

## The latest views from Alistair McIntosh, Chief Executive, HQN

### VfM thoughts after our events with the HCA

We've just run a series of workshops with the Homes and Communities Agency (HCA) looking at Value for Money (VfM) and their new Cost per Unit (CPU) analysis. Here's some of my thoughts on what we spoke about. It's not, repeat not, the official line. We've already sent out guidance on how to get your VfM work on the right lines. Let's roam a little more widely this time.



#### Remember who reads this stuff

Lots of folk are lining up to attack RPs on their costs. You must think about what Ministers and the Daily Mail will say about you. Yes I know the self-assessments are supposed to be for tenants, councils and the HCA. But back in the real world it's a different story isn't it? Don't leave any hostages to fortune. There is an RP that says it pays staff more than the going rate as a deliberate ploy to boost the local economy. A sort of one landlord programme of quantitative easing if you like. What will the papers say when they get hold of this? Yep. They will say why not just charge the tenants less and let them decide what to do with the cash for themselves. Right next to a snap of the CEO's house. With a bit more care you can avoid falling into this trap. I do realise that you want to be in the Guardian not that other paper.

#### The graph of doom

VfM was going nowhere till the rent cut. Look at this graph. That is a lot of cost to take out. Can you do it? You said you would in the returns to the HCA. Make sure your answers are convincing. We see a lot of hit and hope claims for the savings that channel shift will bring. Hmmm. There is many a slip between a consultant's proposal and what really happens on the ground. And will you actually keep the rent flowing if you ditch too many staff?



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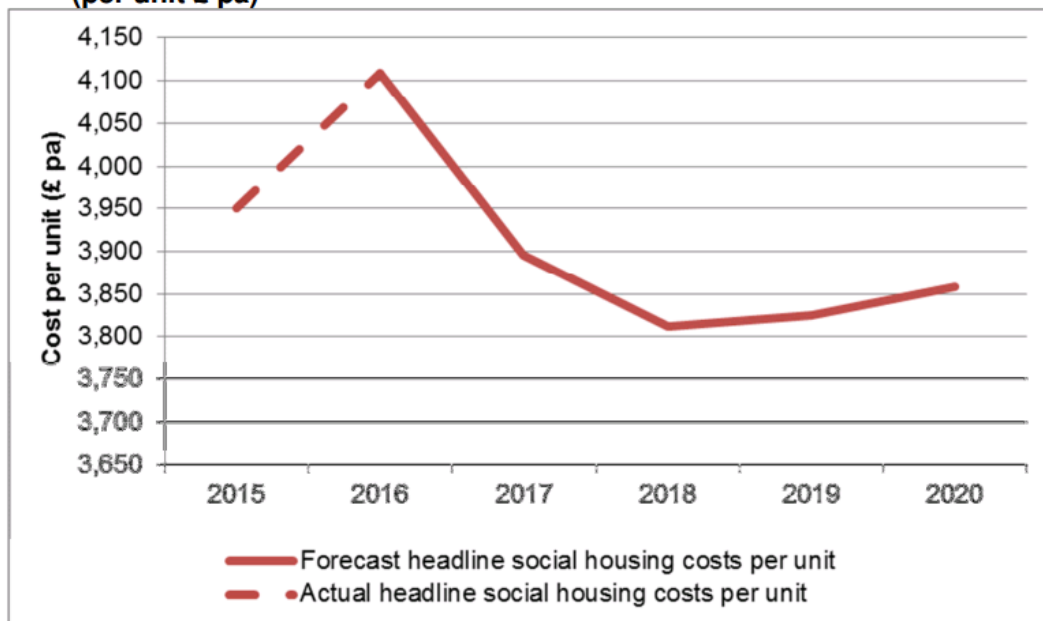


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**Figure 4: Headline social housing costs per unit including 2015 actual (per unit £ pa)**



Source: [Delivering better value for money: understanding differences in unit costs - summary report \(HCA\)](#)

## ■ Who is right on Brexit? Corporal Jones telling us “don’t panic” or Fraser with his “we’re doomed” mentality?

Will the housing market crash and burn? Or will it all calm down? This matters as so many RPs now depend on sales. I went to a talk by Danny Dorling. He’s a top economist. What does he worry about? He thinks our plans to help young folk into home ownership could backfire. Will it just put them into negative equity?

So what will you do if sales stop and/or prices fall? Can you take any more cuts? How will you handle the hostility from folk that you have encouraged to lose money? Social media will be ablaze.

Let’s look at interest rates. They are tumbling down just now. It could make all those shiny new bonds and loans you’ve got look very costly indeed. Younger people think we were daft to take on those Orchardbrook loans at 18 or so per cent. What can I say? It seemed a good idea at the time.

## ■ Benchmarking

The HCA has done a great job in putting all the CPU data out there. They will use it when they come in for In-Depth Assessments (IDAs). It sounds like they will compare you to other RPs that you are similar to and ask why any of your costs are too high. Ian Parker has [plugged this data into a model](#) for HQN so you can run these comparisons for yourself. If you use it do remember to use the medians not just the averages. That’s what the HCA does and the median is a tougher test.

These are the figures for the whole of the Global Accounts.

	Management CPU £	Service charge CPU £	Maintenance CPU £	Major repairs CPU £	Other social housing CPU £
Average	1,034	514	1,017	929	470
Median	950	360	980	800	200

I expect we will be back to debates about what peer groups to choose. Here's the problem and a possible way around it.

Let's look at two of the peer groups that most folk do see as pretty fair – G15 and the Magnificent 7 supported housing providers. Are they really so alike? Of course not.

### **G15**

- One member can only work in London by law
- Another owns homes in the North of England
- Some have stock transfers both inside and outside of London
- And this is before a few of its members go for unprecedented levels of consolidation.

### **Magnificent 7**

Yes they all do have a lot of supported housing. But the people they work with can be very different. Does this affect their costs? Some run hostels while others work with disabled people or the young. And a number of them have a fair bit of general needs in the mix.

So what's the answer? You can run a few benchmarking exercises to test the VfM of different parts of your business. G15 members can look at the bits of their business outside London with relevant peers. And there is nothing to stop care providers from testing their general needs costs against others that run this service. Of course the Magnificent 7 members do talk to each other to discuss the ways in which the customer base influences costs. The CPU can only ever be a "can-opener".

While we are at it, what is this obsession with finding the perfect peer group of identikit RPs? Surely you must also seek out the best in class as the true benchmark. That's if you want to learn rather than just comply.

One last point the HCA is on the look-out for "cherry picking". Don't just talk about your best areas. And don't smuggle a poor performer into your data-set just so that you look good.

## **▮ Play for time**

No one knows how the economy will play out. Why not take some more time to finish your self-assessment? You can link it to the accounts. We could just do with seeing if sales are indeed a problem. Or the Government might want to boost the economy through RPs building. The way you do things will be totally different depending on whether its feast or famine. Mind you, in theory, you should have built some of this into stress-testing. But that was hard in London. Some boards just did not believe house prices could ever fall. Is having a big mortgage or a huge chunk of equity a conflict of interest these days? Just asking.

## **▮ And we all make mistakes!**

In my rush to get our guidance out I screwed up a vital bit of information. Sorry. The denominator for CPU is homes in management, not just those that you own. We will correct that online.

Luckily, I've seen a howler from someone else that is ten times worse. The Times is telling you to snap up shares in Kier. Why? They think that "maintaining council houses .... will have to go on come what may." Oh dear. Have they not heard about the rent cut, forced sales and the boosted right to buy? I'm not sure that Rupert Murdoch would pass one of these HCA deep-dives would he?