

The revised regulatory framework for social housing: HQN response

HQN has responded to the Tenant Services Authority consultation on its revised regulatory framework for social housing in England. The consultation can be found at www.tenantservicesauthority.org/server/show/nav.15065. The changes are due to take effect from April 2012. HQN's comments are detailed below: please note that the closing date for your own organisation's response is 10 February.

HQN comments on proposed Value for Money (VfM) standard

What we like

- Responsibility for VfM sits with the board – this is right
- The standard incorporates many aspects of existing good practice.

What we have concerns about

Some of our concerns have their roots in the Localism Act. The decision to separate out VfM from service standards is hard to understand. All definitions of VfM try to blend cost and quality in some way. Putting VfM in a tight box might lead to a focus only on cost. To do otherwise is to stray into the consumer standards. The scope for the regulator and the tools available are very different for VfM and consumer matters. It is something of a mystery as to why the Tories and Liberal Democrats have come up with a quaint Marxist view where the economic base determines the service superstructure.

Concerns	Possible solutions
<p>There is no definition of VfM. This brings two risks:</p> <ul style="list-style-type: none">• Some landlords will just cut costs• Some landlords might use woolly definitions (<i>who can forget the emperor's-new-clothes-style nonsense of non-cashable efficiency gains?</i>)	Use a similar approach to the governance standard – ask boards to agree a definition and stick to it (there are numerous perfectly good definitions of VfM that blend cost with quality).
<p>There is no incentive for achieving VfM</p>	The HCA should ensure that grants and opportunities to take over failing providers go only to providers that can prove they already deliver the right mixture of cost and quality. Don't reward mediocrity.
<p>There is no role for customers in the VfM standard (no mention of residents in the VfM standard itself – later at 4.16 there is an obligation to publish VfM data for tenants as long as it does not breach commercial confidentiality.)</p>	Tenants have a great track record of pushing for savings. Cashback and limits to benefits should make tenants even more aware of VfM. Leaseholders have always been vigilant on VfM.

Concerns	Possible solutions
	<p>Providers should develop an approach to:</p> <ul style="list-style-type: none"> • Sharing cost/quality information with residents in an easy-to-understand way • Welcoming challenges from them • Tracking and reporting on the savings that arise.
<p>The standard includes numerous ways of demonstrating VfM, such as benchmarking and alternative delivery models, but ignores others.</p>	<p>Benchmarking is great for showing where a provider sits versus its peers – but is of no value whatsoever if none of these costs have ever been exposed to competition or serious external challenge.</p> <p>Mergers and amalgamations can yield savings – they also incur costs of restructuring and possibly re-priced loans. Boards should declare the savings that will arise in advance. They should be accountable for achieving these.</p> <p>Competition can deliver savings – but procurement under EU law is prolonged and expensive. The repairs market is far from perfect. In the past councils routinely obtained indicative private sector bids to show the level of savings likely from a tender – they could take action to deliver these savings for themselves without the costs of EU procurement. We think that realistic commercial indicative tenders should be one of the techniques you should recommend to boards. These should always take place before any decision on outsourcing as they reveal both the potential savings and expose suicide bids (eg, Connaught). The board can also decide to make the savings for themselves without the rigmarole of a full tender.</p>

What is HQN doing?

We are working with a group of housing associations and an experienced private sector management company to:

- Independently test the cost-effectiveness of services at the participating associations
- Assess service quality of housing management
- Provide an indicative private sector price for managing the homes
- Develop an agreed action plan to close any gaps on quality and match the private sector price.

We will produce a report with the learning from the exercise and make it available to the regulator. The aim is to bring together the best of the private sector and the housing association movement to deliver cost-effective services. We will save money without the risks, costs and delays associated with EU procurement.