



VFM self-assessment workshop

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Workshop aims

To provide you with the tools and information to produce a robust VFM self-assessment by way of:

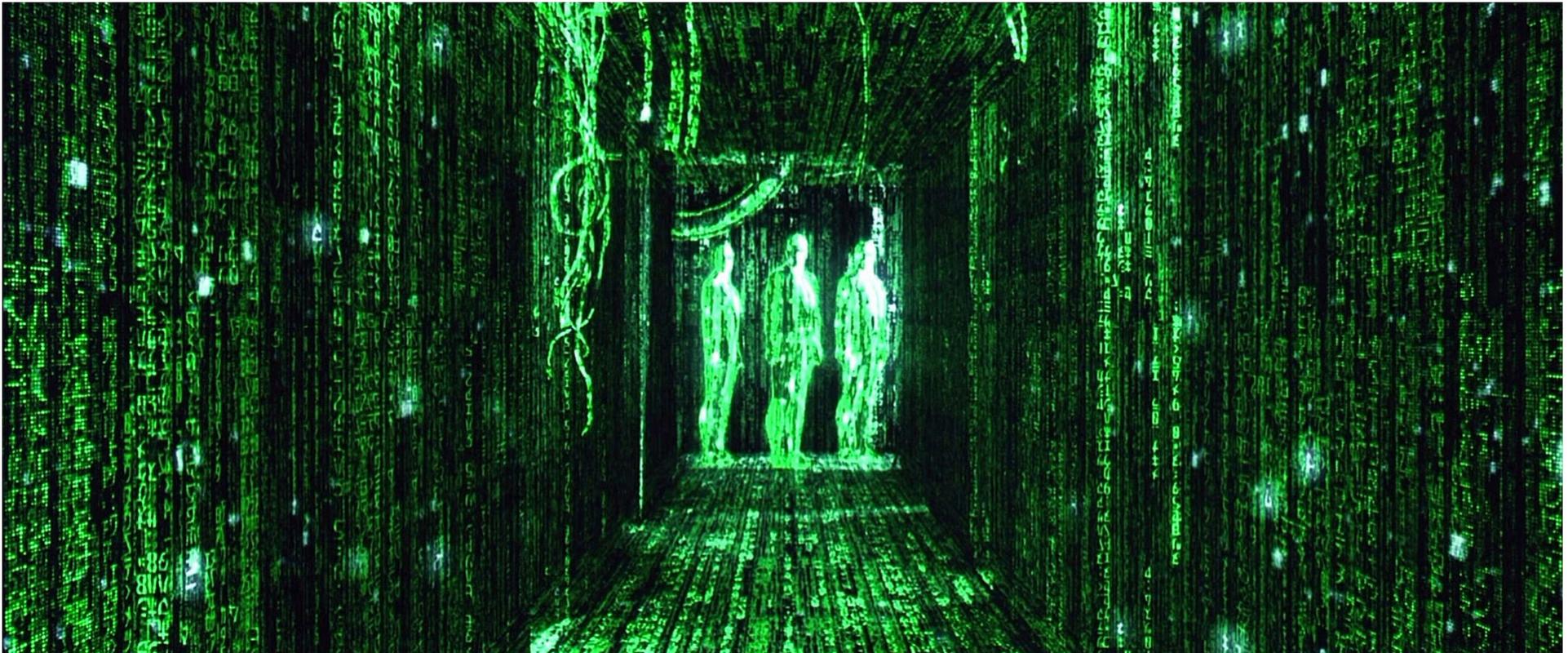
1. Clarity on the requirement in light of lessons learnt from 3 years of self-assessment
2. Understand how political environment might influence the VFM SA
3. Where might VFM be going?
4. Step through the process – trusty template revisited

It's your day informal and participative

As always, keep it in proportion

Before dropping into the Matrix

- Who are you?
- What do you do?
- Particular issues?



**CLARITY ON THE REQUIREMENT –
MAKING SENSE OF THE PASSED 3 YEARS**

Regulation basics

- Same set of standards apply to smaller HAs as 1000+
- Assurance-based approach to regulation
 - HCA aims to obtain sufficient evidence (assurance) standards are being met
 - starting point is HAs' own assurance on compliance with standards
 - HCA wants assurance that the board is assured!
 - HCA guided by 8 question engagement framework
 - *Q5 does the organisation demonstrate how it achieves VFM in meeting its strategic objectives?*
- **so VFM self-assessment is key evidence/assurance**
- **ability to drive VFM** a key indicator of quality of **governance**
- **downgradings** largely about a failure to assure that comply – not VFM performance

VFM: why?



VFM was invented
by this man in a
government lab

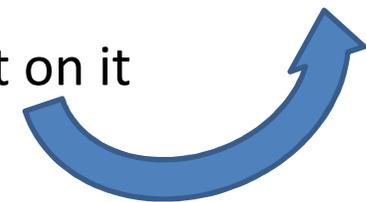
Purpose of economic regulation (taken from current Regulatory Framework):

- *to protect historic government subsidy, promote access to private finance, and **help address the lack of competitive pressures on providers which might otherwise put pressure on service quality and efficiency***

VFM basic mechanics



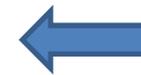
- any VFM 'regime' includes:
 - defining VFM - current approach
 - whatever you exist to do, max out on it (HCA - VFM standard)
 - supply (Tories - George and Dave)



VFM goes existential
n'est-ce pas?

Expectations

- delivering VFM – a strategic approach & doing the right things and doing things right
- demonstrating VFM – report publicly in a transparent, accessible and robust manner. Why? Accountability.



VFM self-
assessment
fits here

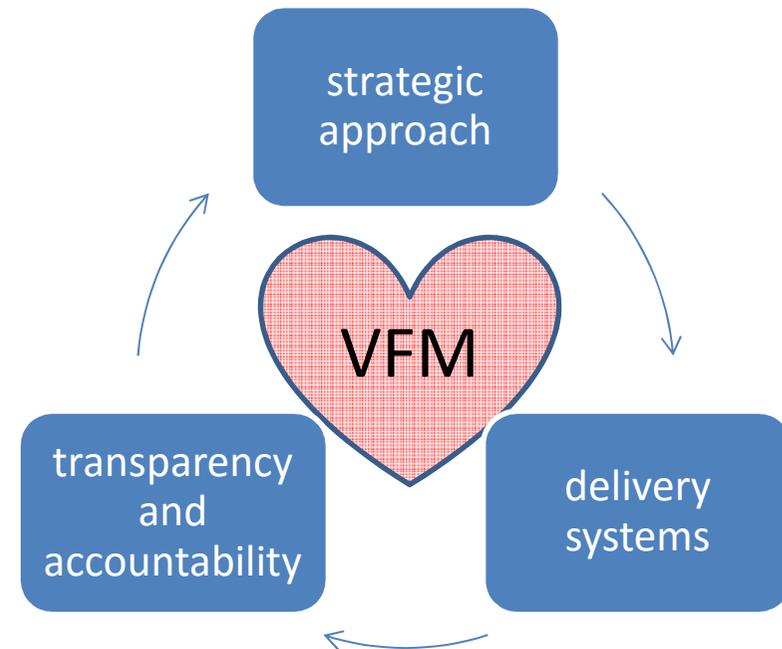
Applying the mechanics to current regulation gives us a VFM Regulatory Principle

VFM goes to the heart of how providers ensure current & future delivery of their objectives:

- **boards** expected to
 - develop & deliver a strategy to achieve **continuous improvement** in their performance on **running costs** & the **use of their assets**
 - be **transparent & enable scrutiny** of their performance

Regulatory Framework

self-assessment - an exercise in transparency & accountability



Continuous improvement cycle

Hold the fort: self-assessment logic

Need data over time! - your trend

'continuous improvement' infers **measurable gains in cost & performance/outcomes**

(more for less, more for same, same for less)

Your gains are a product of this beneficial movement in cost/performance

.....so benchmarking data good start for evidencing:

- **absolute & comparative cost & performance**
- **past gains & setting future targets**

The VFM standard: *delivering* VFM

- a **comprehensive strategic** approach to **continuously improving** VFM [across **operations** (people) & **physical assets** (property)]
 - in the context of **objectives**
 - mindful of **stakeholder** interests
- **3 Es** still relevant as means to achieve VFM
- **specific expectations:**
 - robust approach to use of resources
 - understand return on assets and a strategy for continuously improving returns
 - effective performance management and scrutiny arrangements (to drive continuous improvement)
 - an understanding of service costs, outcomes & what drives those costs

The VFM standard: *demonstrating* VFM

- “**Boards** shall **demonstrate to stakeholders** how they are meeting this standard. ... they will publish a **robust self-assessment** which sets out in a way that is **transparent** and **accessible to stakeholders** how they are achieving VFM in delivering their purpose and objectives.”
- assessment shall
 - enable understanding of return on assets
 - set out absolute & comparative costs of specific services
 - provide a backward & forward look on VFM gains
- included in operational & financial review (OFR) or ‘board report’

This is what
you need to
understand &
get right!



In case you haven't got it yet....in other words: *what the VFM standard is trying to achieve & what the HCA is seeking assurance on*

Desired outcomes are *no more than what an effective board will already be doing* - HCA looking for assurance that:

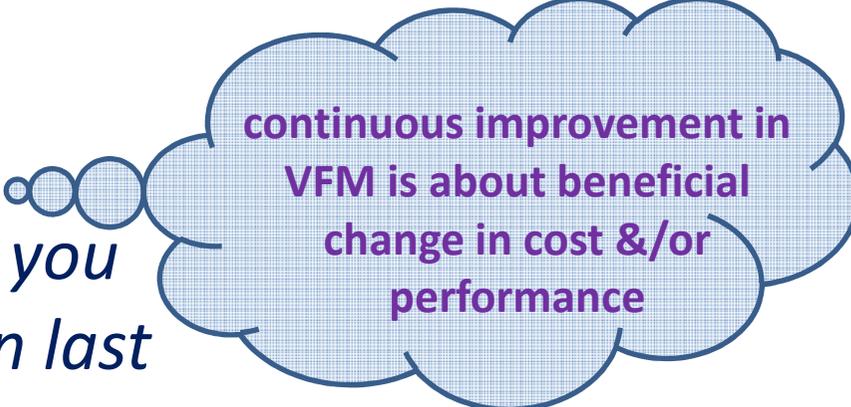
- providers have **comprehensive & strategic** approach to VFM that is **board-led**
- boards **clear** about:
 - their strategy
 - how the business is structured
 - how its resources are applied to deliver their plan
- providers have **effective performance management & scrutiny** functions
- boards **understand** ROA, **consider** asset use in the round & **seek** the best strategy for delivering value from them, whilst meeting organisational objectives
- providers operate efficiently & effectively as possible, seeking to **control and optimise** the relationship between costs **and** quality of services
- providers are as **transparent** as possible about the above and **can be held to account by key stakeholders**

.....there's more – Matthew's top tips

- *does the self-assessment give the reader enough information to make a judgement on whether your organisation offers VFM in delivering your objectives compared to your peers?*
- *does it give them enough information to judge whether you are doing better or worse than last year?*

A light blue, cloud-shaped thought bubble with a dark blue outline and a fine grid pattern. It is connected to the first bullet point by a thin line and three small circles.

this is meant to be a stakeholder document that enables them to make a judgement

A light blue, cloud-shaped thought bubble with a dark blue outline and a fine grid pattern. It is connected to the second bullet point by a thin line and three small circles.

continuous improvement in VFM is about beneficial change in cost &/or performance

Observations on 3 years

- Same old: HCA still moderately unhappy with sector response particularly:
 - articulating ROA in the VFM SA (providers better at talking about it during IDA)
 - setting out quantifiable forward gains/targets (as a basis for being held to account the next year)
- Providers not clear what HCA is looking for especially on:
 - ROA (surprised?)– semantics?
 - getting the doc right
 - accounts –v- standalone, data timetable
 - how much info? Stick it all in? Overload. Is it for HCA or stakeholders?
 - aversion to transparency (culture), poor comms (that old chestnut)
 - propaganda/PR (objectivity, warts ‘n’ all)



ROA? This is really what they want although you wouldn't necessarily think so from the standard

The hallmarks of evidencing a grip on asset management are whether the self-assessment demonstrates:

- an understanding of
 - stock condition, associated investment needs, maintenance costs, demand, the communities and markets you operate in
 - the performance of stock (return) at an appropriate level of detail - so that variation in performance is understood
 - what does it tell you? Share your analysis by product, highlighting key challenges
- that the above understanding informs:
 - an intelligent asset management strategy where decisions aim to improve returns, eg hold, invest, dispose and where the benefit of investment on future rental stream/social outcomes is understood
 - where a brief assessment of key asset decisions over the year will evidence active management and improved VFM – how has asset performance improved?
- the strengths and weaknesses of current approach to assets?

Use it to check what you say is FFP

Observations on 3 years

- HCA given us some pointers in successive Global Accounts
- VFM has gone up agenda (significantly) from a somewhat flat start
- downgrades
 - failure to provide sufficient assurance of compliance with standard - ie address 3 requirements with sufficient evidence/coverage
 - down to misunderstanding, incompetence, thinking can get away with it, failure of internal controls
 - over half had wider governance issues
- if supply is part of mission & you are not supplying = governance failure
- raising the bar year on year
- most providers see it as useful business tool
- politically 'surplus' and its importance to HA finance is better understood



Your take on everything so far?

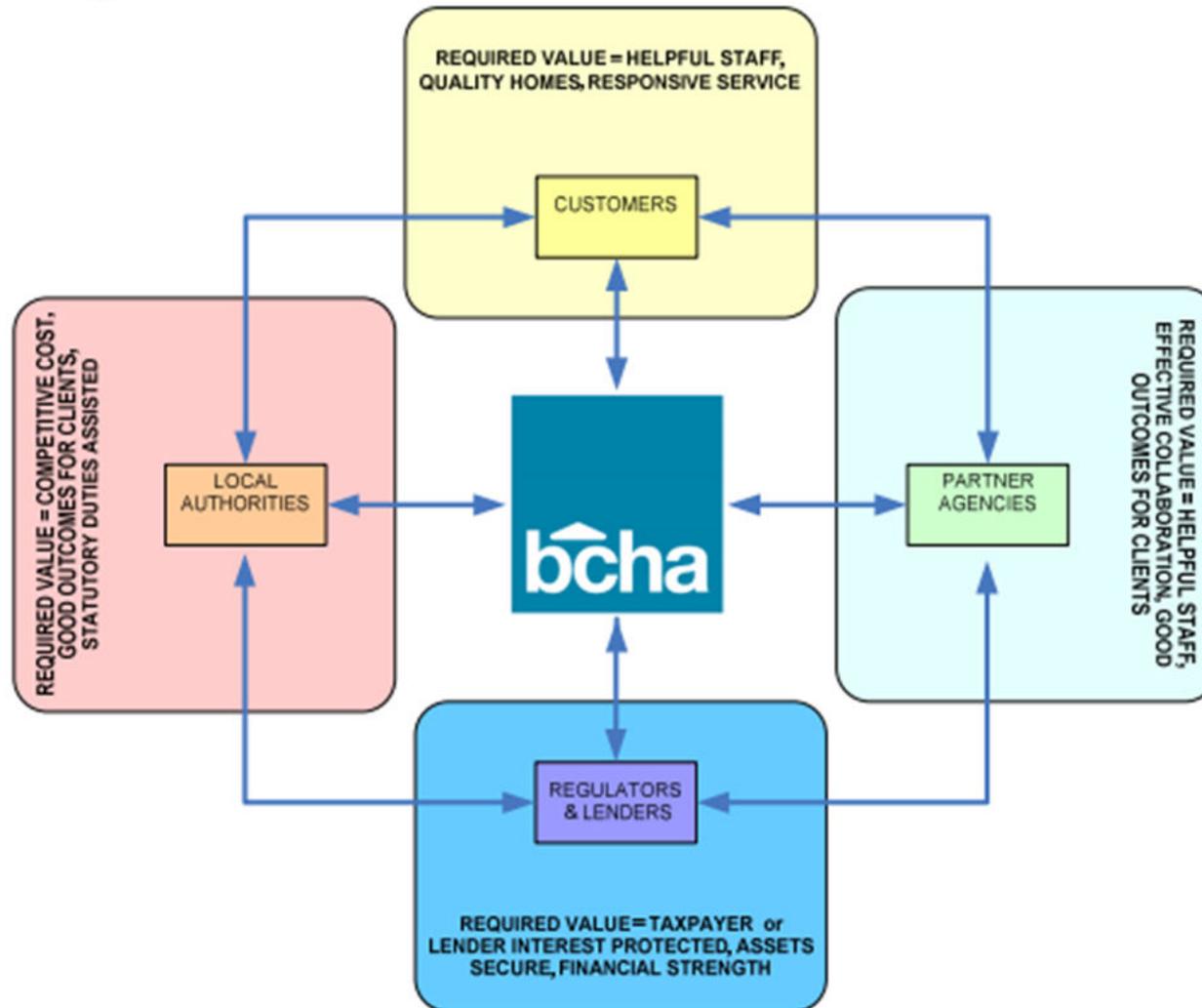
What might a good self-assessment include?

On the right track: some principles but not necessarily best practice to get you thinking

But keep it proportionate

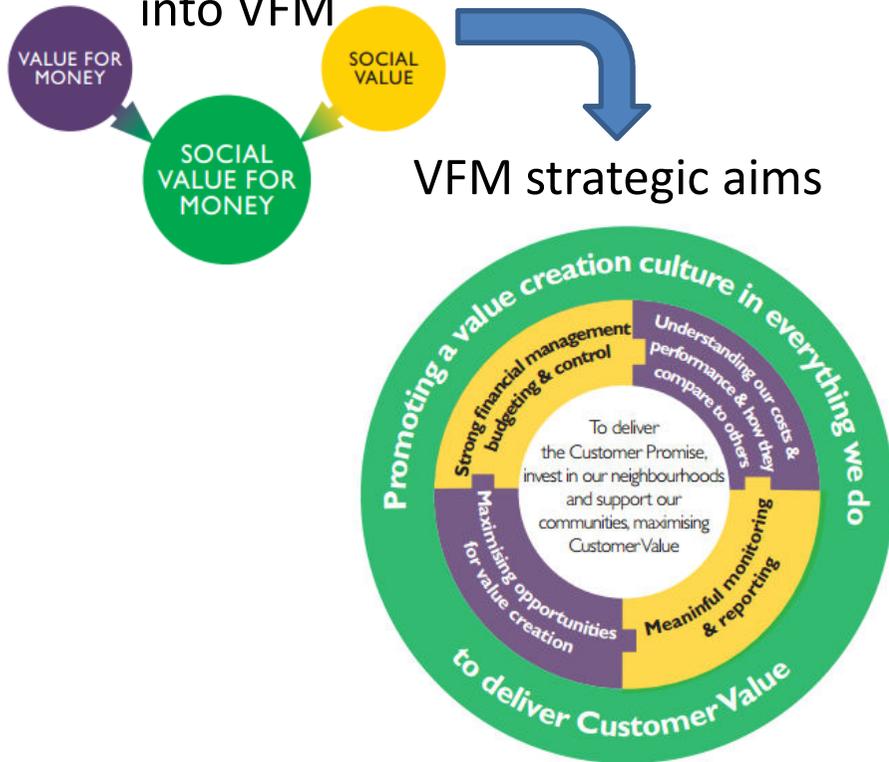
Communicating stakeholder value

Diagram 3



Sound logic: evidence-based strategy & action @Trafford

Building social value into VFM



Explore enablers

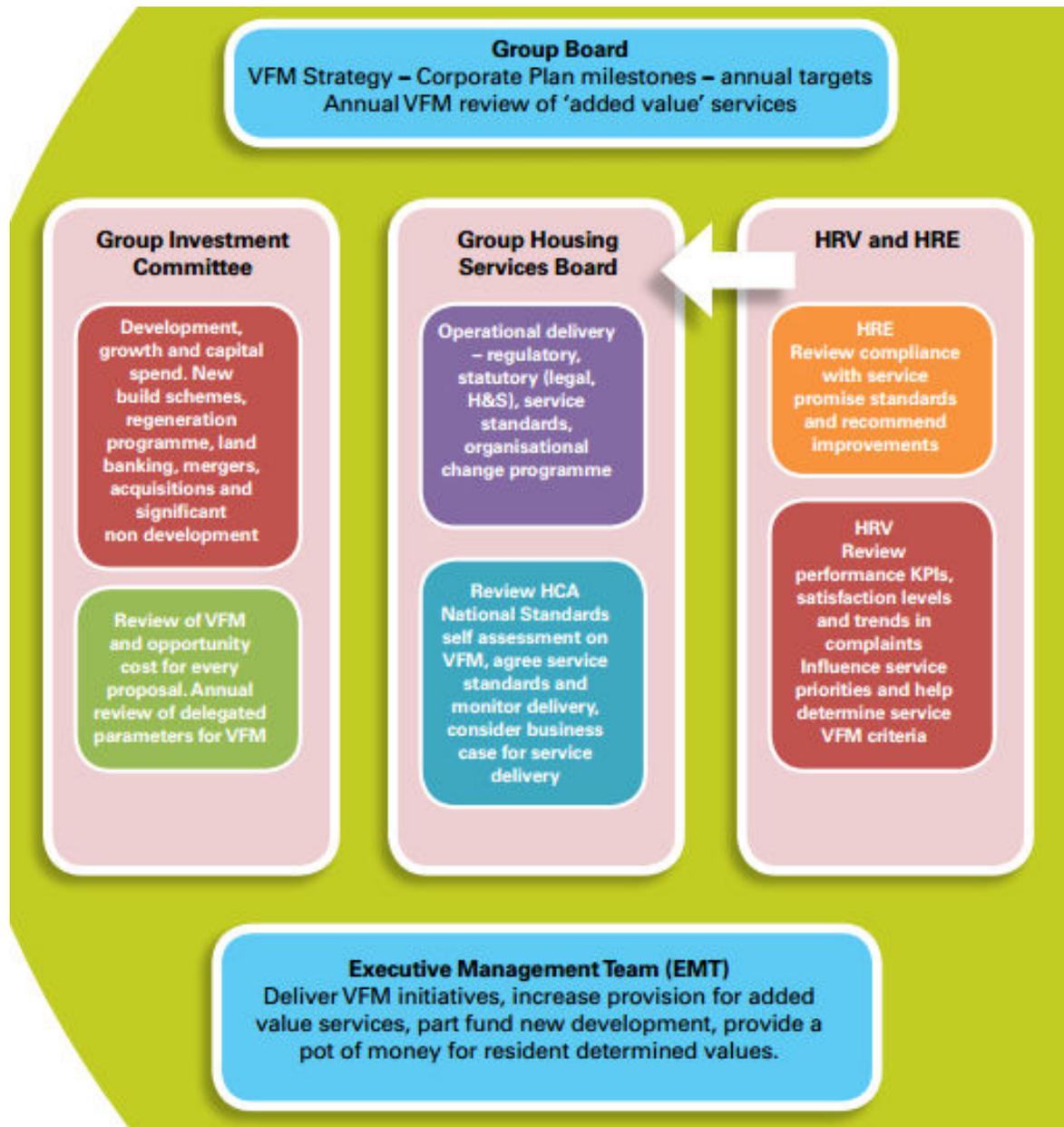


Actions

Key Action	Progress
AIM 1: To promote and embed a Value Creation culture in everything we do - to deliver Customer Value	
To consider implementation of a Staff Suggestion Scheme to encourage staff to identify and implement service improvement or cost saving ideas - possible a 3 month short term scheme	Staff suggestion scheme, 'Ideas Unlimited' has been introduced as an ongoing, long-term scheme. To date 35 suggestions have been received, of which 11 have been taken forward for sc
To consider implementation of a Customer Suggestion Scheme to encourage customers to make VFM suggestions	The VFM Project Team is currently considering how to increase customer involvement in driving VFM as part of Phase 2 of project
To review ways of launching the Customer Value concept and staff suggestion scheme, possibly using the Staff Conference	Ideas Unlimited and the concept of Social Value for Money launched at the Staff Conference in January 2013
To run a pilot project to assess whether employee Service & Process Improvement Groups could assist in service improvement	The Business Intelligence Team has been expanded to include a Service Improvement function, which works in collaboration with the business to review services and processes with a view to improving efficiency and effectiveness
AIM 2: To ensure strong financial management, budgeting and control	

....if you think about it the VFM SA should effectively be a progress report on your strategic approach to VFM.....

Strategy needs governance & roles from board to tenants: Hyde explains and illustrates



Evidence of action to improve VFM of stock based on understanding @ Spire

Understanding How Our Assets Perform

We have a sound understanding of our stock, and this is used by the Board to make investment decisions.

We surveyed
March 2014, 88% of our stock

Understanding

or repair plans are realistic; at 31
id.

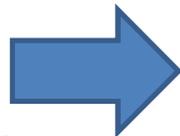
In 2011, we carried out a project with the help of Savills consultants to identify the 30 year net present value (NPV) of our stock. Properties were grouped into asset groups of between 7 and 87 properties, based on property type, size and location. This enabled us to identify weaker performing assets and the point in time at which the

• **Addressing Poorly Performing Assets:** Following a programme of options appraisals to identify the most appropriate solution to each location, we have taken a range of approaches to address poorer performing assets:

- **Demolition and redevelopment of single site:** Fifteen sheltered flats at Home Court, Thrapston, with a poor NPV will be demolished and the site redeveloped to provide seven properties: three shared ownership bungalows and four general needs rented flats. The properties are currently being emptied, and we expect demolition to start in summer 2014.
- **Demolition and redevelopment of linked sites:** A sheltered scheme with poor NPV in Branston Road, Uppingham, with an adjacent low demand garage site, is currently being redeveloped to provide 28 rented homes, 8 shared ownership homes and 2 homes for outright sale.
- **Lease to other organisation:** A sheltered bedsits with poor NPV was unsustainable. A local charity is to provide supported housing; at the moment it is unclear whether the site will be sold or leased to the charity. However, additional income raised will be invested in the redevelopment of other under-performing assets in East Northamptonshire.
- **Retention and improvement:** Seven Airey houses in North Luffenham and Ridlington will be retained and improved despite high improvement costs as the NPV was sufficiently high to make them financially viable and they have high social value, being located in rural villages with very little affordable housing.
- **Improvement with grant funding:** Four former almshouse bedsits that were unviable will be converted into one bed flats with funding from the local authority.
- **Medium term retention:** Other sheltered housing schemes also performed poorly over a thirty year period, but the project identified that performance did not deteriorate for at least ten years. We will update the asset management model in 2014/15, and will then re-evaluate these asset groups.



This.....
....leads to that



Action

Evidence of active (in-year) asset management in the pursuit of VFM @ A2

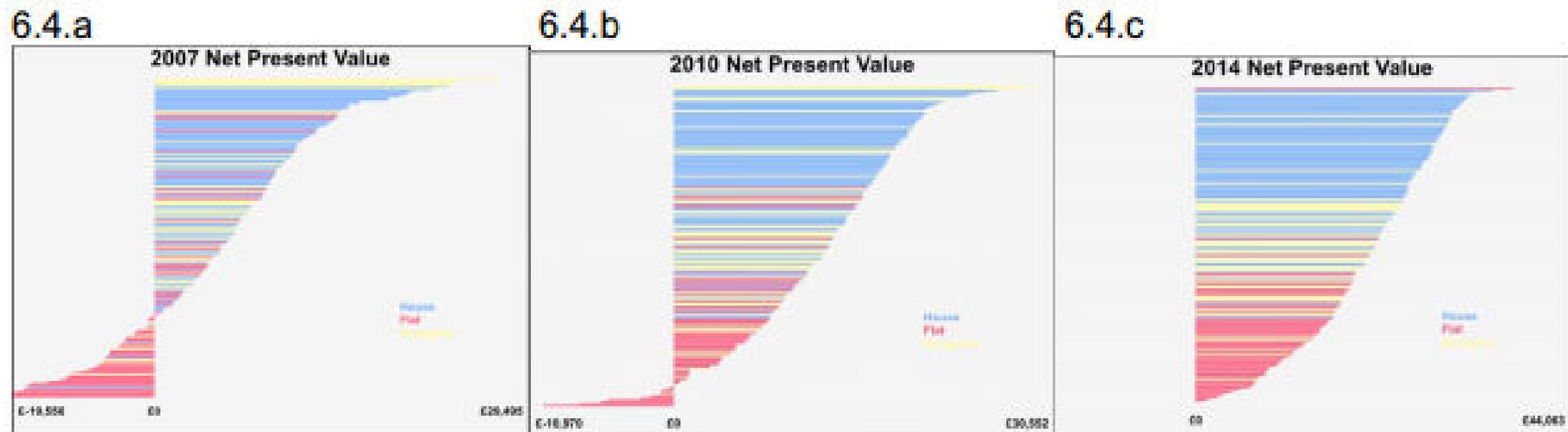
Best use of assets

Robust appraisals of individual homes, including those completed through the Asset Management Panel, ensure best use of isolated, under-used, and other properties beyond economic repair.

Demolitions for redevelopment/regeneration	115
Disposals to other housing providers (£3.4m raised for reinvestment into new homes)	119
Other disposals (£2m raised for refurbishments)	15
Refurbishments (at a cost of £1.2m)	15
Change of tenure (91 from general needs to affordable rent)	94

Wrekin Housing Trust: active management secures continuous improvement

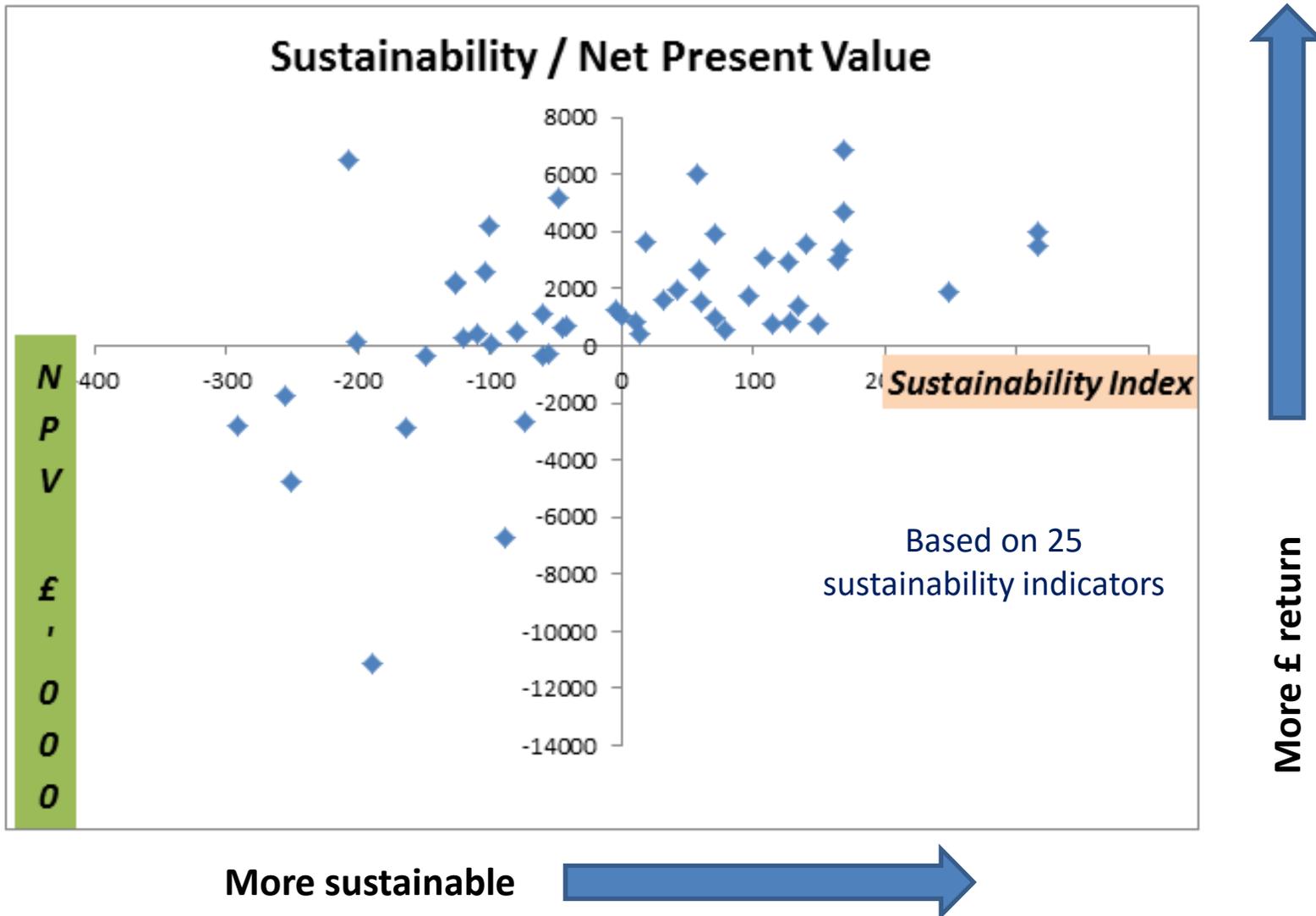
The following graphs demonstrate the effect our work has had on our NPV model results. In 2007 a significant proportion of stock was in negative NPV (6.4a those to the left of the centre line). By 2010 this number had reduced (6.4b those left of the centre line). By 2014 all properties are in a positive NPV (6.4c) with no properties left of the centre line.



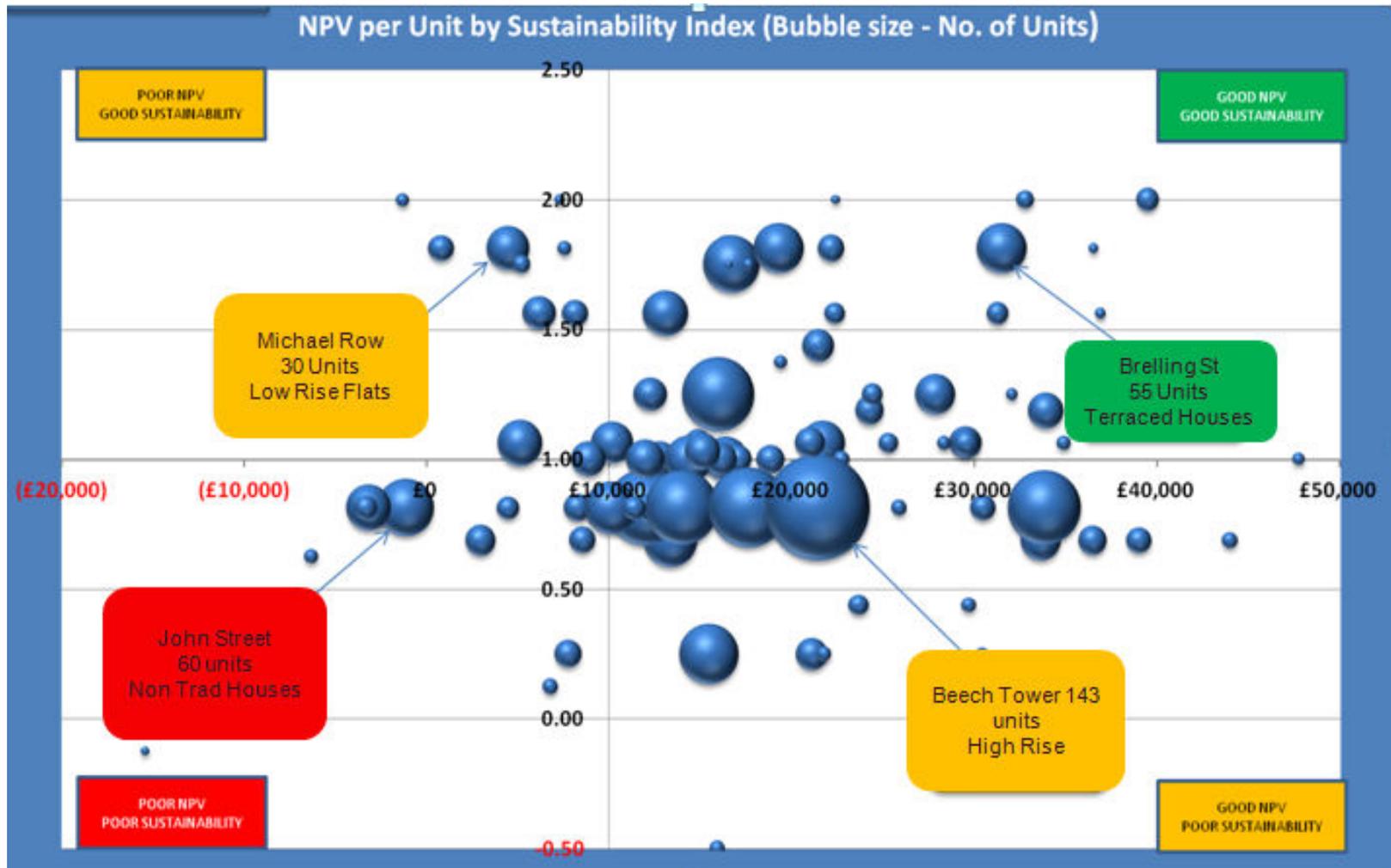
Time



Drilling down: RBH demonstrates understanding of return & sustainability



Same stuff with bubbles



Demonstrating continuous improvement at Spire (& others) – To be revisited in SPBM context

Beyond the reach of SPBM members? No! Note new SPBM Cost Metrics

States who peers are for transparency

Latest data!

Benchmarking
We submit data to Housemark, and benchmark against a subgroup of Housemark's LSVT Central 2,500-7,500 group, including LSVT associations with a stock size between 2,500 and 7,500.

PI	Spire 11/12	Spire 12/13	Spire 13/14	Peer Group Quartile 13/14
Repairs and Maintenance				
Average number of calendar days taken to complete repairs				●
CPP direct responsive repairs and void works				●
Satisfaction - % very or fairly satisfied with repairs and maintenance (GN and HOP)	84.00%	84.00%	84.00%	●
Improvements and Cyclical Maintenance				
Gas safety certificates – % properties with a valid certificate	99.9%	100.0%	100.0%	●
CPP direct major works and cyclical maintenance	£2,348	£2,227	£2,132	●
Satisfaction % very or fairly satisfied with the overall quality of their home (GN and HOP)	88.0%	88.0%	88.0%	●
Rent Collection and Arrears				
Rent collected from current and former tenants as % of rent due (excluding arrears b/fwd)	99.4%	98.3%	99.1%	●
Rent arrears of current tenants as % of rent due (excluding voids)	3.36%	3.60%	3.44%	●
CPP direct rent arrears and collection	£51.64	£76.04	£82.26	●
Satisfaction % very or fairly satisfied their rent provides value for money (GN and HOP)	80.0%	80.0%	80.0%	●

Trend for continuous improvement & quantified gains



Strengths & weaknesses



Breakdown by 'services – forensic grip on cost & performance?

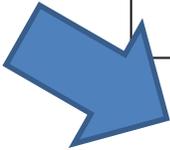


Demonstrating continuous improvement at Southern (& others) – high level dashboard

In-house stab at key VFM PIs



But PIs not enough...balanced commentary explains what is happening, business pressures, strengths, weaknesses, direction of travel etc



3. Our VFM performance

We think that the following measures are good indicators of whether or not the business is achieving VFM.

Measure	2013-14	2012-13	G15 Average	Why VFM
Management costs per home	£1,230	£1,184	£1,369	Keeping these costs low increases our surplus and helps us to achieve our objectives.
All maintenance costs per home	£845	£860	£848	
Total operating costs per home	£3,320	£3,412	£3,570	
Service costs per home	£540	£566	£245	Reducing service costs directly benefits our residents.
Operating margin for social housing lettings	30%	26%	27%	Comparison indicates how efficiently we manage social housing compared to G15.
Rent loss between lettings	1.5%	1.5%	0.95%	Losing income from empty homes has a negative impact on our surplus.
Average re-let days for empty homes	43	23	35	
Rent arrears as a % of annual rent due	3.51%	4.04%	5.00%	Keeping rent arrears low maximises our income.
Resident satisfaction	81%	84%	78%	Resident satisfaction is a good measure of perceived service quality.

Why the PI is useful - enhances accessibility & transparency



We are pleased that we have been able to achieve a drop in rent arrears despite the growing impact of welfare reform and generally adverse economic conditions for many of our residents. Our objective is that over time the rent arrears percentage will remain stable at around 4%. We are also pleased that our satisfaction figures have held up reasonably well over a period of economic stringency, when many people

Southern's approach inducts layman to the business

Hyde measures VFM success over time & v target with ref to social mission, biz strength & stakeholder value

Places and communities where people prosper

Building and maintaining homes

Main Stakeholders	Service Area	2011/12 Value	2012/13 Value	2013/14 Value	Target 13/14	RAG Status against target
Managing homes to the satisfaction of our residents						
Residents +Taxpayer	Residents into jobs				100%	100%
Residents +Taxpayer	Financial gains to residents through advice and support				424	N/A
					362	N/A
Residents	Overall satisfaction with Hyde services	78%	79%	75%	N/A	N/A
Residents	Overall satisfaction with quality of home	79%	79%	78%	N/A	N/A
Residents	Overall satisfaction with repairs contractor	N/A	N/A	86%	90%	
Local Authorities, + Residents	Overall satisfaction with neighbourhood	81%	80%	80%	75%	
Local Authorities, Police + Residents	Overall satisfaction with ASB services	61%	66%	67%	75%	

who benefits

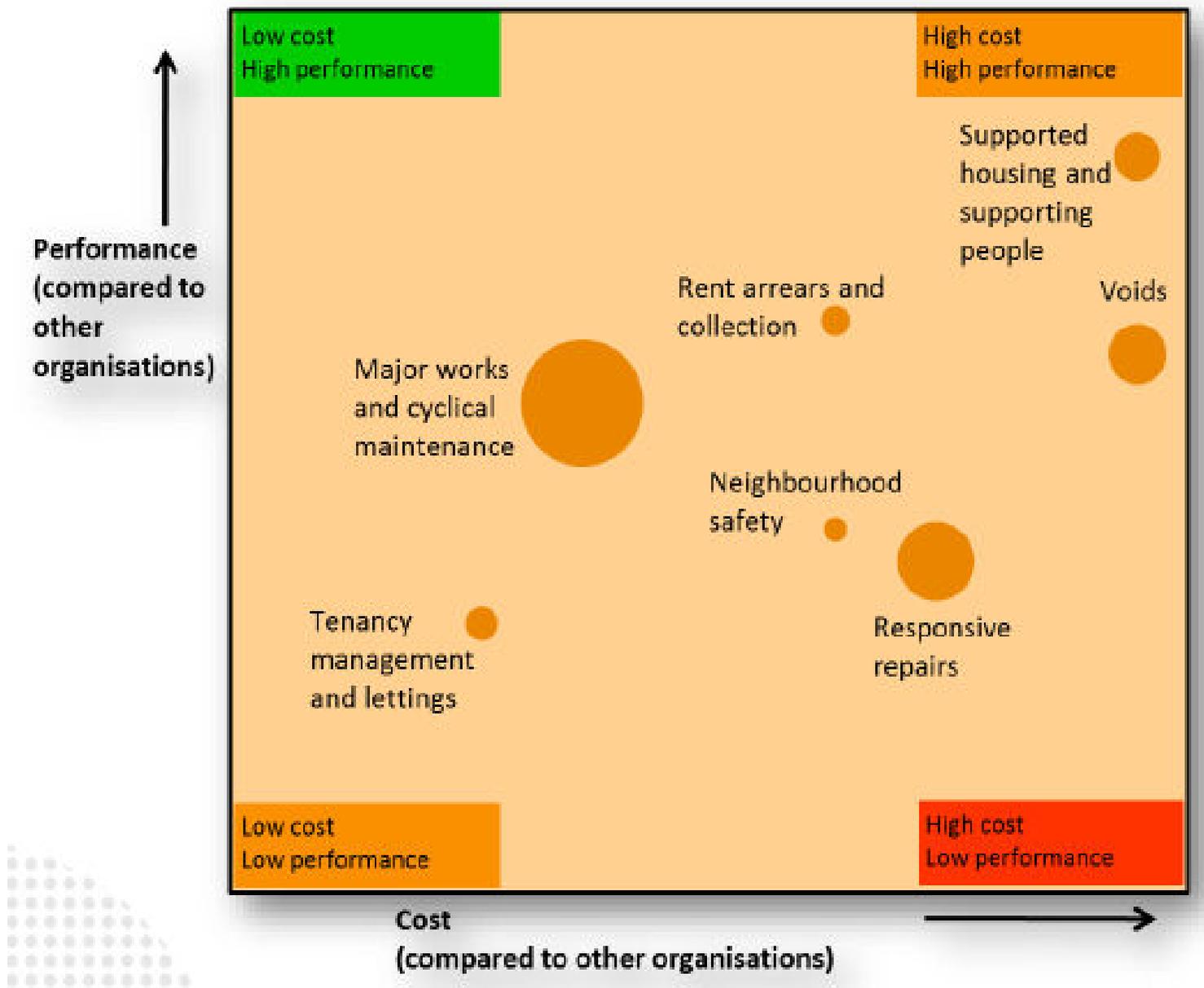
social mission – it's your product

All of this is founded on biz strength

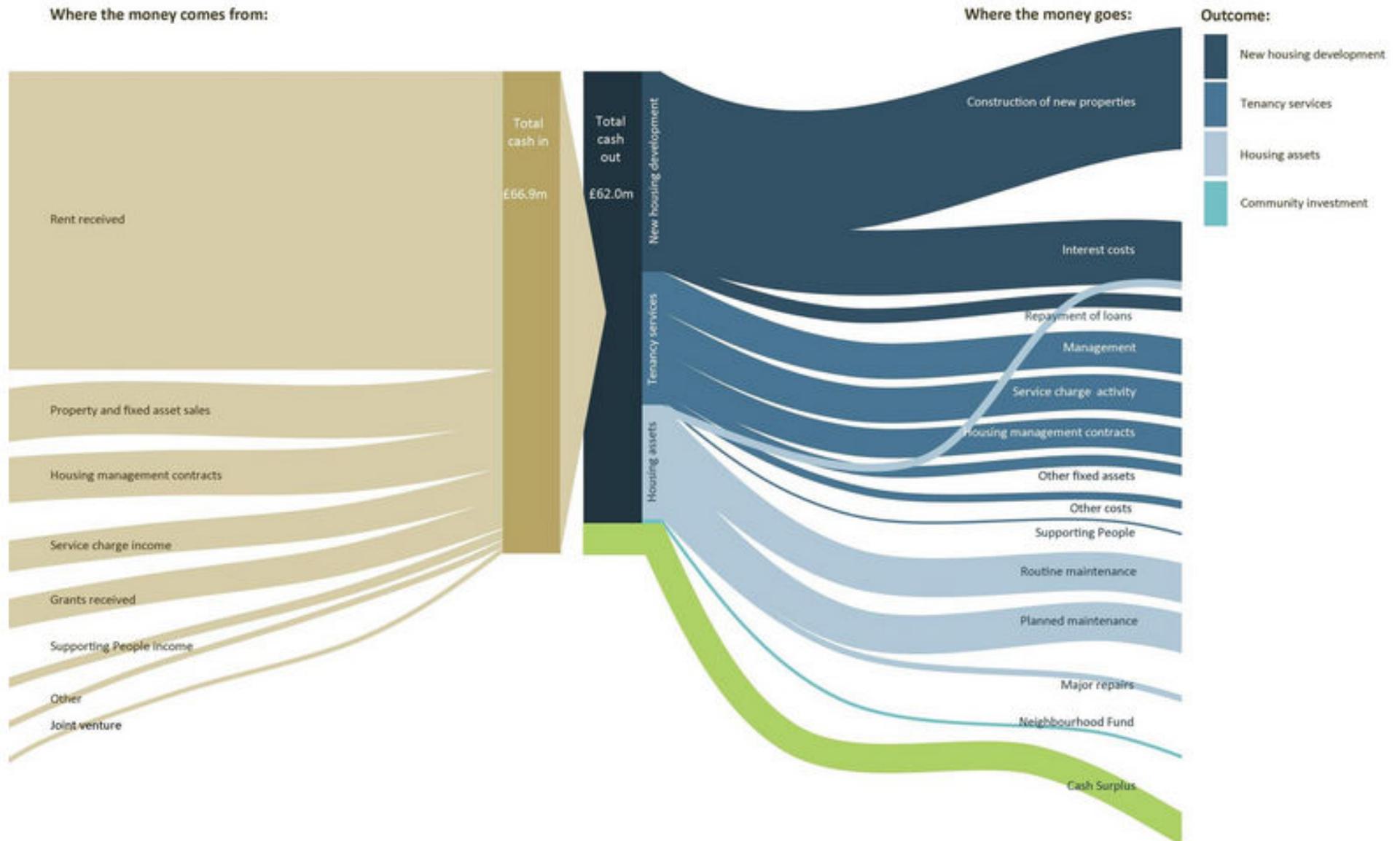
Efficient Business and Financial Viability

Main Stakeholders	Service Area	2011/12 Value	2012/13 Value	2013/14 Value	Target 13/14	RAG Status against target
Taxpayer + Residents	Void rent loss	1.1%	0.8%	1.1%	0.8%	
Taxpayer + Residents	General housing rent arrears	4.9%	3.9%	4.0%	4.2%	
Funders	Interest cover	1.14	1.34	1.38	>1.1	
Funders	Gearing	68%	68%	68%	<80%	
Residents	Operating margin	29%	29%	28%	28%	

How Bolton conveys comparative performance as well as magnitude of spend



Following the money at Adactus: online story



Quantification of gains mapped to corporate aims at Spire

Economy gain..... & efficiency gain.....

Corporate aim

4.52% of turnover, in addition to improvements in efficiency and effectiveness. Our value for money gains are set out below in relation to our 2013/14 aims:

Ensure our homes are well maintained, desirable and financially viable, investing appropriately in existing homes and delivering our Rutland transfer promises.

- **Response and Void Repairs Contract:** In July 2012, we started a new fixed-price response and void repairs contract with a new contractor. An analysis in August 2013 of contract costs in the first year of operation compared with the last year of the old contract showed that the overall cost (including response repairs, recharges, voids, void recharges and call handling) fell by £589,332 (22.4%) despite a 9.1% increase in the number of repairs. Over the same period, the average time to complete both response repairs and void repairs fell significantly and customer satisfaction with the repairs service overall rose from 95% to 98%. The contract also includes significant social value.

- A contribution of £25,000 over the life of the contract towards social initiatives. In 2013/14,

...with no deterioration – in fact effectiveness gain

Added social value from procurement

Quantification of gains at A2 Dominion

	2009/10 savings £m	2010/11 savings £m	2011/12 savings £m	2012/13 savings £m	2013/14 savings £m	five-year savings £m	forecast savings £m	forecast savings £m	forecast savings £m	forecast savings £m
Lean business improvement reviews	-	0.1	0.4	0.5	0.2	1.2	*	*	*	*
Procurement and contract savings	-	1.6	0.1	0.2	1.5	3.4	-	-	-	-
Year-on-year budget savings	3.1	0.9	1.2	1.7	0.2	7.1	1.0	0.5	0.5	2.0
Savings sustained from earlier years **	-	-	0.5	1.3			1.3	1.3	1.3	3.9
Total	3.1	2.6	2.2	3.7					1.8	5.9

- customer refunds – 70% less errors, 45% fewer cheque requests
- housing benefit – enquiries resolved 70% faster, housing benefit transaction failures down ten-fold
- rent posting errors – customer error enquiries down by 75%, unattributed payments halved
- management accounts – produced 20% faster
- stock disposals process – 33% faster (12 months instead of 18 months), £65,000 worth of staff time and £70,000 interest saved
- re-sales process – 25% faster
- domestic abuse service – 148 staff days freed from paperwork
- Right to Buy and Right to Acquire – enquiry escalation halved
- improved employee induction process – 75% reduction in manager queries to HR
- staff recruitment process takes 29 days – 45% faster to recruit, failure rates halved.

Office rationalisation

Successful office rationalisation means we are accommodating more staff in less space, with a lower carbon footprint. We are on target to save £0.8m per year from 2015/16.

	No. of staff at main offices	Office costs (£m)	Floor area (sq ft)
As at 2011	580	2.58	67,000
By 2015/16	625	1.96	55,500

How we use £ gains (surpluses): A2 quantifies & follows the £

How we are utilising our surpluses

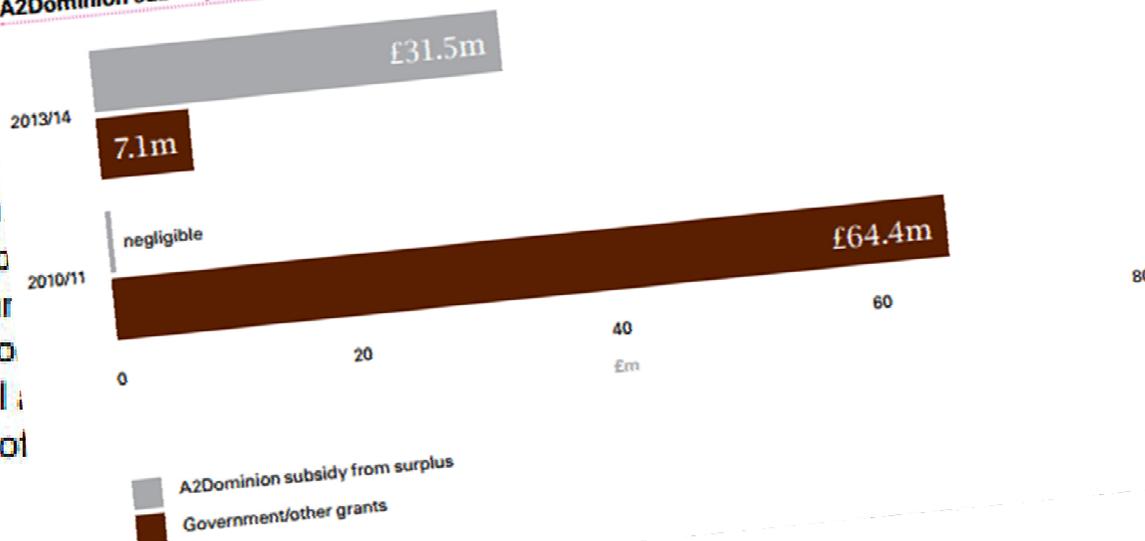
All of our cash surpluses are being reinvested to support our key VFM aims: 80% into new homes and 20% towards the Group's investment in existing homes, care and support provision and help for priority local communities.

- A total of £74.9m, 80% of the cash surpluses generated in 2011-14, is funding 1,150 extra homes for rent (affordable and private), helping to bridge the gap from reduced government grant levels (see below). Growth in commercial activity is targeted to deliver another £100m surplus by 2017, to increase the total to £174.9m.

- In 2013/14 we invested £0.4m in exp Sustainment Team and Under-Occu manage the impact of welfare refor extra £1.5m for residents being leve sources, and an associated reductio Downsizing moves helped 73 hous impact of the abolition of the spare ('bedroom tax') and cut living costs of £700 or £1,400 per year each, de size of the £

- Our surplus areas of in developed largest loca for disposa sales receip each area ar of major wo mechanical and £1.2m of

A2Dominion subsidy compared to grant, before and after changes in the Affordable Homes Programme funding regime

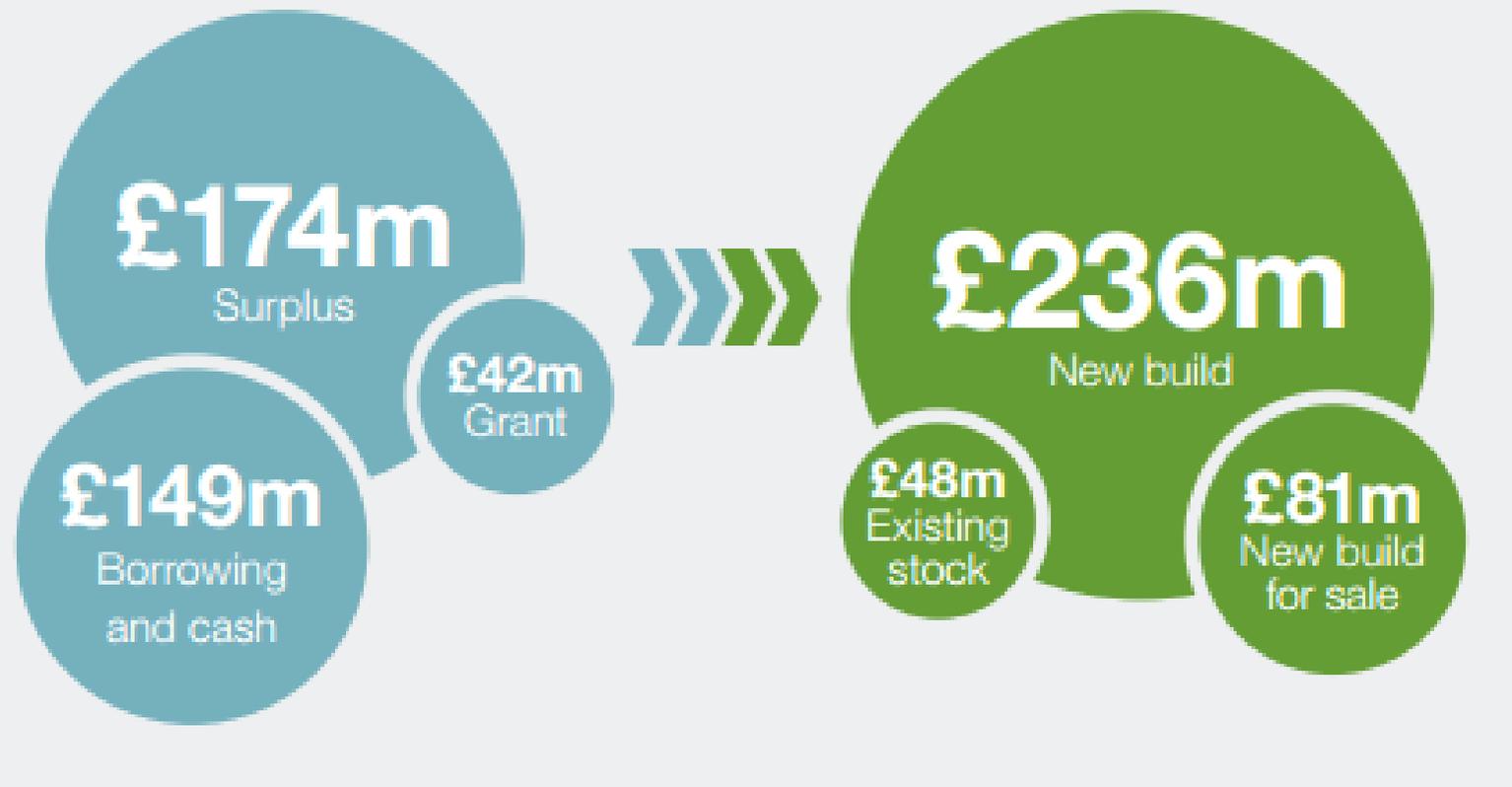


community d e initiative Be and commu vention residen and a range c through wor

imately £1. nt system, ic docume service and next three y

How we use surpluses at L&Q

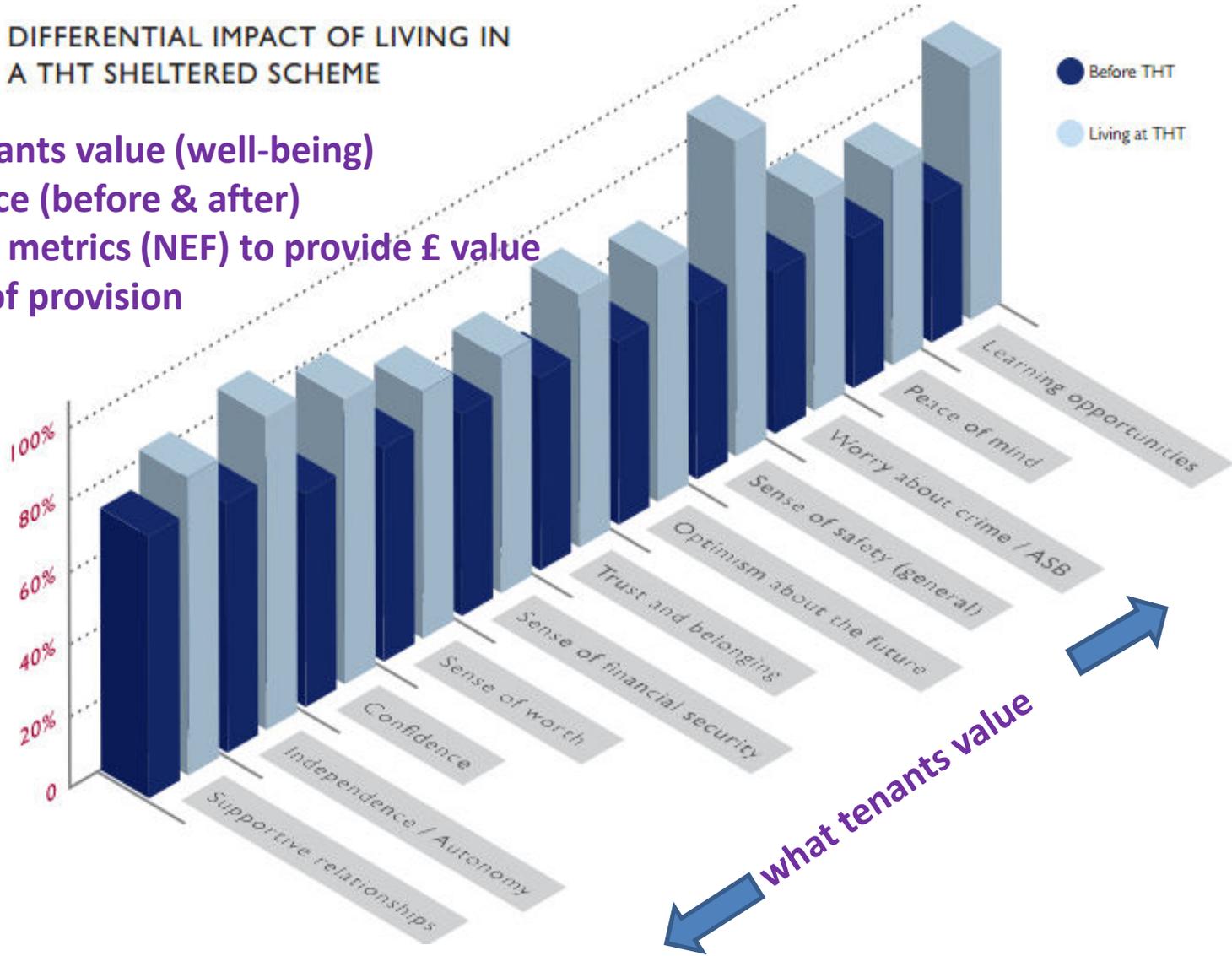
We invest all of our surplus:



Trafford and others quantify well-being (in this case the difference made by sheltered living)

DIFFERENTIAL IMPACT OF LIVING IN A THT SHELTERED SCHEME

- identify what tenants value (well-being)
- measure difference (before & after)
- apply established metrics (NEF) to provide £ value
- compare to cost of provision
- get multiplier



The politics of VFM

- SPADs, press and the troubled may read VFM SAs
- politically/comms-savvy without abandoning social mission – what you do is brill but it's the way you tell 'em
- government wants 3 things:
 - HB savings from reduced rents/LHA
 - supply
 - encouragement of HO
- sense sector has had a deserved beasting - if sector delivers on above (& mergers continue), likely to let HAs get on with it



The politics of VFM

- with that in mind and tuning into the ideology of aspiration
 - avoid anything that can be construed as :
 - increasing dependency/spoon-feeding ('part of the problem')
 - *we helped 30 tenants access benefits of £76k that they otherwise wouldn't have got...*
 - *we held a non-specific community event for no apparent purpose and everybody had a lovely time.....*
 - 'excessive expensive gold-plated' services (marginal benefit of expensive services?) – difficult to square
 - straying from the 'core biz of supply & management'
 - so ensure people understand core biz is wider (if applicable) – link to objects
 - that this is about supporting independence, dignity, etc
 - perhaps stating that only 1-2% of spend goes on this? As with CSR
 - asserting that this has a benefit to the viability of the core biz?
 - accentuate aspiration and being part of the solution
 - supply, HO in any shape, RTB, actively helping people on 'housing journey', independence – if supply not an option = important context

The politics of VFM

- make clear how:
 - understand costs & drivers
 - you are bearing down on costs (and what you have achieved)
 - resulting surplus in conjunction with borrowing capacity is used to further mission
- demonstrate benefits to other budgets eg health and care
 - increasing evidence that government starting to understand knock-on costs of damaged housing support thanks to other spending depts. eg justice, health
- suggests that sector should continue to measure preventative costs/counterfactuals
- HCA astute to stakeholder value balancing act - mixed government messages, other stakeholders (alienate LA, Labour?) and your own mission.
- Solution? – be clear about charitable status/social mission, what trying to achieve and the benefits of what you do to individuals, communities, local services and government. Avoid it coming across as fostering dependency. Try and quantify this in VFM SA.

Where might VFM go?

- HCA adhering to standard – ie maximising value stated in your mission
- if reclassification didn't happen HCA would be under pressure from government to be more muscular on VFM – eg push mergers
- VFM beefed-up in IDA
- VFM standard will be revisited – wording more specific but has to stay deregulation-friendly, ie leave board in control of biz strategy
- HCA just don't have resources for full analysis of VFM SAs
- if only the sector could come up with its own solution to transparently demonstrating VFM via a set/basket of metrics it would be 'incredibly powerful'
- Consumer standards likely to change as they seem somewhat New Labour – consult end of year
- coming soon HCA VFM publication
 - learning from latest VFM SAs
 - regression analysis revisited (last effort = 2012)
 - FFR before and after July 2015 budget (what changed)

Getting the VFM SA right – hallmarks

Self-assess your self-assessment
against these hallmarks

ROA (as noted previously)

The hallmarks of evidencing a grip on asset management:

- an understanding of
 - stock condition, associated investment needs, maintenance costs, demand, the communities and markets you operate in
 - the performance of stock (return) at an appropriate level of detail - so that variation in performance is understood
 - what does it tell you? Share your analysis by product, highlighting key challenges
- that the above understanding informs:
 - an intelligent asset management strategy where decisions aim to improve returns, eg hold, invest, dispose and where the benefit of investment on future rental stream/social outcomes is understood
 - where a brief assessment of key asset decisions over the year will evidence active management and improved VFM – how has asset performance improved?
- the strengths and weaknesses of current approach to assets?

Absolute and comparative costs of services

The hallmarks of evidencing a grip on operational cost and performance:

- includes the absolute and comparative costs of delivering services
 - over time (ideally 3 years) and against others
 - stating the peer group and avoiding cherry-picking the services you are best at
- explains the data – a brief commentary on headline unit costs, performance indicators, other evidence
 - what are your key cost drivers and what can you do about them?
 - what are you doing to bear down on costs?
 - what are you doing to contain overheads?
 - what can you say about the efficiency/effectiveness of your operating model?
 - strengths and weaknesses
- explains direction of travel – are costs/performance up or down? – remember this is about continuous improvement.

Forward and backward gains

The hallmarks of evidencing VFM gains:

- quantifies gains financially, socially (performance, satisfaction, number of beneficiaries, etc), environmentally
- picks up on last year's anticipated future gains/items in VFM strategy action plan
- owns up to any negative impacts and costs
- follows the money
 - picks up efforts to reduce costs (if not covered elsewhere)
 - explains if the gain is already invested elsewhere
 - states what you will use surpluses for (or if it has been spent already!)

and, for **future gains**, whether the self-assessment:

- sets out what you will do
- states the quantifiable anticipated financial, social, environmental gains are – in other words the business case for action
- identifies any costs or diminution in service associated with them

Demonstrating a strategic approach and the means to deliver it

The hallmarks of evidencing a grip on VFM strategy and delivery:

- a comprehensive and strategic approach to VFM
- a robust approach to use of resources
- the performance management and scrutiny arrangements to achieve the strategy (including governance and tenant scrutiny)

The doc and comms

The hallmarks of a transparent and accessible self-assessment:

- is balanced and honest?
 - presents a true and fair picture
 - provides an even-handed, rounded commentary spanning the business and is not deliberately weighted to strengths
- is clear about who you produce value for – who are the key stakeholders and what are they looking for?
- has a clear and logical structure to facilitate understanding and navigation
- focuses on material issues and seeks to be succinct
- draws on quantitative and qualitative evidence to support assertions
- uses tables and data visualisation wherever possible to aid analysis and understanding
- uses plain English, including explaining the significance and usefulness of data and key business principles
- provides enough information to enable stakeholders to judge how you are performing against your peers and over time (remember continuous improvement in VFM is about evidencing beneficial change in cost and/or performance/outcomes)
- signposts to supporting material/evidence in the interests of transparency
- passes the 'would my mum and dad understand this' accessibility test

and, critically, whether:

- its existence has been communicated to maximise stakeholder awareness
- it can be found easily

STEPPING THROUGH THE PROCESS (TEMPLATE REVISITED)

VFM SA principles for consideration

1. Overall summary statement of VFM performance & compliance with standard

Overall, we meet the requirements of the standard...notable achievements include x. We need to address y...

2. Define VFM in context of objectives & stakeholder interests

For us VFM means.....

3. Provide assurance about your arrangements for ensuring VFM (strategy & delivery)

Our arrangements for ensuring VFM are...

4. Evidence-based VFM reporting (warts 'n' all) – 'how we did'

Narrative that draws on data & qualitative evidence & addresses specific HCA reporting expectations

5. 'What we plan to do'

Our anticipated VFM gains are....

Focus on step 1. Compliance & summary statement, including board assurance

- high level summary of VFM performance – key strengths and weaknesses, is VFM improving?
- compliance statement?
 - to what extent does the HA comply with the HCA's VFM standard?
 - is the Board assured:
 - this is a fair and balanced account of VFM?
 - of the robustness of this self-assessment
 - sufficient evidence/assurance?
 - limitations or gaps?
 - how will limitations be addressed?
- invite feedback & challenge by stakeholders

Focus on step 2. What VFM means to us: our VFM definition

- assert social mission - it's why you exist!
 - unpack key 'value streams' (outcomes), ie new homes, appropriate services, community well-being, support
 - **think about it! Political context as discussed**
- identify key stakeholders & what they value – your audience & beneficiaries of your value!

Who	Value perspective
Tenants & community?	
Future tenants?	
Council(s)?	
Government & regulator?	
Funders, etc.....	

- based on above, assert a short VFM definition - essentially *'for us VFM is maximising 'our value': more homes, good services, more lives improved.....'*
- **great opportunity to boldly assert your value proposition & what differentiates you as a smaller/community-based HA**

Focus on step 3. Arrangements to ensure VFM – a strategic approach & the means to deliver it

- to demonstrate grip on VFM strategically and operationally
- set out key principles of VFM strategy - state that it is a considered strategy, eg:
 - based on evidence/previous assessment
 - has meaningful improvement actions linked to it (pick these up in step 4 & 5 when reporting past/future gains!)
 - corporate fit with key strategies: risk, asset, people, procurement etc.
- no VFM strategy ? - consider how the biz strategy drives biz effectiveness/VFM

Focus on step 3. Arrangements to ensure VFM – a strategic approach & the means to deliver it

- What can you say about how you ensure the right amount of money is spent on achieving biz objectives?:
 - rigour of business/corporate planning process
 - use of robust business cases - based on evidence/data (and not historical costs) & understanding of benefits
 - quality of debate and challenge
- governance & performance management arrangements associated with planning, delivery and evaluating VFM

Step 4. How we did

	Rank	Quartile	Peer group lower Q	Peer group median	Peer group upper Q	HA SPBM quartile	HA SPBM lower Q	HA SPBM median	HA SPBM upper Q	HouseMark quartile	HouseMark lower Q	HouseMark median	HouseMark upper Q
Satisfaction - neighbourhood - GN	82	2	79	81	83	3	77	83	89.6	3	79	84	88
Satisfaction - VFM rent - GN	83	1	66	70	73.5	3	78	84	89.6	2	76	80	84
Satisfaction - repairs and maintenance - GN	88	2	72	77	78.5	3	61	72	84	2	75	79	84
Satisfaction - listens to views and acts - GN	24.8	3	25.6	20.4	15	3	34.9	23	12.42	3	33	23.64	18.6
Ave re-let time - GN	96.6	5	83.8	96.6	98.9	3	94.4	97.71	99	2	90	94.07	97.34

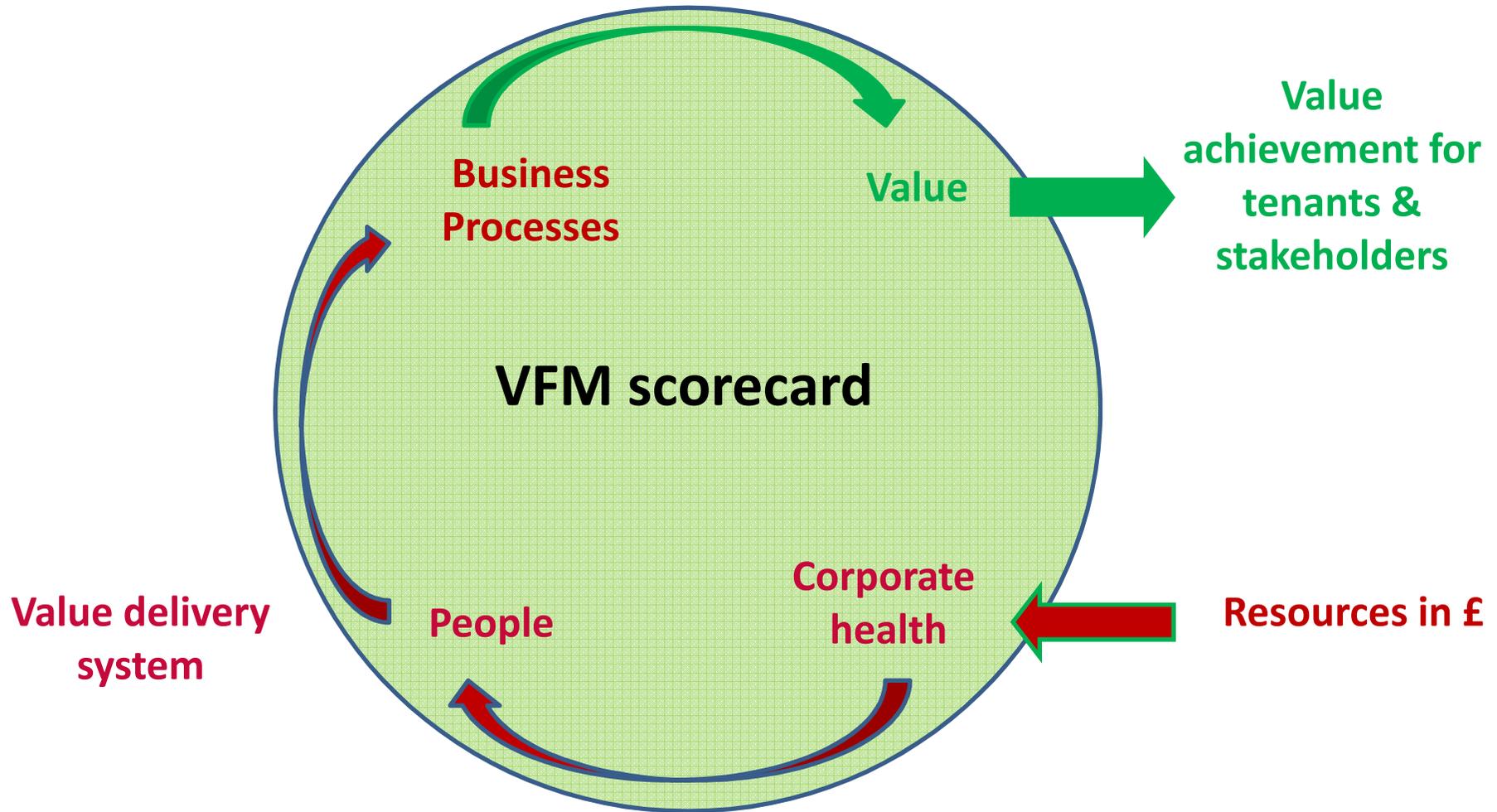
VFM data/scorecard as evidence base to hang story on



- Story:
- Assets
 - Operations
 - Procurement
 - Treasury
 - Surplus & intended use

Pithy commentary on key activity areas supported by data/other evidence

Building a scorecard



Business Processes

- rent/service charge collected
- average re-let time
- relets accepted at first offer
- calls handled at first contact
- repairs at first visit
- appointments kept

People

- staff satisfaction/engagement
- sickness absence
- staff turnover
- number staff per unit
- key local measures on organisational development

Value

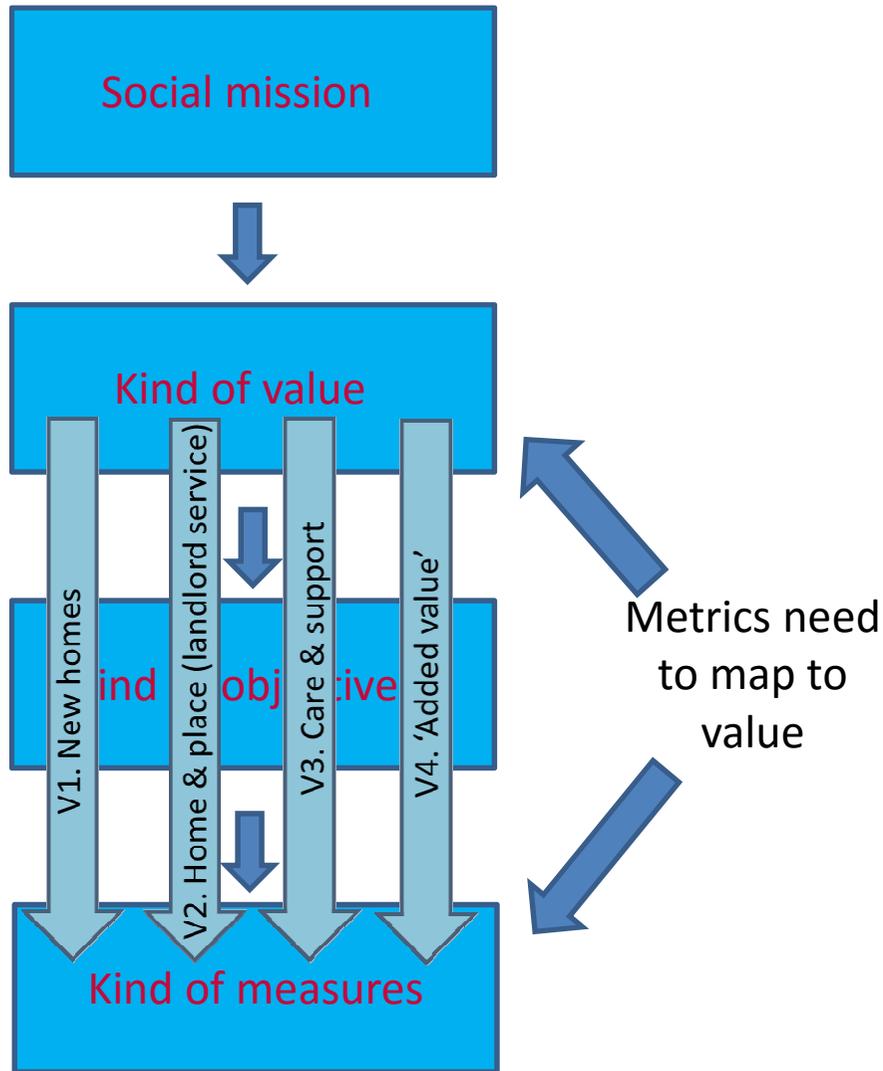
- units developed as a % of stock
- satisfaction with new home
- overall satisfaction/net promoter
- satisfaction with VFM, repairs, ASB, neighbourhood, etc
- average SAP rating
- % vulnerable achieving independent living
- number of beneficiaries of key community investment activities
- number helped into HO?
- key locally set measures

Corporate Health

- growth turnover, operating margin, etc
- operating costs per unit: management, maintenance, overheads
- overheads as % direct costs
- protecting income: void loss, arrears, bad debt
- non-social housing turnover, spend, margin
- average cost of capital
- leverage

 Drill down for transparency on specific service costs and additional data on people, processes and value

Building a picture of value with metrics



- identify kind of value
 - new homes (V1)
 - great tenant services (V2)
 - care & support (V3)
 - added value (V4)
 - commercial return?
- map existing metrics
- fill gaps
 - metrics
 - other forms of evaluation
 - reviews, awards etc
 - tenant scrutiny
 - impact studies

Don't forget you don't have to wait for the annual SPBM report, you can run them yourselves in a format like the annual report ('classic') or like this 'VFM report'.....

Slightly edited SPBM 'VFM report' with traffic lights showing HA performance –v- London Club, SPBM & HouseMark

	This could be you	Rank	Quartile	Peergroup lower Q	Peergroup median	Peergroup upper Q	HA SPBM quartile	SPBM lower Q	SPBM median	SPBM upper Q	HA HouseMark quartile	HouseMark lower Q	HouseMark median	HouseMark upper Q
Satisfaction - neighbourhood - GN	82	4	2	79	81	83	4	83	88.5	93	3	79	84	88
Satisfaction - VFM rent - GN	82	1	1	65	70	73.5	3	77	83	89.6	2	76	80	84
Satisfaction - repairs and maintenance - GN	83	1	1	72	77	78.5	3	78	84	89	2	75	79	84
Satisfaction - listens to views and acts - GN	68	2	1	50	57	62	3	61	72	84	2	62	68	74
Ave re-let time - GN	24.5	9	3	25.6	20.4	15	3	34.9	23	12.42	3	33	23.64	18.6
Percentage of tenants satisfied with repairs	96.6	5	3	93.8	96.6	98.9	3	94.4	97.71	99	2	90	94.07	97.34

Further tweaks where indicated covers all the bases

consider if necessary for this purpose (league table?)

consider deleting to avoid overkill

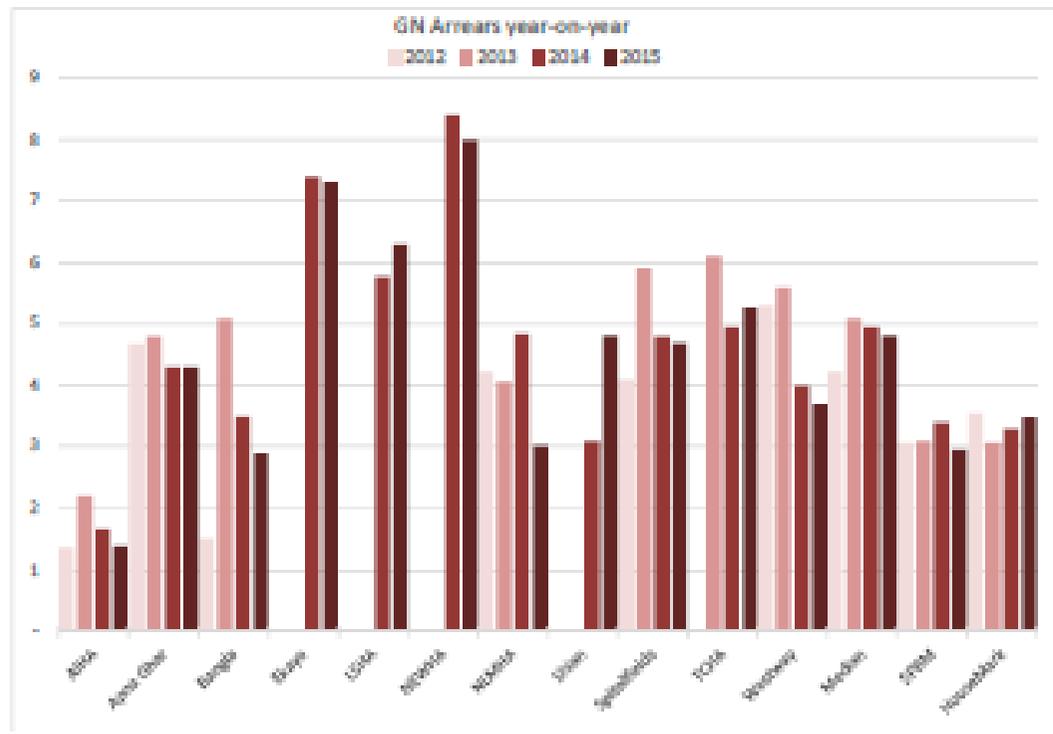
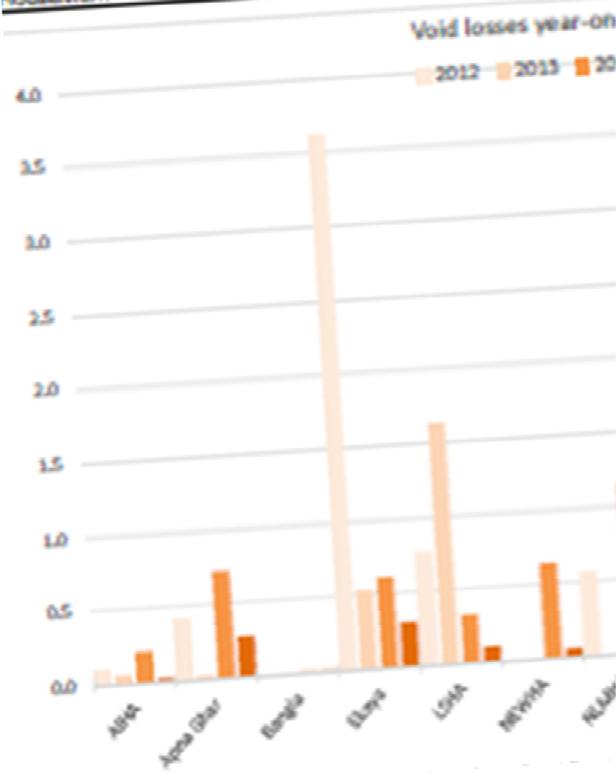
insert columns here for previous years (continuous improvement) →

	This could be you	Rank	Quartile	Peergroup lower Q	Peergroup median	Peergroup upper Q	HA SPBM quartile	SPBM lower Q	SPBM median	SPBM upper Q	HA HouseMark quartile	HouseMark lower Q	HouseMark median	HouseMark upper Q
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Annual report also has some time series info but you can run your own 'classic' reports to get time series

	2012	2013	2014	2015
Void Losses year-on-year	0.1	0.06	0.21	0.02
AIHA	0.42	0.02	0.72	0.28
Apna Ghar				
Bangla				
Ekaya				
LSHA				
NEWHA				
NLMHA				
Shian				
TCHA				
Westway				
Median				
SPBM				
HouseMark				

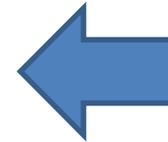
	2012	2013	2014	2015
GN arrears year-on-year				
AIHA	1.37	2.20	1.87	1.40
Apna Ghar	4.88	4.80	4.30	4.30
Bangla	1.52	5.08	3.50	2.80
Ekaya		7.40	7.30	
LSHA		5.77	6.29	
NEWHA		8.30	7.00	
NLMHA	4.22	4.07	4.84	3.02
Shian		3.10	4.82	
Spiritfields	4.10	5.00	4.80	4.70
TCHA		6.10	4.05	5.25
Westway	5.30	5.60	4.00	3.70
Median	4.22	5.08	4.05	4.82
SPBM	3.07	3.10	3.40	2.06
HouseMark	3.58	3.07	3.30	3.40



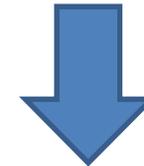
Step 4. How we did: assets

The hallmarks of evidencing a grip on asset management:

- an understanding of
 - stock condition, associated investment needs, maintenance costs, demand, the communities and markets you operate in
 - the performance of stock (return) at an appropriate level of detail - so that variation in performance is understood
 - what does it tell you? Share your analysis by product, highlighting key challenges
- that the above understanding informs:
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 - where a brief assessment of key asset decisions over the year will evidence active management and improved VFM – how has asset performance improved?
- the strengths and weaknesses of current approach to assets?



Adhere to hallmarks



What & why	Cost	Benefit
Remodelling sheltered	£x	£y, satisfaction, CO2, etc
Disposal	£x	£y, satisfaction, CO2, etc
Improvement	£x	£y, satisfaction, CO2, etc



You could deal with key asset decisions like this



What & why	Cost	Benefit
Renegotiation of cyclical contract.	£x	£x, satisfaction, CO2 etc
Moved more planned work in-house	£x	£x, satisfaction, CO2 etc
Annual health check	£x	£x, satisfaction, CO2 etc

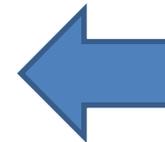


You could deal with other asset gains like this

Step 4. How we did: operations

The hallmarks of evidencing a grip on operational cost and performance:

- includes the absolute and comparative costs of delivering services
 - over time (ideally 3 years) and against others
 - stating the peer group and avoiding cherry-picking the services you are best at
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 - what are you doing to bear down on costs?
 - what are you doing to contain overheads?
 - what can you say about the efficiency/effectiveness of your operating model?
 - strengths and weaknesses
- explains direction of travel – are costs/performance up or down? – remember this is about continuous improvement.



Adhere to hallmarks



You could deal with operational gains like this.

Highlight VFM initiatives and (quantified) benefits, eg from VFM register, previous VFM action plan, movement in Acuity data.

Set gains against overall cost base. Own up to any negative impacts, costs etc



What & why	Cost	Benefit
Contact centre established	£x	£x, satisfaction, CO2 etc
Back office shared service	£x	£x, satisfaction, CO2 etc
Process re-engineering/IT	£x	£x, satisfaction, CO2 etc

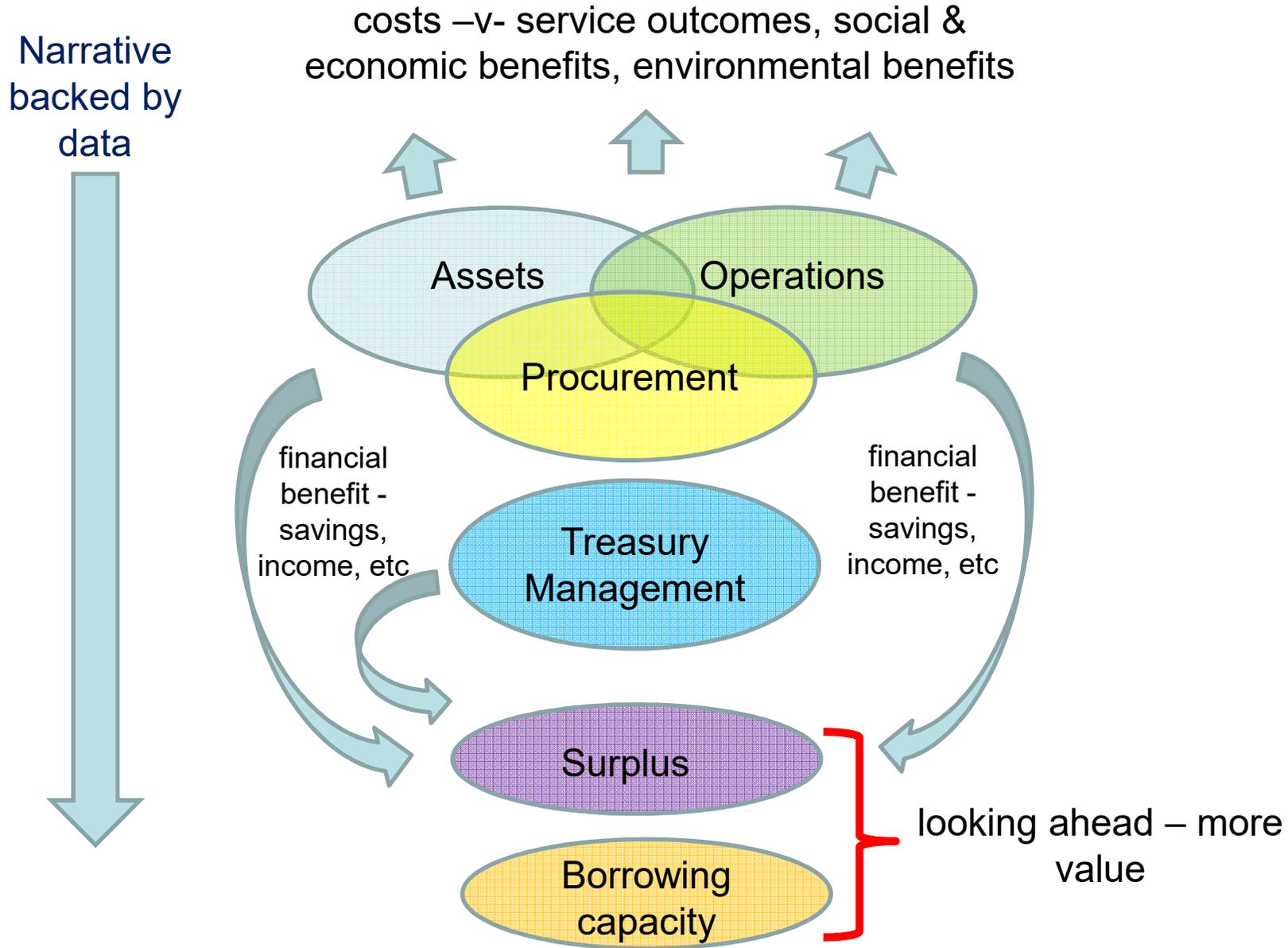
Step 4. How we did: any remaining gains?

- key procurement gains not already covered
- treasury management – eg comparative cost of capital, debt management savings
- use made of borrowing capacity in context of:
 - considered approach to risk & risk appetite and future business plans
 - limitations, eg covenants

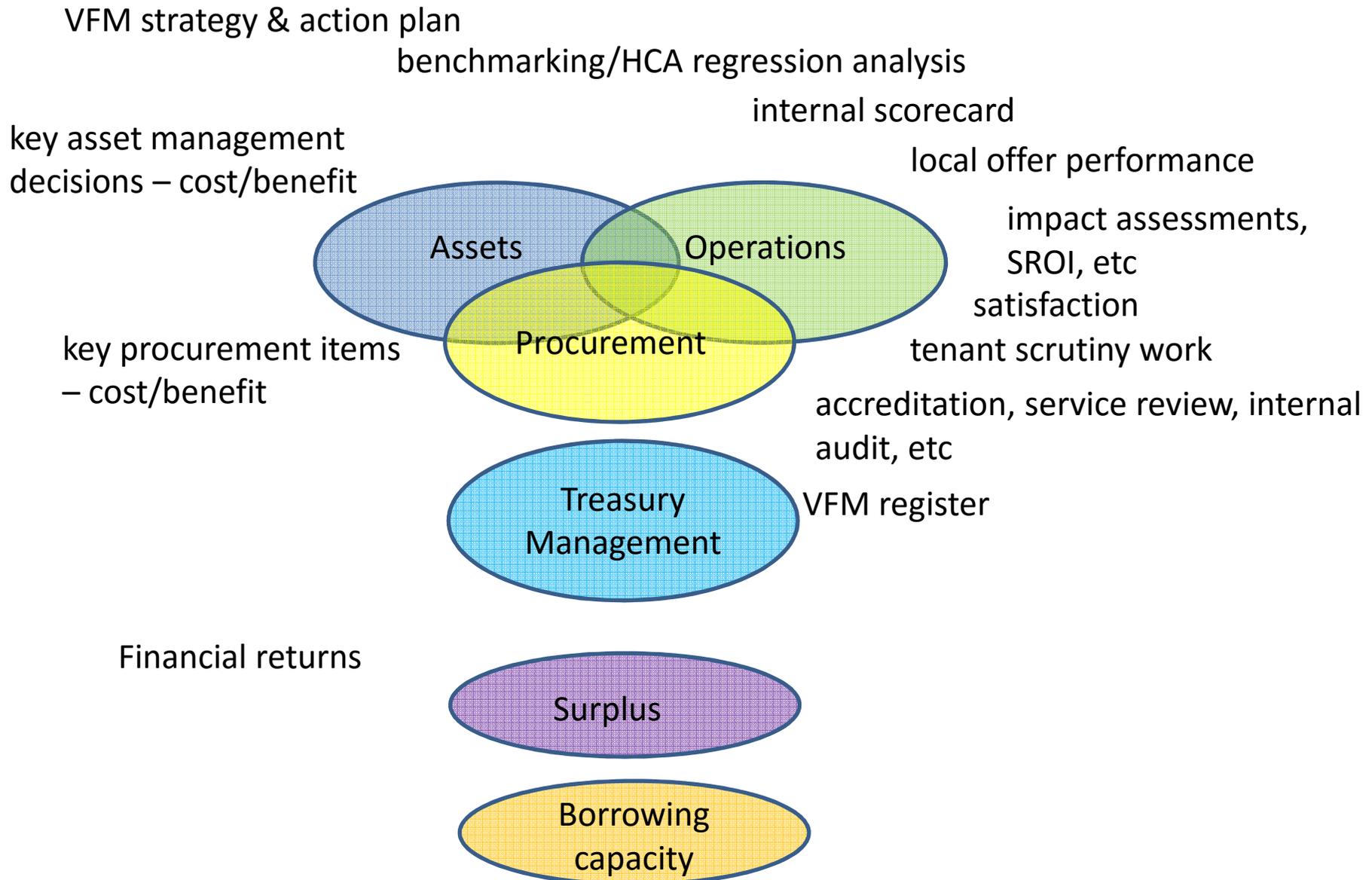
NB this is about managing stakeholder expectations as much as reporting VFM
- state surplus & how gains/surpluses will be used to produce more VFM

Issues? Solutions?

What I've just said as a picture



Data sources/evidence base



Step 5. Anticipated gains

- what will you do?
 - pick up weaknesses, improvement actions already identified – your VFM action plan going forward
 - what is the estimated (quantifiable) benefit in financial, social and environmental terms
- any costs or diminution in service associated with them?

What & why	Cost	Benefit	Impact
Channel shift: website	£x	£x, satisfaction, CO2 etc	Access for dig exc
Asset s – NPV work	£x	£x, satisfaction, CO2 etc	IT integration
Implement board review	£x	£x, satisfaction, CO2 etc	Relationships
Implement operating model	£x	£x, satisfaction, CO2 etc	Morale

Last thoughts, issues

- anything not dealt with?
- consider a buddy system for peer challenging your SAs
- Acuity support also available

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