

**Community  
Housing  
Cymru**

*and*

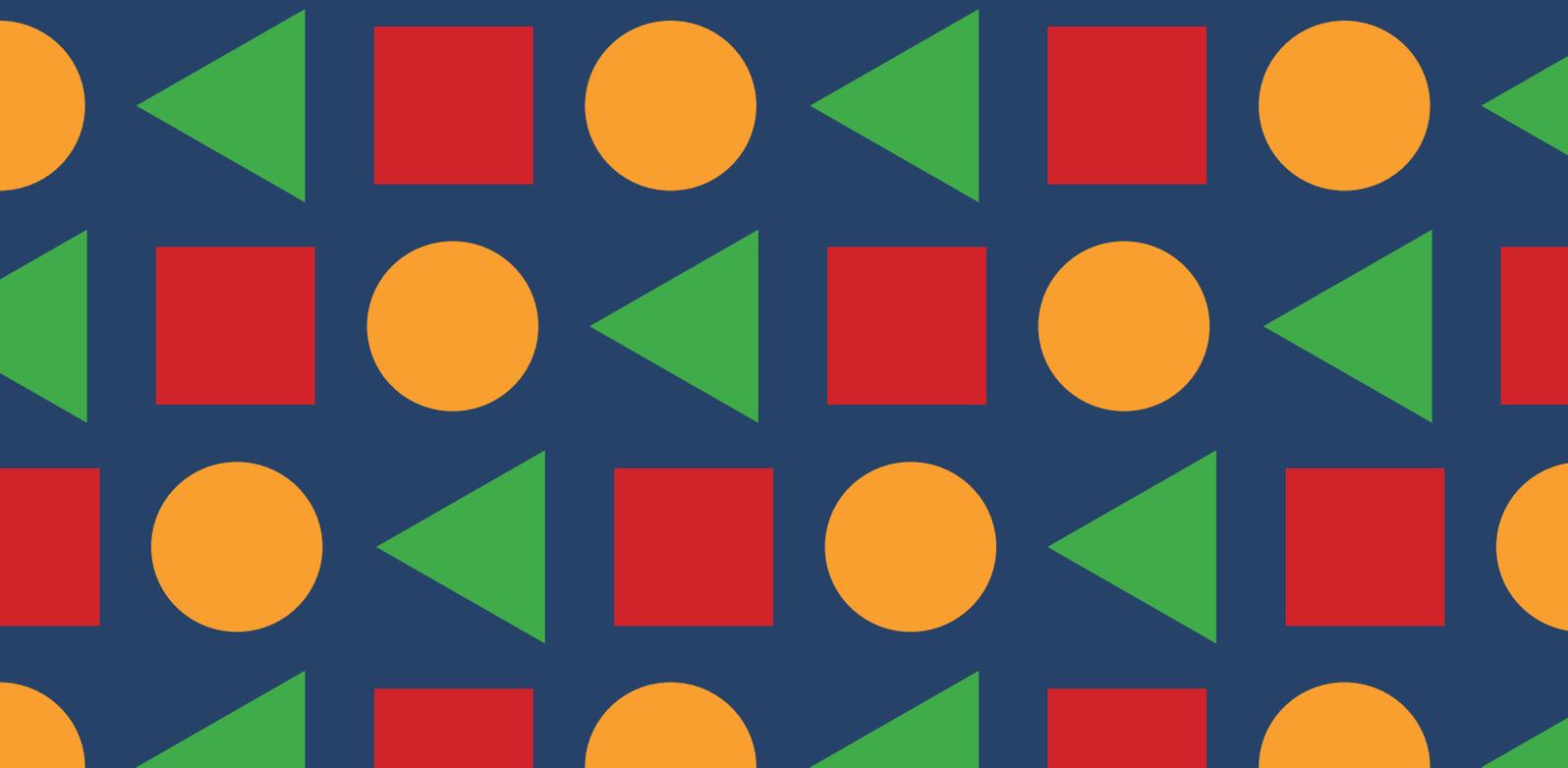
**HouseMark** 

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Maximising Our Contribution:

**A practical guide for  
Welsh Housing Associations  
on how to **define**, **deliver** and  
**demonstrate** Value for Money**

- Steve Smedley & Hayley Macnamara



# Foreword

This publication is intended as a contribution to the developing debate on Value for Money (VFM) in Wales.

It is intended to bring clarity to what is often seen as being a difficult subject, and is not intended to close down thinking, but instead to open the subject up - in order to assist the sector in defining, delivering and demonstrating VFM. It will be of particular interest to senior officers, board members and tenants involved in the decision-making and management of housing associations.

It reflects the practical experience of staff and tenants from housing associations across Wales and the knowledge of Community Housing Cymru (CHC) and HouseMark, the latter built up over fifteen years of advice and support on VFM.

The publication was conceived at a round table meeting with housing association Chief Executives, senior managers, CHC and Welsh Government in April 2016. Further sector engagement took place to understand the variety of views on the meaning of VFM for the Welsh social housing sector. We carefully consulted the sector participants and the regulator on the draft – it was particularly important to ensure that the content is aligned to developing regulatory VFM expectations. A more detailed summary of our approach is set out in Appendix 1.

It is a mix of 'thought leadership' - to help housing associations define what VFM means to their organisations - as well as practical 'how to' guidance in terms of delivering and demonstrating VFM.

A checklist of practical considerations is included as an insert - to help members of boards, tenants and staff and who may not have the time to read the full publication.

The principles underpinning this publication are relevant to all types of housing association and are equally relevant to local authority housing. However, it is not meant to be prescriptive. Instead, it sets out a recommended approach to VFM, based on high-level principles that individual housing organisations can adopt or adapt, depending upon their size, geography and purpose.

**Debbie Green**  
Chair, Community Housing Cymru

**Laurice Ponting**  
Chief Executive, HouseMark



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# 1. Executive Summary

VFM is achieved by being economic, efficient and effective in the pursuit of social objectives that benefit a range of stakeholders. As organisations with social purpose, housing associations are committed to maximise value for their tenants, future tenants and wider community. However, in the context of austerity, an increasingly challenging operating environment for housing associations and real hardship for many tenants, there is a sense that associations need to redouble their effort in terms of delivering and demonstrating VFM.

This is reflected in the Welsh Government's regulatory framework. Its high-level VFM expectations encourage housing associations, in conjunction with their tenants and other stakeholders, to define what VFM means in practice, taking account of diversity and local context. The government is effectively saying that whatever the organisation's mission is, VFM is about maximising its delivery and then demonstrating it to stakeholders.

Significantly, the independent Regulatory Board for Wales (responsible for overseeing the regulation of Welsh housing associations) has indicated that its approach to VFM assessment is a key priority for review later in 2016 and report in early 2017.

Recent regulatory assessments point to the need for the development of a comprehensive organisation-wide approach to VFM – suggesting that focussed effort is required, particularly in terms of addressing internal arrangements to secure VFM delivery.

When demonstrating VFM (and indeed performance in general against the Delivery Outcomes), regulatory assessments suggest that housing association public reporting of the self-evaluation is of variable quality. Welsh Tenants echo these sentiments and consider that some housing associations could be more transparent about VFM outcomes and engage more with

tenants when developing VFM strategy.

In a spirit of co-regulation, Welsh Government has given housing associations the opportunity to take a lead on VFM and demonstrate their commitment to it. This publication is intended to help in this endeavour.

In terms of defining, delivering and demonstrating VFM, the key considerations are as follows.

VFM is not straightforward in social housing: there is a range of perspectives held by different stakeholders on what the 'value' means in VFM, and the outcomes often have a difficult-to-measure social dimension. **Defining** value and measuring it is therefore a challenge.

Understanding the 'money' in VFM requires transparency - 'drilling down' beyond the rent charged to shine a light on operating costs for services and the associated performance. Similarly, housing associations need to be transparent about their use of housing stock (assets) to demonstrate an effective use of resources.

VFM is the optimum relationship between the value that is created for the money and resources available. It is achieved through adherence to the 3Es – getting the 'business basics' right by adopting practices that optimise economy, efficiency and effectiveness. A fourth E, Equity - spending fairly to ensure that those in greatest need are considered - is also a key element of VFM in Wales.

Achieving VFM requires the housing association to be clear about its purpose and role in order to define what value (and therefore VFM) means in its own context. This then needs to be communicated to stakeholders and tenants so they know what to expect.

There is significant overlap between Welsh Government social policy and what housing associations are trying to achieve, which means it should be relatively straightforward for them to map and report the value of their contribution to the 'Wales we want' as part of their VFM self-evaluation.

More thought needs to be given as to how tenants are engaged in VFM, and what support and training they may need to do this.

**Delivering** VFM requires an evidence-based strategic approach, targeted activity and appropriate governance and performance management arrangements.

Getting a grip on service cost and performance, asset management and procurement is critical to the success of the business and achieving VFM.

There is no silver bullet or aggregate measure that enables an immediate understanding of VFM performance; it is a case of identifying a suite of measures that:

- cover the areas of 'value' created
- enable an understanding of 'money'
- indicate how efficient key business processes are

Such a suite can be simplified to create a VFM scorecard to focus on the most essential indicators of VFM success. From this top level, the housing association can drill down, where necessary, for a deeper level of analysis and transparency.

Data, however, is only part of the VFM equation. The narrative around VFM is equally important, as it can explain the context and the difficult choices that housing associations have to make in securing VFM.

To enhance the housing association's 'VFM story', its contributions to the Well-being

Future Generation Act 2015, CHC's Socio-Economic Impact report and Welsh Government Community Benefit returns can be used to provide a light-touch summary of social value.

In addition, an increasing number of social landlords are looking to better understand their social impact by adopting evaluation methodologies such as Social Return on Investment. Social impact is part of the VFM story, but it is for landlords to decide how far they wish to take this and which methods to adopt.

In terms of **demonstrating** VFM, measuring it is half the battle: housing associations need to communicate it as well. They should reflect on the extent to which the VFM information they provide tenants is accessible and transparent so that meaningful involvement in shaping services and scrutiny can take place.

Essentially, VFM should not be seen as a regulatory prescript but good business sense - as evidenced by the sector feedback that supports this report.

# Format

The publication follows the format:

## Defining Value for Money (VFM)

What is meant by value and VFM and what are the perspectives of key stakeholders?



**Defining  
Value for Money**

## Delivering Value for Money

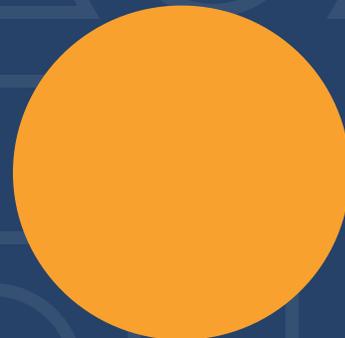
What are housing associations doing to achieve VFM and what are the big issues that need to be tackled?



**Delivering  
Value for Money**

## Demonstrating Value for Money

Making VFM judgements, measuring VFM and social value, and communicating it.



**Demonstrating  
Value for Money**

## 2. Defining VFM

VFM is not straightforward in social housing: there are a range of perspectives held by different stakeholders on what the 'value' means in VFM, and the VFM outcomes often have a difficult-to-measure social dimension. Context is also a major factor, e.g. what is the organisation trying to achieve, for whom and where? The biggest challenge for housing associations is actually defining value and measuring it. As a Sector Panel<sup>1</sup> respondent said, **"the money bit is easy."**

This section unpacks what is meant by value – through the lens of different stakeholder perspectives which associations will wish to take account of when defining their VFM strategy.

### 2.1 VFM - The provider perspective

Generally, housing associations create value by engaging in the following activities as identified by CHC in the 2015 Global Accounts report<sup>2</sup>:

- **Developing new homes and alleviating homelessness**
- **Tenant services and improving living conditions**
- **Regeneration and community investment**
- **Creating opportunities for jobs, training and apprenticeships and a route out of poverty**
- **Supporting people to live independently**
- **Working with a range of partners to improve wellbeing in Wales**

Significant additional value may also be created in the process of delivering these activities, notably through good procurement practice. Welsh Government expects housing associations to evidence the positive impact of procurement activity through the Community Benefits Measurement Tool<sup>3</sup>. The concept of Community Benefits recognises the need to reflect social, economic and environmental considerations in procurement decisions.

Whilst tenants are the primary focus for this value, beneficiaries also include the wider community and local and national government. Executives, boards and those tenants involved in decision-making must recognise and balance diverse value perspectives, including those of existing and future tenants.

'Money' needs to be understood in a social housing context. At its simplest, it involves the resources available to the association derived from rents, service charges, borrowing and current and cumulative Welsh Government grant investment.



VFM is about ensuring that every pound spent delivers the maximum impact possible in terms of quality and/or quantity. Without VFM as an overarching principle: you will inevitably spend more than you need to achieve your objectives. Nobody likes throwing money away and our tenants certainly can't afford for us to do so.



- Ffrancon Williams -  
Chief Executive  
Cartrefi Cymunedol Gwynedd

1. 20 organisations participated in the Sector Panel, each filling out a questionnaire. Full details of the approach taken to reflect the sector's perspective in this publication are provided in appendix.1  
2. The 2015 Financial Statements of Welsh Housing Associations, CHC and WG, 2016; [http://chymru.org.uk/uploads/general/The\\_2015\\_Financial\\_Statements\\_of\\_Welsh\\_Housing\\_Associations.pdf](http://chymru.org.uk/uploads/general/The_2015_Financial_Statements_of_Welsh_Housing_Associations.pdf)  
3. Community Benefits: <http://chymru.org.uk/en/policy/housing-led-regeneration/community-benefits/>

VFM is therefore the optimum relationship between the value that is created for the money and resources available. As Coastal Housing Group explain below, this is achieved through adherence to the 3E's.

VFM is about getting the best outcomes possible using the available resources. In other words it is the optimal relationship between economy, efficiency and effectiveness (the 3 E's) where:

- Economy is achieving the best price for what goes into providing a service
- Efficiency is doing something well and eliminating waste to deliver the best service for the cost
- Effectiveness is achieving our objectives and improving customer satisfaction with the outcomes

As a social business, it is crucial to be able to do the day job as efficiently and effectively as possible so that we can focus on delivering services that people want at the price they want, and can afford, and that we are able to invest in our communities

- Debbie Green -  
Chief Executive  
Coastal Housing Group

...it isn't just about money. We have assets that can be used not just as homes, but to provide security for lending to provide funding for more homes. Other built assets may have capacity to provide local community space. Our people too can be helped to fulfil their potential so that they deliver excellent service. Enthusiastic, confident and skilled people transmit that energy to others, thereby helping the communities in which they work.

- Nia Robin -  
Head of Governance & Compliance  
United Welsh

At the round table discussion<sup>4</sup> held to initiate the development of this publication, attendees suggested the following three tier approach to VFM:

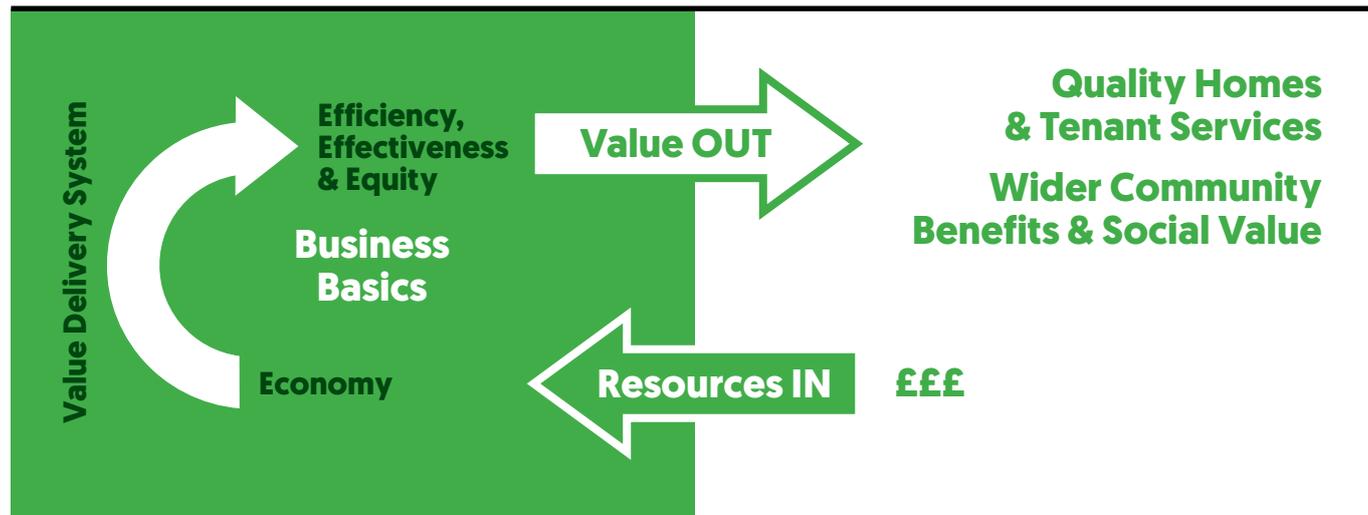
1. Running an economic, efficient, effective, resilient business – getting the 'business basics' right
2. Delivering good quality, energy efficient homes and services that meet tenants' needs and aspirations at a price they can afford<sup>5</sup> as fairly as possible
3. Delivering wider community benefits and social value

Recognising diversity and responding equitably is reflected in the sector feedback, as well as Welsh Government social policy. It provides a fourth E for consideration: equity.

4. The attendees are noted in appendix 1  
5. It is for housing associations to determine affordability based on their assessment of the local context

On this basis, we can develop a simple model for understanding what VFM means for Welsh housing associations. We develop the model further in Section 4. At its core is the need to get the business basics right - a robust foundation for the creation and maximisation of value for a range of beneficiaries.

**Diagram.1 - A model for understanding VFM in Wales**



Whilst 'value' is the product of the organisation's purpose or social mission, the challenge is to maximise it. Just as a public limited company will adopt working practices that make it as economic, efficient and effective as possible to maximise shareholder value, so housing associations will seek to maximise stakeholder value by following the four E's.

It is the role of individual associations and their boards to balance the value perspectives of the provider, tenants, wider community and government. The 'wider community' includes the perspectives of other local service providers which work with the association, particularly in terms of health, social care and addressing homelessness. As one of the round table attendees suggested, there can be tensions between beneficiaries which have to be managed as part of this 'balancing act'.

Achieving VFM therefore requires the housing association to be clear about its own purpose and role in various localities - in order to define

what value (and therefore VFM) means in its own local context. This purpose then needs to be communicated to stakeholders so they know what to expect.

**Sector Panel Findings:  
VFM Perceptions**

All respondents said they would be focused on VFM even if its achievement were not required by the Regulatory Framework. The main reasons:

- It is simply about running a resilient business - get the basics right
- To obtain maximum benefits for stakeholders
- To demonstrate to stakeholders that the investment is worth it
- It is the ethical thing to do for those who receive public funds and tenants' rent money



For us, VFM means:

- Value to our tenants - maintaining core service levels in return for a living rent
- Value to people in need of affordable housing - building good quality energy efficient homes of the right type, in the right place and at right price (for rent and sale)
- Value to communities - deriving as much added value from our investment spend to benefit our communities

Why is it important? We want to do more than just maintain our estates, we want to improve them and be able to keep building more affordable homes. Operating at an optimum level of efficiency will help us achieve more.



- Elizabeth Lendering -  
Finance & Resources Director  
Newydd Housing Association

## Sector Panel perspective on VFM

“ VFM is about delivering services in the most effective and efficient manner aligned to the purpose of the organisation...also...being able to demonstrate the cost and associated value in the service delivery, understanding the main cost drivers and their true cost. ”

“ Maximizing the use of the resources we have and then getting the right balance between providing efficient and effective services to tenants, supporting the more vulnerable ones, helping to improve our communities and building more homes. ”

“ Ensuring everything we do is challenged. ...to ensure it could not be done more efficiently, effectively or more economically... ”

“ Value for Money at [association] is the drive to deliver the BEST quality at the BEST cost to achieve the BEST outcomes. ”

“ It is about the long term achievement of all of the diverse social objectives of the organisation...There are many additional wrap around services and community benefits provided by housing associations. It isn't just about current tenants and stakeholders but future generations as well. ”

“ Providing the best services that we can from affordable rents and deriving maximum value from the resources we expend for our communities. ”

“ We believe in creating strategic partnerships, pooling resource and shared services and expertise where feasible to deliver the best package of support, driving the best possible outcomes. ”

“ Best value for the long term,...using local resource and suppliers where possible to give wider economic benefit, getting best value for everything not just traditional housing costs (especially on new borrowings and new home building), consideration of the wider social impact. ”

## 2.2 VFM - The regulatory framework

Within the regulator's framework, there is significant room for housing associations, tenants and other stakeholders to define what value and VFM means in their context. This section seeks to bring clarity to the regulator's perspective on VFM - to enable housing associations to reflect it in their approach.

The basis of regulation is the Regulatory Framework for Housing Associations Registered in Wales<sup>6</sup> which, consistent with the Welsh Government's commitment to citizen-centred services, puts tenants at its heart. Landlords are expected to comply with Delivery Outcomes – high-level standards of performance in terms of governance, financial management and landlord services. The focus is very much on what associations are achieving, not how it is being achieved – the 'how' is for housing associations to decide.

Each housing association is expected to self-evaluate against the Delivery Outcomes and publish "an evaluation of their health and performance in a way that is readily accessible to tenants"<sup>7</sup> on an annual basis. There is no prescribed suite of performance indicators, approach to self-evaluation<sup>8</sup> or format for publishing the outcome of Board's self-evaluation.

However, the Welsh Government expects a transparent and evidence-based approach in the annual self-evaluation. This, in turn, requires 'drilling down' and reporting in some detail so that stakeholders can better understand service costs and the associated performance.

The publication of the self-evaluation findings is the basis for public accountability. However, the current view of Welsh Tenants is that housing associations could do more to furnish tenants with the information they need to hold landlords to account<sup>9</sup>.

Welsh Government is working with stakeholders to develop minimum expectations for self-evaluation. This work has not yet been finalised due to ongoing discussions with stakeholders regarding Welsh Government's response to the regulatory reform required as a result of likely ONS reclassification of housing associations as public bodies.

Within the regulatory framework, a single sentence sums up what the regulator expects from housing associations in terms of VFM: "we achieve VFM in delivery and procurement to make the best use of our own and public resources". Seen as a facet of good governance, this is essentially saying, whatever it is you exist to do, use all available resources to maximise it. It means that the definition of value, and therefore VFM, is a local matter dependent on the association's mission and context.



The Welsh Government's expectations with regards to VFM are simple: whatever the housing association's business objectives are, it should use all the resources at its disposal to maximise their delivery, and then demonstrate this to its stakeholders through transparent self-evaluation.



- Ian Williams -  
Deputy Director for Sector Development  
Welsh Government

6. Regulatory Framework for Housing Associations Registered in Wales, Welsh Government, 2011 <http://gov.wales/topics/housing-and-regeneration/publications/regframeworkhousingassoc/?lang=en>

7. Page 2. RSL 02/15 Core Principles of self-evaluation for use by Housing Associations registered in Wales, Welsh Government, 2015, <http://gov.wales/topics/housing-and-regeneration/services-and-support/managing-social-housing/circulars/rsl-02-15/?lang=en>

8. The circular, RSL 02/15 Core Principles of self-evaluation for use by Housing Associations registered in Wales does however set out expectations and guidance on the use of self-evaluation. Regulation staff use these principles to make judgements about the robustness of associations' self-evaluations. Failure to meet the requirements is judged a governance risk

9. To facilitate transparency and accountability, Merthyr Valleys Homes has produced a standalone VFM statement: [http://www.mvhomes.org.uk/content/resourcelibrary/downloads/MVH-Value-for-Money-statement\\_aca918.pdf](http://www.mvhomes.org.uk/content/resourcelibrary/downloads/MVH-Value-for-Money-statement_aca918.pdf)

Regulatory opinions also help us understand expectations. VFM is reported under the auspices of governance, not financial management or services. This provides further reassurance that VFM is not a simple cost-cutting exercise, but nor is it simply about service provision – it is about strategic leadership across the business and captures all social housing assets and resources. Indeed, based on recent regulatory opinions, the “development of a comprehensive organisation-wide approach to value for money” seems to be a priority for a number of housing associations.

In assessing VFM, Welsh Government looks for evidence of delivery of a strategic approach:

- Is there a clear strategic approach to VFM?
- Can the Board demonstrate the success of its approach to VFM?
- Is VFM being delivered? Is the approach understood and applied to ensure sound decision-making throughout the organisation?

The arrangements for securing VFM are key here:

e.g. good governance and performance management. Accordingly, is there clear:

- Board understanding of VFM?
- Board accountability for delivery of VFM?

These regulatory expectations can be summarised in a simple illustration (Diagram 2).

## Diagram.2 - Regulatory VFM: Building Blocks

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**Defining VFM**

**Maximise delivery  
for your purpose**



**Delivering VFM**

**Deliver a strategic  
approach to VFM**



**Demonstrating**

**Evidence your  
achievements**

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## 2.3 VFM - What tenants want

HouseMark analysis of 2013/14 customer satisfaction data<sup>10</sup> provides useful insight as to what drives overall tenant satisfaction. Quality of repairs and maintenance has the biggest influence on overall satisfaction, followed by 'listening and acting on tenants' views', VFM of rent and the quality of home. It follows that these are the issues landlords need to get right to keep the customer satisfied.

### Welsh Tenants

In June 2016, Welsh Tenants' convened a group of experienced tenant representatives to, amongst other tasks, consider the tenant perspective of VFM.



I value the work my association does. As a tenant of many decades, something I most value is repairs and a friendly service that cares about you. I value that, if you have a complaint to make, it's dealt with seriously, promptly and compassionately. I also value the ability to get involved and have your say.



- Maldwyn Little -  
Merthyr  
Tenant

This needs to be made transparent so that tenants can 'follow the money' and understand whether VFM is achieved

- Tenants can play an important role in achieving VFM: shaping the desired services (e.g. setting standards and policies) and scrutinising what is delivered to help landlords identify inefficiency
- Tenants involved in VFM and scrutiny processes should be properly equipped with the training and information they need to do so
- Tenants recognise that housing associations serve a broad range of stakeholder interests and that VFM strategy should reflect this

As, VFM is about making difficult trade-offs and understanding opportunity costs, and tenant rents are a key resource for associations, this suggests that there should be tenant input:

- When decisions are being made about delivering services for tenants, and
- When decisions are being made where there are trade-offs between tenant services, and for example, new supply, community investment or debt management.

Tenants may require support to do this as it depends on them understanding how the business is financed and run.

Welsh Tenants' group views are set out in Appendix 2 but the key points are:

- Tenants expect good value for the rents and service charges they pay.
- VFM is about the relationship between service costs and service standards.

10. STAR benchmarking service: Analysis of findings 2013/14.  
Available from: <http://tinyurl.com/qfmw924>

## 2.3 VFM

### - Checklist of key considerations

Key considerations for associations to consider are:

- Does the housing association have a clear sense of what it is trying to achieve? Does it understand:
  - Who its key stakeholders are and what they value?
  - Its role in the various neighbourhoods it operates in?
- Is the housing association able to articulate what VFM means within this context?
- Is the housing association's understanding of its operating environment sufficient to deliver VFM?
  - Does it have the required data to understand the profile of its tenants and market intelligence for business development and procurement?
  - Does it have the business analysis capability to draw insight from such data?
  - Does the executive and Board understand the regulatory position and good practice with regards to VFM?
- Does the housing association have the leadership and business skills to achieve VFM? Where are the gaps and how will they be filled?
- Does the housing association have effective channels of communication with tenants, and other stakeholders, to discuss VFM?
- Are VFM roles clear between governing body, executive, staff and tenants? Do they have the information they need to properly carry out their roles?
- At what point is the quality of home and services 'good enough'? Might better value be obtained by spending on other priorities?

# 3. Delivering VFM

Once VFM is defined, leaders can deliver it by adopting a clear set of principles. VFM delivery requires an evidence-based strategic approach and targeted activity.

Without effective governance and performance management, VFM will not be delivered. This is recognised by the CHC's Code of Governance<sup>11</sup> which stresses the importance of the Board's leadership role and responsibility for driving continuous improvement. Performance management ensures that VFM is embedded in the day to day activity of staff.

This section explores the activity that typically underpins the delivery of strategic approach to VFM.

## 3.1 What are housing associations doing to achieve VFM?

Feedback from the Sector Panel, shown below, suggests housing associations are pursuing a wide range of activity to deliver improved VFM. The panel findings provide ideas for all associations to consider.

### Sector Panel Findings: VFM Priorities

The Sector Panel was asked about the range of activities undertaken to help achieve VFM, under the headings:

- **Service delivery**
- **Business analysis**
- **Behind the scenes**

Whilst the data is not meant to be a statistically representative snapshot of the sector, it provides a sense of the scope and focus of current VFM activity.

11. CHC signed a Housing Supply Pact with Welsh Government in 2014 where it made a commitment to strive for the highest standards of governance by implementing a governance improvement agenda supported by a sector Code of Governance. The Code, produced in consultation with members, sets standards and practices that boards and their members must adhere to. It has been designed to help housing associations develop good governance structures and support continuous service improvement for tenants. <http://chcymru.org.uk/en/board-members/code-of-governance>

# Sector panel findings: VFM activities

	Response %
• Active asset management, eg disposal, changing use	90.0%
• Improving procurement practice	85.0%
• Redesigning & automating processes, re-engineering/systems/thinking	80.0%
• Involving tenants in determining priorities and shaping services	80.0%
• Encouraging tenants to self-serve via digital services	75.0%
• Business growth [lowering unit costs]	70.0%
• Involving tenants in VFM scrutiny	60.0%
• Insourcing	55.0%
• Better partnership working	55.0%
• Rationalising the operating structure	50.0%
• Rationalising business premises (offices, depots, etc)	50.0%
• Outsourcing	45.0%
• Service sharing	45.0%
• Selling services commercially/diversification	45.0%
• Aggregation - groups and mergers	20.0%

# Business analysis

- Understanding costs and cost drivers in more detail
- Stock insight, eg understanding stock performance
- Understanding affordability
- Cost and performance comparisons
- Tenant insight
- Spend analysis (procurement)
- Process benchmarking (how others do things)
- Insourcing

Response %

100.0%

90.0%

85.0%

80.0%

75.0%

70.0%

70.0%

65.0%

# Behind the scenes

- Improving performance management and internal audit
- Improving the oversight of value for money
- Seeking greater staff engagement in business success
- Improving financial discipline
- Board development
- Leadership/executive development
- Improving debt management/ treasury policies

Response %

90.0%

85.0%

85.0%

80.0%

70.0%

70.0%

65.0%

There seems to be relatively modest interest in improving debt management, and yet it, along with sound procurement practice (a popular choice) has significant potential for reducing costs.

Merger is not, in Wales, a common route to achieve VFM. Indeed, there is a sense that the economies of scale argument is not borne out by the facts. The English regulator's recent 'regression analysis' of cost drivers for the 250 biggest associations found no relationship between cost and size<sup>12</sup>.

It is interesting to note the extent to which housing associations are focusing on asset management, which may not have been the case a few years ago. It is clear too that process re-engineering and/or systems thinking are seen as key VFM tools.

### 3.2 Three key elements of VFM delivery

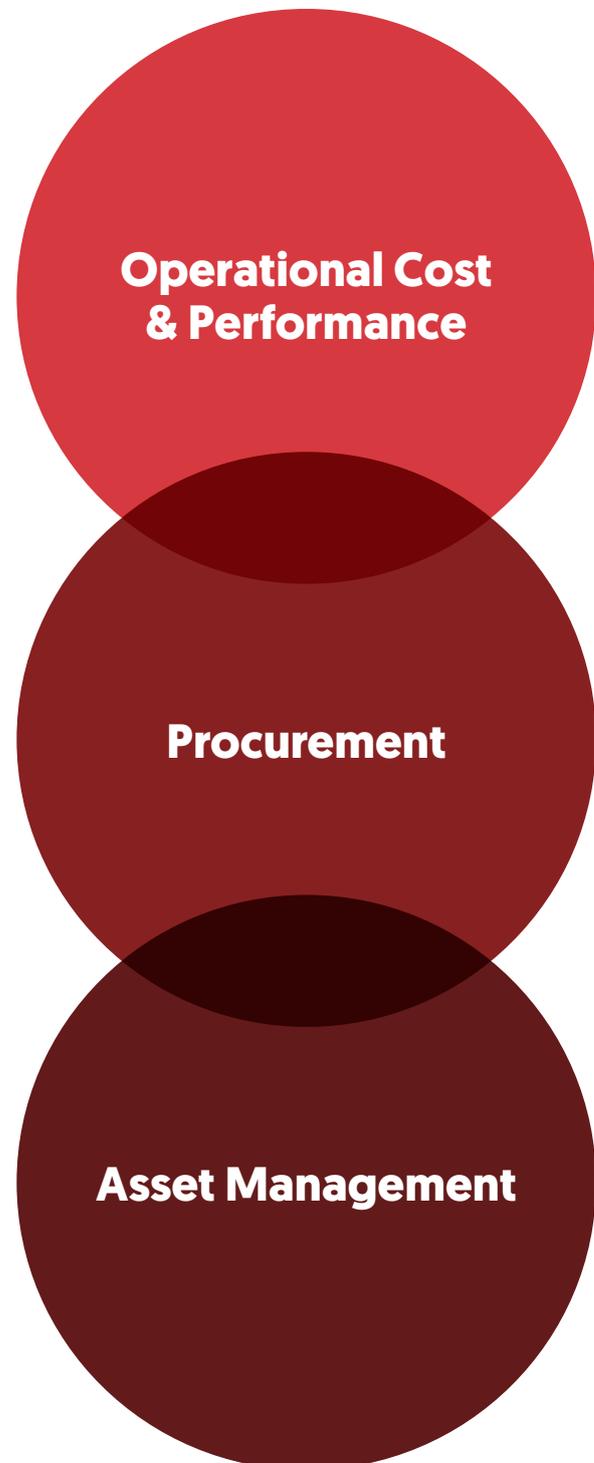
Housing associations have finite resources which are typically deployed on the provision of good quality homes and services.

It is self-evident that associations need to consider whether they have the right service delivery structure and staffing arrangements to ensure VFM.

Here we focus on three big issues in delivering VFM – covering some of the most significant budget areas for associations.

### Diagram.3 - Where the money goes: tackling the big issues

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12. [Delivering better value for money: understanding differences in unit costs - summary report, HCA, 2016  
[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/527847/Unit\\_cost\\_analysis\\_-\\_summary\\_report.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/527847/Unit_cost_analysis_-_summary_report.pdf)].

## Getting a grip on the costs and performance of services

Understanding current costs and performance is a prerequisite to delivering VFM and requires objective data of sufficient detail to enable analysis and insight as to why costs vary for different services, over time and between associations. This could be achieved by:

- Internal measures that reflect delivery of what matters to customers, e.g. average time to complete responsive repairs and completing the works on the first visit
- Benchmarking high level and service level data
- Any other method which enables an analysis and insight as to why service costs vary from appropriate peers and/or over time

Cost drivers and differentials may be justified - they may reflect the operational context or policy differences in terms of service standards and scope. In contrast, inefficiency represents unjustifiable variation. The resulting story of 'why it is so' serves as both a business improvement tool and a means of being transparent with tenants and other stakeholders.

The key data and narrative considerations for bringing such a story together:

- What does the cost data tell the organisation about its spending on specific services and overheads?<sup>13</sup>:
  - Does resource allocation reflect organisational priorities?
  - Why do costs vary? What are the key cost drivers for specific services and what can be done about containing costs? Does service scope and performance justify the cost?
  - Are there contextual issues that need to be factored in, such as stock profile and condition, tenant profile (e.g. extent of supported housing, older people provision and deprivation)?

- What can be done to contain overheads?
- How does the organisation compare:
  - To appropriate peers – what kind of cost and performance for specific services is possible? How ambitious are targets for performance improvement and cost reduction?
  - Over time – is the organisation's trend getting better or worse? Remember this is about continual improvement
- What are the organisation's strengths and weaknesses in terms of delivering VFM?
  - What are the priority areas for improvement?
  - What can be learnt from the way others tackle the priority areas for improvement?
  - What action will be taken, who will lead and what is the timescale?
- What overall conclusions can be drawn about the efficiency and effectiveness of the organisation's staffing structure?

13. Accounting practice varies across the sector, e.g. in terms of defining what is 'social housing' or 'non-social housing' spend as well as settling on an equitable approach to overhead apportionment between the two. This underlines the need for transparency with regards to overhead spending.

## Getting a grip on asset management

In social housing, effective asset management is not simply about maximising financial returns from rents and capital values as a private landlord might, but securing maximum value to the business in the context of its social mission. This means considering, for example tenant and community satisfaction with home and neighbourhood and energy efficiency, as well as the financial return on assets. It might even mean the ongoing provision of homes in a location where the economic case is poor because community need rather than financial return is the imperative.

This requires a thorough understanding of the investment needs and performance of the stock and an active approach to asset management based on that understanding. The key considerations are:

- Does the organisation understand the performance of its stock?:
  - Stock condition, maintenance costs and investment needs
  - The communities and markets it operates in
  - The financial performance of the stock at an appropriate level of detail for the business
  - Are reasons for variation in performance across the stock understood?
  - Is the social value of the stock to the business understood?
- Does this understanding inform a strategic approach to assets that is delivered?:
  - A considered asset management strategy that aims to improve the value of the stock to the business, e.g. through development, improvement, change of use, disposal, demolition, etc.
  - Do key asset decisions over the past year evidence an active approach to asset management? To what extent has the value of the stock been improved with reference to the organisation, tenants and wider community?
- In light of the above, does the organisation understand its strengths and weaknesses in terms of the current approach to assets?

## Getting a grip on procurement

The Wales Procurement Policy Statement (WPPS)<sup>14</sup>, launched in 2012 and reviewed in 2015, supports the Well-being of Future Generations (Wales) Act 2015. The Act, as noted in Section 2, embodies a distinctly Welsh progressive social policy agenda: a more equal Wales where healthy people live in cohesive, thriving, prosperous, attractive, safe, supportive and sustainable communities.

Although intended for the public sector, WPPS principles are self-evidently reasonable and modernising, which is why they are endorsed by CHC. Key principles include:

- A strategic approach to procurement where expenditure is organised and understood
- An appropriate level of professional involvement and influence in procurement spend
- Consideration of VFM as the optimum combination of whole-of-life costs not only for the organisation, but also in terms of the benefit to society, the economy and the environment, both now and in the future
- Implementation of Community Benefits policy as an integral consideration in procurement decisions, i.e. the need to reflect social, economic and environmental considerations in the decision-making process. The Chartered Institute of Housing's 'Can Do Toolkit'<sup>15</sup>, revised in 2013, supports social landlords in their implementation of the Community Benefits process;
- Open and accessible competition
- Simplified, standard processes
- Collaborative approaches where possible, e.g. collective procurement
- Supplier engagement

- Procurement decisions mindful of the goals set out in the Well-being of Future Generations (Wales) Act 2015
- Measurement of procurement outcomes

In 2015, Jane Hutt, Minister of Finance and Government Business, urged organisations to redouble their efforts and recognise the importance of procurement at board level. It has long been argued that improved procurement offers service providers such as social landlords a significant source of VFM gains that may protect and support front-line service provision<sup>16</sup>.

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14. Wales Procurement Policy Statement, Welsh Government, 2015: <http://gov.wales/topics/improving/better/vfm/publications/procurement-policy-statement/?lang=en>

15. Can Do Toolkit, CIH, revised 2013: <http://www.cih.org/2/candotoolkit>. The Welsh Government's Community Benefits: Delivering Maximum Value for the Welsh Pound – 2014 also provides advice on how to incorporate Community Benefits in procurement: <http://gov.wales/topics/improving/better/vfm/publications/community-benefits-2014/?lang=en>

16. Releasing resources to the front line, Sir Peter Gershon, 2004: [http://webarchive.nationalarchives.gov.uk/+/http://www.hm-treasury.gov.uk/media/C/A/efficiency\\_review120704.pdf](http://webarchive.nationalarchives.gov.uk/+/http://www.hm-treasury.gov.uk/media/C/A/efficiency_review120704.pdf)

### 3.3

## How to tackle VFM

### - Checklist of key considerations for:

- Does the organisation do the right things to maximise value for stakeholders?:
  - An evidence-based strategic approach to VFM?
  - The governance and performance management arrangements to deliver it?
  - Does the Board own, understand and drive the VFM strategy and its delivery?
  - Do staff understand what VFM means in the context of their role?
  - The right resource allocation to achieve business objectives, including tenant priorities
  - The right service delivery structure and staffing arrangements to ensure VFM
- Does the organisation do things right?:
  - Understand the cost and performance of services and why costs vary? Is action being taken based on this understanding?
  - How good is financial management and cost control?
  - Can process engineering and digital services improve VFM?
  - Understand the cost, investment needs and variation in the performance of assets. Is action being taken based on this understanding?
  - How good is the approach to development?
  - How good is procurement practice?

# 4. Demonstrating VFM

This section provides a practical approach to measuring and demonstrating VFM that draws on readily available sector data. It suggests that a proportionate approach to social value measurement may complement this data to enable VFM, in its broadest sense, to be demonstrated. As there are no specified regulatory VFM indicators, the primary data sources are likely to be housing associations' own performance, satisfaction, cost and financial indicators measured over time, and compared to others. Indeed, this was borne out in the responses of our Sector Panel when asked about how they measure VFM.

## What's the story? - Making VFM judgements

There is no silver bullet or aggregate measure that enables an immediate understanding of VFM performance because of the complex and diverse nature of what housing associations do. Instead, it is a case of identifying a suite of appropriate measures that:

- Map to the areas of 'value' created (outcomes/outputs) – **effectiveness**
- Enable an understanding of 'money', i.e. service costs (inputs) – **economy**
- Indicate how effective the process of converting inputs to outputs is – **efficiency**

Equity may also be factored in by measuring the outcomes for specific client groups (more below).

Such a suite can be simplified to create a VFM scorecard to focus on the most essential indicators of business success and simplify engagement with stakeholders.

We suggest a way of doing this at 4.3 on page 20.

Making a VFM judgement, e.g. by a housing association as part of the self-evaluation, is arguably a qualitative judgement based on an objective assessment of such data 'in the round.' Key considerations include:

**The relationship between cost and performance** - just looking at 'money' might mean the reader understands the cost of everything but the value of nothing – cost must be understood, therefore, with reference to outcomes, which include performance and satisfaction.

**Trend** - is the organisation getting better or worse over time? A commitment to continuous improvement has been a feature of Best Value and VFM regimes since they were first conceived. The extent of continuous improvement (VFM gains) is measured by the beneficial movement of cost, performance and satisfaction data over time, often described in terms such as 'more for less', 'same for less' and 'more for the same'.

**Comparison** - providing the comparisons are appropriate. As suggested by the tenant in section 2, comparisons help people make VFM judgements in everyday life. However, because of the contextual differences between housing associations noted below, comparisons should never be used as a league table to attempt to pinpoint an organisation's rank amongst its peers. Instead, data should be used to identify cost and performance variation in broad terms, and then crucially, promote a line of enquiry within the organisation as to why cost and performance varies. From such analysis comes understanding and evidence-based improvement action.

**‘Context is everything’** - the operating environment, organisational purpose and the scope and quality of the service offer significantly influence costs. The effect of these ‘justifiable’ cost drivers needs to be understood. Contextual data (such as age or health of customers, employment rates, household income, etc.) help to provide an objective background story.

Data is not enough to tell the ‘VFM story’. Reporting VFM performance is best served by a succinct, accessible, honest and self-aware narrative that draws on the available data as well as the difficult choices made. Qualitative evaluation, helps complete the evidence base required for making VFM judgements.

## 4.1 Measuring value - The effective and equitable delivery of the housing association’s purpose

Value can be defined as the effective delivery of the association’s objectives - as suggested by members at the round table discussion and illustrated by the model on page 9.

As noted, value reflects the benefits falling to:

- Tenants - through the provision of services that meet their needs and aspirations at a price they can afford
- The wider community, service partners and government through community investment

This means that the measurement of value (or effectiveness) must span the key areas of housing association activity identified in section 2:

- New homes (e.g. units developed)
- *Alleviating homelessness (e.g. homeless housed, homelessness prevented)*
- *Tenant services and improved living conditions (e.g. satisfaction with various aspects of the service, responsiveness, service quality, SAP ratings, savings on heating bills)*
- *Regeneration and community investment (e.g. contribution to local economy including jobs, number of people helped/benefiting, satisfaction with programme, ‘distance travelled’ between start and end of engagement)*
- *Job opportunities, training and apprenticeships*
- *Supporting people to live independently (e.g. vulnerable people maintaining independent living, aids and adaptations, satisfaction with support plan, etc.)*
- *Working with a range of partners to improve wellbeing in Wales (e.g. indicative savings falling to Health, Social Service, Police, etc.)*

Commercial activity adds value too where the proceeds are reinvested in the above activity (e.g. contribution to surplus which can be used to build new homes).

In seeking to measure value, some indicators might be more important than others, depending on business objectives, including tenant priorities. Once again this is a judgement call for Boards.

Some of these activities (notably community investment, supporting independence and wellbeing) yield complex social benefits that may not be fully reflected in simple metrics - for example, by counting the number of beneficiaries. Here, a more in-depth, one-off or occasional evaluation may be required that seeks to unpack the value of the initiative or activity in question (see further discussion in section 4.4).

Wales' fourth E – Equity - may also be reflected in the delivery of value. For example, specific value/effectiveness indicators might be selected and broken down by client group in a way that is meaningful to the housing association. It is not uncommon for organisations to analyse their satisfaction results in this way, as a basis for ensuring that all tenants get a fair deal.

## 4.2 Closing the circle - Adding economy and efficiency to the mix

Housing association accounts data, such as that reported in the global accounts, provide high level indicators of management and maintenance costs per unit. This data can be effectively deployed to capture headline indicators in terms of 'economy' – one of the 3 E's in Value for Money. Metrics like the increase in stock, debt per unit and ratio of grant to use of own resources help evidence VFM here. Accounts data can also enable a better understanding of corporate VFM, e.g. operating margin and the relationship between growth in turnover and growth in costs serve as indicators of getting the 'business basics' right.

### A question of cost - What's happening elsewhere?

#### England

The England regulator (HCA) has recently undertaken its own analysis of global accounts data and issued high-level unit cost information to English housing association boards to encourage them to drill down further into their cost base to better understand why they vary from national quartile values. The HCA accompanied this data with a sophisticated regression analysis which accounts for 50% of the justifiable cost variation between housing associations. HCA's point is that, allowing for justifiable

variation, there remains a wide gulf in costs (30% between top and bottom quartile) some of which is likely to be attributable to inefficiency. To answer the question posed by the high level of indicators, even having further interrogated the global accounts, the HCA explicitly requires housing associations to provide more detailed service-level benchmarking data to see where the money goes and why it varies.

#### Scotland

The Scottish regulatory framework accentuates the link between what tenants pay and what they get. The Scottish Housing Regulator (SHR) collects specified performance data alongside rent levels and publishes these on a comparison website so that tenants and other stakeholders can make their own VFM judgements and hold social landlords to account. The regulatory framework also requires clear information on service costs to be provided to tenants as part of an informed dialogue that ultimately strikes a balance between the rent charged, service levels and affordability. SHR, like its English counterpart, has become increasingly stringent in its call for transparency on costs:



Tenants should be able to demand and get transparency on how the costs landlords pass on to them help, or detract them from, the provision of quality homes and services. So, landlords need to be able to demonstrate transparency on costs and a vigorous pursuit of value for money.



- Michael Cameron -  
Chief Executive, SHR

CHC's Finance Forum is exploring how the annual global accounts exercise might yield better high level unit cost data. There is no intention to mandate housing associations to change their accounting treatments, but rather that in producing the annual global accounts, there is greater disclosure of treatments taken such that a like for like treatment can be adopted in the indicators. The work has resulted in a suite of indicators - spanning the improved high level unit costs measures and corporate VFM (as discussed above) - to help demonstrate 'business basics.' The indicators will be published as part of the 2016 global accounts.

Having established how their headline costs compare, housing associations will then want to establish and compare:

- **The drivers of these costs at a service operational level – in other words, where the money actually goes**
- **The breakdown of these service costs between direct costs and overheads**

This granular cost comparison data can be effectively deployed to capture headline indicators in terms of 'efficiency' – another of the 3 E's in Value for Money.

Efficiency is important as it enables an understanding of whether the conversion of inputs to outputs is optimised. In other words, it helps housing associations to understand how good the systems and processes associated with value delivery are. Typical efficiency indicators might include rent collection rates, average re-let times, number of staff per unit, sickness absence, etc. Good social housing services are built on well-trained, engaged and motivated staff. So it is important that the productivity and commitment of staff is understood.

The principal means of demonstrating VFM and understanding cost variation is through the transparent use of cost and performance benchmarking data, reported at service level as illustrated in diagram 4. The diagram shows how an organisation might use trend data to

understand its 'direction of travel' together with appropriate comparisons as a business tool for exploring, within the organisation, what is driving cost and performance. This analysis serves as the basis for evidence-based improvement action. The data also provides additional transparency when demonstrating VFM to stakeholders, complementing the higher level scorecard set out at 4.3.

The two approaches to cost comparison – high-level accounts (economy) and in-depth service cost (efficiency) align neatly as co-dependent frames of reference when demonstrating Value for Money.

## Diagram.4 - Demonstrating VFM with transparent cost, performance and satisfaction data

**HouseMark**  Abridged from Housemark data collection

Indicator	Our trend over time			How we compare to others in 2015/16	
	2013/14	2014/15	2015/16	Peer Group 2015/16	Nationally 2015/16
<b>Repairs &amp; Maintenance</b>					
• Responsive repairs cost per property	599	568	550		
• Average days taken to complete a repair	11	8	5.5		
• Satisfaction with repairs and maintenance	84	84	82		
<b>Major Works &amp; Cyclical Maintenance</b>					
• Major works and cyclical cost per property	700	767	895		
• Satisfaction with quality of the home	84	86	88		
<b>Rent Collection &amp; Arrears</b>					
• Rent arrears and collection cost per property	48	54	44		
• % rent collected	95	99	100		
• Current tenant arrears as % of annual rent debit	5.59	2.33	3.27		
<b>Voids &amp; Re-lets</b>					
• Lettings cost per property	41	43	42		
• Percentage of rent lost through dwellings being vacant	0.51	1	0.7		
• Average re-let time (calendar days)	20	30	29		
<b>Resident Involvement</b>					
• Resident involvement cost per property	33	33	36		
• Satisfaction that views are listened to and taken into account	70	70	72		

### Key:

Upper Quartile:  2nd Quartile:  3rd Quartile:  Lower Quartile: 

## 4.3 Demonstrating VFM via a scorecard

A corporate VFM scorecard operates as a top-level view of the business and draws on the most essential indicators of organisational VFM. Diagram 5 revisits the VFM model on page 9 as the basis for thinking through what a scorecard might look like, including suggestions for the kind of indicators than an association might choose<sup>17</sup>. As always 'less is more' – housing associations should be selective about the composition of their scorecard, whilst ensuring a balance of VFM's long-standing three E's. The suggestions below draw on HouseMark's VFM reporting experience and incorporate the metrics developed by CHC's Finance Forum.

From this top level, the association can drill down, where necessary, for a deeper level of analysis and transparency on cost and performance. Such a drill down could also reflect Wales' fourth E – equity.

### Diagram.5 - VFM 'in the round': building your own scorecard

#### Additional Social Value Data:

Effectiveness metrics supported by data/narrative reflecting contribution to:

- CHC Socio-Economic Impact Report
- Community Benefits
- Wellbeing Act

Plus any social value impact evaluation such as SROI

#### Efficiency

- % Rent/service charges collected
- Average re-let time
- % Appointments kept
- % Repairs completed first visit
- Average days to complete repair
- % Dwellings with gas safety check by anniversary date
- % Properties accepted first offer
- Satisfaction with complaints handling
- Average sickness absence
- % Staff turnover
- % Staff satisfaction with employer

#### Economy

- Cost per property eg:
  - Headline social housing costs
  - Housing management
  - Responsive repairs
  - Major works
  - Bad debts
- Overheads as % revenue spend
- Rent per social housing unit
- Key financial data, eg.
  - Growth in turnover
  - Operating margin
  - % Arrears
  - % Void loss
  - Average cost in capital
  - Debt per unit
  - Free cash flow

#### Effectiveness & Equity

- Units developed as % of current stock
- % Satisfaction with new home
- Average SAP rating
- % Satisfaction for a range of services (repairs, ASB, etc.)
- % Satisfied rent/service charges represent VFM
- Net promoter score
- % Satisfied with neighbourhood
- % Vulnerable achieving independent living
- Number of beneficiaries of various community investment activity

For equity, metrics like the ones shown above may be broken down by client group for deeper analysis

17. HouseMark members can access a similar scorecard (based on the classic balanced scorecard approach) populated with the latest data they have submitted. Members are able to self-select the indicators they want to show in each quadrant of their scorecard from the HouseMark basket of PIs.

## 4.4 Measuring social value

The previous section underlines the fact that it is possible to measure VFM by using existing available data sources such as housing associations' own performance, satisfaction, cost and financial indicators measured over time, and compared to others. This is essential if organisations are to avoid making an industry out of measurement. It is also worth keeping things in perspective - the vast majority of housing association spend is devoted to the traditional social landlord activities the metrics set out above seek to measure. However, to reflect the sector's added value, a housing association's contribution to the Well-being Future Generation Act 2015, CHC's Socio-Economic Impact report and Welsh Government Community Benefit returns could be brought together to provide a light-touch summary of social value that would enhance VFM reporting.

For example, the Well-being of Future Generations Act 2015 is measured by 46 national indicators which span health, environment, education, household income, employment, poverty and deprivation, access to services, ability to influence decisions, feeling safe, satisfaction with local area, loneliness and the energy performance of dwellings. In reporting their performance, it should be relatively straightforward for housing associations to explain, and hopefully quantify, through their own metrics, how they have contributed to these national well-being metrics and the goals they seek to measure.

### Diagram.6 - Our contribution to the Wales we want

#### This is our performance against our own objectives...

- Health-related projects
- Efforts to limit environmental impact
- Education and training
- Financial inclusion work
- Sub-market rents
- Employment projects
- Accessibility of services
- Tenant involvement
- neighbourhood safety
- Satisfaction with local area
- Work targeted at elder loneliness
- Work to improve energy performance



#### ...and this is how it links to National Indicators/goals

- Health
- Environment
- Education
- Household income
- Poverty/deprivation
- Employment
- Access to services
- Ability to influence decisions
- Feeling safe
- Satisfaction with local area
- Loneliness
- Energy performance of dwellings

A similar line may be followed with regards to the Community Benefits and CHC Socio-Economic Impact Report.

## Community Benefits

Housing Associations, on a voluntary basis, use the Value Wales Community Benefits Measurement Tool to evidence the positive impact arising from procurement activity. In 2014, of the completed tools returned to Welsh Government, 52% came from the housing sector.

Case studies fed into the tool provide a sense of quantified social value and can be used by their owners in a light-touch social value summary as part of their VFM story, e.g:

- 45 disadvantaged people helped into employment
- £256k savings to HM Treasury
- 9 Apprenticeships
- 238 Apprenticeship weeks

An increasing number of social landlords across the UK see a business case for developing a deeper perspective on the VFM of their social and environmental impact, particularly with regards to activities such as procurement, community investment and support<sup>18</sup>. Typical drivers include the need to understand if key objectives are being met, to inform future plans and resource allocation and as vital evidence for winning business. Four out of twenty of our sector panel respondents included impact and evaluation techniques such as SROI as part of their approach to measuring VFM.

There is no specific regulatory requirement to adopt social impact methodologies. Indeed, Ian Williams, Deputy Director for Sector Development, Welsh Government, is keen that the sector takes a proportionate and common-sense approach to social value measurement and does not 'tie itself up in knots debating the number of Angels that can dance on the head of a pin'. It is for landlords, however, to decide which methods to adopt.

## CHC's Socio-Economic Impact Report

The Socio-Economic Impact report estimates the economic impact of CHC members over time in terms of gross value added impact (the financial contribution to Wales' gross domestic product) and direct and indirect full time equivalent (FTE) jobs. It also captures the number of additional homes provided.

The 2015 report suggests that housing associations in Wales directly contributed £1.1bn to the economy, with 79% of this expenditure retained in Wales. The indirect supplier effect alongside this meant the total contribution to the economy was £2bn (i.e. the additional benefit felt further down the supply chain). Approximately 9,000 FTE jobs are directly employed by the sector and, for every direct job provided, 1.5 are supported elsewhere in the Welsh economy, which equates to approximately 23,000 jobs. 1,923 additional rented and LCHO homes were also provided - 517 of them without Social Housing Grant.

The value of support and community work often manifests in positive but difficult-to-measure changes to individual and community wellbeing, as well as resource savings to partner organisations, e.g. the preventative work of front-line or specialist support staff often benefits health, social care and the police. It is difficult to imagine a way of developing an in-depth understanding of the landlord's cause and effect here that does not involve some form of impact evaluation that focuses on the initiative in question.

*Journey to Impact*<sup>19</sup>, published by HouseMark, provides an excellent introduction to those who want to better understand the measurement of social impact in social housing and the options available. Its key points are set out in Appendix 3.

18. Social Value Today: Current public and private thinking on Social Value, 2015, Tomlins [link]. HouseMark conducted an in-depth analysis of 53 English and Welsh social landlords' approach to social value measurement. Procurement, community regeneration, resident involvement and social inclusion and cohesion were the most popular focal points for social value measurement. The report also sets out the range of reasons why landlords choose to measure social value as well as providing an update on UK and international social value measurement.

19. Journey to Impact: A practitioner perspective on measuring social impact by Stephen Russell. (2013) Midland Heart and HouseMark. Available from <http://tinyurl.com/na3olp4>

As the Health and Social Care Integration agenda advances, social landlords have the potential to make an even more significant contribution to the nation's wellbeing, but this will require a convincing evidence-based narrative for partners and government about the effectiveness of current and proposed initiatives. The sector's efforts in advancing the measurement of social value are therefore necessary and welcome. It is also worth noting that the social housing sector is only at the start of what looks to be an extremely long and interesting journey<sup>20</sup> in measuring social value.

## 4.5 Communicating VFM Performance

In terms of demonstrating VFM, measuring it is half the battle: it has to be communicated as well.

In the light of the tenant views and regulatory expectations discussed above, landlords should reflect on the extent to which the VFM information they provide tenants is accessible and transparent and enables meaningful involvement in shaping services and scrutiny. The results from the Sector Panel indicate a varied approach to demonstrating VFM to tenants, ranging from newsletters and annual reports to face-to-face tenant panel meetings.

The regulatory downgrades in English housing association governance ratings associated with the VFM self-assessment, and indeed the HCA deciding to publish its own comparison of high-level unit costs, have largely been about a failure to be transparent and provide assurance that the association is compliant with regulatory standards. So what are the lessons?

VFM reporting should:

- Be objective, balanced, open and honest:
  - Representing a true and fair picture of VFM

- Providing systematic coverage and narrative across activities and not weighted to strengths
- Be clear about what the housing association is trying to achieve, where and for whom
- Maximise understanding:
  - A clear and logical structure which helps the reader navigate to areas of interest
  - Be succinct and use plain language
  - Use tables, scorecards and data visualisation, which also reduces the need for text
  - Explain why the data selected is useful if not self-evident
  - Briefly explain any key relevant contextual issues
  - Make other forms of communication available, e.g. braille
- Provide sufficient information to enable the reader to form a rounded judgement
  - Include trend information – remember this is about continuous improvement
  - Include appropriate comparisons with others – essential to making a VFM judgement
- Provide the opportunity for tenants to seek more information, get involved and challenge

The contextual narrative is crucial. Some costs might be justifiably high because of demographic or geographic issues such as a high proportion of elderly tenants or dispersed stock, or the housing association may have invested more in a service in a bid to improve standards. Telling a VFM story is about the intelligent use of high-level and detailed measures in context.

20. Led by the voluntary sector and supported by the Cabinet Office amongst others, the Inspiring Impact programme is noteworthy because it aims to change the way the UK voluntary sector thinks about impact and make high-quality impact measurement the norm for charities and social enterprises by 2022. It is likely that the outcome of its endeavours will be of significant interest to social landlords. Website: <http://inspiringimpact.org>

## 4.6

### How to demonstrate VFM - Checklist of key considerations for housing associations

- **Can the housing association measure VFM?**
  - Does it have appropriate cost and performance data that reflects the value created?
  - Does it understand what the relationship between cost and performance over time and compared to others?
  - What other forms of evaluation are required to complete the VFM story?
- **Would a top-level VFM scorecard help the housing association better understand and communicate VFM?**
- **Is there a business case for considering the measurement of social value?**
- **How accessible and transparent is the information the housing association provides on VFM?**
  - Does the data used evidence VFM performance in an objective and intelligible manner?
  - How good is the accompanying narrative in terms of telling the VFM story?

## 4. Conclusion

The regulatory position on VFM simply reflects what any social landlord with a commitment to its purpose should be doing anyway: making the best use of resources to maximise the value it creates at an affordable price. Just as public limited companies seek to maximise shareholder value, social businesses should be looking to provide as much value as possible for stakeholders. At the heart of this mission are tenants and other service users.

Getting a grip on VFM requires housing associations to define, deliver and demonstrate it. This means:

- Being clear about purpose and what the organisation is trying to achieve for stakeholders
- Communicating purpose, value and role to stakeholders so they know what to expect
- Meaningful involvement of tenants in shaping services and scrutiny of VFM
- Having the right leadership and business skills to achieve organisational purpose
- Doing the right things - focusing resources on activities that will achieve this purpose
- Doing things right – having a strategic approach to VFM that is honest, self-aware and addresses the principles of what the housing association needs to get right to be successful
- Being able to measure the product and the costs associated with production, and demonstrate this relationship to stakeholders in an accessible and transparent manner

To put it another way, a business should know why it exists, who it serves, what it needs to do to be successful and be able to measure and demonstrate the extent of its success in terms of delivery outcomes and VFM. We hope that this publication will assist associations in getting there by explaining the context and views on VFM in Wales, what it means to tenants and stakeholders, how to drive efficiencies through procurement, how to measure social value and overall how to apply VFM strategies successfully within your business.

# Appendix.1

## - Approach & Acknowledgements

This publication was informed by research that included valued contributions from the sector. We acknowledge and thank the people involved. In particular, we wish to thank Ross Fraser (formerly HouseMark Chief Executive) for editing the publication.

### VFM Round Table

The round table was chaired by Stuart Ropke of CHC and hosted by Merthyr Valley Homes in April 2016. The debate discussed and agreed the key themes of the project: defining, delivering and demonstrating VFM.

Attendees:

- **Hilary Jones**  
Chief Executive, Bro Myrddin
- **Chris O'Meara**  
Chief Executive, Cadwyn HA
- **Mark Potter**  
Director of Finance & ICT, CCHA
- **Debbie Green**  
Chief Executive, Coastal Housing Group
- **Stuart Ropke**  
Chief Executive, CHC
- **Hayley Macnamara**  
Policy and Programmes Manager, CHC
- **Karen Dugate**  
Chief Executive, Family HA
- **Martyn Seaward**  
Head of Central Services, Hafod Resources
- **Ross Fraser**  
Chief Executive, HouseMark
- **Peter Griffiths**  
Head of member relations, HouseMark
- **Steve Smedley**  
VFM Lead Associate, HouseMark
- **Martin Asquith**  
Manager For Wales, HouseMark
- **Robert Smith**  
Chief Executive, Linc Cymru
- **Peter Crockett**  
Deputy Chief Executive, Melin Homes
- **Lorraine Oats**  
Finance Director, Merthyr Valleys Homes
- **Marisa Cass**  
Accountant, Merthyr Valleys Homes
- **Mike Owen**  
Chief Executive, Merthyr Valleys Homes
- **Chris John**  
Business Improvement Manager, Newport City Homes
- **Paul Roberts**  
Chief Executive, Newydd HA
- **Linda Whittaker**  
Chief Executive, NPT Homes
- **Lisa Pinney**  
Executive Director – Finance & Procurement, Pobl Group
- **Lynne Williams**  
Finance Manager, Taff HA
- **Marcia Sinfield**  
Director of Finance, Tai Calon
- **Nia Roblin**  
Head of Governance and Compliance, United Welsh
- **Stuart Epps**  
Resources Director, Wales & West Housing
- **Carol Kay**  
Senior Regulation Manager, Welsh Government
- **Zoe Weaver**  
Financial Planning Analyst, Welsh Government
- **Ian Williams**  
Deputy Director for Sector Development, Welsh Government

A follow up meeting with CHC's Finance Forum also explored VFM metrics.

## Sector Panel

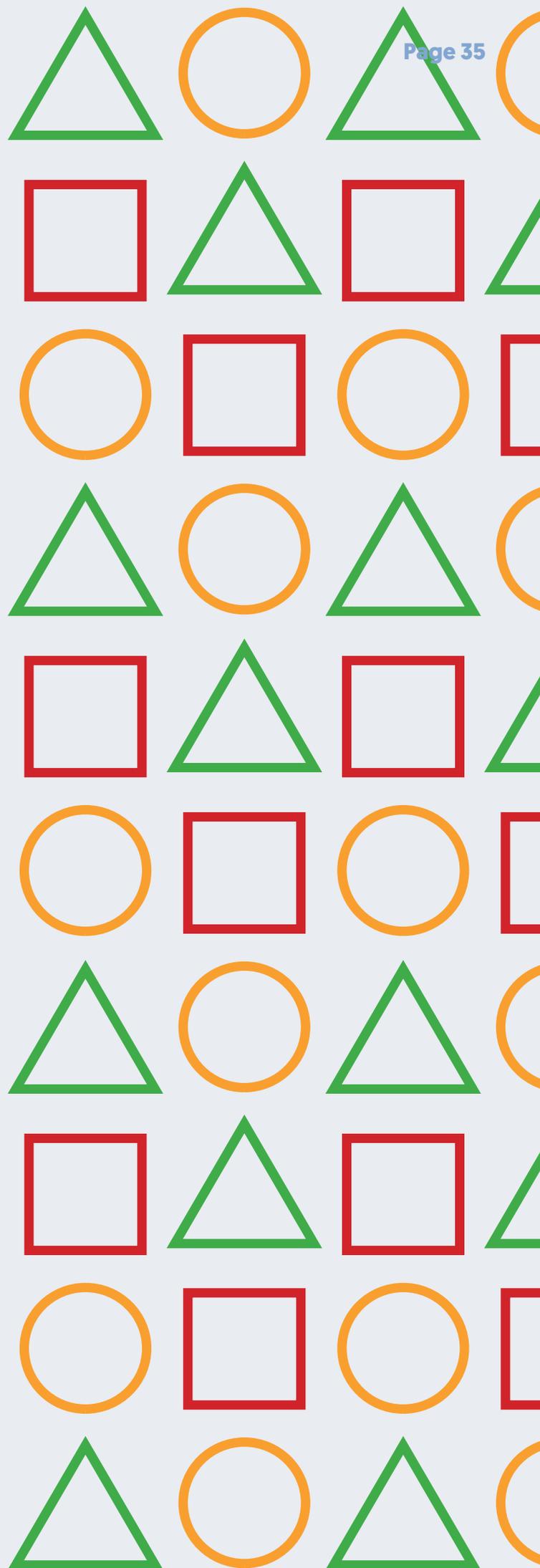
To inform the content of the report, 20 organisations (15 traditional associations, three LSVTs, a community mutual and a specialist supported provider) participated in a sector panel, each filling out a questionnaire. The split by stock size is shown below. Chief Executives and executive directors, by and large, completed the survey.

- **Questions sought to better understand:**

- Respondents' perspective of VFM
- Respondents' understanding of VFM regulation
- Engagement in VFM activities
- Involvement of tenants in VFM
- Challenges and obstacles to achieving VFM
- Measuring VFM and social value

- **Participants:**

- Cynon Taf Community Housing Group
- Pobl Group
- Linc-Cymru Housing Association Ltd
- Melin Homes
- Hafod
- Cardiff Community Housing Association
- First Choice HA
- Bron Afon Community Housing
- Newydd Housing Association (1974) Limited
- Trivallis
- Cartrefi Cymunedol Gwynedd
- Rhondda housing association
- Coastal Housing Group
- Hafan Cymru
- North Wales Housing
- Pennaf Housing Group
- Cadwyn Housing Association
- Merthyr Valleys Homes
- Wales & West Housing



## Welsh Tenants

Welsh Tenants' convened a group of experienced housing association and local authority tenant representatives, who were interested in sitting on a new National Tenants Council, to consider the tenant perspective on VFM. The proposed role of the council is to act as champions for tenants and explore matters of law, policy and practice.

## Readers Group

The following people considered this document at the draft stage:

- Carol Kay  
Welsh Government
- Ian Williams  
Welsh Government
- Stuart Epps  
Wales & West Housing
- Elizabeth Lendering  
Newydd Housing
- Debbie Green  
Coastal Housing
- Nia Roblin  
United Welsh
- Trevor Henderson  
Pennaf
- Chris O'Meara  
Cadwyn
- Duncan Forbes  
Bron Afon
- David Lloyd  
TPAS Cymru

## Additional contributions from:

- Sarah Cole  
Cadwyn Housing Association
- Stuart Ropke  
CHC
- Hayley MacNamara  
CHC
- Tamsin Stirling  
Freelance Policy, Research  
and Strategy Expert
- Martin Asquith  
HouseMark
- John Robinson  
HouseMark
- Bethany Hall  
HouseMark
- Stuart Epps  
Wales and West Housing
- Carol Kay  
Welsh Government
- Steve Clarke  
Welsh Tenants

# Appendix.2

## - Welsh Tenants' perspective to VFM

Welsh Tenants findings were as follows:

- Tenants expect good value for the rents and service charges they pay.
- VFM should not simply be about cost-cutting or charging for additional services, but it should be about enhancing the core social housing mission of providing affordable homes and services. Whilst there is an acceptance that housing associations might need to build homes on a commercial basis to cross-subsidise core activity, this should not result in a loss of focus on the social mission.
- There is a fourth 'E' – equity - spending fairly to ensure those in the greatest need are considered.
- VFM is about the relationship between service costs and service standards. This needs to be made transparent so that tenants can 'follow the money' and understand what is driving the cost of rent and whether VFM is achieved.
- Tenants involved in VFM and scrutiny processes should be properly equipped with the training and information they need to establish standards, monitor and measure outputs and evaluate their impact.
- Tenants recognise that housing associations serve a broad range of stakeholder interests. Landlords should be clear in their corporate plans about their purpose, role, the stakeholders they produce outcomes for and what VFM means to them. VFM then needs to be:
  - *managed where the following are critical: governance, financial stewardship, performance management, procurement and customer focus<sup>21</sup>*
  - *demonstrated – transparently communicated to ensure accountability*
- Tenants understand the need to build homes for future generations for those in need. Many tenants would willingly pay a little more rent if its contribution towards new homes delivery was clearly communicated and demonstrated.
- Tenants can play an important role in achieving VFM: both in terms of shaping the desired services (e.g. setting standards and policies) and then scrutinising what is delivered (evaluating outcomes and holding the executive and Board to account). Tenants and landlords should understand the difference between the two forms of involvement as the roles are different and should be treated as such.
- Some tenants feel that there is waste in the system, particularly in terms of use of resources and inefficient practice. Tenants can help define optimal standards – the least cost for best outcome – thereby avoiding wasteful 'over delivery' where standards are unnecessarily high and expensive.
- Landlords should demonstrate the actual impact of tenant involvement on the organisation, particularly in terms of reducing costs or improving services.

21. The group supported these essential aspects to embedding VFM based on a previous CIH/HouseMark publication: Embedding VFM, which was reissued in 2011: [http://comet.housemark.co.uk/hmresour.nsf/lookup/EmbeddingValueforMoney.pdf/\\$File/EmbeddingValueforMoney.pdf](http://comet.housemark.co.uk/hmresour.nsf/lookup/EmbeddingValueforMoney.pdf/$File/EmbeddingValueforMoney.pdf)

# Appendix.3

## - Measuring Social Value

HouseMark's field-leading guide to measuring social value, *Journey to Impact*, makes the following key recommendations:

- Selecting an appropriate method should be guided by who the audience is and the purpose of the study
- SROI and cost benefit analysis (CBA) are the most commonly cited methodologies for housing
- Both approaches have much in common - they:
  - *Seek to answer the questions: has my intervention caused a change in outcome and what is the value of that change?*
  - *Require the identified outcomes to be converted into money to allow a comparison between costs and benefit*
- However, putting too much store on the comparison of the monetised benefits across projects is not advisable as the underlying techniques and assumptions are likely to be different
- Other approaches include:
  - *Cost effectiveness analysis – similar to SROI and CBA but it does not monetise the outcomes. It is useful for comparing interventions where the outcome is the same, e.g. where you might have a number of projects associated with job creation.*
  - *Social accounting – a broad framework for communicating the social value of organisations (rather than specific interventions). The output is generally a set of social accounts that complement the financial accounts.*

Whilst SROI's headline multiplier ratio often raises sceptical eyebrows, it is the evidence-base underpinning 'a story of change' – mapping the impact for a range of partners/stakeholders and then seeking to quantify the benefits - that is most important.

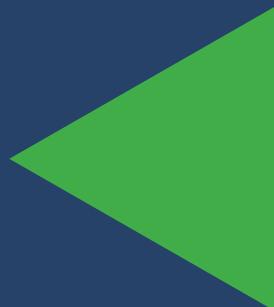
Organisations like HACT and New Economy recognise that it is not always practical to undertake a full SROI or CBA evaluation and have sought to offer more scalable solutions. HACT's social value bank<sup>22</sup> includes a range of 'off the shelf' methodologically consistent wellbeing values (the benefit to the individual as opposed to partners) for a broad range of interventions, including employment, local environment, health, financial inclusion and youth. Providing the cost of the activity or intervention is known, a simple relationship between inputs and value may be inferred.

New Economy's unit cost database<sup>23</sup> brings together more than 600 cost estimates, most of which are national costs derived from government reports and academic studies. They cover crime, education and skills, employment & economy, fire, health, housing and social services and enable the value of prevention to be estimated. Social Value UK (formerly SROI Network) also hosts a growing database of values and indicators - the Global Value Exchange<sup>24</sup> - that can be used in social value evaluation exercises. The Social Value Portal<sup>25</sup> suggests that there are currently over 1,150 social and environmental impact metrics in use across the world. These include specific metrics such as 'carbon emissions' and 'jobs created', the happiness index, through to sentiment analysis.

22. Social Value Bank: <http://www.hact.org.uk/social-value-bank>  
 23. New Economy Unit Cost Database: [http://neweconomymanchester.com/stories/832-unit\\_cost\\_database](http://neweconomymanchester.com/stories/832-unit_cost_database)  
 24. The Global Value Exchange: <http://socialvalueuk.org/publications/gve>  
 25. The Social Value Portal <http://socialvalueportal.com/>

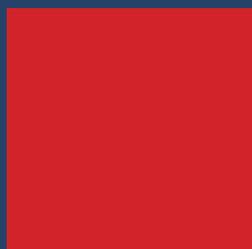
# Does your housing association deliver value for money?

## -Key practical considerations



### Defining Value for Money

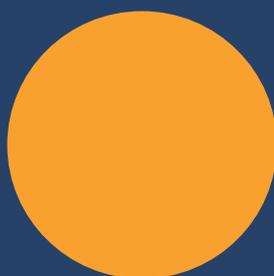
- Is the purpose and objectives of the association clear to all stakeholders?
- Can the association articulate what VFM means in the context of its purpose and objectives?
- Is there a good understanding of the association's operating environment?
  - Does the association understand its tenants and their needs?
  - Does it gather the right intelligence on market and procurement trends?
  - Is the board and executive up to date on Welsh Government VFM expectations?
- Have tenants been consulted on the association's approach to VFM?



### Delivering Value for Money

- Does the housing association do the right things to maximise VFM?
  - Is there an evidence-based strategic approach to VFM?
  - Are the right governance and performance management in place to deliver VFM?
    - Does the association have the required leadership and business skills?
    - Does the board own and drive the strategy?
    - Does the board and executive have the right information to monitor VFM?
  - Are the staffing and other resources being allocated effectively to balance business objectives, tenant priorities and regulatory expectations in pursuit of VFM?
  - Are the right service delivery structures and staffing arrangements in place?

- Does the housing association do things right to maximise VFM?
  - Does it understand the cost and performance of services and why costs vary? Is action being taken on this understanding?
  - How good is financial management and cost control?
  - Does it understand the investment needs and performance of different properties in the overall housing stock? Is action being taken based on this understanding?
  - How cost effective is the development of new homes?
  - How cost effective is the procurement of goods and services?



### Demonstrating Value for Money

- Can the association measure VFM?
  - Does it have sufficient cost and performance data?
  - Does it understand the relationship between cost and performance over time and compared to others?
- Would a VFM scorecard help better understand and communicate VFM?
- Is there a case for including wider community benefits (social value) in VFM measurement?
- How accessible and transparent is VFM information?
  - Does it evidence VFM in an objective and intelligible manner?
  - How good is the accompanying VFM story?
  - Have tenants received easy-to-understand reports on how VFM is being delivered?



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