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## Briefing:

# Value for money self-assessments

## Hints and tips

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## 1. Introduction

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This briefing combines a review of selected Value for Money (VfM) self-assessments, resources made available by consultants and stakeholders, and conversations with housing associations and the Social Housing Regulator (the Regulator) to identify trends and good practice and provide additional insight to support members in meeting the requirements of the VfM Standard and wider efficiency objectives.

### 1.1 Regulatory context

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The Regulator introduced the VfM Standard into the Regulatory Framework for registered providers of social housing in April 2012. The VfM Standard requires Registered Providers (RPs) to 'articulate and deliver a comprehensive and strategic approach to achieving value for money in meeting their organisation's objectives.'

The main reference point for meeting the standard is the annual production of a VfM self-assessment which should:

- enable stakeholders to understand the returns on assets measured against the organisation's objectives
- set out the absolute and comparative costs of delivering specific services
- evidence the value for money gains that have been and will be made and how these have and will be realised over time.

The self-assessment should be transparent and accessible to a range of stakeholders and referenced in the organisation's annual report.

Meeting the requirements of the VfM Standard has proved challenging for RPs as it far less prescriptive than other parts of the regulatory framework. As a result the VfM Standard has generated an unusually high number of regulatory downgrades.

### 1.2 The purpose of this document

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The VfM Standard is now an established part of the regulatory framework and the Regulator has recognised that RPs have improved their compliance by publishing more comprehensive and informative annual self-assessments. This reflects a growing appreciation amongst RPs that the requirements of the standard can be met by clearly articulating the VfM and efficiency strategies and projects which are central to robust business plans, particularly within a challenging operating environment.

This document draws on the learning and experience of members, consultants and the Regulator with regards to VfM and suggests ideas and principles for maximising the quality and value of the annual self-assessment.

## **2. Principles of a good VfM self-assessment**

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This section explores six principles of a good VfM self-assessment. The majority of these principles overlap and complement each other and should therefore be considered in the round. A good self-assessment will evidence to a range of stakeholders how the organisation monitors performance in key areas in order to gain assurance of acceptable and improving performance. Performance will be measured against stated plans and objectives, and continually supported with solid evidence and examples.

### **2.1 Structure and clarity**

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#### Format, layout and location

The Regulator requires the self-assessment to be accessible to a range of stakeholders and referenced in the organisation's annual report. This leaves considerable freedom for RPs to decide how they wish to present their self-assessment and where the main document will be published or made available.

A particularly effective approach has been to include a VfM summary in the annual report, which details key metrics and achievements for the year and priorities moving forward, and which references a more comprehensive standalone VfM report available elsewhere. The VfM report is then used to provide far more detail and narrative on VfM performance for the year.

The advantages of this approach are:

- Readers of the organisation's annual report are able to review key VfM developments at a glance, upholding associations' commitment to transparency for customers and investors, as well as the Regulator.
- The annual report is not significantly extended by including a full VfM self-assessment within it.
- Readers who only wish to review VfM can easily access the standalone VfM report, which is able to provide far more detail and information by virtue of being published separately.

## Definitions

VfM is broadly defined by the Regulator and it is very much left to individual organisations to decide specifically what it means to them. It is therefore best practice to define at the outset of the self-assessment any terms to be used that could be open to interpretation, e.g.

- value for money
- efficiency
- effectiveness
- economy
- inputs
- outputs
- outcomes.

## Charts, graphs and tables

The accessibility of the self-assessment will be significantly improved if performance information, data and key messages are clearly identified and evidenced through charts, graphs or tables. Long sections of text can be difficult to navigate and may result in key messages being overlooked.

A consistent approach to headings, labels, colours, legends and other graphics will help the reader interpret the data, and further demonstrate the organisation's commitment to effective scrutiny and transparency.

## **2.2 Governance and responsibility**

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Having defined key terms, and what VfM means to the organisation, it is important to succinctly describe the organisational approach to delivering VfM improvement, monitoring progress and reporting these developments both internally and externally.

This will often involve discussion of:

- the internal structures in place to instil the chosen VfM approach throughout the organisation
- the staff with overall responsibility for VfM
- the reporting structures which communicate VfM performance to the executive team, the board, tenants and external stakeholders.

## 2.3 Data and Key Performance Indicators

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A key element of the VfM self-assessment is the discussion of performance against chosen metrics or Key Performance Indicators (KPIs). This can be a powerful way of demonstrating the organisation's understanding of its own performance, the impact of new strategies or projects, and changes in performance over time. However, it is important that this data is robust, consistent, impartial and clearly presented if it is to provide useful insight.

Ideas for best practice when utilising data within the VfM self-assessment:

- Include year on year comparison to demonstrate performance over time.
- Where possible and relevant KPIs should have targets attached, and performance should be clearly presented against target.
- Many organisations employ 'red, amber, green' visuals to quickly and clearly identify negative, neutral and positive performance.
- Organising data into themes or business areas can make it easier to interpret and allows inter-dependent or associated issues to be considered together.

It is also important to comment on the data and explicitly reference and explain any noticeable trends or changes. Depending on the structure of the document overall this can accompany the graphs/visuals/tables or be discussed in the main narrative of the document. If performance has worsened or fallen significantly short of target it is good practice to explain potential reasons for this and describe planned remedial actions.

## 2.4 Benchmarking

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Benchmarking performance can be an effective way of demonstrating the organisation's commitment to VfM and efficiency by comparing key metrics against relevant peers. This can provide additional context to performance data and help the board and executive team identify areas of strength and prioritise areas for improvement.

For benchmarking to be effective, and credible to external stakeholders, it is important to:

- clearly explain the benchmarking approach being used and the rationale for this
- identify the peer group that comparison is being made against.

## 2.5 Narrative

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The narrative provides an opportunity to expand on the data presented and craft an overall VfM story which accurately depicts the successes and challenges experienced during the year. It would be consistent to organise this in a thematic way, similar to the data discussed above, and to focus on tangible achievements and developments.

Case studies of particular successes or innovations can be useful evidence of the work undertaken during the year and provide tangible examples of successes or improvements discussed.

Similarly testimony from a range of stakeholders (e.g. tenants, lenders, credit rating agencies, staff and board members) can add weight and perspective to the VfM narrative, and demonstrates that the organisation has sought to engage diverse views when implementing its VfM approach.

## 2.6 The future

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The VfM self-assessment is predominantly a review of performance during the previous financial year. However, it is also important for it to draw on previous performance, organisational priorities and the external operating context to describe the organisation's future VfM priorities, targets and actions. This demonstrates a commitment to continuous improvement and an appreciation that improving VfM is an on-going and dynamic process.

An effective way of communicating this information is to include as a standard item in the annual self-assessment a 'we said – we did' section, detailing the priorities, targets and actions identified the year before and explaining the progress made against each. This can then be easily rolled forward into the plan for the future, and so on.

## 3. Top tips

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### Home Group

The VfM Standard sets out what the HCA wants to see. While we must ensure we meet the HCA criteria, we can go beyond this based on our interpretation of VfM as part of corporate strategy and culture. Make the VfM self-assessment exercise work for your organisation through genuinely embedding it as a concept, rather than just going through the motions to satisfy the HCA criteria.

### Peabody

Make sure VfM is truly embedded within planning and reporting structures throughout the year. That way, all necessary evidence for the self-assessment will be at your fingertips when needed.

### John Bryant, Policy Leader – Regulation, National Housing Federation

Although each year's VfM self-assessment has to represent the association's position at the time it's prepared, it shouldn't be seen as an independent, self-contained exercise. The HCA

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now has on file several years' self-assessments submitted by each association, and each should be considered a continuation in the series. For instance, if last year's assessment outlined planned efficiencies, it is important to report in this year's assessment on progress in delivering them.

#### **4. Transparency**

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These principles can be usefully applied to other areas to support the sector's commitment to transparency.

A focus on clarity, accessibility and providing a narrative are important across a range of financial and performance reporting including annual reports, benchmarking, investor relations information and communications to customers.

#### **5. Conclusion**

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The VfM Standard has evolved from an additional regulatory burden to a useful and informative way of focusing attention and resources on improving value for money and efficiency. It has also proved to be a useful catalyst for improving transparency across the sector. RPs have adopted a diverse range of approaches to fulfilling the requirements of the Standard, and the Regulator is clear that the overall quality of self-assessments continues to improve.

This briefing has sought to pull together views and resources from a number of areas into one concise document, with the aim of summarising good practice and useful tips. Associations will continue to use their creativity and innovation to demonstrate compliance with the Standard, and more importantly improve their VfM, in ways which are appropriate for their specific organisation, and hopefully the principles discussed in this document can add value to this process.

#### **6. Further information**

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[HCA Value for Money Standard](#)

[Placeshapers and Campbell Tickell, Value for Money: Best Practice Guidance](#)

[Chartered Institute of Housing Value for Money resources](#)

[Beevers and Struthers, Annual Review of Social Housing 2016 \(VfM pg11-17\)](#)

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