whether the Standard has been met, the regulator will have regard to the Code. It is therefore important that registered providers are familiar with its content. However, it is the Standard rather than the Code that the regulator will enforce against.

2. The regulator adopts a co-regulatory approach. It has statutory objectives in relation to economic and consumer matters and sets standards in both areas. Responsibility lies with the boards[7] of registered providers to ensure that they meet the regulator's standards. In light of our co-regulatory approach, these standards only prescribe outcomes and expectations. Providers are free to choose how they will achieve those outcomes and expectations.

3. This Code explains those outcomes and expectations set out in the Value for Money Standard in more detail. It does not elaborate on all outcomes and expectations set out in the Standard; it only provides further explanation where the regulator believes that this is required. Commentary within the Code does not indicate a greater importance to that element of the Standard. Registered providers need to comply with the entire Standard.

4. Examples of how registered providers might achieve compliance are not intended to be exhaustive nor prescriptive. Registered providers are free to comply with the requirements of the Standard in any way that they consider appropriate. If there are any conflicts between the Code and the Standard, the Standard takes precedence.

[6] In the context of this document the term "registered providers" refers to private registered providers

[7] Throughout this Code references to registered providers' 'boards' should, where a registered provider does not have a board, be taken to include an equivalent management body as appropriate.

Required outcomes

Paragraph 1.1 a–d) – Achieving value for money in meeting strategic objectives

5. Registered providers must ensure that clear, up-to-date strategic objectives are in place. These objectives must:

   - deal with the medium to long-term future of the organisation
   - include measurable targets, based on outcomes, and
   - be demonstrably linked to the aims and purpose of the organisation.

6. In articulating their strategic objectives, registered providers may choose to embed value for money within those objectives, or may alternatively have a standalone value for money strategy. Whichever approach is taken, a comprehensive approach to value for money needs to be embedded throughout the business, including at the level of individual business streams.

7. Providers' objectives must articulate their strategy for delivering homes that meet a range of needs. This might, for example, include their plans for new development to meet unmet housing need in particular localities, or investment in the existing stock to sustain its quality and/or better meet the needs of particular client groups.

8. Achieving value for money should include achieving economy, efficiency and effectiveness in all areas of activity, taking into account the outputs achieved as well as input costs. Economy, efficiency and effectiveness are defined as follows:

   - **Economy**: minimising the cost of resources used while having regard to quality

   - **Efficiency**: the relationship between the output from goods or services and the resources to produce them

   - **Effectiveness**: the extent to which objectives are achieved and the relationship between intended and actual impacts.

9. Registered providers must ensure that they achieve optimum economy, efficiency and effectiveness in delivery of their strategic objectives recognising the need to balance factors such as available resources, risks and other duties the provider must comply with (such as health and safety requirements) to ensure long-term financial viability.

10. In terms of deriving "optimal benefit" from resources and assets, registered providers should take a measured and proportionate approach, taking into account the requirements of all the Standards, in particular the Governance and Financial Viability Standard.

11. Further detail on expectations for delivering optimal benefit can be found in paragraph 15 of the Code.

12. Registered providers must ensure that they have sought to optimise ~~maximise~~ the financial return from their assets and activities in so far as that is consistent with achievement of the organisation's wider organisational purpose and strategic objectives. Social housing businesses 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 purpose. They also may at times opt not to receive maximum return from an asset instead taking the decision to accept a lower return in furtherance of their social objectives. However, 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.

13. Registered providers must also be able to demonstrate that they have a full understanding of the return they generate from their assets compared to the costs of maintaining those assets. Registered providers should be able to demonstrate how this return varies across their asset base, e.g. according to stock type or geographical location. Where assets are not apparently achieving the optimum ~~maximum~~ expected return, registered providers should be able to articulate the rationale for continued support of the asset. This may be, for example, that historical covenants are in place, which restrict the sale of properties even where there are high maintenance costs.

Specific expectations

Paragraph 2.1 – Approach

14. Registered providers must ensure that their approach to the management of resources and assets is strategic, comprehensive, and clearly linked to achieving strategic objectives. This includes assurance around the robustness of decision making in this area.

15. Registered providers must ensure that they meet their organisational purposes and objectives (including, where relevant, charitable objectives) when considering the use of resources or assets. Resources and assets should be considered in the widest sense, for example it must not be limited to use of physical assets and resources, but should include investments into particular services or business streams. It should also include consideration of whether their approach to remuneration and employment costs represent optimal use of resources.

16. An effective approach to value for money requires consideration and action to be taken at both:

- an operational level – ~~maximising~~ optimising value for money in the activities they carry out
- a strategic level – ensuring that value for money is considered and addressed in all strategic decisions.

17. Registered providers must ensure that they have an understanding of absolute costs, how these costs compare to other organisations, and how they have changed over time. Registered providers should understand what is driving their costs and make sure that they are getting the desired quality at the lowest price.

18. Robust decision making must include a ‘rigorous appraisal’ of all potential options for improving performance and may include (but is not limited to):

- cost inputs versus outputs achieved
- opportunity cost of using assets and resources in their current function
- comparison against potential alternatives
- evaluation of implications for delivery of objectives.

19. In some instances the existing commercial, organisational or delivery structures within a registered provider may not be the best vehicle to enable the organisation to achieve its organisational objectives. It is incumbent on boards to actively consider the opportunity costs of their current structures compared to a range of alternatives, and the implications for delivery of objectives and maximising value for money.

20. This could include the potential benefits and limitations of considerations such as (but is not limited to):

- corporate structure
- procurement
- diversification / divestment of business streams
- investment in non-social housing activity, including that undertaken in any unregistered subsidiary
- partnership arrangements
- standalone business versus merging with another provider, and
- geographic areas of operation.

21. Where investment in non-social housing activity is being undertaken, either by the registered provider or through an unregistered subsidiary, this activity should generate returns commensurate to the risks involved. Non-social housing-related activity may bring with it more inherent risk than more traditional social housing activity. Where this is the case, registered providers should fully understand and balance the risks associated with the activity versus the rewards they expect to receive.

Paragraph 2.2 – Reporting

22. Transparency and accountability help drive improvement in value for money. Transparency requires appropriate performance monitoring and reporting systems, encompassing all elements of the value chain and the economy, efficiency and effectiveness of boards' actions and decisions. Where boards find that expected levels of delivery are not being achieved, they should ensure that they have the systems and skills in place to be able to challenge executives. They should also ensure that robust plans are in place for improvement, or where it would not be appropriate to undertake improvements, this should be clearly stated and the rationale for the decision set out.

23. Registered providers must ensure that the reporting undertaken meets the requirements of the Standard, including the requirement to report against the metrics defined by the regulator and to report value for money at a group level, taking into account all areas of the organisational structure. Registered providers should also report on different activities and types of assets that are appropriate to their business priorities. Registered providers who undertake a range of different activities are expected to report on those activities separately to their social housing activity. They should also ~~consider~~ report their actual performance, previous year's performance, future forecasts, targets against forecasts ~~five-year forecast, and targets for five-year forecasts~~ in relation to strategic objectives.

23 Registered providers are also free to report any additional measurements that they consider would aid understanding of their performance (e.g. costs and outcomes for supported housing and other specialist areas of the business). Explanation of underlying factors influencing performance must be factual and concise and easily identifiable.

24 Registered providers are required to publish reporting on the above in their statutory accounts in a way that is clear, concise and appropriate to their stakeholders.

25 Registered providers are, in addition to the reporting in the annual accounts, free to report outside of these accounts in any way they see fit if they consider this increases transparency with stakeholders.

Legal status of the Code

26 This Code is issued by the Homes and Communities Agency – the Regulator of Social Housing, under section 195(1) of the Housing and Regeneration Act 2008 (as amended) (the Act). It relates to the Value for Money Standard (the Standard) set by the regulator under section 194 of the Act.

27 Section 195(2) of the Act provides that the regulator may have regard to the Code when considering whether the Standard has been met.

28 The Code applies to all registered providers which are subject to the Standard (i.e. private registered providers and not local authority providers of social housing).

Annex 4: Business Engagement Assessment

Business Engagement Assessment	
Title of proposal	**Statutory consultation on Changes to the Value for Money Standard**
Lead regulator	*The Regulator of Social Housing*
Contact for enquiries	*Referrals and Regulatory Enquiries team* 0300 124 5225 enquiries@rsh.gov.uk

Date of assessment	*Sept 2017*		Stage of assessment	*Final*
Net cost to business (EANCB)			Commencement date	*April 2018*
Which area of the UK will be affected by the change(s)?	*England*		Price and present value base years	
Does this include implementation of Red Tape Challenge commitments?	*No*		Is this directly applicable EU or other international legislation?	*No*

Brief outline of proposed change

The regulator proposes to revise its Value for Money Standard and supplement this with a Code of Practice to aid understanding about how the requirements in the Standard could be met.

Why is the change proposed? Evidence of the current problem

The social housing sector has and continues to undergo significant changes. The sector has diversified and become less reliant on grant. It is finding new and innovative ways of delivering new housing supply. This brings with it a new and more diverse range of risks. To help mitigate these risks and to ensure that the sector can continue to deliver new housing supply there has been an increased focus across the sector, and from government, on value for money.

The regulator has a range of statutory objectives. The Housing and Regeneration Act 2008 (HRA 2008) states that the regulator must perform its functions with a view to achieving (as far as is possible), the economic regulation objective and the consumer regulation objective. It is to do so in a way that minimises interference and (as far as is possible) is proportionate, consistent, transparent and accountable.

This consultation focuses on meeting both the regulator's objectives but with specific reference to the economic objective.

This is set out below:

- to ensure that registered providers of social housing are financially viable, properly managed, and perform their functions efficiently and economically
- to support the provision of social housing sufficient to meet reasonable demands (including by encouraging and promoting private investment in social housing)
- to ensure that value for money is obtained from public investment in social housing
- to ensure that an unreasonable burden is not imposed (directly or indirectly) on public funds
- to guard against the misuse of public funds.

Having a robust and transparent approach to the regulation of value for money is central to ensuring that the regulator can meet its fundamental objectives.

While our current VfM Standard and approach have been successful in driving both transparency and improvement across the sector we have concluded that they require updating to meet the needs of a rapidly changing sector.

The focus of the changes is to:

- continue to drive improvements in value for money in the sector
- ensure a strategic approach to delivering value for money is embedded within businesses
- encourage future investment in housing
- enhance the consistency, comparability and transparency of value for money reporting.

The statutory consultation document sets out the regulator's proposals for a new approach to value for money via a new Standard and supporting Code of Practice.

Which types of businesses will be affected? How many are affected?

The new Standard proposes a more embedded approach to integrating value for money into the performance management frameworks that providers have already established. The focus is on embedding value for money into the strategic objectives of the organisation and hence making this part of the 'day job' of the providers.

There is also a proposal to introduce a set of metrics by which the regulator can measure value for money. While these are new in the value for money context they are all metrics based on data that providers currently submit to the regulator. It is also true that for much of the sector, providers already monitor and measure the majority of these metrics in the course of their work.

All private registered providers would be affected by the new approach to value for money, although the impact on large providers (over 1000 units) will be much greater. As at August 2017, there were 1,560 providers registered with the social housing regulator. Of those, 1,079 were non-profit-making registered providers with less than 1,000 units and 38 were profit-making registered providers.

These proposed changes do not impact on local authority registered providers as currently our economic standards (which include value for money) do not apply to local authority registered providers.

It is difficult to quantify the extent to which registered providers would be affected by the changes as this will be different for each individual business. Overall, it is anticipated that the new requirements would not amount to any significant extra burden or cost. We acknowledge that there might be additional cost to providers due to changes to the International Standard on Auditing (UK) 720 “The Auditor’s Responsibilities Relating to Other Information” affecting accounting periods commencing on or after 17 June 2016; however this is a change that has happened independent of this consultation.

How will the change impact these businesses?

As explained above, the proposed new requirements are less about creating new systems and processes for value for money and instead focus on mainstreaming the value for money requirements within existing performance management frameworks of providers. We acknowledge that this will be a change for some providers but for many this will already be the case around their work on value for money.

Removing the requirement to submit a narrative-focused value for money self-assessment would lead to a net reduction in the regulatory burden placed on providers as the new reporting requirement will be more focused. The new reporting requirements would enable greater transparency and comparability across the sector.

The new requirement to develop targets around value for money will have an impact on those providers who do not currently set such targets. Many providers will already set targets by which they measure value for money; hence the impact is not expected to be that high across the sector as a whole

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Clearly those providers that do not currently use targets to drive performance in value for money will face a greater impact. However, this is felt to be a proportionate requirement as targets play an important role in the performance management of an organisation.

Impact on small businesses

The majority of the sector comprises of small providers/businesses. We have addressed this in our consultation by minimising the impact on this section of providers in light of our duty to minimise interference and proportionality.

The consultation document proposes to continue our existing regulatory approach to regulating smaller providers of less than 1,000 units. Registered providers which own fewer than a thousand social housing units collectively account for less than 5% of the sector's total assets, turnover and debt. As a result, the regulator considers that a different level of regulatory engagement is more proportionate. Our full approach to regulating small providers is set out in our Regulating the Standards document.

Equality and diversity

The regulator is mindful of its statutory equality duties under section 149 of the Equality Act 2010. The Homes and Communities Agency has published its equalities objectives that we are working to deliver. These include work to ensure that we pay due regard to equality when undertaking our regulatory functions.

The regulator will take a proportionate approach to its equality obligations and has at this stage identified no specific equalities implications of the changes proposed in this consultation. The regulator's changes to the Value for Money Standard and Code of Practice constitute primarily a change to the way providers report on how they are tackling value for money rather than being directive about the individual measures that providers choose to take. In this, as in all areas, the regulator's co-regulatory approach means that these decisions are for the provider to take. As a result of this, a full equality analysis has not been completed on the proposed changes but equality will continue to be considered during future development of the proposals.

Although there are no apparent impacts arising from the proposals we acknowledge that providers' pursuit of value for money does have the potential to disproportionately affect people with protected characteristics. Where difficult decisions need to be made by providers they are under their own equality duties to ensure that their decisions support the requirements of the Equality Act 2010 and meet all aspects of the General Duty.

Due to this it is incumbent on providers to ensure that they understand and address any impact on equality when working to deliver value for money under the new Standard. If through its regulation of value for money the regulator becomes aware of a provider not giving equality and diversity due regard, this may be looked at and addressed under the Governance and Financial Viability Standard.

The regulator has reviewed its consideration of the impacts on equality and diversity following the consultation and the analysis of stakeholder feedback. No feedback was received that has had any impact on this assessment. The responses we received to the consultation were very supportive of our approach to both the Business Engagement Assessment and the equality aspects of this assessment. As such, no further work on an equality analysis of these proposals is necessary. We will monitor the implementation of the proposals; should further work become necessary we will revisit our equalities analysis.

This publication is also available at www.gov.uk/social-housing-regulation-england.

Any enquiries regarding this publication should be sent to us via enquiries@rsh.gov.uk.

Or call: 0300 124 5225.

Or write to:

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