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A sense of purpose: defining value for money in council housing
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A sense of purpose: defining value for money in council housing
1. Introduction

Those local authorities that retain their social housing stock – managed directly or at arm’s length – do so positively, because they see value in it. Increasingly, councils have also come to appreciate the value of local authority housing organisations (LAHOs) as trusted local service providers that go beyond social housing. In this publication, we use the term LAHO as a convenient way of talking about both local authority housing departments and arm’s-length management organisations (ALMOs).

A range of factors have come together to create a new and challenging operating environment for LAHOs:

- new thinking about the role and purpose of council housing underpinned by new legislation on allocations, fixed-term tenancies, under-occupation penalties, affordable rents and ‘pay to stay’
- the opportunity afforded by self-financing to plan long-term and set out a positive vision for council housing
- the countervailing risks to housing revenue account (HRA) income associated with welfare reform and proposed changes in the way social rents are set
- unprecedented cuts in local authority General Fund (GF) expenditure
- differing views between the LAHO sector and government on what constitutes value for money in social housing.

This publication explores what value for money means in the LAHO sector today. Value for money (VFM) is simply defined as the cheapest way of achieving a desired quality of service or set of outcomes, but this definition implies that what counts as VFM depends crucially on the service standards specified and what outcomes are sought by LAHOs. Radical changes in the financial and operating environment for council housing, alongside pressures to rethink its role and purpose, the nature of value has changed which requires a fresh look at what VFM means.

Council housing is the principal product of LAHOs. New conditions create a need to revisit the questions of who council housing should be for, and what benefits it can and should provide; in other words, what is the value of council housing as a product? But LAHOs are more than just landlords letting and managing council housing. Self-financing opens up new responsibilities and new opportunities. LAHOs now need to take a longer term view and a much more active role in managing their housing assets; many also now have the first opportunity in many years to build new homes. Councils also have private and strategic housing responsibilities, and LAHOs are likely in practice to have responsibility for a range of non-landlord housing and allied services. What is the value of these activities, and how do they interrelate? And, as major players in the council ‘family’ – responsible for managing a substantial proportion of the assets, liabilities, income and expenditure, and with that a substantial proportion of the council workforce, skills base and procurement – LAHOs are major contributors to corporate council objectives. These questions can be summed up by asking: What is the value of the LAHO offer as provider? These questions do not have national answers, applicable to LAHOs wherever they may be.
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What constitutes VFM is essentially a local decision, informed by local decisions on a series of considerations:

- what and who is our council housing for?
- what local objectives are council housing – and related services – intended to achieve and how might these objectives be interpreted?
- how can performance in terms of these objectives be measured?
- how can we achieve these objectives most efficiently? – the true test of value for money

This paradigm can be expressed even more simply by LAHOs:

- what are we proposing to do?
- to what standard?
- what are we able or willing to pay for it?

Good answers to these questions depend on a clear understanding of the local value of council housing. Until we understand it and its potential we cannot make the informed strategic decisions that maximise it.

Responding to these challenges requires strategic thinking and leadership. Thanks to comparatively healthy HRAs, the typical LAHO is in effect a viable, willing and able social business within a council ‘family’ that is experiencing a significant reduction in available resources.

There is latent value in HRA physical and human assets that can contribute to council objectives without compromising the viability of the social housing business or eroding service quality for tenants. But it requires careful thought, a clear role for the LAHO within the council family and a transparent framework for resource decisions.

This is a defining moment in the evolution of the local authority housing sector. It is an opportunity to assert an intelligent and considered vision for the product and provider. In so doing, value and a sense of purpose may be defined. Without this strategic direction, logically VFM cannot be maximised.

The aim of this publication is to help LAHOs think strategically about the value of their social housing business – the product and the LAHOs that provide it – in order to determine the right local approach to securing value for money.

The core argument is that local authority housing needs to renew and articulate its ‘sense of purpose’ if it is to maximise VFM and to promote a ‘local’ version of VFM rather than one which merely reflects superseded or government priorities. This tension between local and government priorities, and between the views of stakeholders, requires LAHOs to make strategic choices. The nature of these choices will be as important as efficiency, effectiveness and economy in determining what constitutes VFM.
The publication will be of interest to all key players that have a hand in determining the best use of HRA resources: councillors with housing responsibilities, housing directors, ALMO chief executives, finance directors and involved tenants.

This publication is structured as follows:

Section 2 – Value and VFM in local authority social housing – considers:

- **VFM: the impact of government policy**
- **Stakeholder views on value.** All organisations exist to produce value for somebody but who are they and what do they want?
- **Product value: what is the value of the social housing offer?** ‘Social housing’ is LAHOs’ principal product and most significant area of value creation but can LAHOs answer the question? If they cannot, how can the value of the social housing offer be maximised?
- **Provider value: what is the value of the LAHO offer?** What value do LAHOs create? If LAHOs cannot answer the question, how can VFM be maximised? We look at:
  - the LAHO role within the council family
  - where LAHO value lies – defining the value LAHOs create
- **Measuring value and VFM –** How can LAHOs measure and demonstrate VFM using metrics?
- **Self-financing, self-regulation and VFM –** Why the Chartered Institute of Public Finance and Accountancy (CIPFA) and Chartered Institute of Housing (CIH) Voluntary Code of Practice for a Self-Financed HRA and robust self-regulation are so important in terms of LAHO VFM?

Section 3 – What LAHOs are doing to achieve VFM – features short case studies looking at how LAHOs are ensuring the delivery of VFM and excellence in the absence of prescriptive regulation.

Section 4 – The LAHO offer to the council – looks at how LAHOs are ‘adding value’ by supporting their parent councils’ corporate objectives with HRA assets.

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www.cih.org/publication-free/display/vpathDCR/templatedata/cih/publication-free/data/Voluntary_code_for_a_self-financed_Housing_Revenue_Account
2. Value and VFM in local authority social housing

2.1 VFM: the influence of government policy

‘VFM is one of those rather tired phrases that we all use in our moments of weakness. It is one of the clichés that we all think we understand until asked what we mean. For me, the important word is ‘value’. It is more than how cheaply I can buy something or how many widgets I produce. They are important elements, but they are subsidiary to the key thing: quality – of service, of goods, of experience – for our customers.’

*Larissa Reed, Head of Neighbourhood Services*

VFM rose to prominence in local government shortly after the creation of the Audit Commission in the early 1980s. Councils were introduced to the “three E’s” – economy, efficiency and effectiveness – as key concepts in the assessment of VFM, and these remain at the heart of government policy on VFM today. The National Audit Office, inheritor of the Audit Commission’s responsibilities for setting VFM policy for local government, uses the same set of concepts virtually unchanged in 30 years.

During that time, government has been, by turns, more or less directive as to how councils should approach VFM, with new initiatives succeeding each other with numbing regularity – compulsory competitive tendering, Best Value, housing inspections, Comprehensive Performance Assessment and Comprehensive Area Assessment, and the establishment and then abolition of the TSA as housing regulator.

Current arrangements, under the Coalition government, largely remove external regulation and avoid prescription, leaving councils with full responsibility of deciding how best to make drastic reductions in spending demanded by the government’s austerity measures. The introduction of self-financing has partially exempted council housing from these pressures, and enabled LAHOs to take a more strategic and longer-term view of their housing assets. The National Audit Office guidance stresses that VFM should be assessed against the whole-of-life cost of an asset, advice that was of little relevance to councils while the housing subsidy system was in operation, since uncertain annual subsidy settlements made long-term planning largely impracticable.

‘VFM means paying the best possible price for a given level of service. It’s like moving house. Mr Shifter, from the PG Tips advert, can move you very cheaply but will probably drop your piano down the stairs, scratch your paintwork and kill all of your tropical fish. Another company may charge a much higher price, wrap all of your possessions in bubble wrap (not the fish of course) and provide an unpacking service – a very high “spec” job. However, in austere times, many people (including public services) cannot afford the deluxe service and will plump for a service that does the job well, on time and to a good specification for a reasonable, affordable price. That, to me, is best value.’

*Andy Chequers, Corporate Head, Housing Services, Lewes District Council*
The one area where the Coalition government has firm views on VFM is arrangements for new housing supply. These reflect a very specific perspective on VFM – ‘asset sweating’ – where active and ‘efficient’ asset management is a key part of the criteria for accessing public investment for development or permission to borrow beyond existing debt caps.

This government version of VFM is about maintaining a social housing new build programme whilst limiting the burden on the taxpayer, by making providers’ assets ‘work harder’ in terms of:

- letting new homes at and converting voids to an ‘affordable’ rent
- disposing of high value stock
- offering up public sector land in exchange for very modest levels of grant and/or borrowing permission.

In the 2013 Autumn Statement George Osborne announced that ‘councils will sell off the most expensive social housing, so they can house many more families for the same money’. This is part of a ‘something for something’ deal whereby the government allows local authorities to bid, on a competitive basis, for a modest relaxation of the borrowing cap. Success will be based on the VFM of the bid where selling ‘expensive’ council homes is an expected part of the package.

Previously, Mark Prisk, former Housing Minister, speaking at the CIH annual conference in June 2013, announced that affordable housing funding after 2015 “comes with high expectations about efficiency… we will expect providers to bring forward ambitious plans for maximising their own financial contribution. And we will expect this to include a rigorous approach to efficiency, along with ambitious plans to maximise cross-subsidy from the existing stock.”

The Homes and Communities Agency (HCA) Affordable Homes Programme Prospectus for 2015-18 confirms this approach in its guidance for grant applicants, which states: “we will expect bidders to explain how many properties they are planning to sell to fund the programme and why they have chosen not to dispose of more … Providers should include evidence of how they identify properties with high market values, or which are costly to maintain, and their approach to deciding whether to hold, sell or convert these properties to another tenure”. Similar strictures appear in the Mayor’s Prospectus for London.

So, if (as part of their VFM strategy) authorities are seeking HCA support for new build or bidding for additional borrowing approvals, they need to consider and operate within the government’s VFM framework for new build.

Where authorities are not seeking additional support from government, they have greater self-determination in respect of their own local version of VFM.

However, all LAHOs are now engaged in a debate about who social housing is for. Government policies on topics such as benefits, work incentives, ‘pay to stay’ and fixed-term tenancies are all influencing this debate.

At present the local authority sector has little by way of VFM regulation, although this might change when the government publishes its approach to VFM within the forthcoming local audit arrangements.
The Local Audit and Accountability Act received royal assent in January 2014. It includes provision for a new local audit framework for local authorities. Auditors will be expected to work to a code of practice in which VFM will feature. The government will consult local authorities on the code in due course.

This contrasts with the housing association sector, for whom the regulator (the HCA) set out expectations for VFM in its VFM regulatory standard, introduced in April 2012. The HCA guidance exhorts associations to maximise value for their stakeholders across all the resources at its disposal. The subtext here is to get associations to think more like effective social businesses by looking at how the value of all their resources – human and physical – can be maximised.

‘Although ALMOs and local authorities are not held to account by the HCA, the governance and VFM standards should be used as self-regulating tools, especially in light of the CIPFA/CIH’s voluntary code of practice for a self-financed HRA. A self-financed business plan requires sound governance as well as a robust VFM approach and the mistakes that have and are happening in housing associations can happen to the HRA and lead to the plan being put at risk.’

Helen Jaggar, Chief Executive, Berneslai Homes

While local authorities are not subject to this standard, it nonetheless provides good advice to LAHOs seeking to maximise VFM

The importance of the CIPFA and CIH Voluntary Code of Practice for a Self-Financed HRA as a contributor to robust VFM self-regulation is discussed below.

While the current government has largely avoided a prescriptive approach to VFM in local authority housing, the extensive reductions it has made in revenue support grant, coupled with pressure on councils to minimise increases in council tax, has meant that the overwhelming priority driving council VFM decision-making has become how best to cut spending falling on the GF. Although the HRA ring-fence has sheltered local authority housing from the worst of this, it is by no means untouched. However, the pressure on LAHOs to help the corporate centre protect services is increasing and is unlikely to abate.

VFM has become a side issue as we seek significant savings on the GF. These are of such a scale that, whilst VFM is still important, the reality is that if a saving can be squeezed out, it will be. VFM becomes more of an issue around the commercialisation agenda, where we are bringing a business focus to services and examining whether increased financial input can generate lower overall costs in the long run or deliver a higher output – for example, increased revenue that can be used elsewhere. The same principle underpins our approach to acquisitions and new build.’

Paul Price, Corporate Director, Tendring District Council
2.2 Defining value

Ultimately, all organisations exist to provide value. Public listed companies create and maximise shareholder value and social landlords do the same for their stakeholders. However, there are two key differences between private businesses and social landlords. The primary accountability of a private business to its shareholders is unchallenged, and shareholder value is easy to define – it is the financial return shareholders can expect on their investment in the company. Stakeholders in a LAHO are more numerous, there is no unchallenged candidate to whom the primary accountability is owed, and the benefits – or value – stakeholders may receive is less easy to define or quantify.

Key stakeholders include:

- tenants and leaseholders – where the LAHO provides a range of services (including contractual ones) to fee-paying customers
- applicants for housing and others in housing need – potential future tenants
- the council – where the LAHO is an enabler of corporate priorities, not least in its contribution to a balanced local housing market and wider well-being
- other public service providers – where the LAHO works in partnership with others, such as the police and health, to meet mutually-desired outcomes
- the local community – where the LAHO influences and shapes places
- central government – where the LAHO is a partner in meeting national housing need whilst limiting the burden on the taxpayer/citizen.

It is the legitimate needs and expectations of these stakeholders that shape the value produced and therefore the purpose of individual organisations.

These stakeholders may have different perceptions of value. For instance, current tenants might be delighted by the value of excellent services and ‘added value’ activity in the community, but to some – the taxpayer and prospective tenants ‘languishing on the waiting list’ that may be value foregone as it could have funded new homes. There is no right or wrong answer here – just different priorities and perspectives of value.

In other words, LAHOs make resource decisions, within the context of a finite budget, for a diverse group of stakeholders who share some preferences but each want their own thing. They also have differing capacities to influence the decision-making process.

‘In respect of “value”, we are taking this to mean, “doing the right things”. This is clearly a subjective judgement and therefore needs to be carefully aligned with the agreed purpose of the organisation as well as a robust means of knowing what the tenants want.’

Stephen Hills, Director of Housing, South Cambridge District Council

It is the job of the LAHO to interpret and balance the expectations of all stakeholders. This will involve balancing competing priorities - based on a clear understanding of its sense of purpose, as set out in its business strategy.

The ‘who’ and ‘how’ of operations then becomes straightforward - concerned with the three E’s – economy, efficiency and effectiveness.
2.3 Product value: what is the value of the social housing offer?

Until the early years of the new millennium there was a broad consensus on the role and purpose of social housing and, consequently, how and where it created value. The provision of subsidised housing at sub-market rents was seen as necessary to break the link between poverty and poor housing and enable households on low incomes to enjoy homes of an acceptable modern standard. Councils and housing associations were judged to be the only providers appropriate to receive government subsidy and capable of offering long-term security of tenure. Over the last ten years, however, the assumptions underlying this role description have come under growing challenge. There is no longer anything approaching a consensus on social housing’s role and consequently no compelling value proposition for social housing that shares widespread popular or political support. If anything, public perception appears to be hardening as the value and purpose of the social housing product is questioned and tenants are stigmatised by some politicians and media. Here, the debate ceases to be about value; instead social housing and its providers stand accused of being part of the problem of ‘broken Britain’ rather than part of the solution.

We need to tell a better story about the value of both the product and its providers, and not leave the storytelling to others.

The failure to articulate a compelling value proposition also stands in the way of VFM because if LAHOs are not clear about the value of their principal product, how can it be maximised?

In 2007, Ruth Kelly, then secretary of state for communities and local government, reflected on the vital role social housing has played during the past century in her foreword to the Hills report\(^2\). She went on to note the significant changes in the social housing product, tenant expectations and the world around us. The report was intended

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http://sticerd.lse.ac.uk/dps/case/cr/CASEreport34.pdf
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to be the starting point for a debate about how social housing could make ‘real tangible improvements to tenants’ lives’.

‘It is important to take a step back and consider the role social housing should play now and in the future. How can it help people get on in life? How can it underpin social cohesion and opportunity for all? How can it contribute to the kind of communities we want to live in?’

Ruth Kelly, former Secretary of State for Communities and Local Government

To the extent that this debate has been taken forward, three issues have been prominent:

- the extent to which the social housing ‘offer’ should include incentives – positive and negative – for tenants to improve their economic circumstances
- the contribution of social housing to the overall quality of life of the neighbourhoods in which it is located
- social housing’s contribution to local employment and economic development.

Over the last 30 years, the combined effect of right to buy sales and an almost complete cessation of local authority house building has seen a substantial increase in the percentage of council homes let to tenants in receipt of benefits. Social housing is now let largely on a ‘welfare basis’, although clearly an occupant’s economic circumstances can change for the better. So is it still good enough to say that the desired outcome has been met and value delivered via the letting alone?

To what extent should the offering, and the resource allocation it entails, include the improvement of the socio-economic position of the tenant? Should the hand-up seamlessly follow the hand-out?

Where past investment decisions and allocations policies\(^3\) have created concentrations of people with a disproportionate share of social and economic problems, LAHOs need to consider whether they now need to take on a responsibility (acting in partnership with other stakeholders) to make those places work by resourcing appropriate and necessary social as well as physical interventions?

This focus on community wellbeing also makes good business sense in terms of:

- asset management – to protect the long-term viability of immovable assets
- income protection – financial inclusion, training and worklessness interventions mitigate the risks to cash flow associated with welfare reform.

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\(^3\) The Hills report highlighted some stark statistics as at 2007. For example, two-thirds of social housing was still located within areas originally built as council estates. Nearly half of all social housing was located in the most deprived fifth of neighbourhoods. In the areas originally built as flatted council estates, more than a fifth of social tenants reported the presence of drug users or dealers as a serious problem; nearly a fifth the general level of crime, fear of being burgled, vandalism and litter; and 18 per cent that they felt unsafe alone even at home or outside in daylight.
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‘You cannot deal with the people and their houses separately.’

Octavia Hill, English social reformer

The sector is already doing much to make places work and increasingly to improve the social mobility of tenants. Indeed, countless mission statements and brand straplines allude to value that is broader than the provision of a rationed welfare tenancy.

The promotion of community well-being has become central to the ethos of the LAHO sector.

In an ideal world, funded interventions aimed at making communities work, improving social mobility, increasing supply, maintaining independence and so on would come from the GF or directly from the government. The outcome of the 2013 spending review and cross-party pronouncements on fiscal restraint well into the next parliament have put beyond reasonable doubt the possibility of such funding materialising, no matter how compelling the argument.

So again, given the reality of who is offered social housing tenancies, the lack of funding to support their well-being and the business imperative to make places work, what should the social housing offer be?

And what of the sector offer to the government and taxpayer in terms of driving the economy forward and increasing housing supply?

Local authority landlords have repeatedly called for the opportunity to cash in on the latent value of the sector’s assets, through the removal of arbitrary restrictions on council borrowing so that they can borrow up to the full amount they can afford to repay.

‘Housing development is a critical part the work in South Cambridgeshire. The council has enabled a significant number of homes to be built on rural exception sites (around 60% of the entire Eastern regional output) which helps to address rural affordability.

The district is also home to around 5% of the entire planned national housing output. This coupled with the fast expansion of business (mostly international hi-tech firms) in the district makes the contribution of housing and council housing in this area key to meeting the government targets for national economic growth.’

Stephen Hills, Director of Housing, South Cambridge District Council

In addition there is a powerful and well-understood VFM case for taking a long-term view on housing subsidy by investing in bricks and mortar instead of the huge – and still increasing – current spending on housing benefit.

To date the government has not been persuaded by such arguments bar a modest relaxation in the borrowing caps, which comes with ‘strings attached’.

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4 Let’s get building, NFA, ARCH, CIH, LGA, CWAG, November 2012 www.local.gov.uk/web/guest/housing/-/journal_content/56/10180/3796944/ARTICLE
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Both are examples of value foregone that would benefit a range of stakeholders and over which the sector has little control. The government has a clear role to play in maximising VFM too.

There is a need for providers to articulate the value of their social housing offer to:

- determine an appropriate use of resources
- maximise VFM
- manage stakeholder expectations.

2.4 Provider value: what is the value of the LAHO offer?

If we accept that VFM in local authority social housing:

- depends on an amalgamation of stakeholder value perspectives
- is being influenced, but not currently being prescribed, by government
- is critical to maximising the achievement of social purpose and ambition in a tough operating environment …

it leaves the door open for LAHOs to articulate their own local value proposition, and to take some control in shaping the debate about their destiny as social housing businesses.

If LAHOs do not offer a compelling proposition, it is possible that others, notably central government, with different value judgements, will fill the strategic vacuum to the detriment of LAHOs and other stakeholders.

It is essential that LAHOs have a clear sense of purpose and that this is shaped and understood by their key stakeholders in order to maximise value and manage expectations.
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A sense of purpose: the basis for achieving VFM and business objectives

In 2012, HouseMark and the National Housing Federation published guidance for housing associations on how to develop a strategic model for VFM and embed this in VFM strategy.

*Social hearts, business heads* set out in detail how such a strategic model for achieving VFM might work. Although written for housing associations, it is also relevant to the local authority sector.

Applied to LAHOs, the argument suggests that a strategic approach to VFM involves the following steps.

*Clarifying what the organisation exists to do*

The type of value desired informs purpose. Objectives may then be set to deliver the desired value.

*Recognising how the operating context influences what is done and can be done*

This will involve consideration of:

- the needs and aspirations of stakeholders
- the profile of customers and stock
- local and national context

*Ensuring the system of value production is optimised*

This involves:

- doing the right things – a business strategy that focuses resources on the right activities by making informed choices to achieve objectives
- the right physical and human assets for the right cost
- doing things right – efficient and effective operational delivery
- the right tools to evaluate success and apply learning – to check the right outcomes have been delivered, including making a surplus/efficiency gains for reinvestment in objectives.

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Overall, the strategic process can be summarised as follows:

**Consider yourself one of the family**

The local authority housing sector is at a watershed in terms of purpose.

On the one hand, self-financing offers unprecedented freedom to plan for a sustainable future as a modern social housing business (although the shine has been diminished by the ambition-sapping potential of the borrowing cap, welfare reform and the proposed changes to rent-setting policy).

The issue of who social housing is for is also being increasingly debated. LAHOs are having to consider their response to a number of government-led policy initiatives – including work incentives, ‘pay to stay’ and fixed term tenancies.

On the other hand, substantial cuts to the GF necessitate a reconsideration of the LAHO’s purpose within the ‘council family’. This applies equally to both Housing Departments and ALMOs.
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The Housing Department is not a separate entity from the corporate authority. It can and should support the ‘centre’ in terms of meeting corporate objectives and alleviating pressure on the GF.

This re-determination of the LAHO’s role can be a positive experience, enabling the LAHO to think broadly about how it can justifiably achieve wider corporate council goals whilst maintaining the integrity of its core business. In terms of service outcomes, this means drawing on its purpose as a modern social housing business – invariably more than just a landlord – to support well-being. The use of ‘housing money’ on such non-housing activity is not new.

A less positive experience may occur where the LAHO is not able to articulate a compelling value proposition. Here the perception of value may focus narrowly on the potential for HRA cash to support essential GF services.

Chief Housing Officers have, since the HRA was established, been used to GF ‘raids’ on the HRA – notwithstanding the ‘ring fence’ embedded in statute. However, the critical state of council GFs and the risk of failure to meet statutory service obligations, create both an argument for HRA support and an opportunity for the Housing Department to stress its commitment to maintaining council services.

This latter point is important, as many ‘non-statutory’ services currently at risk are extensively used by council tenants. If the Housing Department can identify services which are disproportionately used by tenants, an offer to part-fund these services from the HRA (in proportion to their use by tenants) will benefit both the corporate authority and the LAHO’s core stakeholder group.

The key to such negotiations is that the proposals should be transparent, logical and evidence based and that tenants should be fully consulted and their views taken into account. In this scenario the Housing Department switches from a passive ‘victim of HRA raiding’ to an active presence seeking to support the corporate authority whilst maintaining services required by its customers. In contrast, arbitrarily imposed ‘efficiencies’ may have an unforeseen impact of the Housing Department to meet both its and the council’s overall objectives.

Similarly, Housing Departments have as much interest as anyone in the authority in playing their part in ensuring that all corporate support services, and procurement in general, provide economic value for money. They can do so by avoiding duplication, sharing cost and seeking economies of scale. However, the corollary is that if the Housing Department can source supply more cheaply and at greater quality, then it should be free to do so and the corporate authority should consider an exit from current procurement arrangements. As Gershon pointed out in 2004, procurement offers the richest source of potential VFM gains.

See section 4 for examples of the LAHO offer to the wider council.

The same argument applies with ALMOs. However, given their ‘arm’s-length’ legal status and experience of operating as a social business, ALMOs can make an even greater contribution to the ‘corporate family’.
Indeed many ALMOs are clear that they are now looking to ‘soften the split’ and are actively exploring ways of working closer and smarter with their parent councils – not so much arm’s length as standing shoulder to shoulder:

‘The ALMO movement has changed and we must get this message across. It is no longer about getting two stars from the Audit Commission in order to get funding for the Decent Homes programme. It is more about helping councils to deliver their aspirations in a very challenging financial environment. It is quite a different place to where ALMOs were 10 years ago, when there was a very deliberate stance to show that they were at a distance from councils.’

Eamon McGoldrick, Managing Director
National Federation of ALMOs

With the Decent Homes programme virtually complete, ALMOs are at a defining moment. Whilst the management of the social housing stock remains their core business, they can in fact do whatever the council wants them to do. With a track record of excellent service delivery, user involvement and decision-making structures that may afford a greater degree of agility, the ALMO movement is looking to establish itself as the solution to a range of council service delivery problems.

Consequently, the current basis for negotiating many management fees, as they come up for review, is about ‘delivering more for the same’ and taking on under-funded non-HRA activities for the existing fee as opposed to settling for the now customary fee reduction (effectively ‘same for less’). It is also likely that ALMOs will increasingly draw on their excellent record in housing management to offer parent councils licensing and accreditation services to improve quality in the private rented sector. Care has also become a feature of the offer in Barnet, Poole and Shropshire.

Ultimately the defining characteristic of the LAHO’s offer to the wider council – as distinct from a housing association or for-profit provider – is its capacity to be truly committed to corporate objectives, not as a delivery partner that has its own agenda, but as a family member that shares a common purpose, values and history.
We need to have a more intelligent debate about the LAHO offer and there needs to be transparency with regard to the transfer of resources between the HRA and GF.

Where does value lie?

The primary component of the LAHO value proposition is clearly derived from its principal product – the provision of social housing and related services to those in need. The value or social outcome of this product is the well-being of individuals and communities, extending beyond its direct beneficiaries. Social housing benefits the nation as a whole, mitigating the social ills that arise when a significant percentage of the population is excluded from good quality accommodation.

‘The current driver for VFM is tenant scrutiny... a much more robust approach to involved tenant training, and a wider involvement base, will ultimately lead to tougher scrutiny and challenge.

Within every local authority there is the conflict that what is VFM for the council is not necessarily VFM for the HRA. Although much of this is “swings and roundabouts”, getting to the bottom line is very difficult. Tougher scrutiny may bring this to a head.’

Paul Sutton, Housing Income Services Manager, Norwich City Council

Websides nationwide are providing a quality housing product at, say, £40 less per week than the private sector. This is a social benefit to the poorest people in our community of £2,000 per year. Across a 20,000 stock this is equivalent to £40 million in social benefit.

VFM achieves a better day job – better repairs, better home improvements, and a better service across the board. The money saved from doing the day job more effectively means more money for the extras like environmental estate improvements.

VFM helps us pay for the important work we do on the edge of a housing service that helps people to have better life chances as well as decent homes. For example, encouraging people back into work, training and education and helping people through welfare reform.’

Philip Toni, Director of Resources
Wolverhampton Homes

But the provision of homes at social rents is not all that LAHOs do. They have increasingly intervened in communities to maximise individual and collective well-being, from ASB prevention to tackling unemployment. LAHOs also support individuals to live independently within those communities, remaining in their homes and retaining their dignity.
A sense of purpose: defining value for money in council housing

Many LAHOs are now looking to address the chronic under-supply of new accommodation, from social renting to market sale. Even at market rates, in the current climate the provision of any new accommodation has social value and assists councils in balancing local housing markets.

Latterly the sector has diversified further to:

- generate commercial returns to cross-subsidise corporate objectives
- serve the council as a cost-effective local service provider in an ever-increasing range of disciplines.

Peter Jefferson, CEO, Blackpool Coastal Housing

Blackpool has particular issues with deprivation and transience; some of our inner wards are among the poorest in the country. It is particularly important to us that VFM includes social value. All our Decent Homes contractors have stretching performance indicators on local employment, to ensure that as far as possible money earned in Blackpool helps maintain the local economy. We also set challenging targets for apprentices on these contracts, and have recently increased the levels of apprenticeships internally to help alleviate issues with youth unemployment in the borough.

6 Some of this activity has direct social value too – for example, LAHO activity in the private rented sector will help to raise standards in an increasingly significant component of local housing markets.
To limit the debate on the sector’s value proposition to the provision and management of social housing undersells what the sector does and is capable of delivering. LAHOs also have increasingly good intelligence on tenants, access to them and local knowledge. They are often the most visible and respected brand in the community. There is enormous potential to draw on this goodwill, knowledge and experience to take the lead on broader local service provision and/or to marshal other players.

In summary, the LAHO sector’s potential outcomes or value streams include to:

- provide new homes
- provide excellent housing services to existing tenants so they enjoy their homes and neighbourhoods
- provide support to enhance independence
- improve life chances, quality of life and social mobility through ‘added value’ activity
- provide cost-effective, non-social housing services for the council.

These value streams come together to contribute to the well-being of a specific place. In many cases they have knock-on benefits for other local services, such as health, social services and the police. In undertaking activities, wider social benefits are frequently sought, such as environmental improvements and boosts to the local economy through local labour clauses, apprenticeships and so on. At the same time, cost control, procurement savings, efficiencies and commercial activity contribute to surpluses that may be reinvested to achieve social objectives.

The degree of diversification underlines the versatility of the sector, its preparedness to reflect local needs and exploit commercial opportunities.

However, there are risks too. Diversification initiatives must not jeopardise social housing assets if they were to fail as business propositions. Nor should diversification blur the boundary between core and other activities, resulting in a confused sense of purpose and a loss of focus on social outcomes.

Local authorities need to recognise these risks. One suggestion that came out of our readers’ group was that the sector might do well to agree the distinction between ‘core’ and ‘other’ activities and set out a typology for diversified services. This would help LAHOs achieve greater clarity with regards to their social mission, compare activities, challenge business decisions at the concept stage and learn from each other rather than having constantly to ‘reinvent the wheel’.

‘An excellent local authority housing provider adds value at all levels. We bring in-depth knowledge of our locality, our people and their needs. Combined with our strategic clout and our track record in working with different stakeholders, we are in a fantastic position to get things done, either on our own or in partnership. Ultimately, we are democratically accountable through our elected members to individual citizens.’

Larissa Reed, Head of Neighbourhood Services, Canterbury City Council
If each LAHO was to put a sliding ‘more or less’ scale underneath each outcome, where would they set it? What would their ‘shop front’ look like? Organisations need to have a clear view of the value they exist to create in order to maximise it.

“For CBH, delivering VFM involves making the best use of its finite resources (both physical and human) to deliver the highest levels of satisfaction and value added services to our customers. This ethos ensures we are completely aligned with CBH’s strapline “Putting our customers at the heart of what we do”.

VFM is not about cost cutting. It is about ensuring that every pound spent by a CBH employee is spent wisely and helps to improve, in some way, the lives of our customers. Savings made from efficient cost control are reinvested corporately to further enhance the services delivered to our customers.

In delivering VFM, we envisage the following outcomes:
- enhanced service delivery
- a better environment for all our customers to live in
- more opportunities for our customers to progress and develop
- high and increasing customer satisfaction.”

Steve Slater, Finance Director,
Cheltenham Borough Homes

Clearly this sort of value assessment does not happen in a bubble – the operating environment influences value creation. As LAHOs adopt the brace position in readiness for the full impact of welfare reform, social ambition may be tempered by the need simply to remain viable. Items that may be deemed ‘discretionary spend’ or ‘added value’ might be scaled back to focus on the basics – maintaining existing assets, providing the
services set out in tenancy agreements and in many cases investing extra resources in income protection.

**Measuring value and VFM**

As both the LAHO and the housing association sectors exist to produce social value, it is imperative that progress is measured in order to evidence outcomes and promote the benefits of each LAHO’s offer.

As the diagrams below show, it is relatively straightforward to start to build an evaluation framework of value with the information most LAHOs already collect.

The challenge going forward is developing proportionate and credible models that evidence the total social and economic activity of providers and, taking it down a level, the impact of key interventions such as worklessness programmes.

**Building a story of value with metrics and other forms of evaluation**

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2.5 Self-financing, self-regulation and VFM

Self-financed HRA as the basis for delivering LAHO Value and VFM

HRA self-financing commenced in April 2012. The aim was to put local authorities on a similar footing to housing associations, which like other businesses seek to balance expenditure (largely on assets and services) with income (largely from rents) through a long-term business plan. Ideally surpluses are made that can be recycled into the activities that deliver the social value that underpins the organisation’s purpose.

LAHOs now have the freedom to develop as social businesses and shape their destiny via genuine business plans with a longer-term planning horizon. This enables the delivery of a positive vision for council housing and the potential to maximise stakeholder value.

This freedom is already finding expression in LAHOs’ asset management strategies. For example, Decent Homes improvement programmes tended to focus expenditure on high volumes of prescribed components such as kitchens, bathrooms and boilers. Emerging programmes can involve the same magnitude of spend but are far more diverse, reflecting local circumstances. This presents challenges in terms of procuring and managing numerous smaller contracts and partnerships. It also requires an appropriate level of oversight from the executive and governing body. Getting procurement and contract management right are critical to achieving VFM.

“We now favour “repairs-led investment programmes”, based on the condition of components rather than their age. We also “re-cycle the CBC pound”, which is using our spending power to promote the local economy by using local suppliers and contractors and packaging contracts accordingly, rather than having contracts so large that small local enterprises fail at the first hurdle, namely financial capacity. It also means promoting local labour opportunities.”

Brian Queen, Interim Head of Housing Operations, Central Bedfordshire Council Housing Services

Purpose of the Voluntary Code of Practice for a Self-Financed HRA

As noted, the local authority sector has little by way of VFM regulation, although this might change when the government publishes its approach to VFM within the forthcoming local audit arrangements.

The corollary temptation for government to seek to regain control over the HRA, has prompted CIH and CIFPA to develop the Voluntary Code of Practice for a Self-Financed HRA.

The code seeks to complement the:

- formal audit of local authority-wide finances currently being developed by DCLG
- self-regulation by local authority landlords of the HCA’s consumer standards
- existing CIPFA codes of practice
The stated purpose of the code is to:

- assist councils in ensuring effective governance, finance and business planning
- provide transparency to tenants, members and officers on how the housing ‘business’ is being managed, facilitating accountability
- provide a self-assessment tool to enable authorities to determine how robust their arrangements are for ensuring effective governance, finance, business planning and accountability.

The code is first and foremost about the governance of the HRA. The term VFM is used only once, with the suggestion that LAHOs adopt the principle: *value for money goes to the heart of how providers ensure current and future delivery of their objectives*. Clearly voluntary adherence to such a principle is a good thing but the real benefit of the code in terms of VFM lies in its overall aim to provide a framework to ensure the effective use of HRA resources.

Half the battle with VFM is about ensuring that finite resources are spent effectively *on the right things* that will deliver the organisation’s desired objectives – that business planning is robust.

The other half of the battle – economy and efficiency, or *doing things right* – generates little or no value if it is targeted on the wrong things.

A voluntary code to govern HRA business planning – stressing the importance of independent tenant and leaseholder scrutiny and benchmarking data are essential to ensuring the VFM of HRA resources. A commitment to tenant involvement, transparency and scrutiny is a common feature of LAHOs’ approaches to securing VFM (see section 3).

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7 The origin of this wording is the *Regulatory Framework for Social Housing in England from April 2012*, published by the HCA in March 2012. It is one of six principles of co-regulation set out in the HCA’s regulatory framework that CIPFA and CIH are suggesting LAHOs comply with as part of the new code.
‘VFM in social housing is about regularly identifying what is wanted by tenants in terms of service or product and its associated quality. Then it is about ensuring this can be delivered in the most cost effective, efficient and sustainable way. Equally as important is being clear on what is not wanted by our customers – supplying the cheapest and best maintained flower beds does not provide VFM if the tenants would prefer a lawn!'  

Nick Murphy, CEO, Nottingham City Homes

It cannot be overstated how important robust asset management will be to ensuring success – the business might be about people and well-being but it is built on assets.

HRA business plans are built on carefully crafted assumptions about income and expenditure. Amongst the most significant of these is the optimum phasing of planned investment, over the long term, to ensure viability and VFM.

If LAHOs exist to improve well-being via a set of social business objectives, then all HRA resource allocation decisions must map to those business objectives, where the cost and anticipated value is transparent and understood and set out in robust business plans.
3. **What LAHOs are doing to achieve VFM**

In this section we look at how landlords are ensuring the delivery of VFM and excellence in the absence of regulation – for example, what kind of governance and performance management arrangements are in place to ensure VFM.

**Case 1: South Cambridgeshire District Council (SCDC) takes a strategic approach to VFM, Stephen Hills, Director of Housing, SCDC**

VFM is defined as follows:

We will achieve our aims in the most efficient manner at the best possible price and be able to demonstrate it.

This includes:

- doing the right things to meet the aims of affordable homes and tenant priorities (effectiveness)
- having the right assets to deliver these services (asset management)
- having the right processes in place to deliver these services (efficiency)
- achieving the right outcomes – meeting the standards aimed for (quality)

We are also keen to link VFM with good governance; in particular:

- focusing on the council’s purpose and outcomes for tenants and service users
- taking informed transparent decisions and managing risk
- working with stakeholders and being accountable

In respect of ‘value’, we are taking this to mean, ‘doing the right things’. This is clearly a subjective judgement and therefore needs to be carefully aligned with the agreed purpose of the organisation as well as a robust means of knowing what the tenants want; hence the link to the governance principles noted above.

In financial terms, it means making sure that every pound is well spent. This is where the professional and technical judgement of key staff is important along with the framework in which they operate. It also means being confident in the procurement processes followed and having good quality benchmarking to know how well we are doing compared to others. SCDC is working closely with HouseMark on the latter.

**Case 2: Achieving VFM in Barnsley, Alison Rusdale, Director of Finance, Berneslai Homes**

**What do we mean by VFM?**

VFM is about doing the right things, in the right way, at the right price. It is also important to have the right people.

Factors contributing to VFM include:

- shared ownership by senior and operational management of the financial position
- a positive culture that encourages contributions from all
- a golden thread with objectives understood by all and everyone pulling in the same direction
- modern IT systems with ongoing programmes of large and small development
- effective partnership working
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- getting procurement right and then strong ongoing contract management
- a focus on service
- keep service reviews simple and avoiding getting bogged down in complex techniques
- be confident to change and change again as the environment develops.

Understanding the social benefit of our activity is also important. Berneslai Homes has used a CRESR\textsuperscript{8}-designed model to analyse the economic impact of HRA spend on the north.

<table>
<thead>
<tr>
<th></th>
<th>Direct</th>
<th>Indirect</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Output</strong></td>
<td>42,733</td>
<td>45,142</td>
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<td>produced</td>
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<td>27,652</td>
<td>39,276</td>
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<tr>
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<td>245</td>
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|                          |        |          |        |
| Value of money spent     | (£ thousands) |        |
| Value of goods and      |        |          |        |
| services                | (£ thousands) |        |
| Employment              |        |          |        |
| (full-time equivalents) |        |          |        |

**Challenge Berneslai: securing VFM through tenant scrutiny**

Customer-led scrutiny has been making a positive difference since October 2010, when Barnsley Federation of Tenants and Residents launched ‘Challenge Berneslai’.

Central to the model is that twice a year Berneslai Homes publishes a self-assessment of its performance against consumer standards and the 58 local offers agreed with customers. Officers present this to an open and well-advertised meeting, and customers attending agree what areas of service they want the Federation to scrutinise with members of the Challenge Berneslai panel, agreeing a schedule for the next six months.

Self-assessments, reports and actions are all published on both organisations’ websites, with summaries featured in newsletters and annual reports. Berneslai Homes shares reports and information upfront with the Federation and takes time out to explain them in detail.

Scrutiny includes mystery shopping, shadowing, checking data, attending meetings, running surveys, doing inspections or interviewing staff. Once finished the Challenge Panel produces a report, which it presents to staff and residents. It then presents a joint report with officers to Berneslai Homes’ board, which outlines what action is being taken to address any issues.

Challenge Berneslai is managed solely by tenants and residents. They set the timetable, arrange meetings, select the scrutiny topics, direct the activities and produce the reports. They also have significant jurisdiction and clout, with panel members having access to all relevant information.

Clear guidelines are in place to ensure that Challenge Berneslai conducts scrutiny without prejudice. In doing so it first makes use of all available information before

\textsuperscript{8}Centre for Regional Economic and Social Research, Sheffield Hallam University
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requesting any further evidence collection or consultation. This avoids duplication, respects other engagement and quality control processes and ensures that both customers and staff are not over-consulted.

Challenge Berneslai has a strong relationship with the Berneslai Homes board and its members are welcomed into board meetings to present their reports. The ultimate power of Challenge Berneslai is that, if it has serious concerns that cannot be resolved by staff, it has a right to issue a Challenge Berneslai card to the board. The board has a duty to publicly respond to the concerns raised.

Challenge Berneslai has provided a further layer of independent challenge to its already robust governance framework, as well as enhancing performance management by creating a ‘golden thread’ between staff and the Federation. Forty-five recommendations for service improvements over a two-year period have helped Berneslai Homes achieve a 91% overall tenant satisfaction rating.

Challenge Berneslai has cemented an already solid relationship between Berneslai Homes and the Federation – a partnership built on openness, honesty, mutual respect and freedom to challenge. It has also become embedded in the way both organisations drive improvement and VFM.

In terms of the Federation, it has a new focus, increased its membership, strengthened its knowledge and skill base and enhanced its reputation locally and nationwide. It has also led to a change in mind-set as to how it engages with tenants and residents. The process has seen a shift from the more traditional means of involvement to the realisation that you don’t have to attend a meeting to get your voice heard. Triggers for scrutiny action may now originate from a range of sources, making the process fully inclusive and tenant-led.

**Case 3: Embedding VFM at Blackpool Coastal Housing, Peter Jefferson, CEO, Blackpool Coastal Housing**

Last year the council commissioned an independent review of VFM by the CIH. One of the strengths in our approach to VFM highlighted by inspections, the review and visiting peers is how embedded it is in the entire culture of the organisation. This is no accident. One of the induction sessions for all new staff is about VFM. This is done on a ‘speed dating’ basis, a varied and hopefully fun way of learning about the organisation.

Other ways we embed VFM include a suggestion scheme with cash rewards. Finance staff attend all team meetings at least once a year to highlight ongoing financial pressures and the need to avoid complacency in delivering more for less. An annual VFM action plan is set, which is approved by the board and progress reported periodically.

We also ensure our approach to VFM is developed hand-in-glove with our corporate goals on customer involvement. All major procurement exercises include tenant representation to ensure that customer needs are fully considered and to provide a reality check on decisions being made. All our service improvement panels consider VFM at all their meetings. Our new scrutiny assembly (‘TOWER’ – Together Overseeing Where Excellence is Realised) has made a profound impact with its first review of the complaints process. Far-reaching recommendations will ensure that we are more effective and efficient.
Blackpool has particular issues with deprivation and transience; some of our inner wards are among the poorest in the country. It is particularly important to us that VFM includes social value. All our Decent Homes contractors have stretching performance indicators on local employment to ensure that as far as possible money earned in Blackpool helps sustain the local economy. We set challenging targets for apprentices on these contracts, and have recently increased the number of apprenticeships internally to help alleviate youth unemployment in the borough.

Benchmarking shows that we have a ‘lean’ back office, enabling us to help our tenants by optimising frontline service delivery and keeping rent increases as affordable as possible. But as you can see, VFM at BCH is wider and deeper than that.

Case 4: Delivering VFM in Norwich, Paul Sutton, Housing Income Services Manager, Norwich City Council

How do you define VFM and what does it achieve?

I still like the ‘three Es’ definition of VFM. More bang for your buck is a phrase that resonates with tenants. However, it is important to remember that cheapest is not always best and the service or product supplied should be at a level and price tenants are satisfied with.

It is also important to remember that performance and VFM are inextricably linked, the former being a key measure of the latter.

VFM helps us measure and prove that we are getting best use out of our resources, and where we are not provides impetus and support for change. It also provides evidence for ‘investing to save’ initiatives as well as a measure of improvement.

How do you ‘do’ VFM?

- a VFM strategy and work plan – staff and tenant awareness is encouraged
- VFM features as a standard team meeting agenda item and appraisal competency element
- VFM is a theme that runs through our annual report to tenants and we issue quarterly performance scorecards
- we report regularly to tenant panels on performance and carry out regular service-specific customer satisfaction surveys. Performance information is available to officers and members council-wide via Aspireview reporting
- continuous improvement is monitored and maintained by an annually refreshed improvement plan
- tenant and leaseholder involvement in all HRA contract specification and procurement
- our section 20 consultation with leaseholders/resident associations is often in excess of minimum legislative requirements
- we subscribe to HouseMark and use benchmarking.

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Case 5: Embedding VFM at East Durham Homes, Rachel Taylor, Director of Finance and Support Services, East Durham Homes

VFM is about ensuring that we gain the maximum benefit from the resources we have available to us, whether this is our staff or spend on repairs and maintenance. We provide a valuable service to our customers; they deserve this to be the best possible service for their rents.

Both business and annual delivery plans are underpinned by our VFM and efficiency strategy.

Listening to our customers is key. We have invested time and money into developing our scrutiny function. The customer improvement and inspection panel (CIIP) – a group of extremely focused, enthusiastic customers – willingly give their time to help us continuously improve our services.

Our involvement framework also includes service review panels – groups of customers interested in a specific service. Each group meets with staff on a regular basis. The value for money service review panel, is one of the most popular – amazingly, as the title ‘value for money’ is not the most exciting. The customers provide us with great insight and thoughtful challenge and have been integral to achieving VFM across the organisation.

Both the CIIP and the VFM service review panel are currently working with us to complete a VFM self-assessment. They appreciate that, as we operate in the council-owned sector, we are not required to complete this but they know we will learn from the process and look to identify areas where further improvement is required.

We also work with staff to ensure they understand and deliver VFM. We complete training on a regular basis – the most useful training provides practical examples of how staff can achieve efficiencies and improve VFM. It generates a lot of discussion and ideas. It is important to keep the impetus going, so we have a standard item on all team meeting agendas to discuss efficiencies. Again, this has generated some great ideas and is changing the way staff are working.

Achieving VFM is an important driver in all our procurement decisions. Staff understand there is a balance between cost and quality – the cheapest is not always the best. We effectively monitor contracts and service-level agreements to ensure we achieve VFM throughout the contract period and endeavour to build partnerships with all our suppliers.

Case 6: Achieving VFM through a focus on the customer in Nottingham, Nick Murphy, CEO, Nottingham City Homes

VFM is not about achieving the lowest cost. VFM in social housing is about regularly identifying what is wanted by tenants in terms of service or product and its associated quality. Then it is about ensuring this can be delivered in the most cost-effective, efficient and sustainable way.

Equally as important is being clear on what is not wanted by our customers – supplying the cheapest and best-maintained flower beds does not provide VFM if the tenants would prefer a lawn!

We focus on achieving upper quartile benchmarked performance but we also need to focus on why we are doing something. For example, our tenants clearly told us that they
valued apprenticeships and local labour over and above securing the lowest price for works to their homes.

Customer insight is important in achieving VFM. Not all tenants require the same service. Providing a focused service to those who want or need it most provides greater VFM than a vanilla service to all. The more knowledge we have of our tenants and their behaviours the greater VFM we can obtain from our service delivery.

**What VFM achieves:**

- we obtain greater customer satisfaction of our services and the value tenants perceive for the rent paid
- we are in a position to generate additional resources to focus on new initiatives, be they new build or further ‘investment to save’ opportunities
- staff are more engaged and motivated in seeking and achieving efficiencies when the link between delivering tenant priorities and the reinvestment of savings is clear
- working with partner organisations, we are able to improve our communities, attract further investment and generate a greater social return.

At Nottingham City Homes we have completed a wide-ranging consultation exercise with our tenants to identify our four-star service promises. These detail what we will deliver in people’s homes and neighbourhoods, and the services they will receive from us. They complement the extensive consultation that has gone into our capital programme, so that our investment priorities are based on what tenants have said they want to see. Together this will help us to deliver our vision of creating homes and places where people want to live.

Using a rigorous academic methodology we have measured the social return on investing in improving council housing. We have measured the reduction in crime, the improvement in health and the positive impact on the local economy. The findings are detailed in a report available on our website\(^\text{10}\).

**Case 7: VFM as a theme, Brian Queen, Interim Head of Operations Central Bedfordshire Council**

The chief issue for me is whether VFM is a cross-cutting theme or a strategy in its own right. My preference is for the former. Our thinking on VFM is as follows:

**What is VFM?**

- not just lowest price
- optimising the balance between whole-life costs and quality
- getting maximum benefit from goods and services
- achieved via the three E’s

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Achieving VFM

- income maximisation from rents and charges
- excellent procurement and partnerships
- business process re-engineering
- the right human resource management practices, staffing and structure
- new investment and invest to save
- benchmarking cost, performance and satisfaction in the round

Case 8: VFM starts with the customer, Steve Slater, Finance Director, Cheltenham Borough Homes

We believe that VFM will be achieved if we deliver on the following key steps:

- consult with our customers and understand their needs and desires
- reflect the customers’ needs and desires within our corporate objectives and aims
- utilise our resources in such a way as to deliver on all agreed objectives – with the intention to exceed those objectives wherever possible.

Customer consultation is the crucial first step and encompasses customer profiling, extensive and effective consultation with truly representative sample sizes, and heavy involvement in Cheltenham Borough Homes (CBH) service design. The key to success is to take the VFM strategy from a high-level strategy to a daily plan of action that allows all staff to help the business deliver savings and efficiencies, which will then enable the business to provide even more services and value to our customers.

In addition to the standard processes and controls you would expect to be included in a VFM strategy (variance analysis, contracts review, spend analysis, core benchmarking etc), CBH’s key tool for embedding VFM is a corporate VFM log. The VFM log is used to record all instances where staff deliver added social value and/or cost savings. It is populated by all staff and reviewed periodically by senior management to monitor its progress and impact.

The log benefits CBH’s delivery of VFM as follows:

- it provides a central source of evidence of CBH’s ongoing delivery of VFM
- it ensures that staff keep VFM in mind during their everyday tasks as they are aware of the need to populate the log on a regular basis
- examples of VFM within the log act as a guide to all staff of the different ways in which VFM can be delivered and ensure that the focus is on adding social value and not solely on cost cutting
- examples of VFM within the log are highlighted to various customer forums with a view to inspiring customers to generate further VFM suggestions of their own for the business to consider.

VFM cannot be delivered via high-level strategies. It will be delivered by each individual member of staff, on a day-to-day basis, as they make decisions that impact upon both costs to the business and the service we deliver.

The CBH board and Cheltenham Borough Council also have significant roles to play in the delivery of VFM. The board has reviewed and endorsed the revised VFM strategy and will be reviewing progress of the action plan at regular intervals. In addition, a board
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member sits on our VFM forum to ensure that board opinion is regularly fed back into CBH. VFM progress reports are provided to the council on a regular basis to ensure that it is kept fully informed of progress and provide comfort that CBH delivery of VFM is aligned to the wider community goals of the council.
4. **The LAHO offer to the council**

In this section we take a look at how LAHOs are adding value by supporting the parent council’s corporate objectives with HRA assets.

**Case 9: Stephen Hills, Director of Housing, South Cambridgeshire District Council**

In South Cambridgeshire the housing service is playing an important role in supporting the work of the other council services. For example, the expertise in dealing with anti-social behaviour (ASB) enables us to offer an effective (and VFM) service to the environmental health department, which oversees ASB on non-council owned areas. Environmental health also benefit from the housing service’s work on health and social care-related matters. The housing strategy team are able to support the work on private sector stock conditions, and combined projects are possible – for example, an empty homes strategy using HRA resources to target and bring back into use long-term empty homes in the private sector.

The housing service also allows the council to have a central presence in a number of key strategic partnerships, all of which assist in meeting social need within the district – for example, homelessness partnerships, choice-based lettings, sub-regional housing strategy work and the Home Improvement Agency.

The ability to build new homes enables the council to strengthen its role as a key player in major new development sites such as Northstowe, as well as enabling it to meet niche needs in the villages in ways that local RSLs (particular with the reduction in grant) may not be able to. Thought is now being given to how the council may use its strength and presence as a local housing provider to branch into market renting and property development activity.

**Case 10: Su Spence, Finance Director, Poole Housing Partnership**

The ALMO offer to the local authority is key and the understanding of this offer is vital in order to have a successful relationship. The ALMO has a different governance structure even though it is linked in to the local authority as the single shareholder. This often allows the ALMO to move more quickly than a LA would be able to, thus responding to changing needs and requirements appropriately. The ALMO can also access funding in different ways and use its position to develop working arrangements across housing-related areas that can bring resources to underwrite the cost of running a housing service, thus delivering a higher VFM option.

**Case 11: Paul Price, Corporate Director, Tendring District Council**

**Marginal cost, significant benefit**

We are looking at whether the marginal costs of providing some services to the GF can be legitimately picked up by the HRA. For example, our building services division is mainly paid for by the HRA and whilst costs for dealing with dangerous structures are directly recharged to owners or, if not recoverable, to the GF, the cost of having surveyors on standby is not as they are already on standby for HRA activities.
Managers, paid for by the HRA, are also continuing to pick up non-HRA issues on estates as part of their agency liaison work without recharging the GF – for example, engagement with the police. This is borne out of necessity – GF resources for such work are so eroded that if the HRA does not do it, it will not happen.

**Reducing costs, working smarter**

Equally, where practical and where costs do not increase to the HRA, managers may now be shared between the HRA and GF services. For instance, our commercial manager oversees a number of HRA and GF services and his costs are split between the two funding pots. Previously there may have been a GF and HRA manager, so this is about working smarter to reduce overall costs to both the HRA and GF, although there is less pressure on the HRA to do so.

**The future**

The HRA is playing its part in supporting GF services through merging services and overall cost reductions rather than the questionable reapportionment of costs happening in some councils. Given the scale of savings still to be delivered pressure is likely to increase to further reduce HRA costs but whilst we continue to deliver increased revenues and reduced costs in other GF services this will be held in abeyance.

**Case 12: Rachel Taylor, Director of Finance & Support Services, East Durham Homes**

The council sees the ALMO as being integral to achieving its objectives. One example is the close working with the East Durham Area Action Partnership. We have enabled environmental improvement works to be completed on some of our estates and we are also employing young people in training roles through a social enterprise to improve their employability skills, by providing decorating and handyperson services to older/vulnerable customers whose homes are having major improvement works. This both helps customers in need and supports local youth employment. We see this as adding social value to VFM.

**Case 13: Andy Chequers, Corporate Head, Housing Services, Lewes District Council**

A ring-fenced HRA means we have to be careful how we contribute financially to the corporate centre. This is about ensuring we are charged legitimately and fairly for the services that we receive. For example, if the pest control budget is a GF item but 33% of such work is carried out in council homes, then 33% can be recharged to the HRA.

We can contribute knowledge and skills to add value to corporate projects. Our staff often take on the role of community leaders and have a wealth of experience in some of our most challenging areas. They are the natural choice to articulate local needs and expectations and lead on a joined-up response from those services that link to housing such as health, community safety, community development, financial inclusion, etc.

We also know our customers and tailor our services accordingly, in the interests of VFM. Most local authority housing providers have an extensive database of tenants including their characteristics and preferences. We can pass on the knowledge of how we obtained it to corporate colleagues so that they can learn from our successes and
challenges. Tried and tested consultation channels such as ‘people banks’ and ‘citizen panels’ can also be used by the council for non-housing issues.

**Case 14: Steve Slater, Finance Director, Cheltenham Borough Homes**

CBH works extremely closely with CBC in very much a collaborative manner. Regular two-way communication ensures that we provide CBC with a quality service and support which helps them to meet their own objectives.

Examples of this service/support include:

- increasing support for local communities, thus helping to offset the impact of local authority spending cuts
- following a significant consultation exercise on the HRA Business Plan, CBC has approved the use of some of the additional resources available from self-financing for investment in the communities we serve, always ensuring that we complement current Council services
- development of strong partnerships with third sector organisations in the town so that they are better placed to deliver key support services to the whole community
- we have recently moved one of our area offices from a shopping centre into a local community resource centre providing a significant boost to their income from our rent and improving the co-ordination of services to that community
- CBH has been successful in attracting social housing grant to support a development programme delivering 78 units for a mix of tenures including social and affordable rent and shared ownership

**Case 15: Larissa Reed, Head of Neighbourhood Services, Canterbury City Council**

An excellent local authority housing provider adds value at all levels. We bring in-depth knowledge of our locality, our people and their needs. Combined with our strategic clout and our track record in working with different stakeholders, we are in a fantastic position to get things done, either on our own or in partnership. Ultimately, we are democratically accountable through our elected Members to individual citizens.

The council’s own homes are an important strategic resource under our direct control that contribute to the delivery of our wider corporate objectives. We have clear evidence of the important links between the provision of more council homes for our growing working-age population and continued local prosperity.

The connection between housing and health was one of the main drivers for the creation of local authority housing many years ago. These lessons are as valid now as they were in Victorian times. Whether it is providing accommodation for people with special needs, or ensuring that older people have a safe place to live when they leave hospital, or simply by providing a well-heated and healthy home. We forget these lessons and our vital contribution at our peril.
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More resources
In addition to this selection of examples, the HouseMark website contains many VFM case studies.

ARCH and APSE explored the holistic benefits of retained council housing in *Under One Roof*¹¹.

The NFA has published a series of best practice guides that explore the value of ALMO activity:

- **Social value: long-term benefits of ALMOs’ work**¹² – case studies spanning local spend, apprenticeship schemes and employment support

- **ALMO diversification**¹³ – case studies including new build, acquisition, PRS management and social enterprises

- **Funding available to ALMOs**¹⁴ – an exploration of funding sources to bolster social landlords’ endeavours in the community

¹¹ [www.arch-housing.org.uk/media/14118/under_one_roof_research_report.pdf](http://www.arch-housing.org.uk/media/14118/under_one_roof_research_report.pdf)
¹² [www.almos.org.uk/include/getDoc.php?did=5562&fid=6416](http://www.almos.org.uk/include/getDoc.php?did=5562&fid=6416)
¹³ [www.almos.org.uk/include/getDoc.php?did=5406&fid=6217](http://www.almos.org.uk/include/getDoc.php?did=5406&fid=6217)
¹⁴ [www.almos.org.uk/include/getDoc.php?did=5285&fid=6080](http://www.almos.org.uk/include/getDoc.php?did=5285&fid=6080)
5. Conclusion

VFM is not a straightforward concept in social housing. The product is a complex good that generates value for a range of stakeholders and, in the interests of those stakeholders, the provider seeks to deliver a range of value beyond the primary product. Councils that have retained their stock do so because they value both the product and the people that produce it.

The central message of this publication is that VFM can only be delivered if councils are clear about what they want from the social housing product and its provider. The process of defining this value will, in turn, determine the purpose of the LAHO and the appropriate deployment of resources. With this strategic direction secured, LAHOs well understand how the system of value production can be tuned to obtain optimal performance. The challenge, as always, is about converting this understanding into improvement action that achieves the envisaged economy, efficiency and effectiveness.

There is no silver bullet for judging VFM. It is a qualitative judgement that should be based on costs and a range of evidence, including performance data, mapped to the value the organisation is seeking to achieve for its various stakeholders. And that value needs to be taken in context:

- how have local priorities, demography, deprivation, geography, stock profile and so on driven cost and performance?
- what is included in the offer? A large amount of added value activity for stakeholders or just a little?

Accordingly the judgement is largely a local one, requiring intelligent analysis by people not an algorithm.

Running a modern social business, in a tough operating environment, is not easy. It requires an unusual mix of business skills and social conscience, guided by leaders who have a clear sense of purpose. If ever there was a time for strategic thinking, it is now.
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Further information

For further information visit our website www.housemark.co.uk or call 024 7646 0500.

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About HouseMark

HouseMark is the leading provider of integrated data and analysis, insightful knowledge transfer, high quality consultancy support and cost effective procurement services to the social housing sector.