HouseMark Benchmarking Analysis Report 2017/18

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Introduction

This report summarises results from the HouseMark annual benchmarking exercise. Benchmarking is primarily used as a tool for internal performance management and self-assessment, and can be used to understand our performance compared to other organisations. This helps us to understand where we need to improve and how we can learn from other organisations, and supports the delivery planning process for 2019/20, including target setting.

This year, HouseMark have introduced a new online reporting tool, which supersedes their previous annual bespoke summary benchmarking report. For the purpose of this analysis report we have compared ourselves against organisations with between 10,000 and 15,000 stock. In total we have been benchmarked against 54 organisations, although not all providers submitted data for all of the measures.

The peer group is made up of the following organisation types:

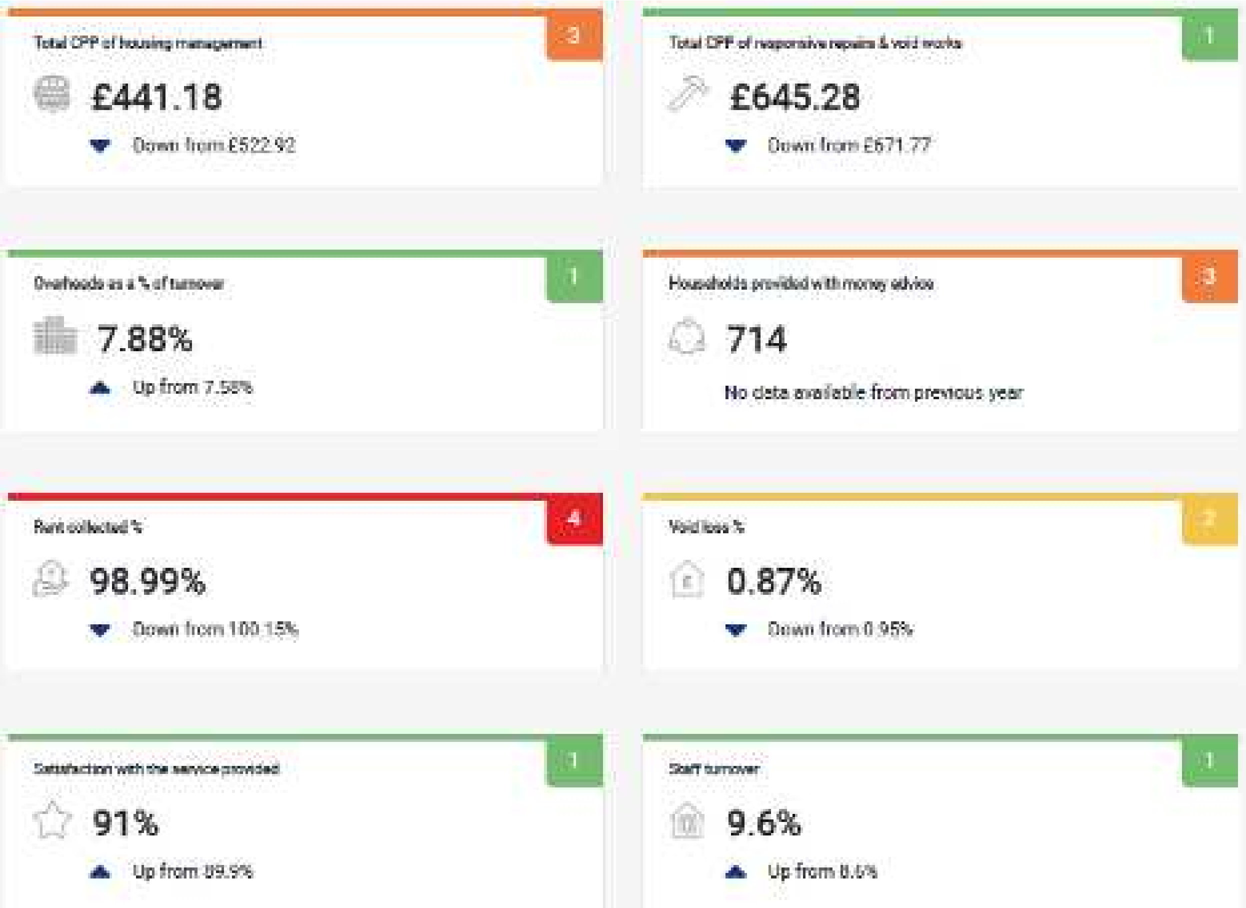
ALMOs (Arm's Length Management Organisation) – 7
Districts – 2
Housing Associations (Large Scale Voluntary Transfer (LSVT)) – 20
Housing Associations (Traditional) – 14
London Boroughs - 5
Metropolitans / Unitaries - 6

The data behind this report, compiled by Derby Homes, has been subjected to validation and quality assurance processes by HouseMark, to ensure data integrity and improved comparability across areas. Despite this, as in previous years, there should be some caution when interpreting the results, as performance information is un-audited and organisations do not necessarily always record costs and information in the same way. However, the results act as a valuable "can-opener", highlighting areas where more detailed investigation and analysis may be useful.

HouseMark no longer applies an inflationary uplift to previous year's figures, so all historical figures in the report are as at that time.

Business Overview

The following dashboard provides a quick at-a-glance overview of our position focusing on the key areas of costs, performance and satisfaction data. The numbers in colours show which quartile we are placed in for that measure. High costs do not necessarily represent a 'negative interpretation' if this is in line with our current objectives.



The table below looks at the overall cost per property (CPP) including overheads:

Work area	Derby Homes	Median of peer group	Diff £	Diff %	Quartile Group
Housing management	£441	£439	2	0.5%	3
Responsive repairs & voids	£645	£812	(167)	(20.8%)	1
Major works & cyclical maintenance	£1,020	£1,523	(503)	(33.0%)	1
TOTAL	**£2,106**	**£2,774**	**(668)**	**(24.1%)**	

In summary:

- Housing management – Higher employer pension contributions at 20.8% of salary, but offset by lower average salaries. Overall costs in line with median.

- Responsive Repairs & Voids – linked to the general overall good condition of properties, previous investment in IT enabling a more efficient direct workforce, management control of the service provision via the in house model. Costs are £2m a year lower than the median.

- Major works & cyclical maintenance – major works lower spend linked to the completion of Decent Homes and a relative low point in the overall cycle of capital works. Costs are £6.5m a year lower than the median.

Cost and Performance – Key Measures in detail

Housing Management

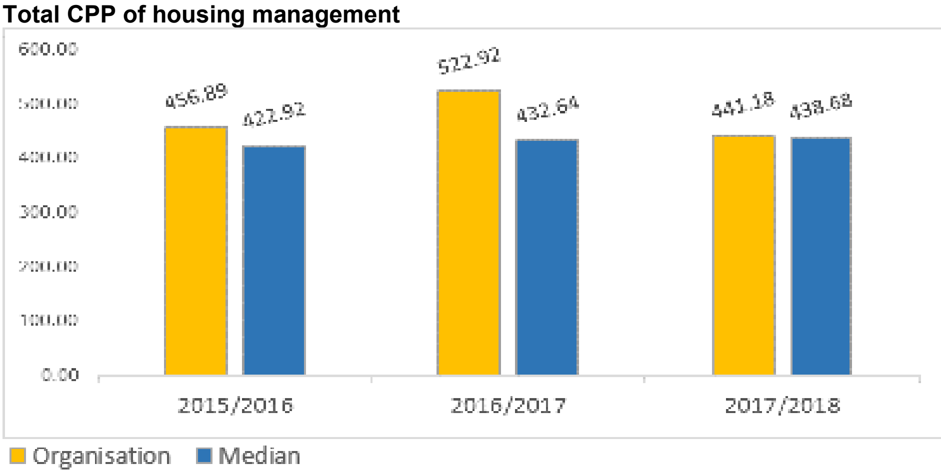
The total cost per property (CPP) of housing management includes direct employee costs, direct non-pay costs and allocated overheads. It also includes rent arrears and collection, resident involvement and consultation, anti-social behaviour, tenancy management and lettings.

The CPP figure excludes Supported Housing functions such as Tenancy Sustainment and Intensive Housing Management. For note these equate to £66 per property.

The total cost per property (CPP) for housing management has decreased from £523 to £441, a 16% decrease compared to a 1.4% increase for the peer group.

Staffing and non-pay costs are broadly similar to last year, but there is a large decrease (of £80) relating to the allocation of overheads. This is due to how the HouseMark return has been filled in for 2017/18 compared to 2016/17. For 2017/18 all Derby Homes staffing related costs were included in the staffing part of the return, including those teams that are not benchmarked within HouseMark. In 2016/17 such team costs were included in the “reconciling” (to the overall spend figure in the accounts) part of the HouseMark return. As a consequence, in 2017/18 a lower share of overhead costs have been allocated against housing management staffing costs than was the case in 2016/17. So the change from 2016/17 is a technical change rather than anything operationally changing. It does though give a more realistic cost of the housing management service and this is now in line with the median costs.

Total CPP of housing management



Overall costs are comparable with the median and there are two main reasons for this:

1) Derby Homes have an average of 9.71 FTE Housing Management staff per 1,000 properties (the highest in the comparator group is an overall average of 6.44 FTEs). While we employ more people, the average cost is lower (average £31k including on-costs compared to median of £35k), offsetting the additional costs of more employees.

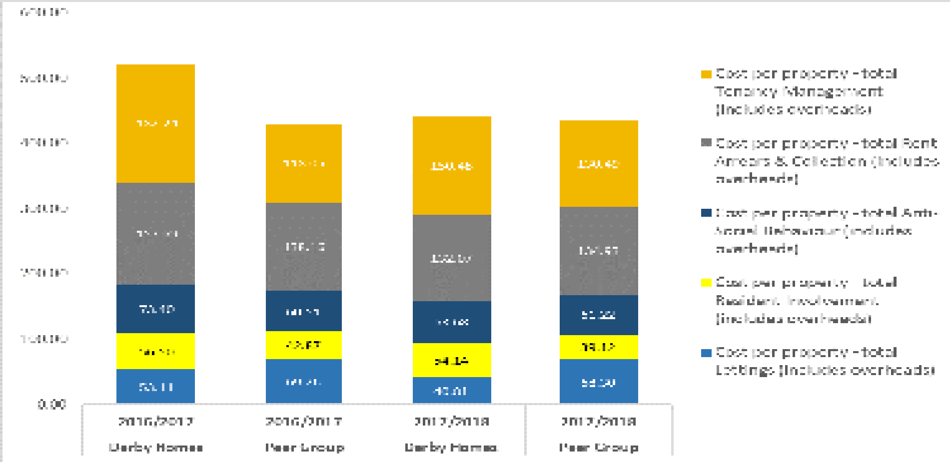
2) Our employer pension costs, at 20.8%, will be higher than most of the comparators, particularly housing associations who may not have Local Government Pension Scheme (LGPS) deficits to fund. Housing Associations contribute to the Social Housing Pension Fund which is requiring increased contributions in future, so their costs may increase.

Housing Management – Service Areas

Housing management is analysed over the following functions:

- Tenancy Management
- Rent Arrears and Collection
- Anti-Social Behaviour
- Resident Involvement
- Lettings

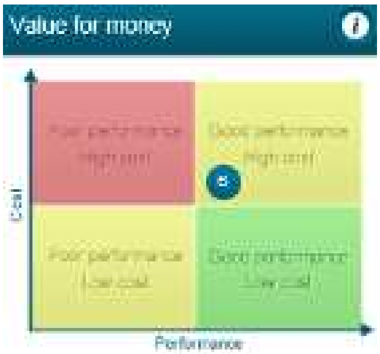
Housing management costs breakdown (per property)



The breakdown of costs between these functions are based on apportionments of total costs, so may vary from year to year depending on the work of the teams, e.g. challenges presented by welfare reform, but has been reasonably consistent over the last couple of years. The areas of higher overall cost are tenancy management and resident involvement.

Each of these expense headings are considered below:

Tenancy Management

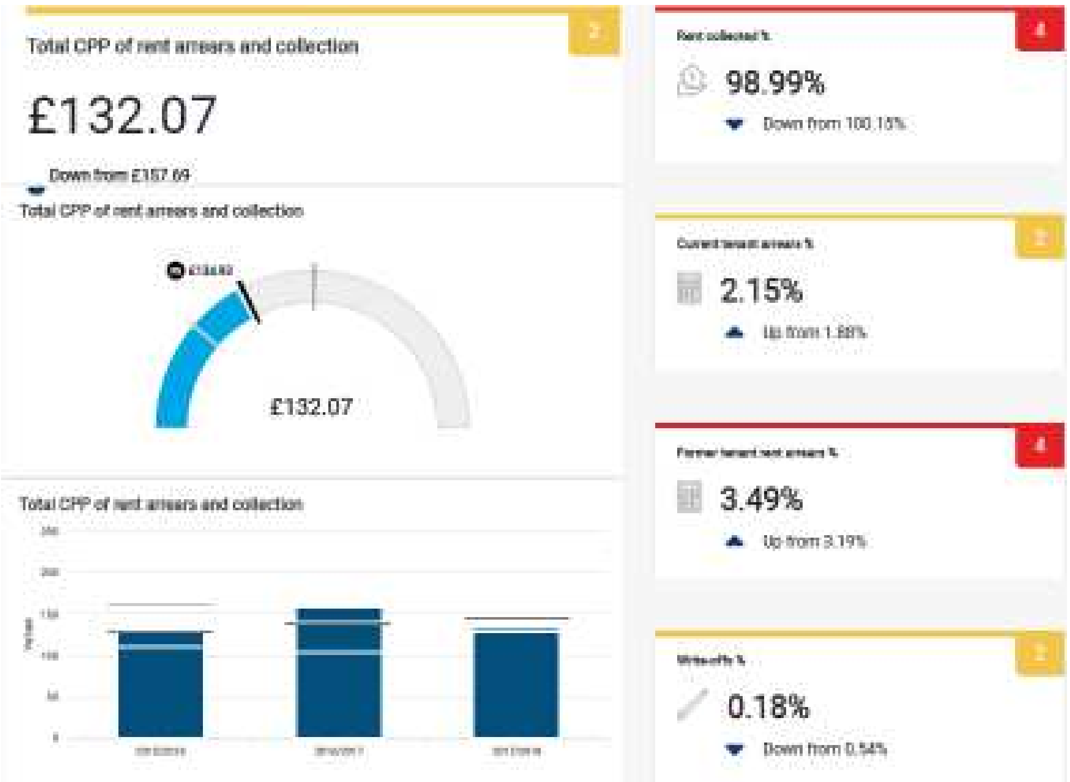


Tenancy management continues to be rated as good performance but high cost, at a total CPP of £150. However, total CPP for tenancy management has reduced from £182 in 2016/17 and we are now placed in the third quartile.

The average employee pay costs remain amongst the lowest, but tenancy management remains amongst the highest in direct employee costs per property, with a relatively high number of FTEs per 1,000 properties of 3.5 compared to an average of 1.9 for our peers

91% of respondents said that they were either very or fairly satisfied with the overall service provided, placing us in the upper quartile.

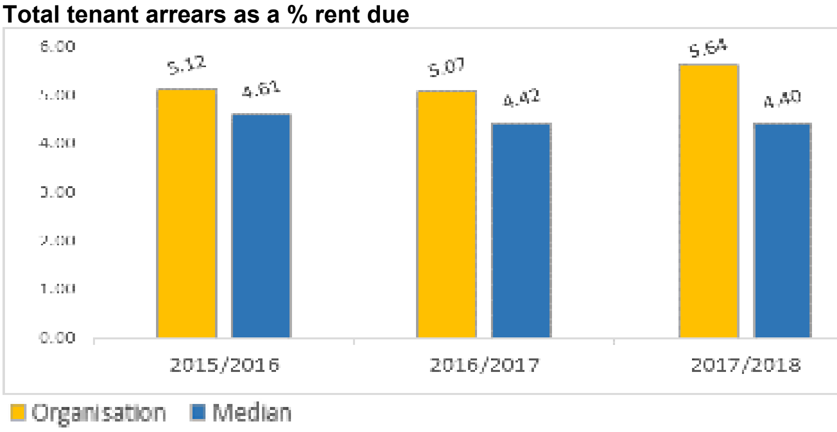
Rent Arrears and Collection



Performance on rent arrears has been impacted by the continued roll out of welfare reforms. The year-end figure for ‘rent collected from current and former tenants as a % of rent owed’ has decreased by 1.2% compared to the previous year putting us into the bottom quartile when compared to our peers.

The combined rent arrears as a percentage of rent due has increased from 5.1% to 5.6%, an 11% increase compared to a 0.5% decrease for the peer group.

Total tenant arrears as a % rent due



However, performance on current arrears alone (the main collectable debt) remains well above average. The ‘poor’ performance therefore is not reflective of the efforts of the team but in a reduced level of write offs of former tenant arrears (see later analysis showing much lower levels).

When analysing arrears, performance needs to be assessed across a range of different measures, which, in turn is dependent on an organisation's approach. For example a high number of evictions may have an adverse impact on former tenant arrears (FTA), though this could reduce if write-off levels were high.

The following table summarises our 2017/18 performance against the median.

Type of arrears	**Derby Homes %**	**Median %**
Current arrears	2.15	2.84
Former arrears	3.49	1.52
Current & Former arrears	**5.64**	**4.36**

Our overall arrears levels remain slightly above the median, caused by increased former tenant arrears.

Although current tenant arrears have increased, performance remains positive, at 0.7% below the median. Very roughly this equates to arrears being £0.4m lower than they would be with median performance.

On former tenant arrears, the relatively high percentage is because of the cumulative position on these arrears (built up over a number of years) being included in the figures each year. Derby's approach to minimising write offs (0.2% compared to a median write off figure of 0.3% for the peer group) means that more former tenant arrears remain in this category than may be the case for peer group organisations. A more realistic measure would be to only include those new FTAs arising in the year.

There were 42 evictions in 2017/18 related to rent arrears. Compared against the total number of tenancies these have decreased from 0.37% in 2016/17 to 0.32%. This places us in the third quartile of the peer group (median performance 0.20%). Eviction remains a last resort and will be avoided wherever possible, but there are always a few cases where it becomes necessary

Anti-Social Behaviour

Anti-Social Behaviour (ASB) is an area of high cost and good performance. Total cost per property (including overheads) decreased from £73 in 2016/17 to £64 in 2017/18, marginally higher than the median. Non pay costs are very low at £1.10 (a reduction of £0.28 compared to the previous year) but employee costs per property have increased slightly from £45 in 2016/17 to £47 in 2017/18.

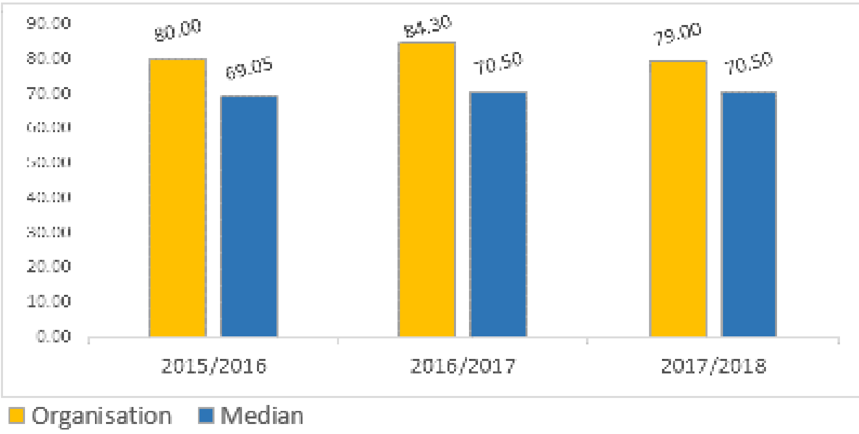
However, performance remains high, with both of the ASB satisfaction measures in quartile one for the peer group. Satisfaction with the outcome of the complaint has increased from 89% to 92%, compared to a decrease from 89% to 74% for the peer group median. Although satisfaction with the way the complaint was handled has decreased slightly, from 95% in 2016/17 to 92% in 2017/18, we remain in the upper quartile.

Resident Involvement

At £54 the total cost per property in this area has remained consistent with previous years, though we remain above the median (£39), placing us in the third quartile. This reflects the positive support we have given to this area of work and a need to continually support tenants' ability to influence our priorities.

Performance remains positive, with the percentage of tenants who are satisfied that their views are listened to and acted upon remaining in the upper quartile at 79%. This PI has decreased from 84% last year, but a few years ago our figures in this area were considerably lower. This is an area of work that we value, and the cost figures reflect the investment we are making and the kind of organisation we want to be.

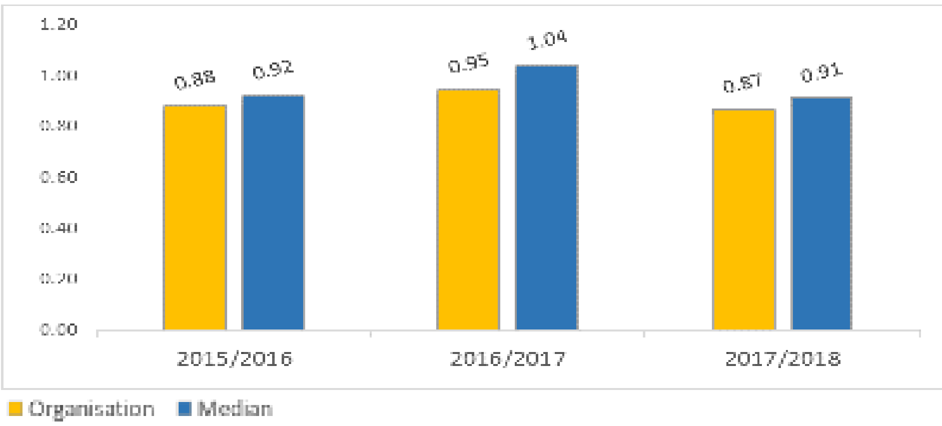
Satisfaction that views are listened to



Lettings

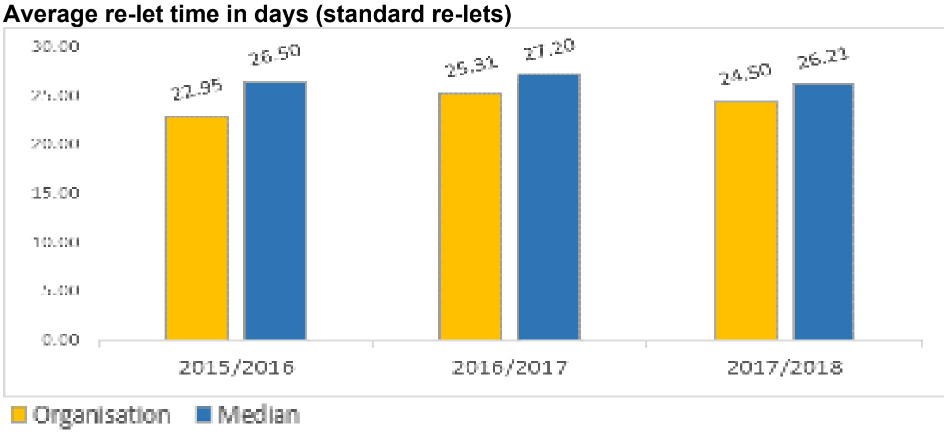
Lettings management continues to be rated as good performance and low costs (upper quartile) compared to our peers, with a total cost per property of £41 (£53 last year).

Rent loss due to voids



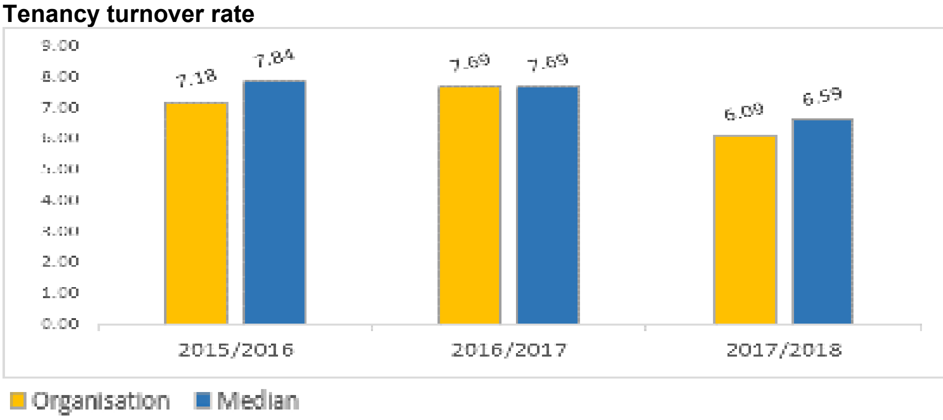
The rent loss due to voids performance is comparable to business plan assumptions (previously 2%, then 1%, now 0.8%). This indicator improved from 0.95% in 2016/17 to 0.87% in 2017/18, placing us in the second of the peer group. This is consistent with the decrease in average re-let times discussed below.

Average re-let time in days (standard re-lets)



The average re-let time in days (standard re-let) decreased from 25.31 days in 2016/17 to 24.5 days in 2017/18, placing us in quartile two.

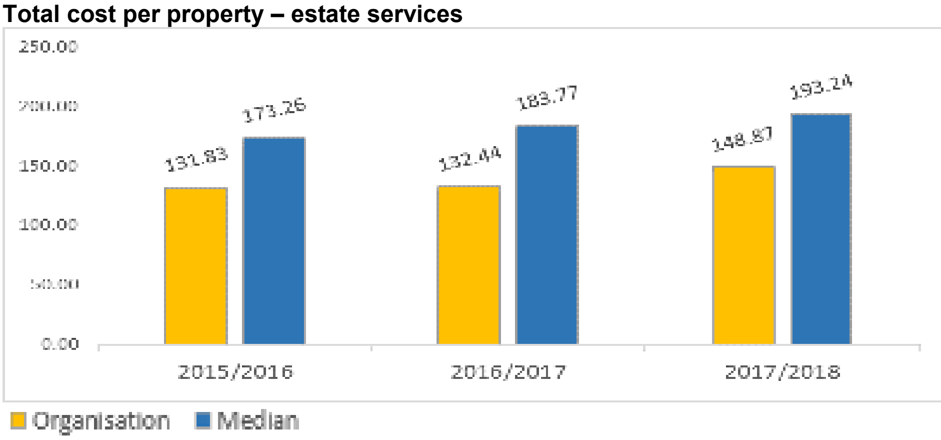
Tenancy turnover rate

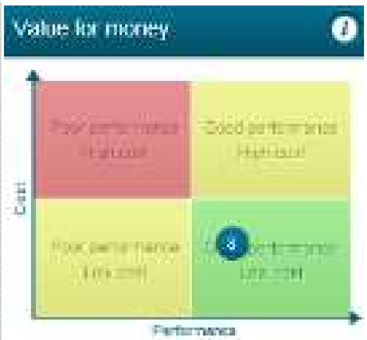


It is important to look at these measures alongside tenancy turnover to assess the sustainability of new tenancies, as it may be a false economy if we are letting properties quickly but without due preparation. Tenancy turnover decreased from 7.7% in 2016/17 to 6.1% in 2017/18 and compares to an average of 6.6% for the peer group, placing us slightly better than the median for this indicator.

Estate Services

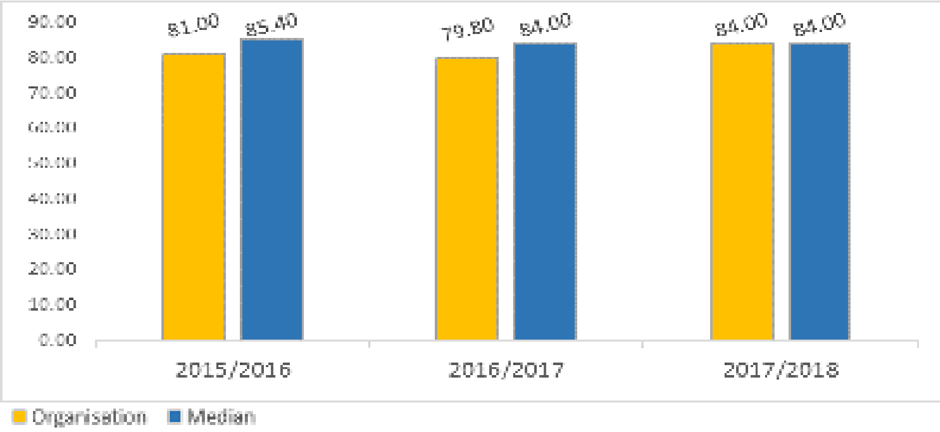
Total cost per property – estate services





Spending has increased in this area; a 12% increase compared to a 5% increase for the peer group. Estates Pride capital works are mainly hard landscaping improvements to HRA land, both in the curtilage of the property and surrounding HRA land.

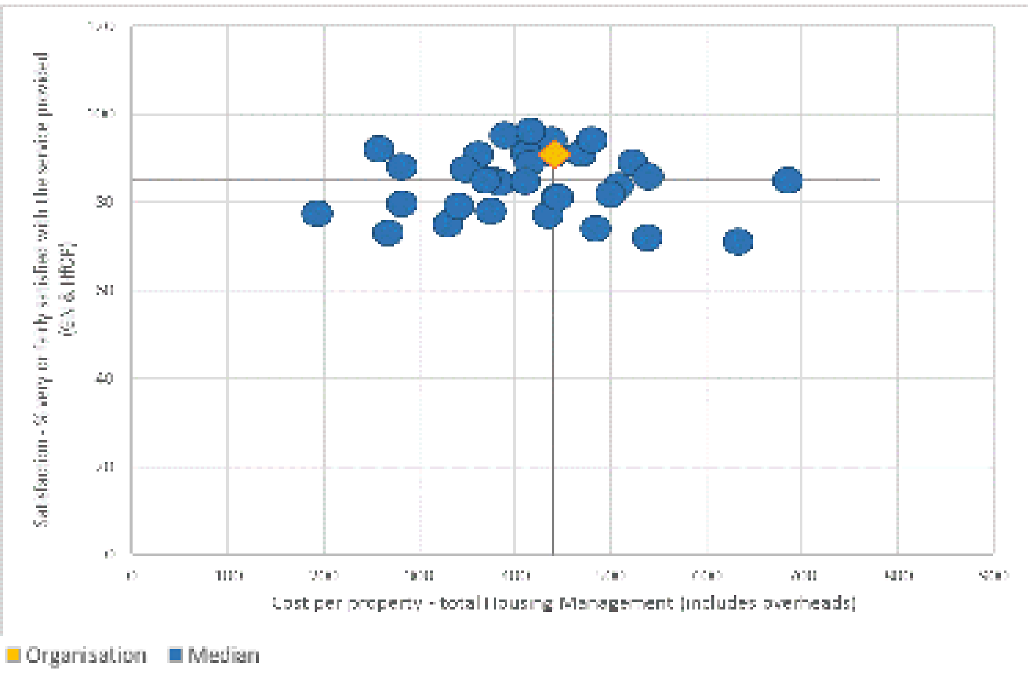
Satisfaction with neighbourhood



84% of respondents said that they were very or fairly satisfied with their neighbourhood as a place to live, placing us at the median point of the peer group. Care should be taken when evaluating the satisfaction with neighbourhood, as there are a number of factors that impact on this indicator, a number of which we have no influence upon, and this specific service is only one element of the satisfaction level. However, it is pleasing to see satisfaction improving compared to previous years.

The following scatter chart plots our total housing management costs per property against tenant satisfaction with the service provided, along with our position compared to that of our peers. As a value for money indicator this chart would identify a median cost, high performance service.

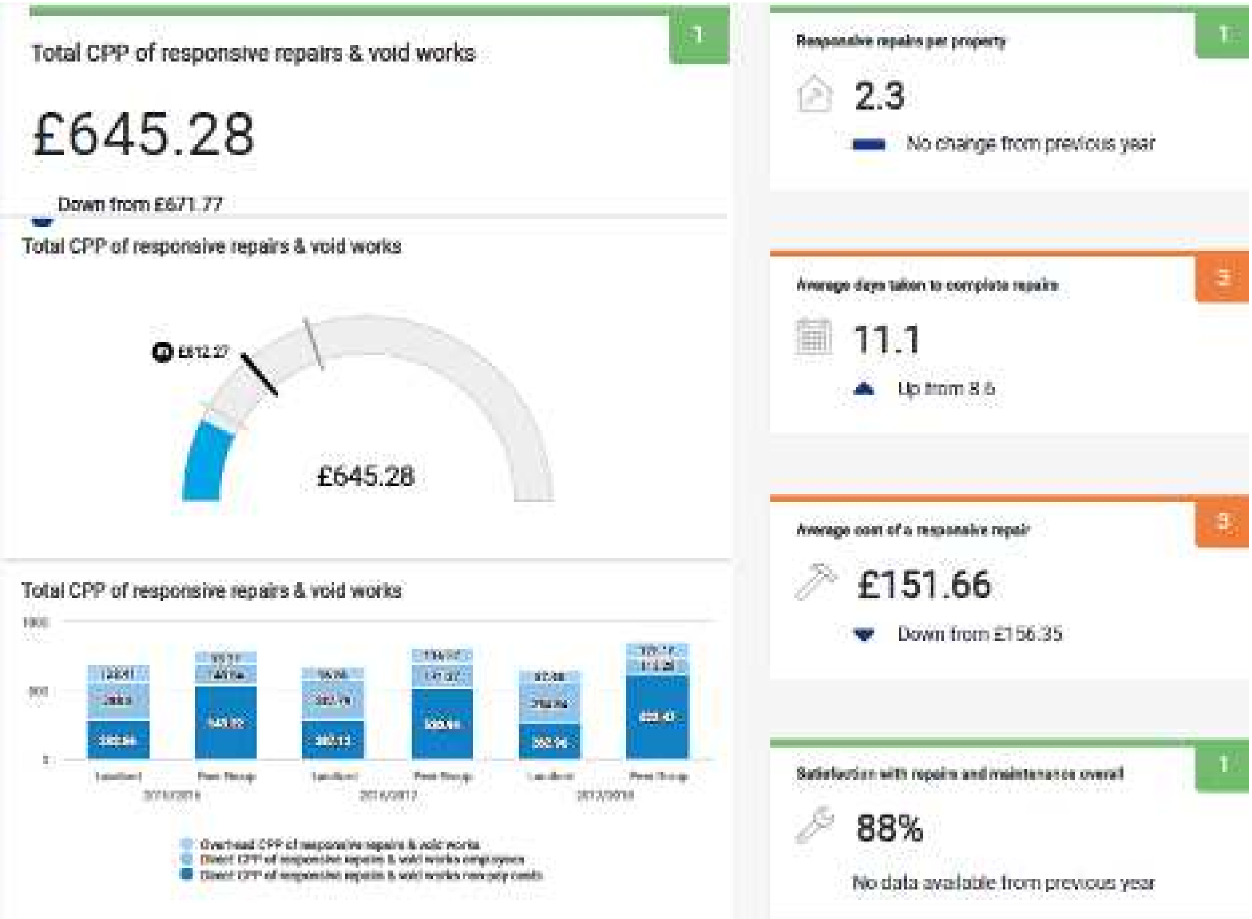
Housing management costs v satisfaction



Housing Maintenance

Responsive Repairs and Void Works

All services provided as a social landlord are important, but tenants put particular emphasis on receiving a high quality repairs and maintenance service. The total cost per property (CPP) of responsive repairs and void works is £645. Costs for this PI have reduced consecutively over the last couple of years and we continue to be placed in the upper quartile of the peer group.

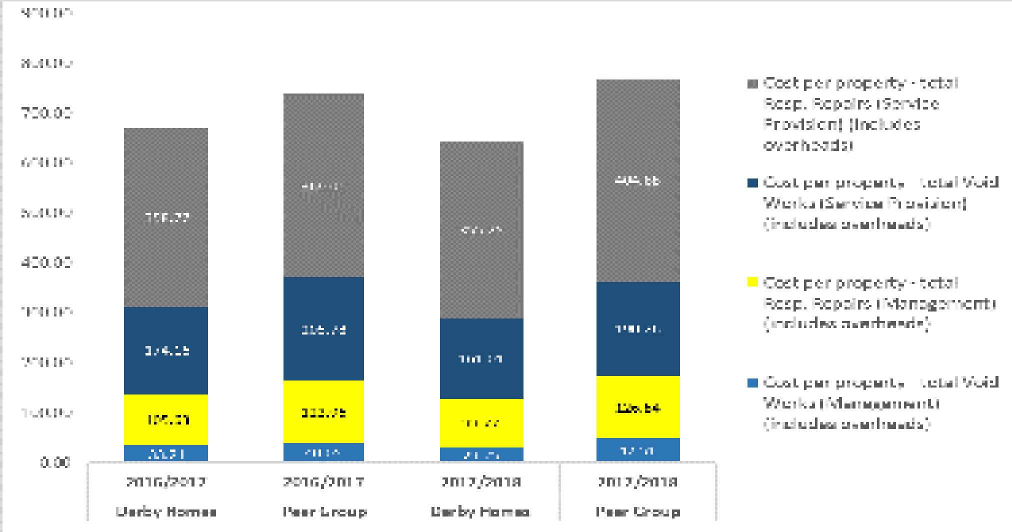


The chart above provides a breakdown of the responsive repairs and void work costs in comparison to our peers. It identifies that:

- Overhead CPP has decreased from £97 in 2016/17 to £87 (Q2) in 2017/18
- Direct employees CPP has increased from £288 in 2016/17 to £295 (Q3) in 2017/18
- Direct non-pay CPP has decreased from £288 in 2016/17 to £263 (Q1) in 2017/18

The following chart provides a cost breakdown of the total CPP of responsive repairs and void works in comparison to our peers.

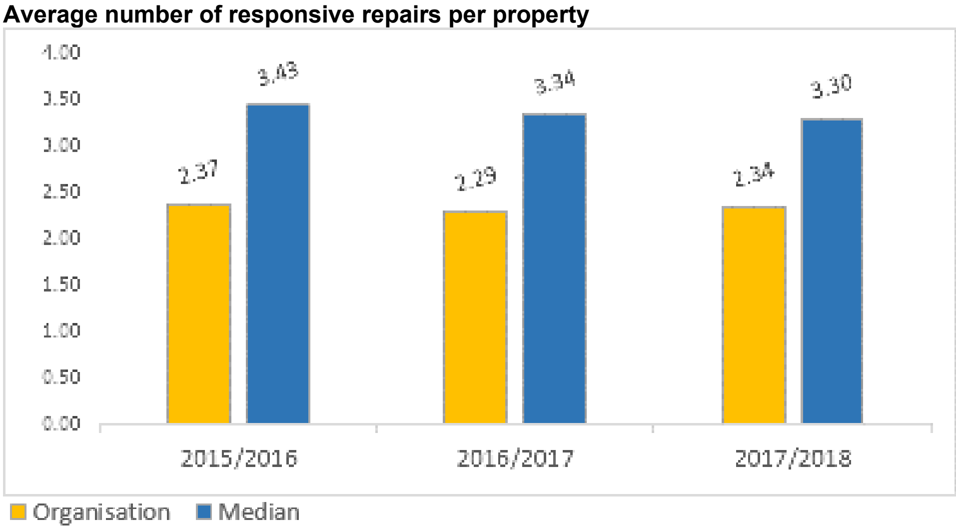
Cost breakdown: responsive repairs and void works



It identifies that:

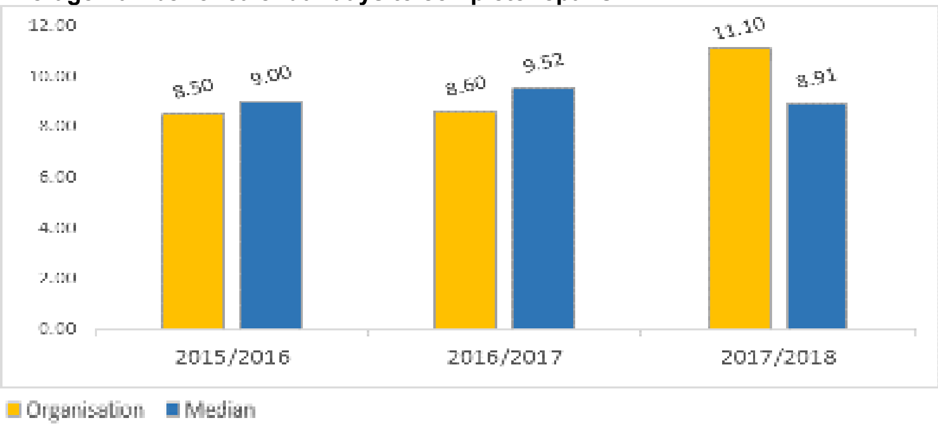
- Responsive repairs (service provision) cost per property has decreased from £359 in 2016/17 to £355 (Q2) in 2017/18 and responsive repairs (management) costs have decreased from £106 in 2016/17 to £100 (Q1) in 2017/18.
- The total CPP of void works (service provision) cost per property has decreased from £174 in 2016/17 to £161 (Q2) in 2017/18 whilst total void works (management) costs have reduced from £33 to £29 (Q1).

Average number of responsive repairs per property



At 2.3 there has been no change in the average number of repairs per property compared to 2016/17 and we remain upper quartile performance compared to our peer group, for which median performance is 3.3.

Average number of calendar days to complete repairs



The average number of days to complete a repair has increased from 8.6 days to 11.1, a 29% increase, and we are now placed quartile three for which the median has remained consistent at around an average of 9 days.

There are a number of issues which have attributed to the increase:

- The performance of certain Sub Contractors taking longer than previous to complete jobs will have a small impact on the overall average job lengths.

- Vacant posts, long term illness and the need to backfill into positions, where possible additional resources were not bought in. Jobs were still completed within priority timescales, but this also will have contributed to increased average job completion days.

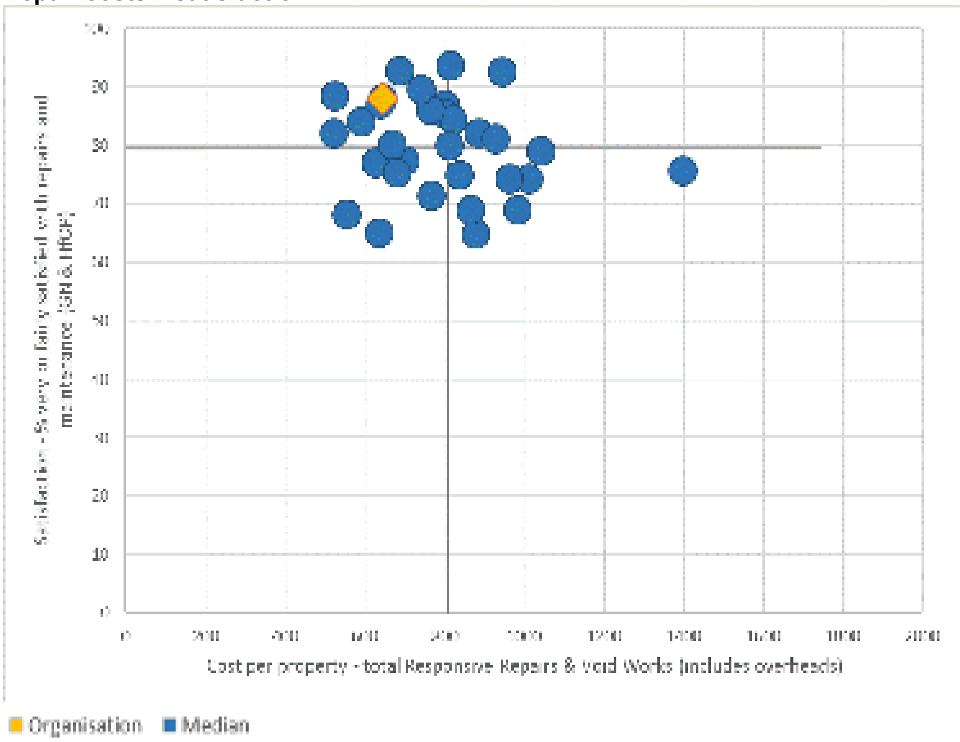
- Following the Grenfell disaster, the fire door fitting contractor was awaiting certification that their doors would meet any necessary regulations and suspended their service. Consequently the in-house team have covered any fire doors that needed fitting, stretching resources from core repair jobs.

- The increasing number of replacing worn out capital assets such as electric showers has also diverted in house repair staff off core repair jobs.

Whilst we are confident that the performance of the team is good generally across the service provision, we will take on board that we need to look closely into the finer details in to this trend.

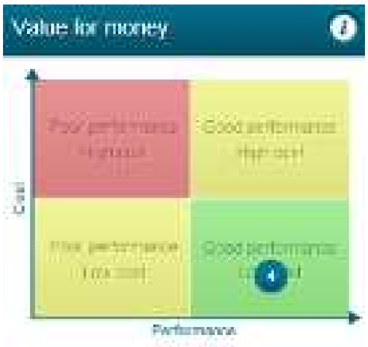
The value for money grid identifies responsive repairs and void works as relatively ‘poor’ performance compared to our peer group, at marginally below median, which can be attributed to the increase in the average number of calendar days to complete repairs. However, it should be noted that, when compared to all (153) organisations within the UK that submitted data for this question, we move into the ‘good’ performance quadrant.

Repair costs v satisfaction



The above chart plots our total responsive repairs and void works costs per property against tenant satisfaction with repairs and maintenance along with our position compared to that of our peers. As a value for money indicator this chart would identify a low cost, high performance service.

Major Works and Cyclical Maintenance

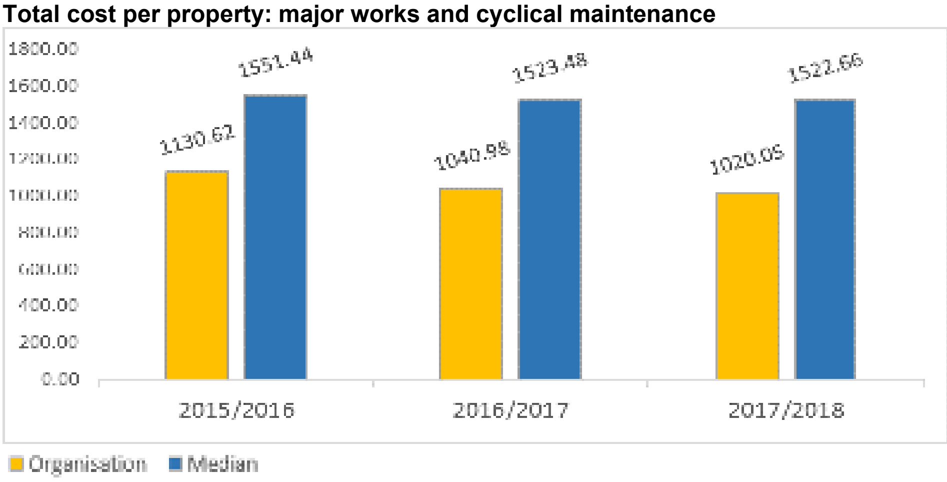


The low major works and cyclical spend per property is because the HRA capital programme is still at a relatively low spend stage of the 30 year cycle, following the completion of the Decent Homes programme.

It also reflects the good value for money that we obtain in our services in this area, particularly using the in-house teams on certain works.

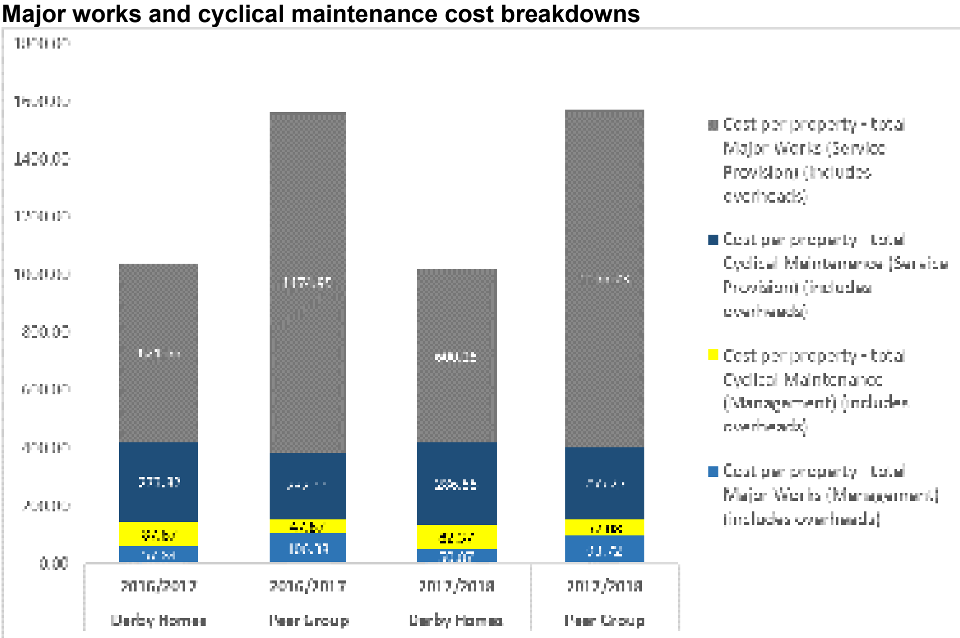
A high or low result in this area is therefore a product of the value for money and underlying needs reducing costs and our investment increasing it, making it an indicator of spending but not of performance in itself. The cost per property in 2017/18 was £1,020, a decrease of 2% and we remain in the upper quartile.

Total cost per property: major works and cyclical maintenance



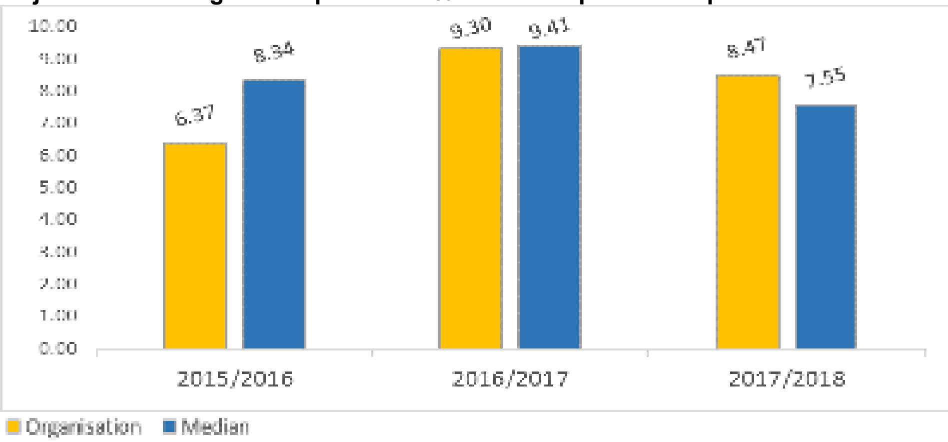
Major works and cyclical maintenance (investment) is split between client side costs (management) and contractor side costs (service provision):

Major works and cyclical maintenance cost breakdowns



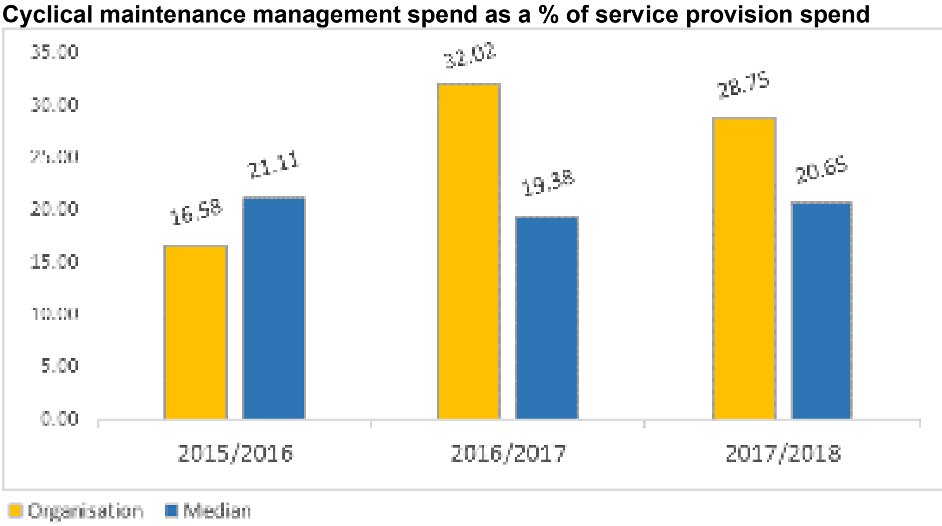
Major works management spend as a % of service provision spend has decreased from 9.3% to 8.5%. This is mainly linked to a reduction in senior management of this area in 2017/18. The overall costs results are significantly lower overall, as shown above.

Major works management spend as a % of service provision spend



Cyclical maintenance management spend as a % of service provision spend has decreased from 32% to 29%, and we are placed in quartile three. Same reason as above relating to changes in senior management.

Cyclical maintenance management spend as a % of service provision spend



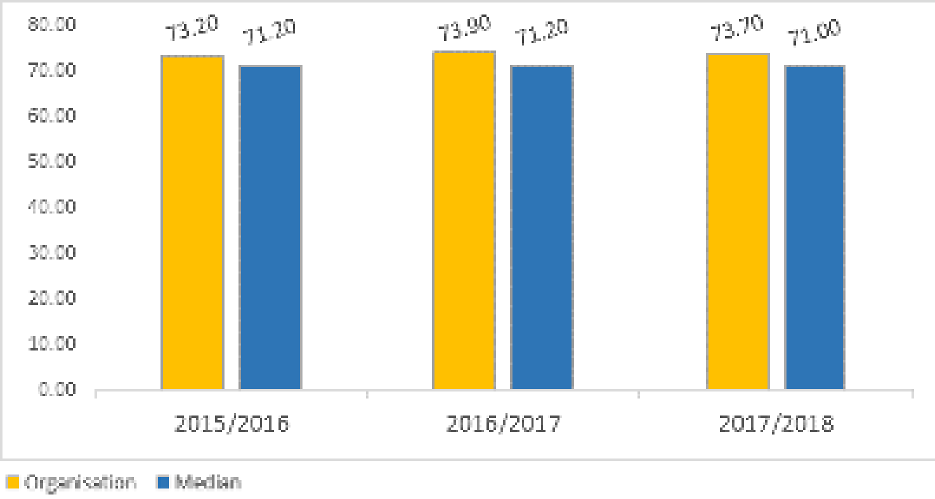
Percentage of dwellings that are non-decent and dwellings with a gas safety certificate are both placed in the upper quartile, reflecting 100% compliant performance.

Percentage of dwellings with a valid gas safety certificate

Gas Safety Ranking Table			
Organisation	Percentage of dwellings with a valid gas safety certificate	Ranking *(competition ranking e.g. 1,1,2,4)*	Count of Organisations
Derby Homes	100.00%	1	34

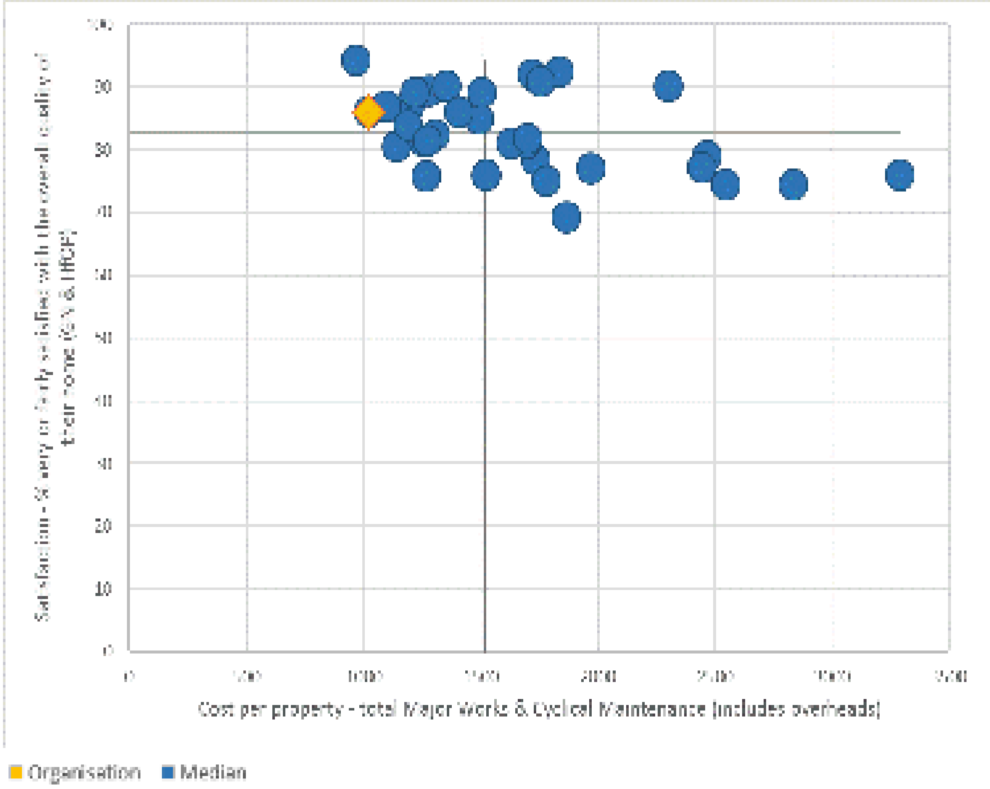
The average SAP rating has reduced from 73.9 to 73.7, a 0.2 decrease in the measure. The peer group also reduced by 0.2 on the measure – showing that the technical changes made in the calculation of SAP ratings last year affected most providers equally, and we remain in the upper quartile for this indicator.

Average SAP rating

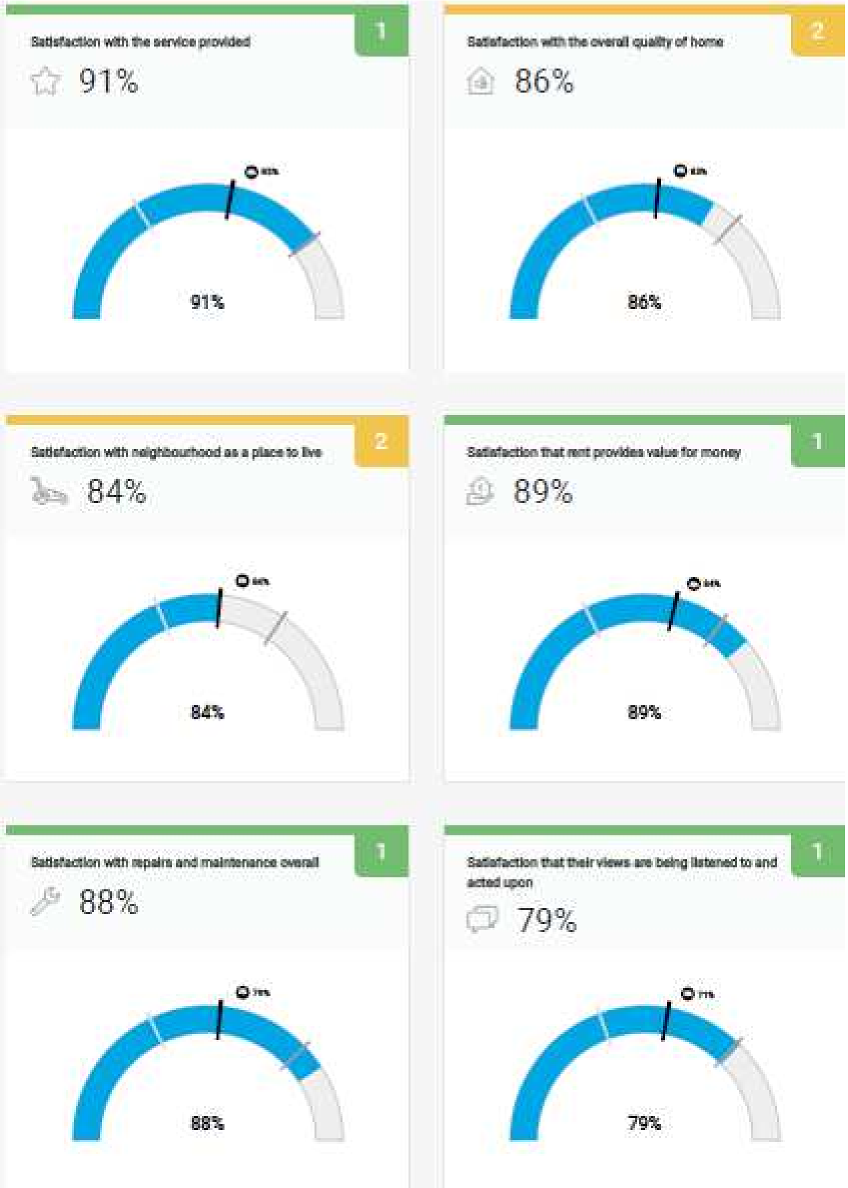


The following scatter chart shows the correlation between costs per property for major works and cyclical maintenance and tenant satisfaction with the overall quality of the home, along with Derby Homes' position in relation to the peer group. As a value for money indicator this chart would identify a low cost, high performance service.

Major works and cyclical maintenance costs v satisfaction



Satisfaction



Overall, satisfaction levels are very positive, with performance for all measures either increasing or remaining consistent compared to last year.

Being in the upper quartile for services provided, value for money and views listened to is something that Derby Homes is particularly proud of.

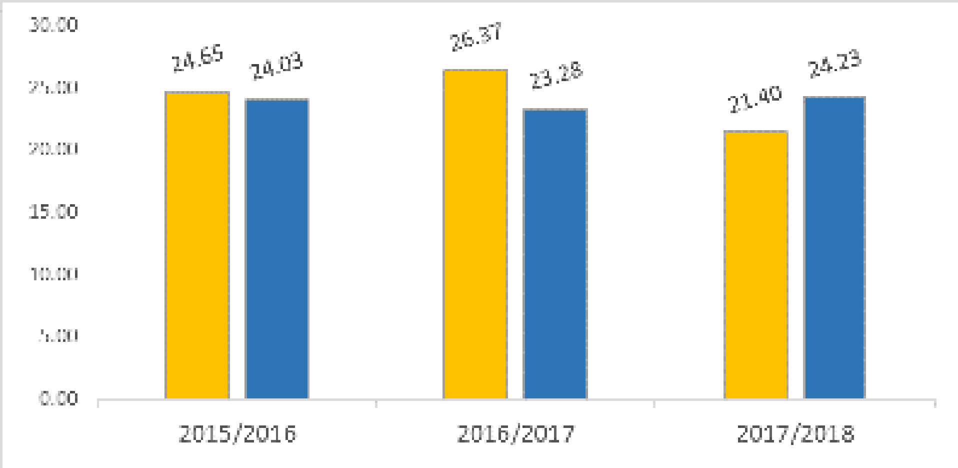
	2017/18					2016/17		2015/16	
KPI	**Upper**	**Median**	**Lower**	**Result**	**Quartile**	**Result**	**Quartile**	**Result**	**Quartile**
Overall service	**91%**	**85%**	**79%**	**91%**	**1**	**90%**	**1**	**90%**	**1**
Quality of home	87%	83%	78%	86%	2	81%	2	79%	3
Neighbourhood	87%	84%	81%	84%	2	80%	4	81%	3
Value for money	**87%**	**84%**	**78%**	**89%**	**1**	**89%**	**1**	**87%**	**1**
Repairs & Maintenance	86%	79%	74%	88%	1	No data	n/a	No data	n/a
Views listened to	**79%**	**71%**	**64%**	**79%**	**1**	**84%**	**1**	**80%**	**1**
ASB complaint handling	92%	85%	64%	92%	1	95%	1	No data	n/a
ASB complaint outcome	91%	74%	60%	92%	1	89%	2	No data	n/a

Overheads

Overhead costs should not be looked at in isolation – they need to be considered alongside the direct service performance.

Overheads are generally a combination of employee costs and non-pay costs. Allocation of overheads are based according to staff time allocated to this indicator and reflects whether staff are office based and have access to IT facilities.. Although it is usually preferable to have low overheads, the right level of investment is fundamental to supporting front line activities effectively.

Overheads as % of direct revenue costs



Overhead costs as a percentage of direct revenue costs have reduced from 26.8% in 2016/17 to 21.4% in 2017/18 placing us in quartile two of the peer group.

The House Mark system splits overheads into the following five categories as part of its overall overheads assessment:

KPI	Costs Per Employee £		Overheads Cost per Property £	
	Result	Median	Result	Median
IT	3,642	6,539	38.32	51.14
Finance	1,578	2,804	16.59	22.55
Office Premises	1,604	3,184	17.28	24.94
HR	706	1,805	7.42	12.23
Central (excluding HR)	2,851	8,151	30.00	61.56

In all overhead areas, the overhead costs per employee are significantly less than the median of the peer group.

- IT costs - are consistent with expectations. The increasing number of Derby Homes' employees in 2017/18 plus the technical change in how overheads are now spread (see Housing Management comment) has resulted in a decreased cost per employee. This figure is quite volatile presently because of the investment in replacing Open Housing, which will have large implementation costs across 2016/17 to 2018/19.

- Finance costs (inclusive of Rental Control, Accounts Payable team and DCC Accountancy) - are below the median. This is particularly strong considering that these teams operate within centralised teams in both Derby City Council and Derby Homes enabling service teams to concentrate time on service issues.

- Office premises - The relatively low office costs represent the accommodation savings that have been made since the move out of the Council House and investment in London Road depot.

- HR costs (first time this has been separated) - reflects the relatively low cost service from the Council in support of Derby Homes' HR support rather than employing our own teams.

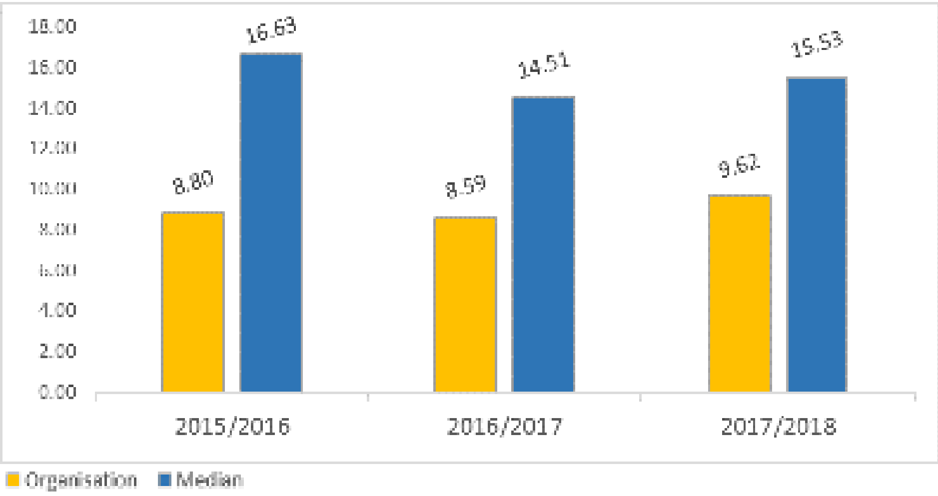
- Central costs (inclusive of Derby City Council support services) - have reduced and are well below median. Wherever possible, staff time has been apportioned across specific service areas rather than "central costs". It is possible, therefore, that other comparisons at the service level reflect a different split of direct and overhead costs compared to the one that we employ. Overall costs per property remain very low, as indicated in the introduction.

Overhead costs remain reasonable, at around £40 a year per property below the median – this is equivalent to approx. £0.5m a year in lower costs incurred than compared to the median in the Housemark report.

Corporate Health

Staff turnover, which includes both voluntary and involuntary turnover, has increased from 8.6% in 2016/17 to 9.6% in 2017/18, an increase of 12% compared to a 7% increase for the peer group. However, our performance in this area remains consistent and we continue to be placed in the upper quartile and well below median levels. We believe that this reflects a settled and positive workforce that recognises that Derby Homes is a reasonable employer in their own circumstances.

Staff turnover

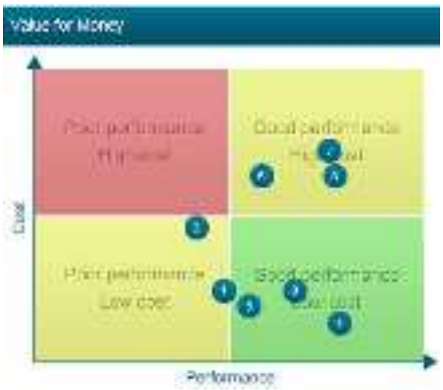


Executive Summary

This report demonstrates that Derby Homes continues to compare well amongst its peers and the HouseMark Benchmarking data ensures that service leads have an informed understanding of value for money (VfM).

On the following dashboard, cost is plotted using the total cost per property of delivering a service (including overheads). Performance is plotted using an aggregate score of a selection of performance measures.

2017/18



2016/17

1.Responsive Repairs and Void Works (*not included in 16/17 - satisfaction data missing)*
2.Rent Arrears and Collection
3,Anti-Social Behaviour
4.Major Works and Cyclical Maintenance
5.Lettings
6.Tenancy Management
7.Resident Involvement
8.Estate Services

It is important to note, that when viewing the dashboard, care should be taken as there are a number of factors which will be influenced, sometimes heavily, by a range of other features and more detailed analysis may be required.

Mapping our costs and performance results onto the VfM grid we can see three patterns…

First, major works and cyclical maintenance (4) and lettings (5) represent good value for money, with low expenditure and high performance levels achieved. Previous investment in Decent Homes between 2002 - 2006 continues to be a material factor in this.

Second, anti-social behaviour (3), tenancy management (6), and customer engagement (7) have higher costs than average, though performance in all three areas is good. These are relatively small areas of spend compared to repairs and property investment.

Third, estate services (8) have seen a big increase in performance on the back of improved satisfaction score ratings.

The overall balance of this report shows that there are no areas of high cost and poor performance, and that there are several areas of excellent outcomes and value for money. While there are no real surprises in this report, as many of these patterns have been noted before, it is always welcome to review the position and have independent verification of our performance and value for money.