



**How to...**  
*deliver value for money*



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# How to...deliver value for money

1 For many years, housing organisations have sought to achieve 'value for money' (VFM) across the full range of services they deliver. However, major changes to the operating environment and the regulation of social housing mean that there is now an even more pressing need to make the best use of available resources and to deliver the best possible services and outcomes to customers.

Achieving VFM is particularly important now because of:

- the increased importance of VFM in the government's attitude towards housing associations
- the move, in regulatory terms, of the VFM Standard from consumer to economic regulation – meaning that VFM will be actively regulated (but only for housing associations)
- a requirement on landlords to develop their own, local approaches to the way they manage their business, services and assets, as opposed to being driven by centrally imposed regulatory requirements
- the onus on housing association boards to take responsibility for VFM, in a wider sense than previously
- for those associations providing care and support an increased level of competition in the market.

These changes will mean housing organisations will need to focus more proactively on VFM. They will be expected to use their capital, assets and revenue more effectively, and in a more commercial and business-like manner.

Many housing organisations have already developed robust VFM strategies, and actively compare their service costs, performance and customers' satisfaction with those of their peers. Often though, this work has centred on demonstrating VFM in service delivery to tenants and stakeholders.

Today, with government, the regulator and lenders all focusing more acutely on an organisation-wide interpretation of VFM, landlords will need to be even more pro-active in demonstrating performance in this area across their businesses – not just in terms of service delivery.

**This 'How to...' guide aims to help you to overcome some of these challenges and share the learning and experience of others in the sector.**

## Value for money and the future of regulation

At the time of producing this brief the regulator is consulting on [The revised regulatory framework for social housing in England](#), including a new VFM standard, which housing associations will be required to meet. The consultation sets out the regulator's expectations in relation to the proper governance and financial viability of providers, and introduces an increased focus on VFM, to take effect from April 2012.

Housing association boards will be expected to have:

- a clear view of appetite for risk
- risk management strategies in place
- a strategy for making best use of assets, which includes a plan for improving value for money.

Furthermore, the regulator will have a significantly scaled back approach to consumer regulation (regulation to maintain the standard of services delivered to tenants) from April 2012, with registered providers needing to be proactive in demonstrating to stakeholders, investors and tenants that they are efficient in their activities. CIH will shortly be publishing a further briefing on [How to...prepare for regulatory reform: Tenant engagement and scrutiny](#).

# Developing a common language

Defining VFM can be difficult. The judgement as to what represents VFM is subjective and can mean different things to tenants, landlords, government, taxpayers and the regulator. In 2007 CIH and HouseMark published a definition of the term VFM in [Embedding value for money in housing association services](#) which defined three core components as:

- **effectiveness** - doing the right things
- **efficiency** – doing things right, which includes carrying out activities in a timely and simple manner, and with minimum waste
- **economy** – the cost of procuring inputs to services, that reflects not just price but sustainability.

Today these elements still hold true, but the current climate means just being efficient will not be enough to respond to the operational challenges listed earlier.

As a landlord you will need to make difficult strategic choices, and challenge yourself on your purpose, and the value and quality of services offered:

- **purpose** – be clear about your organisational purpose, values and objectives. ‘Without value social housing simply becomes welfare housing, a housing safety net to be delivered ‘on the cheap’’ ([Embedding VFM](#) (2011) HouseMark)
- **quality** - should not be confused with an aspiration of excellence. Quality is about setting an agreed acceptable standard which is adhered to consistently.

The proposed new VFM standard makes reference to '**trade offs**'. Trade offs involve recognising, for example what the consequences of cost reduction are on performance, and of sustainability requirements on quality. Alternatively, it could be about understanding the opportunity cost of retaining certain stock in a given area. This balanced attitude fosters a steady continuous improvement approach to VFM across the business, rather than simply in terms of service delivery.

Adopting a common language that is simple for everyone to understand, and relate to, will encourage everyone in your organisation to contribute to VFM activities. For more further advice on developing a common language and interpreting 'trade offs' see [The language of value for money](#) by Xantive.

## Establishing strategic buy in

Robust governance is critical to any organisation’s ability to run itself successfully. Lenders, stakeholders and the regulator alike need to be assured that any organisation is well governed and financially viable. The proposed VFM Standard places a clear obligation on boards to develop and deliver a strategy to drive VFM improvements. However, it is important to remember that a strong focus on VFM should not be purely driven by a regulatory standard but should be integrated into an organisation’s culture as a matter of course – it’s about the effective, successful running of a social business.

Housing organisations need to make clear decisions about how they intend to achieve the best VFM whilst pursuing their organisation’s social values and priorities. To achieve this you should:

- have effective strategic processes in place for setting organisational objectives and priorities, which are owned and led by the board
- ensure existing and new board members are sufficiently skilled and knowledgeable to understand VFM and to be able to challenge itself and its executive
- put VFM at the heart of delivering organisational objectives and wider social investment aims. It should balance the priorities and aspirations of service users, and not just be focused on cost savings – value needs to be preserved. For further information on this, see [Preserving value](#) published by HouseMark
- have clarity about how assets and available resources can be used to meet these objectives in the most effective way and improve outcomes
- offer an open and transparent approach to scrutiny and self regulation.

## Developing commercial behaviour

In highly competitive commercial environments it can be said that survival is the true benchmark of success, with VFM translated as continuous improvement and excellence in running a business. Commercial organisations will primarily focus on the value they want to deliver to their customers, and who their target customer is. For example; Ryan Air will compete ruthlessly on costs, whereas Emirates focus heavily on delivering a high standard of service.

In the future housing organisations will also need to be making tough decisions about their own values and priorities. Factors such as size, structure, location and diversification of services impact both on organisational performance and the ability to deliver broader social investment aims.

## Developing and implementing your value for money strategy

When developing a VFM strategy, use evidence based self assessment, including your assessment of:

- costs, and cost drivers (at a detailed level)
- areas where savings can be made, with least impact on satisfaction
- areas where improvements can be made with maximum impact on satisfaction
- peer benchmarking and comparison

Once developed, your strategy will need to be embedded into your existing processes and ways of working. To achieve this, you should:

- ensure objectives and actions are cascaded down through service, team and individual plans
- include VFM targets in staff performance appraisals
- ensure VFM is reflected within your performance management framework
- communicate the strategy to tenants and residents
- monitor activity and trends carefully to identify opportunities to improve VFM, including areas where you can 'invest to save'
- develop a comprehensive understanding of the cost of the actions taken in specific service areas and how satisfied service users are, such as:
  - o the costs and success associated with different rent arrears recovery actions
  - o the costs and success of different actions taken to tackle ASB and the impact this is having
- regularly review the procurement of specialist services or support services, such as legal, mediation or money advice services. Comprehensively evaluate services received for VFM outcomes, such as:
  - o the ease and effectiveness of referral arrangements
  - o service user accessibility
  - o the timeliness, quality and satisfaction of services delivered to tenants
  - o the success of outcomes compared to the cost to you
- include VFM as a standard consideration in your report templates – this will help to ensure that VFM is always included in discussions and decision-making
- systematically compare the cost, quality and satisfaction levels of all areas of service with that of similar organisations and include the findings in performance reports to inform challenge and decision making, and drive improvement
- actively review and standardise good practice processes across the whole organisation or group.

# Making it 'part of the day job'

We know that a common feature of strongly performing housing organisations is that VFM considerations are integral to everything they do. They know what it costs to provide a service and how this links to performance against the organisation's aims and objectives, as well as the impact on service user satisfaction. In future, it will be equally important to also understand how available assets (such as properties and people) are best used, and resources deployed, to meet organisational objectives.

Importantly, in organisations successful at achieving VFM it is not considered to be an 'add on' role by specialist project teams, but is seen to be an on-going part of everyone's job. VFM is embedded, with all employees continually looking for ways to achieve improved outcomes for service users by working more efficiently and targeting resources effectively.

Communicating your VFM strategy is critical if it is to embed VFM successfully across the whole organisation and ensure that VFM aims are integrated into other strategic decision making processes, such as business planning and procurement.

To achieve this you should:

- consider having a governing board member take the role of 'VFM champion'. (Though VFM regulation applies only to Housing Associations, delivering VFM needs to be embedded across all housing organisations)
- make sure all staff understand how they are helping to deliver your organisation's VFM strategy, and provide opportunities to discuss the efficiency of the service they provide in one to one and team meetings
- actively encourage staff and tenants to identify opportunities to improve VFM, for example:
  - o where duplication can be removed
  - o where workflow can be simplified
- cover VFM in induction sessions for new staff, involved tenants and governing body members
- work VFM objectives into personal development plans over a one to three year programme
- provide regular refresher sessions/training for all staff
- share information on outcomes, costs and satisfaction with staff and tenants so that they understand the impact of their work
- tenants are the eyes and ears of your business; ensure they are listened to and equipped with the skills and knowledge to help make challenging decisions.

Everyone in your organisation can and should be able to contribute to VFM, but they have to want to do so. Investing in training and awareness-raising is essential to change behaviours. Being transparent and publicising success stories will help motivate further activity.

## Learning from others

**Trent and Dove Housing** conducted a survey of all staff to gather an understanding of how effectively VFM was understood and embedded across the organisation. As a consequence, improving VFM was included as a specific objective within all service team improvement plans for 2011.

**GreenSquare Group** ran a series of practical workshops for its Asset Management team aimed at focusing on VFM in contract reviews. Outcomes include the establishment of a common VFM framework for all contract reviews. (source: Xantive)

# Wider social investment activity and value for money

In an environment where every penny spent has to be justified, it's important that you can demonstrate the impact of the services and activities you chose to spend on. One tool which can help you to achieve this is HouseMark's [Community Impact Tracking Service](#). As many public and voluntary service providers are retreating from communities and neighbourhoods as a result of public sector spending cuts, hard evidence of the positive outcomes being achieved and the wider savings secured as a result, can be very powerful messages to support continued or new investment.

Examples of this could include:

- investment in money advice services or support for credit unions, which can help tenants to manage their money, support your organisation to recover rental income, and help prevent homelessness
- funding activities which divert young people away from nuisance and ASB. Not only will this reduce levels of ASB and the costs of dealing with it, it also provides valuable learning and development activities
- supporting community projects and agencies working to build community cohesion or to help people into training and work contribute to sustainable, desirable communities that people want to live in
- investment in involving your tenants and residents which delivers improvements in services and better use of resources and offers them personal development opportunities
- investment in family intervention projects which can greatly improve a family's life chances, prevent homelessness and greatly reduce the costs of supporting the family for a range of agencies.

## Learning from others

**Bromford Housing Group's** approach to VFM won recognition at the UK Housing Awards 2011. In the early days of the 'credit crunch', the leadership team responded to the uncertainty by challenging the way it operated across the whole group. Since the initiation of the project, customer satisfaction has increased and performance has improved. Projections indicate that their savings target of £20 million over five years will be exceeded.

So far, successful outcomes include:

- £3 million in asset management and energy supply procurement savings, with £2 million reinvested into additional planned works to speed up improvements to customers' homes
- standardisation of best practice processes across the group with less duplication, improved workflow efficiency and less complexity.

**Derwent Living** is reinvigorating its approach to VFM through self assessment and awareness. They plan to improve how VFM is embedded across the organisation to reduce dependency on special initiatives or project teams to deliver improvement.

Activities include:

- using a staff survey to identify how effective the VFM strategy is at shaping decision making at team and individual levels, and benchmarking VFM awareness across the group
- development of VFM measures for business processes that build on established performance indicators to create an index of VFM, that captures satisfaction, quality adherence, time, efficiency and sustainability indicators
- a well publicised scheme to incentivise residents to contribute ideas to improve VFM. (source: Xantive)

Xantive specialises in providing intuitive web-based tools and resources to support Value for Money within the Social Housing sector.



With 12 years experience in this field and using our own proven continuous improvement model of 'Plan Think Check Do', Xantive has completed 100's of successful Value for Money projects and has worked with many of the Social Housing providers across the UK.

Through Xantive applications and services Clients can now benefit from our experience and reputation for innovation, creativity in procurement and VFM knowledge built up over years of working with housing clients without the need for engaging consultants.

We want to provide Clients with access to proven knowledge so they can continue to deliver improved value for money in-house.

Xantive has developed easy to use applications that can be accessed by a single portal. By utilising them Clients are able to improve contract management, tender management and VFM as well as being able to source general guidance and support with best practice VFM. The applications enable Clients to better benchmark, procure and manage supplier arrangements and tenders. All our applications are supported us but if Clients require more assistance a comprehensive support system is also available.

**Xantive – experts in value for money for Social Housing.**

**Helping you to do more, for less.**

[www.xantive.com/VFMLanguage.php](http://www.xantive.com/VFMLanguage.php)

## Useful resources and information

Does size matter – or does culture drive VFM (2012) CIH: [www.cih.org](http://www.cih.org)

The revised regulatory framework for social housing in England from 2012, consultation document (2011) TSA:  
[www.tenantservicesauthority.org/server/show/conWebDoc.21636](http://www.tenantservicesauthority.org/server/show/conWebDoc.21636)

Embedding value for Money (2011) HouseMark: [www.housemark.co.uk](http://www.housemark.co.uk)

Preserving value (2011) HouseMark: [www.housemark.co.uk](http://www.housemark.co.uk)

Embedding value for money in housing association services (2007) CIH/  
HouseMark: [www.housemark.co.uk](http://www.housemark.co.uk)

The Language of Value for Money (2011) Xantive:  
[www.xantive.com/VFMLanguage.php](http://www.xantive.com/VFMLanguage.php)

A range of useful information, including practice examples, on VFM is available from the Audit Commission's website: [www.audit-commission.gov.uk](http://www.audit-commission.gov.uk)

HouseMark offers a subscription-based benchmarking and information service aimed at helping members improve VFM: [www.housemark.co.uk](http://www.housemark.co.uk)

CIH practice online includes a range of information to help you to improve the effectiveness and efficiency of your housing services (Chartered CIH members have free access to this resource): [www.cih.org/practiceonline](http://www.cih.org/practiceonline)



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