



Llywodraeth Cymru
Welsh Government

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Regulatory Board for Wales and Value for Money Steering Group

Value for Money Review – Progress Report February 2017

EXECUTIVE SUMMARY

This report sets out progress, findings and thinking to date from the review of value for money instructed by the Regulatory Board for Wales, reporting on progress to date on work undertaken by the Value for Money Steering Group.

The approach to the review has been innovative and cost effective.

In tackling the review, a collaborative, co-production approach has been taken, differing significantly from previous review approaches which have generally involved instructing review work to be undertaken by external consultants, with relevant oversight.

Also innovative was the organic approach taken to the review, with the Steering Group considering progress and discussing developing insight at each meeting and basing the next stage of work on its emerging understanding.

This approach of involving the right people, gaining input from key stakeholders, supplemented by a piece of focussed research, has been successful – in terms of lower cost and in prompting demonstrable change and further development of approaches.

A key element of that success has been the way the work has been done as well as the outcomes and outputs to date from that work.

The review process to date has itself helped to significantly shift perspectives on value for money

The review process to date, the discussions and thinking generated and collaborative approach taken have resulted in a significant shift in sector attitudes to value for money - from suspicion prior to the start of the process in Spring 2016 to now a much clearer acceptance of the need for action on value for money and positive attitudes to that. An atmosphere of increased trust around value for money between the sector and the Regulator has developed. The Regulator has demonstrated a clear focus on support and improvement rather than enforcement. The Sector has demonstrated a willingness and ability to get things done and move the agenda forward. Both have worked in a pragmatic way to maintain forward momentum. This bodes well for the further development of the sector's approach to value for money - not as a standalone topic but integral to, and spanning, the whole housing association business.

A number of positive outcomes has already emerged from the Review

Various positive outcomes and developments are already evident

- Positive changes to sector perspectives on action on value for money and more informed thinking on value for money
- A changing view of value for money as a key element of good governance, good decisionmaking and strategic thinking, sitting firmly in the Board Room
- A wider recognition of the real tangible benefits of an effective approach to value for money, that getting it right means housing associations can achieve more.
- Pragmatic and effective co production at a strategic level
- Agreed suite of value for money measures developed and signed up to by the sector. These are anchored to the Global Accounts, with input from all Associations, and available annually starting this year (2016/17).
- Performance on these value for money measures for the sector as a whole will be published in the Global Accounts. Individual performance will not be so published although individual housing associations will be encouraged to publish in the interests of transparency and accountability.
- These headline value for money measures provide a sector wide picture of value for money and are available in, a time series database, to
 - The sector, to assist in improving individual approaches to achieving value for money
 - The regulator, to assist in focussed, informed discussion around value for money between regulation managers and individual associations focussed on understanding and improvement
 - To tenants, service users and other stakeholders, to secure accountability and demonstrate transparency
- Identification of areas for further collaborative work on value for money. Current priorities are work on tenant perspectives on value for money and social value as well as an in depth review of one key area of activity.
- A wider recognition of the Regulator seeking to take an enabling and non-prescriptive approach. That enabling approach seeks to encourage organisations to deliver the best service that they can for the resources they use. This more tailored approach contrasts with the alternative of an enforcing approach requiring organisations to meet a particular, universal standard as regards the relationship between resources and outputs.

- Value for money is now one of the revised performance standards - “Delivering value for money in all areas of the business – demonstrates a strategic approach to, and delivery of, value for money across the business” and thus one of the factors which will underpin future regulatory judgements.

The Sector and the Regulator have reached a staging post on a longer value for money journey

This report is being produced to report on progress and mark that staging post. It is intended to provide the basis for further communication and learning around value for money in a variety of forums.

Where do we go from here?

The work of the Value for Money Steering Group will continue.

The Steering Group and the Regulatory Board for Wales have identified priorities for further action. The Steering Group has developed a work plan for 2017/18, based on these priorities, and will closely monitor progress to maintain momentum.

Key to maximising the impact of this work is locating value for money squarely in the board room, taking a strategic, and not overly operational approach, and addressing the big ticket items from a value for money perspective.

- Development of effective approaches to value for money and social value. Community Housing Cymru is leading on this work.
- Development of approaches to take account of tenant elements of value for money and development of measures of service outcomes, including use of tenant satisfaction information. TPAS Cymru is leading on this work.
- In depth value for money focus on a key area of housing association. The area for focus is currently under discussion.
- Increased regulatory engagement focus on value for money
- Increased expectations of Board focus on, and responsibility for, value for money as a key element of good governance
- Building focussed discussions around value for money into the heart of regulatory engagement. The regulation team will use the agreed headline value for money measures to open discussions with housing associations, including board members, about their understanding of

value for money performance and how, using that understanding, they are identifying, and planning for, improvement.

- Use of findings from regulatory engagement to assess sector progress
- Review, in the light of experience of the first year in use, of the effectiveness, relevance and scope of the value for money measures

Continued joint working, collaboration and pragmatism are key to progress. The value for money steering group will continue to maintain the momentum of work on value for money but with a changed membership reflecting priorities for the next stages of the work.

SECTION 1 – INTRODUCTION

CONTEXT

The Regulatory Board for Wales decided at its first meeting in April 2016 to make value for money the subject of its first thematic review.

Why review value for money now?

- Approaches to value for money in Wales are developing. In reaching this conclusion, the Board took account of
 - the findings of regulatory assessments/opinions pointing to the need for a large number of Welsh housing associations to develop a comprehensive organisation wide approach to value for money
 - The variable quality of reporting of value for money through self-evaluation.
- Wales currently lacks the very specific impetus to achieve and demonstrate value for money that currently apply in England – rent reduction, drying up of social housing grant, political perception of housing associations as organisations with a lot of “fat”.
- The increasingly risky environment within which housing associations operate. The impact of welfare reform, and increasing expectations in terms of housing association delivery, eg the Government's 20,000 homes target, contribution to Welsh Government policy priorities, provide powerful drivers for improvement of approaches to and achievement of value for money.
- In this context, housing associations in Wales need to ensure that they are making the best use of available resources to meet the needs of the communities they serve – in the short and longer term.

What the Review sought to achieve

- Through the Review, the Regulatory Board sought to
 - Gain a picture of value for money across the housing association sector
 - Provide support to improved approaches to value for money across the sector
 - Promote debate and improve thinking on value for money
 - Promote a step change in housing associations' approaches to value for money
- From the outset, the Regulatory Board was clear on that the review should be primarily about
 - improving approaches,

- taking a supportive approach to improve the performance of the sector
- value for money in the round, covering tenant and service users perspectives, key added value activities as well as core housing association activities.
- The Regulatory Board were also very clear on what the Review would NOT seek to achieve
 - League tables
 - Enforcement
 - Focus on cost cutting/ money measures alone
 - Drawing conclusions from limited info

What do we mean by value for money?

- Value for money approaches need to apply both strategically (in consideration of options and decisionmaking) and operationally (in delivery of those agreed strategies). It has to be set in the context of an organisation's strategic aims with value being defined in the context of the housing association's overarching aims and priorities.
- Fundamentally, value for money is not only about cost cutting but about good governance, robust decisionmaking and how the business is managed and run. Value for money should therefore be the overarching principle of housing association business.
- Value for Money is not just about aiming to get cost savings in an era of austerity. It's about looking at the whole business, not just about the money side but a balance of cost against satisfaction and service performance and improvement
- Key elements of value for money include
 - Getting the best result from the inputs made, maximising delivery and demonstrating that to stakeholders
 - The optimal use of resources to achieve the intended outcomes.
- Value for money is fundamental to making informed choices, underpinned by an understanding of the opportunity costs of the options available.

What is gained from improved approaches to value for money?

- Better value for money, ie better use of resources, produces more surplus. That increased surplus gives choices to housing associations – eg build more houses, maintain existing assets, provide added value services, expand operations – as well as providing a platform for key decisions such as maintaining independence and provide a competitive advantage.

- In essence, delivering better value for money means that housing associations are able to do more. To avoid a narrow cost cutting approach, the key focus should be not so much on what the housing association has saved but on the opportunities that can result from better value for money ie how much more can be done, for example, more homes built, more social value activity, better and more services, improved condition of existing homes. Other benefits can include improved lender confidence and preferential borrowing rates.

What do we mean by accountability for value for money?

- It's not enough to say you are delivering value for money, it has to be demonstrated.
- In Wales, our developing approach encompasses two way accountability – upwards to funders and national and local government AND downwards to stakeholders and recipients of the service.
- Tenants need to be involved throughout, including at the point where key decisions are being made. Our recommendations reflect the additional work needed to achieve this and the need for the development of approaches which secure effective tenant involvement.

Value for money – the Role of the Regulator

“The Welsh Government's expectations with regard to value for money 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 effective delivery to its stakeholders through transparent self-evaluation”. *Ian Williams, Welsh Government, Head of Sector Development*

- Following the established principles of regulation in Wales, the Regulator is not prescriptive in relation to value for money.
- Value for money is one of the new performance standards which form part of the Regulatory Framework. Housing associations are required demonstrate that they are “delivering value for money in all areas of the business” demonstrating “a strategic approach to and delivery of value for money across the business”.
- This requirement gives considerable scope to housing associations, their tenants and other stakeholders to define and demonstrate value for money and tailor the approach to their particular circumstances and priorities.
- Good governance is fundamental to value for money, and is not solely a matter for financial management. This reflects the regulator's view that

value for money is a strategic matter, not just about cost cutting or procurement.

- This perspective is echoed in HouseMark/Community Housing Cymru's publication "Maximising our Contribution" (page 12) which sets out value for money building blocks as - defining value for money as maximising delivery of your purpose; delivering value for money by delivering a strategic approach to value for money and demonstrating delivery by evidencing achievements.
- The Regulator in Wales seeks to take an enabling and encouraging, not enforcing, non-prescriptive approach. This enabling approach seeks to encourage organisations to achieve the benefits of an effective approach to value for money, able to do more and to deliver the best service that they can for the resources they use.
- We have seen that prescriptive approaches elsewhere, eg annual value for money reporting, have not resulted in significant gains in terms of value for money. Experience elsewhere also indicates that many of the gains have been peripheral, not necessarily focussing on the big ticket items such as treasury management, specification, social value, assets and disposals, service delivery model, organisation structure. That kind of approach has produced some resistance. In Wales, our approach seeks to ensure the energy of the sector and the regulator goes into proactively engaging with value for money and making a difference, not into challenges to the regulator and arguing over how figures are calculated. This is reflected in the way this review has been undertaken.

How the Review was tackled –The Value for Money Steering Group

- The Review was tackled on a collaborative basis with the approach developing through the work of a Value for Money Steering Group involving a range of sector and the Regulatory Board representatives.
- The Steering Group comprised a range of individual involved in the housing sector with an interest in, and varying degrees of expertise in, value for money. The membership is at Appendix 1.
- Further links into key stakeholders through regular reporting to, and discussion at, the Regulatory Advisory Group.
- The work developed as the Steering Group's understanding of, and insight into, value for money grew.

- The aim was to take an objective, informed approach, listening to key stakeholders, avoiding working to any kind of pre-determined Welsh Government agenda
- The scoping of the project was informed by sector discussions brokered by Community Housing Cymru in April 2016. This set out the three key areas for the review – measures, tenant perspectives and social value.
- The Steering Group met four times between July and November 2016 and reported to the Regulatory Board meetings in September and December 2016.
- The work on measures was wholly undertaken by Community Housing Cymru's Finance Forum which was represented on the Steering Group.
- Thinking in relation to tenant perspectives was informed by the work of the researchers from Cardiff Metropolitan University, discussions with tenant representative organisations and work undertaken by the Tenants' Advisory Panel at TPAS Cymru and Welsh Tenants conferences in the Autumn of 2016.
- Thinking in relation to social value was informed by the work of the Cardiff Metropolitan University researchers.

Community Housing Cymru/HouseMark report

In October 2016, Community Housing Cymru and HouseMark published a value for money report "Maximising Our Contribution: A Practical Guide for Welsh Housing Association on how to define, deliver and demonstrate value for money." This report drew on the experience of staff and tenants across the housing association sector.

http://chcymru.org.uk/uploads/events_attachments/HouseMark_ENG-WEB.pdf

This report has helped move the value for money agenda forward significantly, assisting in demonstrating the sector's commitment to achieving value for money, setting out a potential approach and recognising that value for money makes good business sense and should be pursued for that reason, not just because the regulator says to do it.

SECTION 2 - Literature Review

To inform the Steering Group's developing thinking, researchers from Cardiff Metropolitan University undertook a literature review.

The full review can be found at

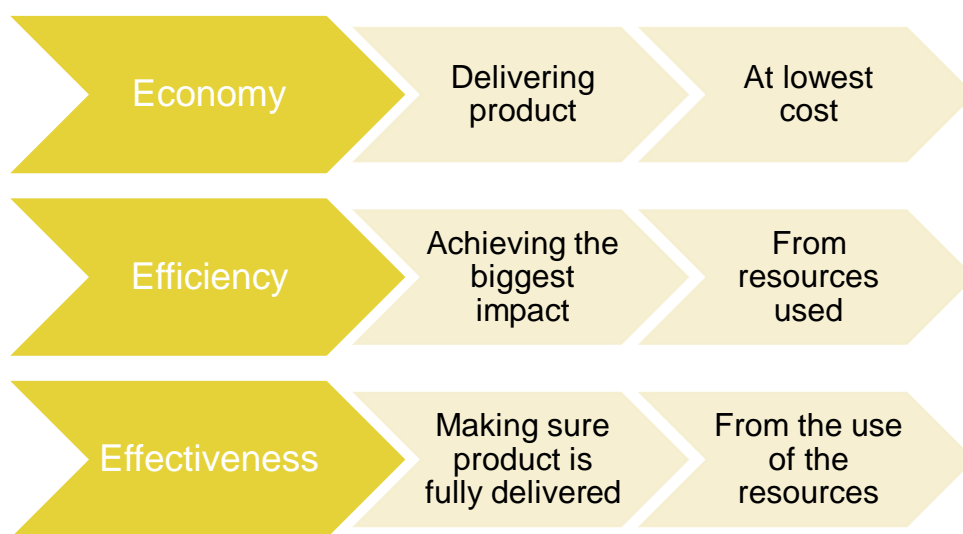
[http://chcymru.org.uk/uploads/general/VfM Literature Review - Final.pdf](http://chcymru.org.uk/uploads/general/VfM_Literature_Review_-_Final.pdf)

Literature Review Summary

Following the brief provided for this Review, and a discussion of emerging themes with the working group, five key areas were identified for this piece of work:

1. Conceptual Challenges:

The general definition of VFM can be seen to relate to the idea of 'the Three Es'; economy, efficiency, and effectiveness:



The first category relates to the level of resource put into the activity; this should be the minimum cost by which the activity can be completed. This is often described as 'input'.

The second relates to achieving the maximum output from this minimum input. This entails getting the most out of the resources used.

The final category works to ensure that the intended result is fully attained from the use of the resources. This can be described as the 'outcome' of a process.

VFM focusses on the relationship, therefore, between the level of resource used to complete an activity, and the level and effectiveness of this output.

The test for VFM is whether an appropriate level of resources has been used to achieve a particular result.

A fourth 'E' has been added to this framework; equity. This addition emphasises activities only have value if they are done fairly.

The report also identifies key questions to think about when considering VFM:

- Who is involved?
- Whose values are being measured?
- How are these going to be measured?

The link between VFM and accountability is important to consider, particularly in regards to whom organisations are providing accountability – funders, service users, or both?

2. Value for Money across Great Britain:

It is important to note that there are different approaches across England, Scotland, and Wales

- England – the approach is based purely on unit cost and economic performance
- Scotland – the focus is on tenants and affordability and developing a cross-sector approach to measuring VFM
- Wales – there is an emerging focus on tenant engagement and capacity to align with other Welsh Government priorities

3. Value for Money approaches in different public services:

International Development

- Emphasis on 'equity' – this focus looks at fairness within service delivery
- This approach also includes the measurement of long term outcomes on individuals' lives following investment in services

Health

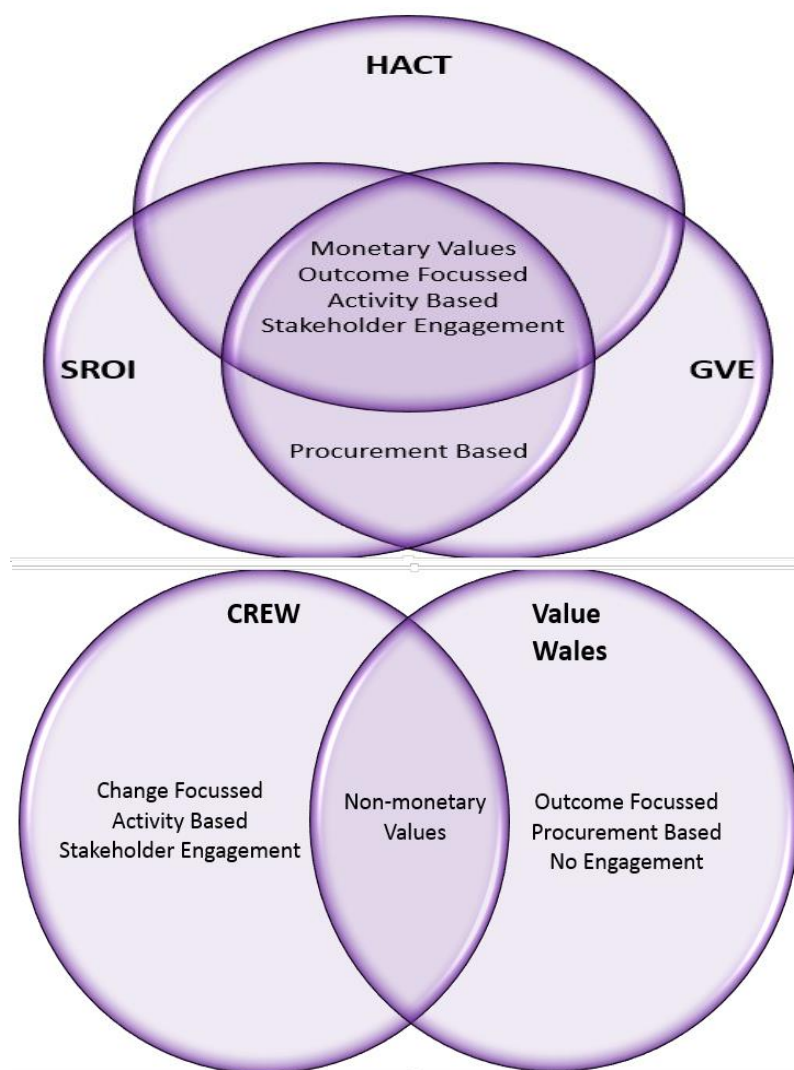
- Measurements of VFM in this sector look at quality of life for individuals in relation to cost of treatments
- This includes the question of what individuals are able to do and be

4. International approaches to Value for Money:

It is useful to look at international approaches to value for money, for example the Australian approach focusses on the assessment of management costs and tenant outcomes in social housing.

5. Social Value:

There are various definitions and models of social value that differ according to monetary and non-monetary approaches as outlined below:



Comments and recommendations:

There are a number of key themes that have emerged from this Review. The main regards the difference between ‘upward’ and ‘downward’ accountability. The discussion of the different models and approaches across sectors shows the importance of considering this key question of accountability. In the housing context, are VFM measurements in place to providing assurance for service providers, service users, or both?

The approaches proposed by HouseMark in both Scotland and Wales focus on the inclusion on tenants; ensuring a form of 'downward' accountability. This is echoed in approaches within International Development and Health which look at how VFM measurements can take account of the impact that investment in services can have on individuals' lives.

This approach could be built on in terms of creating a Welsh model for VFM for Housing Associations. This would enable the Welsh Government to take a 'made in Wales' approach to this concept, and align this with broader priorities. By focusing on tenants and what they are able to do and be, National Indicators related to the Wellbeing of Future Generations (Wales) Act can be met. In particular, this can be seen to map across to the Wellbeing Duty included in this piece of legislation.

1. Focus on achieving a balance between downward and upward accountability
2. Combine financial measures with indicators of outcomes for tenants and other service users
3. Take a co-regulation approach to developing a new model of VFM – including tenants
4. The Regulator to take an enabling rather than enforcing approach to VFM, thus supporting the co-regulation approach.

SECTION 3 – MEASURING VALUE FOR MONEY

“The money bit is easy”

Stuart Epps, Vice Chair, Community Housing Cymru, Finance Forum

The Steering Group immediately identified the need for a headline set of measures of value for money and were able to link to work already underway through CHC's Finance Forum.

Wales Value for Money Measures

As a result, Wales now has an agreed set of headline value for money measures, agreed with, and now in use by, the sector and the regulator. This approach provides an excellent illustration of the value of the sector taking the lead.

The measures developed by CHC's Finance Forum now form part of global accounts - an approach which seeks to achieve consistency, and thus confidence in comparison, and will be available annually.

The measures agreed by CHC Finance Forum are

1. Operating costs for lettings per social housing unit
2. Management costs per social housing unit
3. Reactive repair costs per social housing unit
4. Major repairs and component costs per social housing unit
5. Bad debts per social housing unit
6. Weighted average cost of capital
7. Free cash flow (before draw down or repayment of loans)
8. Gross arrears/social housing turnover
9. Total rent per social housing unit
10. Rental void loss per social housing unit

The English Sector Scorecard

As this report was nearing completion, the English housing association sector launched 15 efficiency indicators making up a sector scorecard for measuring efficiency within the sector. This is currently being piloted by the sector in England.

The English indicators can be found at Appendix 4 and at <http://www.sectorscorecard.org.uk/>

The Value for Money Steering Group proposes that the Welsh measures should be reviewed after a year in use and in the light of experience in use of the English indicators.

Using the Value for Money Measures

The aim of the measures is to facilitate sector and regulator understanding of current costs and performance and thus underpin evidence based improvement action.

Performance for the sector will be published in the Global Accounts. There is no intention to publish the performance of individual housing associations although this information will be available to, and used by, the Regulator.

- How will the Regulator use the value for money measures?
 - Contrary to initial fears from some quarters, the regulator has no intention to create league tables or “name and shame”.
 - The value for money measures will be used by the regulator to allow informed and focussed discussion of value for money at regulatory engagement.
 - These discussions will be aimed at encouraging organisations to do the work necessary to understand their performance and, where necessary, develop plans for improvement

- How should housing associations use the value for money measures?
 - To provide context for robust analysis of their own value for money performance, informing value for money oversight and related governance
 - For benchmarking with appropriate peer groups, comparing value for money performance with others
 - To compare their own performance over time, demonstrating progress and cumulative effect
 - To transparently demonstrate their value for money performance to tenants and other stakeholders

Accessing the Value for Money Measures within Global Accounts

The figures are available through undernoted link:

<http://chcymru.org.uk/en/publications/global-accounts/>

Headline social housing cost per unit and key factors in cost variation

The Steering Group considered the comprehensive analysis of the cost performance of the English sector recently undertaken by the housing regulator in England.

In broad terms, that analysis developed a standard calculation of headline social housing cost per unit, based round information available from the sector's Global Accounts publication, for each registered provider, to allow comparison over time and between providers. The analysis then used the data on social housing cost per unit to undertake a regression analysis which

sought to identify whether key sector characteristics had significant impact on management cost.

The English Regulator's analysis indicates that around 50% of the variation in costs can be explained by six factors. These factors were

- Provision of supported housing
- Regional wages
- Stock transfers
- Housing for older people
- Neighbourhood deprivation
- Condition of existing stock – Decent Homes status

This analysis found that the following factor were NOT significant

- Geographical dispersal of stock
- Involvement in non-social housing activity,
- Scale of provider

As part of our review, we sought to replicate for Wales the work undertaken in England. The calculation of headline social housing cost per unit was straightforward. However, it has proven impossible to undertake a regression analysis for housing associations in Wales to due to small size of the housing association population. Statistical advice indicates clearly that the analysis would require to be so very heavily caveated that it would be highly unlikely to provide any more reliable insight into key factors in Wales than can be taken from the English analysis.

Next steps

- The current measures are very much as a first step. A rounded picture of value for money and housing associations in Wales is possible only when measures are available for softer outcomes of core services and social value activity.
- The current measures do not include a measure for development activity. Whilst acknowledging the challenges of developing effective development measure/s, the Steering Group is clear that a measure/ measures are required and welcome the Finance Forum's commitment to developing such a measure
- Review, in the light of experience of the first year in use, of the effectiveness, relevance and scope of the value for money measures and in the light of experience in use of the English efficiency indicators
- The value for money measures need to be set in context. As part of the work of the review, some analysis was undertaken to understand whether tenant satisfaction could be useful as a measure of service effectiveness/service outcome. The analysis undertaken was inconclusive and

hampered by lack of availability of up to date, reliable sector wide information on tenant satisfaction.

- The Steering Group felt that this should be “kept on the table” and tried again when better quality information on tenant satisfaction is available. As part of the Regulator’s annual data return, from 2017, housing associations will be asked to provide standard information on tenant satisfaction with key areas of housing association services. When reliable tenant satisfaction information is available for the sector, further work will be undertaken to assess its usefulness as a measure of service outcomes.
- Further possible approaches to measuring outcomes, such as tenancy sustainment and cost consequence analysis, are highlighted by the literature review. Further work on this area will form part of the remit for the next stage of work on tenant elements of value for money.

SECTION 4 - Tenant Perspectives

Our literature review highlighted the limited information available on this element of value for money.

The Steering Group agreed with the clear view of the sector that no fully rounded perspective on value for money is possible without the inclusion of tenant perspectives and priorities.

The literature review highlights the concept of downward accountability, based on provision of justification to the people receiving the services. This contrasts with upward accountability, based on the provision of justification to funders. See http://chcymru.org.uk/uploads/general/VfM_Literature_Review_-_Final.pdf for further information.

The Steering Group has a clear view that the downward accountability model best reflects the Welsh approach to regulation with “tenants at the heart of regulation”.

Developing an effective approach to take account of tenant perspectives of value for money is a key next priority for the value for money steering group. This work will be scoped by the Steering Group and undertaken by TPAS Cymru.

TPAS Cymru's work will take account of key questions developed by the Steering Group (see Appendix 2), work undertaken by the Tenants' Advisory Panel at the Welsh Tenants and TPAS Cymru conferences in Autumn 2016 (see Appendix 3) and the outcome measure elements set out in section 3 of this report.

SECTION 5 SOCIAL VALUE

Discussion with the sector in Wales makes it clear that social value is seen as fundamental to the work of the sector and thus fundamental to any coherent approach to value for money in Wales.

More rigour is needed in the approach to social value

There is a general acceptance that more rigour is needed in approaches to social value covering the following

- Strategic decisionmaking in relation to social value activity – clarity on opportunity costs ie what are housing associations doing social value instead of eg building new homes, condition of existing properties,
- Deciding on scope of social value activities, evaluating options and priorities and which options will maximise contribution to the organisation's social objects
- Setting desired outcomes of specific social value initiatives
- Evaluating outcomes of social value activity to find out whether desired outcomes being achieved and whether they are contributing effectively to organisation's social objects.

Options for measuring the outcomes of social value activities

The literature review sets out a range of possible approaches to measuring the outcomes of social value activities currently in use in Wales, such as Social Return on Investment, HACT Wellbeing Valuation toolkit, CREW Landscape, Atmosphere and Horizon, Value Wales toolkit, Global Value Exchange, some of which focus on monetary values and others which focus on non-monetary values.

The approaches outlined have pros and cons and vary in their effectiveness in measuring outcomes.

Measuring the soft outcomes

There are challenges in measuring the soft outcomes of much social value work. Similarly there are challenges in measuring the soft outcomes of housing association core services.

Housing associations in Wales use various different approaches meaning that it is difficult to make any meaningful comparisons and to provide insight into effective approaches.

There is a need to consider approaches to assess effectiveness and facilitate shared learning and more rigorous, informed approaches.

Community Housing Cymru is currently undertaking work around social value. The intention is that the regulation team be represented on the steering group for this work and the chair of the steering group has joined the Value for Money steering group.

The scope of this social value work is currently being developed.

SECTION 6 FUTURE GENERATIONS ACT

The Future Generations Act specifies the need to take a longer term view looking to achieve sustained outcomes and take account of the need of future as well as current tenants.

The Steering Group are clear that approaches to value for money must take clear account of the sustainable development principles set out in the Future Generations Act, ensuring that the needs of the present are met without compromising the ability of future generations to meet their own needs.

Sustainability and looking to the long term is fundamental to any effective approach to value for money.

In developing approaches to value for money, it is recommended that consideration is given to contribution to the seven well-being goals

- Prosperous
- Resilient
- Healthier
- More equal
- Cohesive communities
- Vibrant culture and thriving Welsh Language
- Globally responsible

And the ways of working set out in the Act.

- Long term
- Prevention
- Integration
- Collaboration
- Involvement

SECTION 7 RECOMMENDATIONS FOR FUTURE ACTION

Further Development – Recommendations

FOR THE VALUE FOR MONEY STEERING GROUP

- Develop proposals for projects focussed on
 - Tenant aspects of value for money – working with TPAS Cymru in its role as tenant support organisation
 - In depth value for money study of one area of housing association activity
- Engage with Community Housing Cymru's work on measurement of value for money in social value activity

FOR COMMUNITY HOUSING CYMRU

- Support, through the Finance Forum, the development of specific measure/s covering development activity
- Review, through the Finance Forum, the effectiveness in use of the value for money measures, in the context of experience in use of the English efficiency measures.
- Develop sector approaches to effective measurement of value for money in of social value activity

FOR WELSH GOVERNMENT/ REGULATOR

- Develop tool kit for, and support to, regulation managers to undertake focussed conversations with housing associations on their value for money performance, understanding of that performance and proposals for improvement
- Hold housing associations to account for value for money performance through focus on the relevant performance standard and use of value for money performance as a factor in reaching judgements of co regulation status
- Collect standard tenant satisfaction data on key landlord services to provide sector wide picture and for use in benchmarking/ planning improvement
- Continue to support the work of the value for money steering group

TPAS CMRU

- As grant funded tenant support organisation, work with value for money steering group to develop project focussing on developing tenant element of value for money, including softer measures re outcomes for tenants and service users

Support – Recommendations

FOR COMMUNITY HOUSING CYMRU

- Support for sector in developing effective approaches to value for money which tackle the big value for money issues and any core inefficiencies
- Link value for money to the wider governance offer, underscoring the key role of Boards in moving the value for money agenda forward, equipping board members to meet their prime responsibility for value for money and locating value for money squarely in the board room
- Lead, working with the Regulator, on sharing learning across the sector

FOR WELSH GOVERNMENT/ REGULATOR

- Focus on supporting housing associations to improve approaches to achieving value for money
- Use value for money measures and understanding of sector wide value for money performance and practice to inform future policy making
- Work with Community Housing Cymru to ensure sharing of learning around value for money

SECTION 8 – Thank You

This review, and the continuing work on Value for Money, has only been possible through the collaboration, support and input of a large number of interested parties.

Particular thanks are due to

- The members of the Value for Money Steering Group
- Regulation colleagues in the Homes and Communities Agency
- HouseMark, in particular Steve Smedley
- Sue Harvey and Jon Slade of Campbell Tickell

SECTION 9 APPENDICES

1. Value for Money Steering Group Members
2. Key questions for work on tenant perspectives on value for money
3. Outcomes from TAP discussions at Welsh Tenants and TPAS Cymru conference Autumn 2016
4. English Sector Scorecard

Appendix 1

Steering Group Members - July 2016 to February 2017

Lisa Amos, Welsh Government (from October 2016)

Clarissa Corbisiero Peters, Community Housing Cymru

Stuart Epps, Community Housing Cymru, Finance Forum

Marc Fury, Cardiff Metropolitan University

Gayna Jones, Regulatory Board for Wales

Carol Kay, Welsh Government

Nick Selwyn, Wales Audit Office

Bob Smith, Regulatory Board for Wales

Helen Taylor, Cardiff Metropolitan University

Zoe Weaver, Welsh Government (to October 2016)

Appendix 2

Key questions for work on tenant perspectives of value for money

- What are tenants' value for money priorities?
- What does value mean to tenants?
- How can we ensure value for money accountability to tenants?
- Transparency on costs
 - Vigorous pursuit of value for money
 - Tenant involvement in value for money arrangements
 - Strategic and operational
 - value for money approaches to strategic decision making and tenant involvement
 - Tenant satisfaction as measure of service effectiveness
- Effectiveness element of value for money provides clear link to service outcomes and clear need for tenant perspective
- That also links to equity element of 4th E
- How do we measure service effectiveness? Tenant role and involvement in that.
- Strategically value for money is about informed choices – expectation of tenant involvement in those choices and the trade-offs and opportunity costs. Key challenge is how equip tenants to do that.
- What do tenants bring to that process? How do they contribute?
- value for money of tenant participation

Appendix 3

Outcomes from Tenants Advisory Panel work on VFM at Welsh Tenants and TPAS Cymru conferences



What Tenants Want

No1: Value for Money – December 2016

What Tenants Want

'Welfare reform means tenants have less income. Associations should demonstrate VFM and efficiency'

Tenant interviewed at TPAS Conference October 2016

What Tenants Want reports are based on interaction between the Tenants Advisory Panel (TAP) and tenants of housing associations across Wales on things that matter to them.

They aim to provide a summary of tenant opinion and concerns on current themes and proposals for change that can then be taken into account both by Welsh Government in their role as regulator of RSLs and by the Regulatory Board for Wales (RBW). It is also hoped that these reports will be useful to tenants in Wales and their landlords.

Value for Money

The Regulatory Board for Wales (RBW) is leading a study on the value for money of housing association services in Wales. The study is looking at the 3 'E's – how **E**fficient, **E**ffective & **E**conomical services are, as well as any provision for 'added value' in terms of wider benefits that housing associations bring to communities.

This report is based on:

- Individual surveys with 28 tenants.
- Seven focus group discussions facilitated by TAP members at Welsh Tenants and TPAS Cymru events in September and October 2016.

The template used for individual interviews is included at **Appendix 1**. This format was also used as a prompt for discussions in workshops with the addition of a question on what the key priorities for tenants were and this information will be particularly useful in determining future consultation themes.

Reference has also been made to the recent Community Housing Cymru / Housemark publication *Maximising Our Contribution: A practical guide for Welsh housing*

associations on how to define, deliver and demonstrate Value for Money. An extract from that report on tenant perspectives on VFM is included at **Appendix 2**.

What follows is a summary of the main issues that arose. Responses have been clustered around the key questions posed. Conclusions on the main issues identified are included at the end of this report.

Key Questions and Responses

Do tenants think they get value for money from their landlord?

‘Different people have different opinions on what value for money is’

Tenant at TAP focus group Welsh Tenants conference, September 2016

In the view of 86% of individual interviewees their landlords did provide value for money. However, although generally in agreement, tenants taking part in workshops were less certain this was always the case and were prepared to back this up with examples including:

- Insufficient cover for staff sickness.
- Falling standards under new contracts.
- Repairs completion deadlines not always being achieved.
- Inadequate consultation & communication.

Do tenants think their landlord spends the income it gets from rents wisely?

The majority of individual respondent (78%) thought this was the case, although others thought this wasn't always so. One in particular felt they were not in a position to decide as they hadn't seen any 'details of cost information'. Workshop participants concurred with these views, generally considering that income was spent wisely but pointing out that the lack of information made judging whether this was always the case difficult.

There were positive comments about some services including tenant participation support and adaptations to properties. One tenant had concerns about the impact of cost cutting in the future.

How could landlords provide better value for money?

‘I’m not happy about new building when my property is in need of modernisation with so called “economy seven” heating in the 21st century!’

Tenant interviewed at Welsh Tenants Conference, September 2016

Around a third of Interviewees identified the need for better communications between the landlord and tenants including:

- More feedback after consultation.
- Keeping tenants better informed in general.

- Using social media to provide updates.
- Listening more to service users.
- Incorporating VFM questions in tenant surveys.

One respondent called for more partnership working as a way of delivering more efficient services.

Tenants who took part in the focus groups agreed that communication needed to be improved. They also offered a number of specific areas in relation to contractors that could deliver better value for money including:

- Managing contracts better.
- Securing longer guarantee periods for work.
- Improve the quality of the work of contractors.
- Removing contractors if work consistently failed to meet high standards.

Other suggestions included:

- Spending more money on improving older properties that are harder to heat.
- Better scrutiny of services provided including budgets.
- Investing more into homes that are older to make them more affordable to run.

What is more important to tenants – cost, quality of services or the standard of homes?

More tenants (32%) felt the quality of their home was most important than those who favoured the quality of services (25%). Focus groups split 50/50 on this.

Although cost was only mentioned by one individual interviewee, two focus groups flagged this up as an important issue.

Other comments

'Tenant scrutiny members listen and report back to our landlord as to what tenants want & how they can have better value for their money. Tenants wish to be listened to'

Tenant at TAP focus group, Welsh Tenants conference, September 2016

The benefit of giving tenants – both interviewees and workshop attendees - the opportunity to raise their own concerns and viewpoints was demonstrated by the range of issues this solicited. This included:

- A view amongst a number of tenants that landlords prioritised new development over maintaining and improving existing homes and the need to get this balance right
- The need for more play areas, especially in rural areas
- Support for housing associations providing wider community benefits

Perhaps unsurprisingly, given that respondents were overwhelmingly active tenants, there was strong support for tenant participation activities of landlords. There was particular support for tenant involvement in on going and effective monitoring of landlord performance through, for example, tenant scrutiny panels. This included:

- Recognising how scrutiny can lead to better decisions and improved value for money.
- The importance of reporting back to tenants on the outcomes of their involvement.
- Ensuring that tenants are supported and able to access resources including training, networks and peer support.
- The role of scrutiny in monitoring staff costs.

What are the Key Priorities for Tenants across Wales?

Giving tenants who took part in the workshops the opportunity to identify what matters most to them now and, as importantly, in the future, resulted in a number of issues being highlighted that could help inform the work of TAP and the RBW. This included:

- Improving communication between landlords and tenants.
- Community involvement and resident engagement.
- The impact of welfare reform.
- Continued monitoring of costs and value for money.
- Quality standards for homes.
- The quality of maintenance and repairs services.
- Community facilities such as play areas and green spaces.
- Employment opportunities for tenants.
- Community and individual safety.
- Services in rural areas.
- Building more affordable housing that meets the needs of tenants.
- The right of housing associations to assign their properties.
- Tenant exchanges.
- Simplifying common wasting lists.
- Greater awareness of housing association governance.

Conclusions

'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'

Maximising Our Contribution: Community Housing Cymru / Housemark 2016

Value for Money

Most tenants think their landlord provides value for money in relation to services.

However, there are concerns that financial pressures are, in some cases, leading to poorer services and this needs to be closely watched.

Although generally happy that income from rents is being spent wisely, tenants want clear information about costs to be better able to reach a view on this.

Certain services were highlighted as providing value for money, including tenant participation support and adaptations to properties.

There is a widely held view that better communication between the landlord and tenants is essential, including providing more feedback and using social media to provide updates.

More effort needs to be put in by landlords to ensure that contactors provide value for money, including managing contracts better, securing longer guarantee periods for work and removing contractors who fail to reach high standards of work.

Tenants were split on whether the quality of services or the standard of homes was more important. Cost of services was not identified as of primary importance.

It was felt important that landlords get the balance right between developing new homes and maintaining and improving existing ones.

Wider community investment was also an important factor in tenants deciding if housing associations gave value for money, including providing play areas, especially in rural areas and delivering other community benefits.

Tenant Engagement

There is strong support for tenant participation activities of landlords, including monitoring of landlord performance through, for example, tenant scrutiny panels.

It is important that sufficient time and resources including access to training, networks and peer support are provided, to underpin effective involvement.

Future Priorities

A number of issues have been highlighted that could help inform the work of TAP and the RBW in the future. These include improving communication between landlords and tenants, the impact of welfare reform, quality standards for homes and maintenance and repairs services, community facilities, services in rural areas and building more affordable housing.

The work of TAP

This exercise with tenants to determine their views on value for money has not only generated valuable insights on the topic but also served to underline the benefits of an interactive approach, as opposed to simply gathering tenant opinions through postal questionnaires.

About the Tenant Advisory Panel (TAP)

The overall aim of TAP is to make sure that tenants are at the heart of regulation of the housing association sector in Wales. We do this by:

- listening to and reflecting the views of tenants
- maintaining strong relationships with RBW, the Regulator and the housing association sector
- demonstrating and promoting the value of tenant engagement in improving services and accountability of landlords to their tenants

For more information about the work of TAP please contact **XXXXXXXXXX**

Appendix 1: TAP VFM survey pro-forma



TAP Member:	Date:
Tenant Name:	Housing Association

Feedback Theme – Value for Money

Background

The Regulatory Board for Wales (RBW) is leading a study on the value for money of Housing Association's landlord services in Wales.

The study is looking at the 3 'E's – how Efficient, Effective & Economical services are, as well as any provision for 'added value' (benefits to communities).

The TAP is seeking feedback from the wider body of tenants

Key questions for discussion:

- Do you think you are getting value for money from your landlord?
- Do you think your landlord spends the income it gets from your rent wisely?
- How do you think this could be improved?
- What is more important to you – cost, quality of services or the standard

of your home?

Notes:

Any other comments:

Appendix 2: Tenants' perspective on VFM

Extract from *Maximising Our Contribution: A practical guide for Welsh housing associations on how to define, deliver and demonstrate Value for Money* (Community Housing Cymru / Housemark October 2016).

The following findings were based on a focus groups organised by Welsh Tenants and TPAS during 2016:

- 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
 - 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.

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/>

Appendix 4

English Sector Scorecard

The measures currently being piloted in England are

1. Operating margin
2. Increase/decrease in operating margin
3. EBITDA (Earnings Before Interest Tax and Amortisation Major Repairs Included)
4. Units developed
5. Units developed (as a percentage of units owned)
6. Gearing
7. Customers' value for money satisfaction
8. Investment in new housing for every £1 generated from operations
9. Investment in communities for every £1 generated from operations
10. Return on capital employed
11. Occupancy
12. Ratio of responsive repairs to planned maintenance spend
13. Headline social housing cost per unit
14. Rent collected
15. Overheads as a percentage of adjusted turnover