

VALUE FOR MONEY STRATEGY AND ANNUAL REPORT

Report of the Finance Director & Company Secretary

1. SUMMARY

- 1.1 The Operational Board monitors Derby Homes' performance as part of its functions. Reports are prepared for this board on performance on a regular basis.
- 1.2 Value for Money considerations must be balanced between cost and performance. This is an annual report to update this Board on that balance and to seek views of the Board.

2. RECOMMENDATION

- 2.1 That the Operational Board considers the attached Value for Money reports and offers any comments that it feels appropriate.

3. MATTER FOR CONSIDERATION

- 3.1 Since 2016, the Operational Board has received an annual report on Value for Money (VfM). This year is the fifth such report. This report requests any comments or suggestions from the Operational Board relating to this annual report.
- 3.2 The Regulator of Social Housing's (RSH) approach to VfM concentrates on seven key 'metrics' which indicate overall relative efficiency of a 'standard' Housing Association where rent is collected from tenants and spent on services or on debt. While Derby Homes performs these functions, they are largely on behalf of the Council (just under 12,700 homes) rather than in our own name (100 homes). This means that several of the standard 'metrics' are not directly relevant for Derby Homes' situation.
- 3.3 The RSH approach is for Boards to set their own targets using their measures as a basis for selecting suitable targets. To assist with this, the RSH publishes a comparison of its metrics. This is attached at Appendix 1.
- 3.4 This report therefore sets out to do the following:
 - Report on the Housemark figures for 2018/19 (latest available) and comparisons
 - Report on the outturn figures for Derby Homes for 2019/20 compared to the RSH averages for 2018/19 as published earlier this year
 - Offer comments on the VfM of Derby Homes

3.5 Housemark report for 2018/19

The annual report from Housemark on our costs is set out in Appendix 2. This is reported to the Board each year usually in January. This year's report compared Derby Homes with 45 other landlords who manage between 10,000 and 15,000 homes. We have used the same group for comparisons for many years to ensure consistency. Some of the key findings in the summary of the report were:

- Five of the eight satisfaction indicators are in the upper quartile of the peer group.
- Major works and cyclical maintenance have reduced and we remain considerably lower than the median placing us in group one of the peer group.
- Responsive repairs and void work costs have increased but are still lower than the median and we remain in group one.
- Housing management costs have increased and are marginally higher than the median, placing us in group three of the peer group.
- Overhead costs remain reasonable at around £50 a year per property below the median – this is equivalent to approximately £0.65m a year in low costs incurred than compared to the median in the Housemark report.

These are very good results as in previous years. We have reduced overheads consistently over the last decade and have invested positively in the areas where we are indicated as (slightly) higher costs such as housing management, resident engagement and neighbourhood management, so those results were expected.

3.6 RSH metrics

The Regulator set new mandatory metrics last year and this year's figures are set out in Appendix 3. These also form part of the accounts approved by the Board in July. The Regulator requires the Board to set targets based on at least some of these metrics.

Last year the Board set two VfM targets:

- to deliver an additional 5% of affordable homes – in order to use our resources for one of our core purposes
- to keep costs per property under the average for Registered Providers – in order to demonstrate cost control

3.7 Performance against VfM targets

Costs were kept well below the average for Registered Providers at £3,111 a year each compared to £3,690 for the median RP. With costs – albeit low - at around £60 a week, compared to the average rent on a Council property of under £80 a week, there is insufficient operational surplus to sustain much interest on new debts at social rent levels – which is why new homes are let at Affordable rents which average over £100 a week – allowing more to be borrowed and therefore more homes to be built or bought.

3.8 **Delivery of new social housing** was under the 5% target (5 homes) at 2.1%.

The reason for this is that the Council has a large stock of Right to Buy receipts that it needs to spend within three years of receipt and the Council is therefore prioritising construction and acquisition on Council housing where these can be used – Derby Homes still cannot access these due to government rules that do not permit their use in a council owned company. This situation is likely to persist for a couple more years, but it is suggested that we continue with a 5% target – well ahead of the upper quartile RP performance of 2.5% to reflect the ambition that we have to continue to grow the stock albeit moderately in number over time.

The properties that DH has delivered this year were three (of which two are social housing using Homes England empty homes grant and the other intermediate housing funded without grant) for a special programme with the Council to target Looked After Children where other restrictions prevent the Council from using their own properties for the purpose of under 18s living in their own property. DH has therefore purchased three properties and leased them short term to the Council to enable them to deliver a programme that should both benefit the young people by allowing them to experience living in their own place and save money for the Council. These properties remain owned by Derby Homes and will revert to us for normal lettings when the programme ends.

4. **FINANCIAL AND BUSINESS PLAN IMPLICATIONS**

The low costs of both Derby Homes and the Council mean that the average rent remains low and services can be maintained for tenants.

The areas listed below have no implications directly arising from this report:

Consultation
Legal and Confidentiality
Council
Personnel
Environmental
Equalities Impact Assessment
Health & Safety
Risk
Policy Review

If Board Members or others would like to discuss this report ahead of the meeting please contact:

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Background Information: Appendix 1 – RSH summary of sector metrics for 2018/19
Supporting Information: Appendix 2 – Board report Jan 2020 and appendix –
Housemark report for Derby Homes 2018/19
Appendix 3 – VfM metrics from DH accounts 2019/20

This report has been approved by the following officers:

Managing Director		[Date]
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