

# Delivering Value for Money by Measuring Business Plan Performance

## 1. Introduction

This paper discusses value for money from a perceived regulatory perspective and sets out a recommended approach for ensuring that a social landlord can demonstrate it is delivering value for money (VFM) through delivering on its Business Plan Objectives.

## 2. Strategic Policy Context for Value for Money in Social Housing

The policy environment for social housing landlords operating in Scotland is clear in terms of what the SHR expects in terms of delivering good quality services at an economic cost to the landlord and at an affordable one to tenants. The SHR in its guidance says:

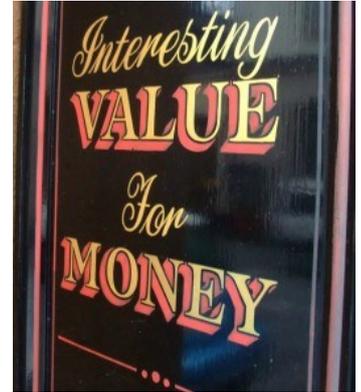


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*As required by section 31 of the Housing (Scotland) Act 2010, the Scottish Ministers, in this Scottish Social Housing Charter, set the standards and outcomes that all social landlords should aim to achieve when performing their housing activities...*

And

*to ensure that the outcomes in the Charter:*

- *describe the results that tenants and other customers expect social landlords to achieve*
- *cover social landlords' housing activities only*
- *can be monitored, assessed and reported upon by the Scottish Housing Regulator.*

The following 2 speeches spanning the past 12 months demonstrate the Scottish Government's policy context clearly:

What the SHR says about Value for Money (Ian Brennan, Director of Regulation, Finance and Risk, 26<sup>th</sup> June 2015)

*The cornerstone of our regulatory framework is the Charter and a set of six standards. The requirement is for each landlord to:*

- *be led by its governing body,*
- *achieve good outcomes for its tenants and other service users,*
- *be open and accountable for what it does,*
- *base its decisions on good quality information,*
- *have the appropriate skills and*
- *manage its resources to ensure financial well-being and economic effectiveness.*

*I am sure that all of your organisations would want to behave in this way whether or not there was a regulatory requirement to do so.*

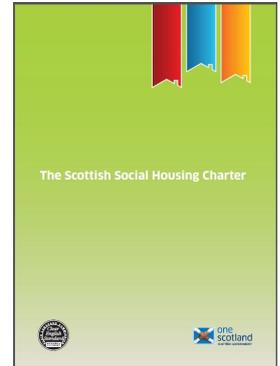
*And my view would be that an organisation that is doing all of these things will be delivering value for money for its tenants.*

# Delivering Value for Money by Measuring Business Plan Performance

What the SHR says about Rents and Affordability (Ian Brennan, 28th August 2014)

*So for the avoidance of doubt I want to be very specific about what we are saying on the subject of rents and affordability Landlords should:*

- *in their business planning activities consider tenants' ability to pay their rent over the longer term;*
- *consider future affordability when determining annual rent increases;*
- *demonstrate transparency on costs and a vigorous pursuit of value for money;*
- *give tenants genuine options and choices during rent consultations;*
- *have a mature dialogue with tenants about costs versus service levels;*
- *be clear on how tenants views are taken into account; and*
- *be clear on what is affordable for tenants.*



In addition, the recently launched Housemark Report, which was based on sector consultations, recommends:

- *The Scottish social housing sector develops its own VFM strategy, which expands the focus of VFM to include tenants, future tenants and local communities;*
- *The Scottish Housing Regulator (SHR) should broaden its VFM focus in a similar manner; and*
- *Instead of requiring more data to be collected for the Annual Return on the Charter (ARC), the SHR should encourage social landlords to voluntarily collect data to evidence how they are providing VFM.*

It therefore seems sensible and timely for social landlords to develop an explicit approach to demonstrating VFM, which fits within the current Business Planning cycle and the overall performance management framework being recommended by DCL. The following sections are aimed at contributing towards its development.

### **3. Agreeing what Value for Money Represents to Social Landlords and Measuring it**

Taking account of the Scottish Policy Context outlined above DCL believes that VFM can reasonably be viewed as:

*The optimisation of the Association's services as set out in its Business Plan within the context of delivering against the 6 standards described in the Scottish Housing Regulator's Charter.*

The following section describes a process for landlords to adopt that will integrate its existing performance management arrangements and provide a foundation for evidencing VFM through the measurement over time of its service and wider activities.

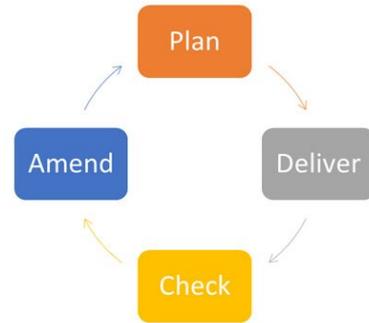
It presents a practical approach to describing, measuring and baselining performance built around setting challenging achievable targets for delivering continuous improvements over time.

The approach involves:

- Demonstrating "value for money" through the achievement of targets specifically set against performance indicators aligned to each strategic objectives and encourages objectives and indicators to develop over time in response to new challenges and tenant responses.
- The development and use of a Business Plan Monitor (discussed in a separate leaflet) and summarised below in Section 4.

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This process should be integrated at all levels within and across the organisation and form part of the business planning cycle. The monitor can be used to help set targets and standards as well as monitor actual performance over time and regulated periods.

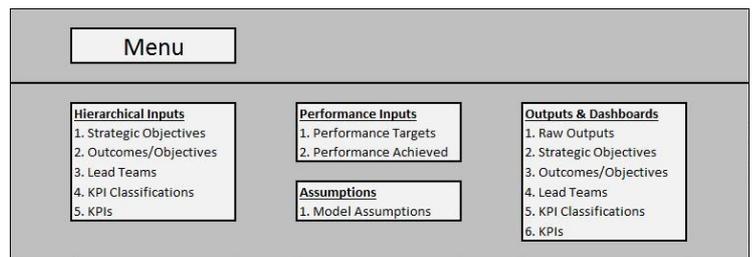


## 4. Business Planning and Performance Management

Reviewing the current Business Plan's strategic objectives represents the starting point and main assumptions for inputting into the Business Plan Monitor.

The subsequent process of setting KPI's and targets, and enabling performance to be monitored and viewed by:

- Outcome,
- Service Grouping, and
- Accountable body (Manager, Department),



is described in detail as part of the "user guide" produced with the Monitor.

Evidencing VFM could be viewed as an examination of a continually improving service to tenants and control of income and expenditure as demonstrated through setting and improving on challenging financial and service based targets agreed by the Board and tenants on a periodic (annual) basis as part of the business planning cycle.

Performance reporting should become embedded in the social landlord's culture and not seen, for example, as a quarterly reporting chore that has to be done for the Board. Performance reporting will become seen as an essential management activity and performed daily, weekly, monthly and annually depending on what is needed to support efficient and effective operation.

**If you would like us to discuss your business planning needs or value for money approach and what we can bring to your team, then please get in touch with:**

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