



# Where next for regulation, VFM & performance measurement?

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# Regulation: story so far

- 2012 – inception of HCA’s regulatory framework
  - standards
  - how we regulate
- 2015 – revamp Governance & Viability standard plus a Code of Practice
  - protecting social assets (Cosmo, Ujima, etc)
  - beefs up expectations around risk (stress testing & asset registers) & governance
  - start reality testing this in IDA pilots - VFM not routinely a feature

# Regulation: story so far

- 2016 – start to look at rest of framework
  - VFM **delivery** included in IDA (previous focus on **demonstrating** VFM via SAs)
  - consider revamp of Consumer Standards – back burner
- 2017
  - publish aggregate unit costs in GA & commentary (expand in 2018?)
  - publish individual unit costs - transparency
  - introduce deregulatory/notification arrangements & special administration process
  - review VFM standard....soon
  - take tougher stance on stress testing in IDA (from summer)
  - review TP standard – to protect tenants (& sector reputation) with ref to transfer of tenanted stock
  - rent settlement – autumn budget? Certainty first? LHA debate flipside

# New VFM Standard & Code of Practice?

- better mood music – government still judge sector by costs/supply
- regulatory consultation ~~March, April~~, May, June 2017?
- clarify existing standard & amplify through CoP?
- Self-assessment not so successful
  - limited impact driving VFM (eg v- rent cut)
  - more transparency required
  - more scope for comparability (consistent reporting)
- drop it? Premature? Something sharper, focussed on metrics
- like.....

# Latest thinking – SA reloaded

- metrics compatible with economic regulation
  - unit cost, op margin, ROCE, scale of reinvestment (existing/new assets), gearing, absolute supply
- other (tight) info focussed on
  - assertion of board objectives including consideration of best way to achieve them
    - appetite for growth? - supply not answer everywhere appreciated
    - transformative change? – corporate form, delivery structure
  - how have we done? - national metrics, local targets
    - boards own local targets & are transparent
    - incorp other evidence
    - explain weaknesses
  - what will we do?

# But demonstrating VFM only half of it – delivering it

- impetus on **delivering** VFM since inclusion in IDA - expectations of smaller HAs same
  - comprehensive strategic approach across all resources/assets **embedded** in corporate strategy
    - excellent use of resources – focussed on objectives, existential challenge, biz planning, biz cases
    - grip on operational spend, understand drivers
    - grip on best use of assets
    - all governed with iron grip – understand, challenge, decide, oversee, drive hence.....
  - *‘need to **embed** board accountability for delivering VFM’*
  - finalised standard & metrics autumn. Until, existing applies
  - metrics as can opener for testing in IDA



# Implications

- it's all about the board
  - clarity of purpose/organisation's role
  - ownership of mission delivery & its maximisation (VFM)
  - competence across activities
- ....and the tools
  - intel
    - tenants
    - stock
    - operations (cost & performance)
    - operating environment
  - risk management
  - excellent reporting/biz cases etc for informed decisions & oversight