

Appendix 2

Housemark Benchmarking Analysis Report 2016/17

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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 current levels of performance in comparison to other organisations. This in turn helps us to understand where we need to improve and how we can learn from other organisations.

In November 2017, Housemark provided our annual bespoke summary benchmarking report that detailed comparison with open share organisations with between 10,000 and 15,000 stock. This was to ensure that we are compared to a similar group of providers. In total we have been benchmarked against 33 organisations for the 2016/17 report.

This year Housemark have launched new business-level headline infographics. This provides a quick, at-a-glance overview of our position and is designed to offer the summary performance headlines for our organisation.

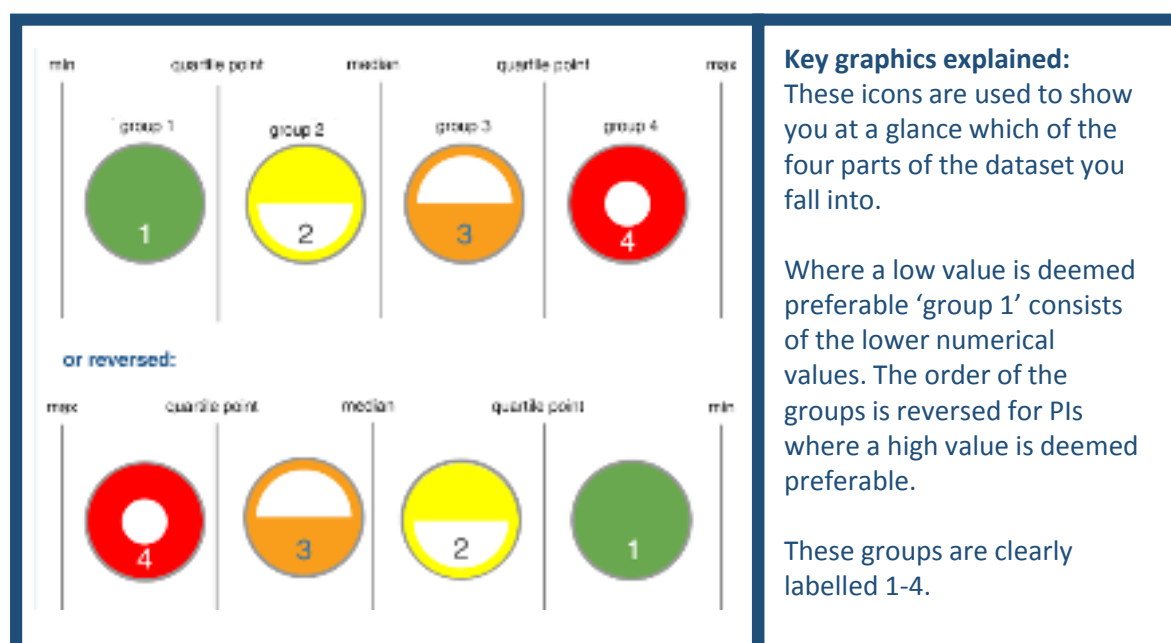
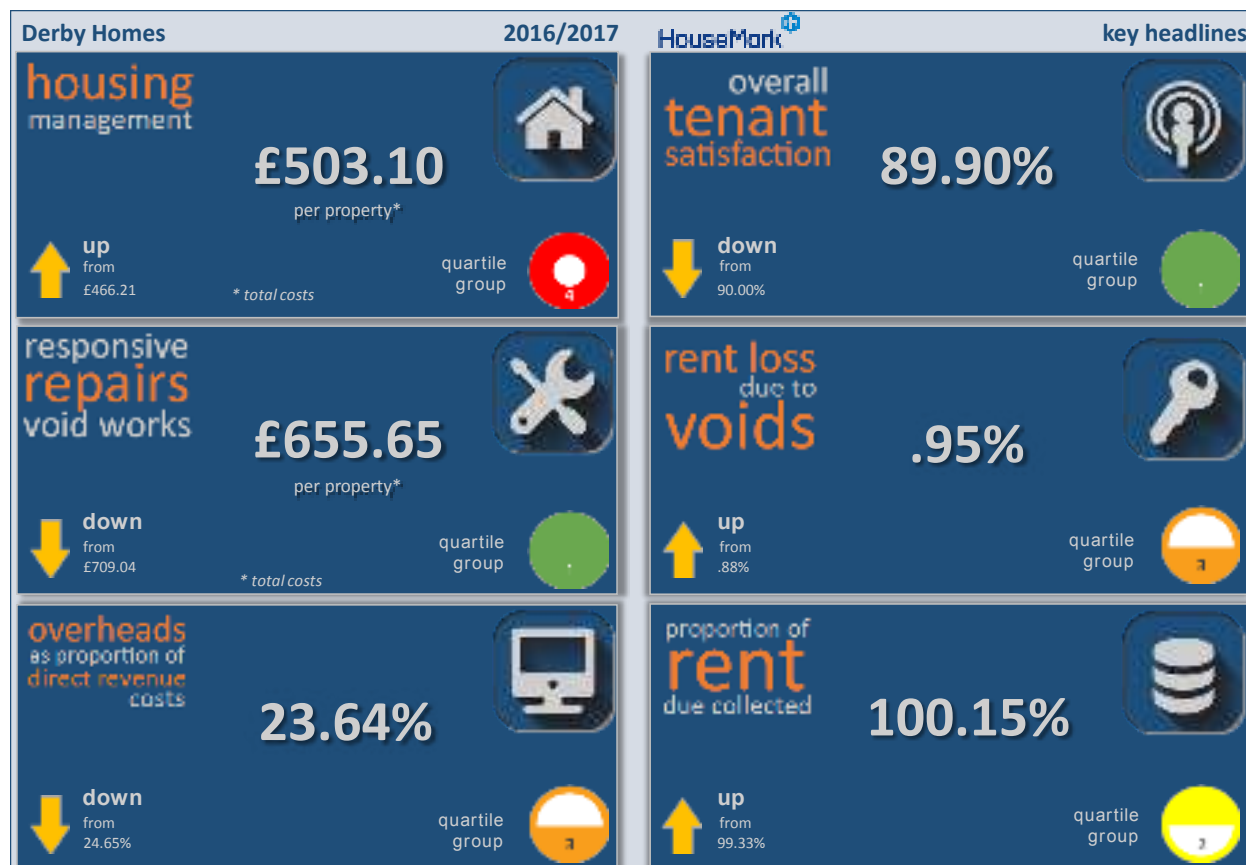
The purpose of this analysis is to present a summary of the latest performance and cost information, comparing us with other housing organisations and also identifying any changing trends from previous years with the aim of supporting the delivery planning process for 2018/19 (including target setting).

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.

N. B. The inflationary uplift applied is based on the RPI 12 month rate at September 2016 which was 2.0%.

Business Overview - Housemark

New for this year, Housemark have produced business-level headline infographics. This provides a quick at-a-glance overview of our position focusing on the key areas of costs, performance and satisfaction data. Quartile symbols are presented for ease of interpretation but it should be noted that 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 in comparison to the peer group

Work area	Derby Homes £	Median £	Diff £	Diff %	Quartile Group
Housing Management	503	399	104	26%	4
Responsive Repairs & Voids	656	761	(105)	(14%)	1
Major works & cyclical servicing	1,034	1,547	(513)	(33%)	1
TOTAL	2,193	2,707	(514)	(19%)	

Summary comments on the above are:

- Housing management – higher number of full time employees (9.89) per 1,000 properties, compared to group average of 6.11 – mainly relating to Tenancy Management. Higher employer pension contributions. Lower average salaries.
- 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.
- Major works & cyclical servicing – major works lower spend linked to the completion of Decent Homes and a relative low point in the overall cycle of capital works. Cyclical spend is comparable with median.

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).

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 and are shown on the following dashboard:



1. Responsive Repairs and Void Works (not included as 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 in key areas onto the Housemark VFM grid we can see two patterns...

Firstly, major works and cyclical maintenance and lettings represent good value for money in relation to the comparatively low expenditure and high performance levels achieved. Previous investment in Decent Homes is a material factor in this.

Secondly, rent arrears and collection, anti-social behaviour, tenancy management, and customer engagement have higher costs than average which appears to suggest poorer value for money in comparison to the peer group, though performance in all four areas is good. These are relatively small areas of spend compared to repairs and property investment.

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 has been noted before, it is always welcome to review the position and to seek independent verification of our performance and value for money.

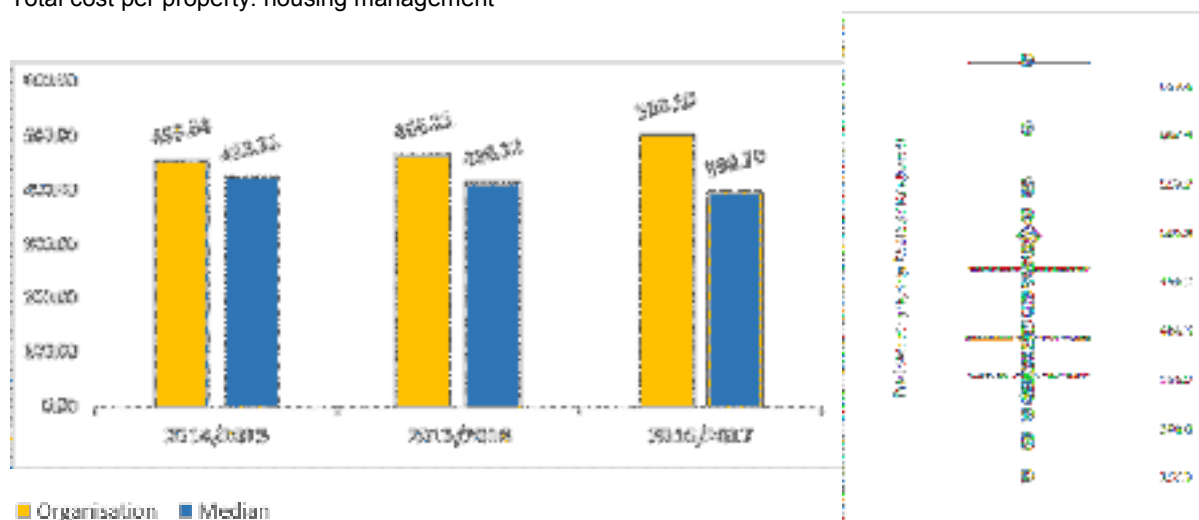
Cost and Performance – Key Measures in detail

Housing Management

The total cost per property 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 table below shows that the total cost per property (CPP) for housing management has increased from £466 in 2015/16 to £503 in 2016/17, an increase of 7.91% compared to a 4.19% decrease for the peer group, and places us in the bottom quartile.

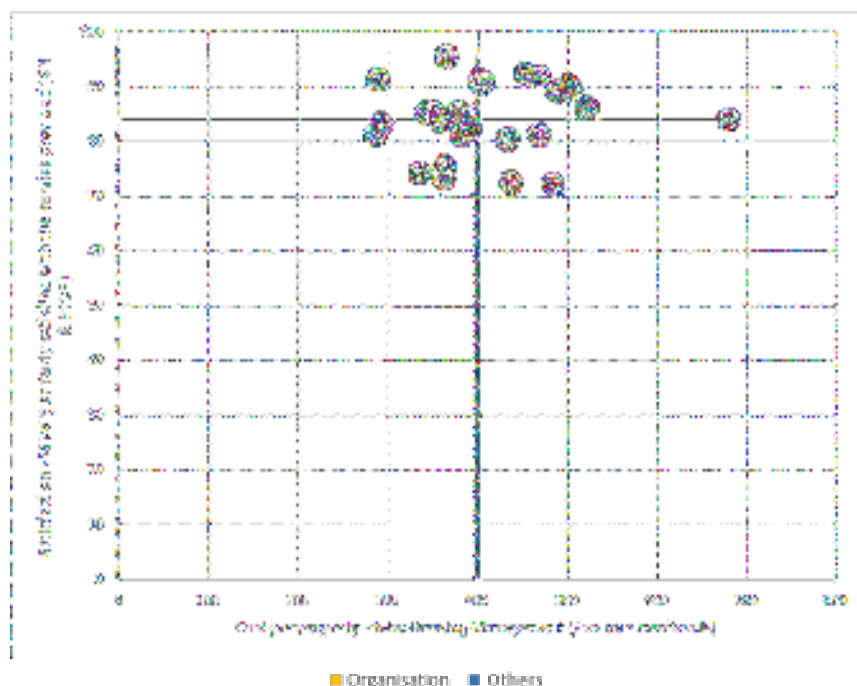
Total cost per property: housing management



Overall costs are around £104 per property above the median and there are two main reasons for this:

- 1) Derby Homes have an average of 9.89 FTE Housing Management staff per 1,000 properties (the highest in the comparator group, with an overall average of 6.11 FTEs)
- 2) Our employer pension costs at 20% will be higher than most of the comparators, particularly housing associations who may not have Local Government Pension Scheme (LGPS) deficits to fund (19 of the 33 organisations are housing associations).

The average salary (inclusive of on-costs), however, is the 8th lowest at £30.1k, against the average of £33.5k.



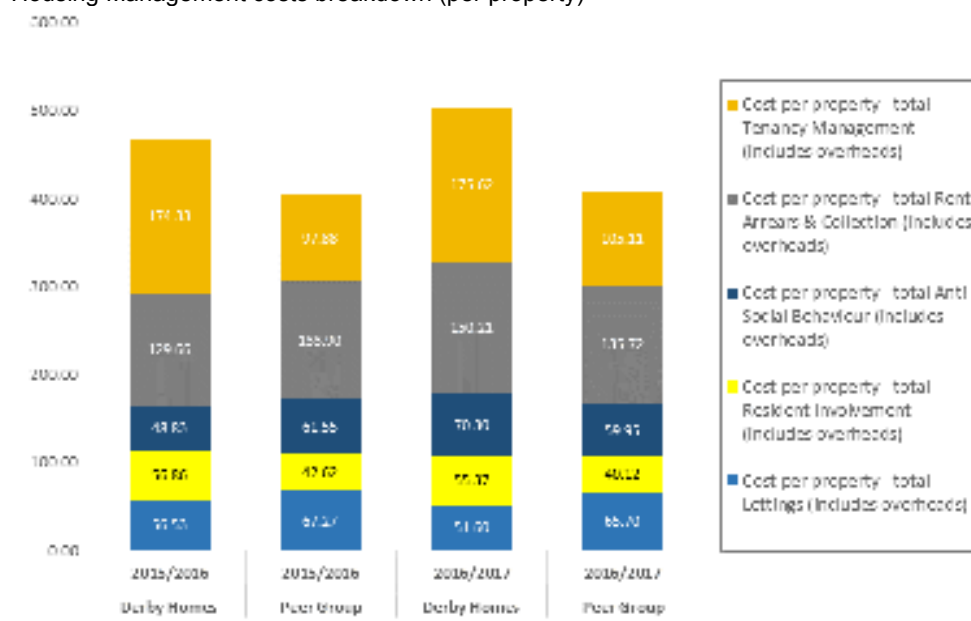
The above chart plots our total housing management costs per property against tenant satisfaction with landlords along with our position compared to that of our peers. As a value for money indicator this would identify a high cost, high performance service.

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

Each of these expense headings are considered below.

Tenancy Management

Tenancy management is rated as high costs and good performance, with a total cost per property of £176 and a performance score of 56.

The average employee costs are amongst the lowest but tenancy management remains amongst the highest in direct employee costs per property.

This is because of the relatively high number of fte's per 1,000 properties.

Derby Homes has a specific objective to allocate resources on tenancy sustainment and intensive housing management, so a higher cost is to be expected – particularly compared to Housing Associations who may have a different tenancy needs base.

89.9% of respondents said that they were either very or fairly satisfied with the overall service provided placing us in group 1 within the peer group. We also achieved top quartile when compared to all (286) organisations within the UK who submitted data for this question.

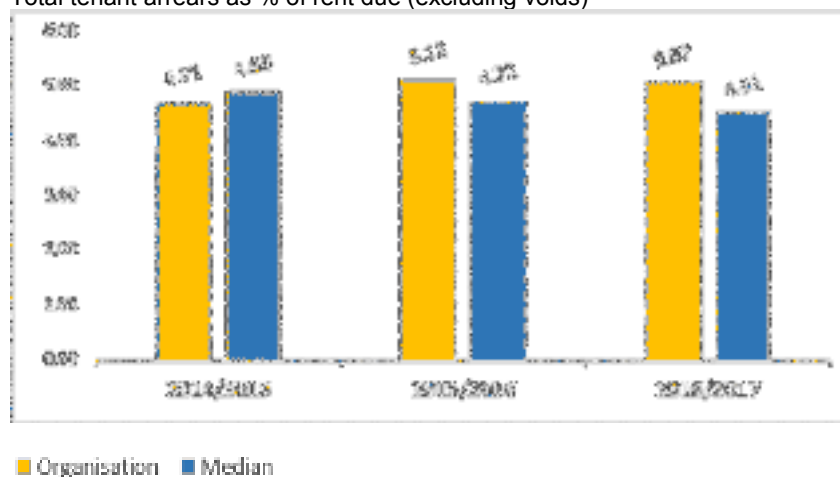


Rent Arrears and Collection

Performance on rent arrears compares well to peers, rated as good performance but high costs with a total cost per property of £150 and a performance score of 57, but continues to command increased resources in responses to the challenges presented by welfare reform.

The combined rent arrears as a percentage of rent due has decreased from 5.12% to 5.07%, this places us in group 3 in the peer group.

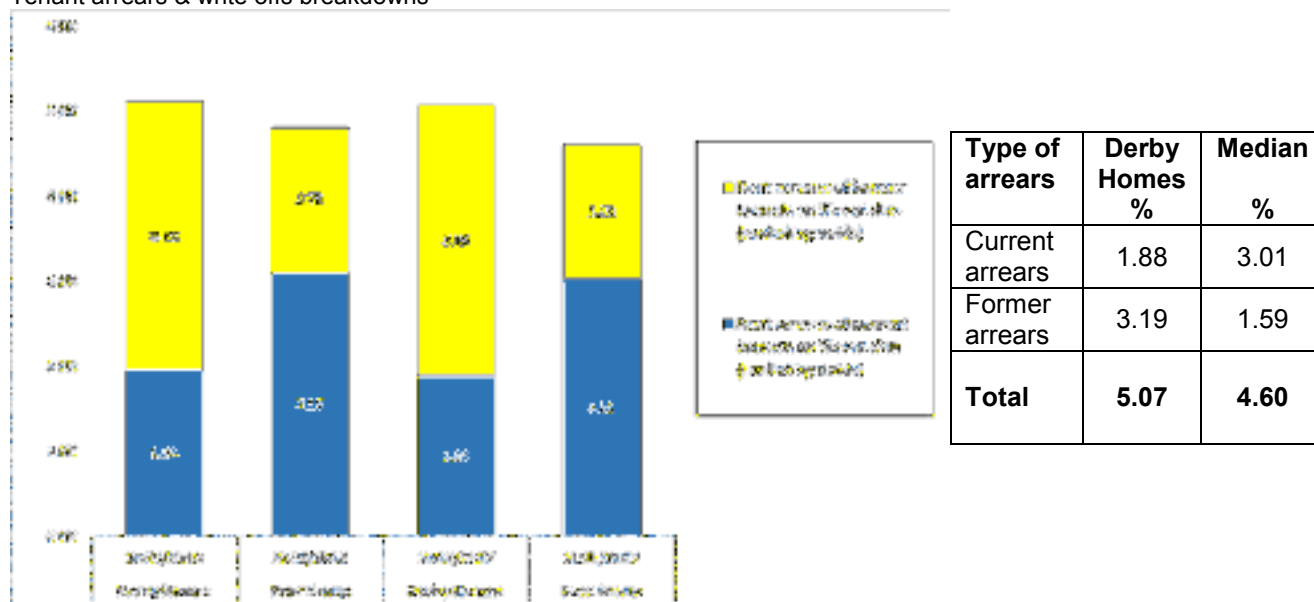
Total tenant arrears as % of rent due (excluding voids)



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 chart shows Derby Homes' full tenant arrears and write-offs compared to the peer group and the table summarises our 2016/17 performance against the median.

Tenant arrears & write offs breakdowns



This indicates that our overall arrears levels remain slightly above the median, caused by former tenant arrears.

Performance on current tenant arrears is very pleasing, at 1.1% below the median. Very roughly this equates to arrears being £600,000 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 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.

Former tenant arrears have remained constant when compared to the previous year and remains in the bottom quartile of the peer group.

There were 49 evictions in 2016/17 related to rent arrears. Compared against the total number of tenancies these have decreased from 0.49% in 2015/16 to 0.37%. This places us in group 3 of the peer group, for which median performance is 0.23%.

Anti-Social Behaviour

The Housemark benchmarking data identifies Anti-Social Behaviour as high costs and good performance. Total cost per property (including overheads) increased from £49 in 2015/16 to £70 in 2016/17 which places us in group 3 in the peer group. Non pay costs are very low but employee costs per property



have increased from £31 in 2015/16 to £45 in 2016/17. This is due to a more detailed allocation of general Housing Management employees against this area.

However, performance remains high, with 95% of respondents very or fairly satisfied with the way their anti-social behaviour complaint was handled, placing us in group 1 of the peer group, with only two organisations achieving higher satisfaction results to this survey question. We also achieved top quartile when compared to all (153) organisations within the UK that submitted data for this question.

The percentage of respondents very or fairly satisfied with the final outcome of their anti-social behaviour complaint was 89% which placed us in group 3 in the peer group. Upper quartile was 92%.

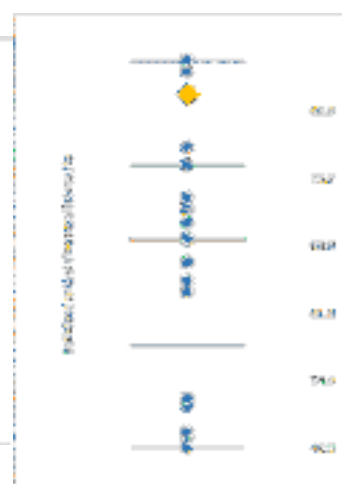
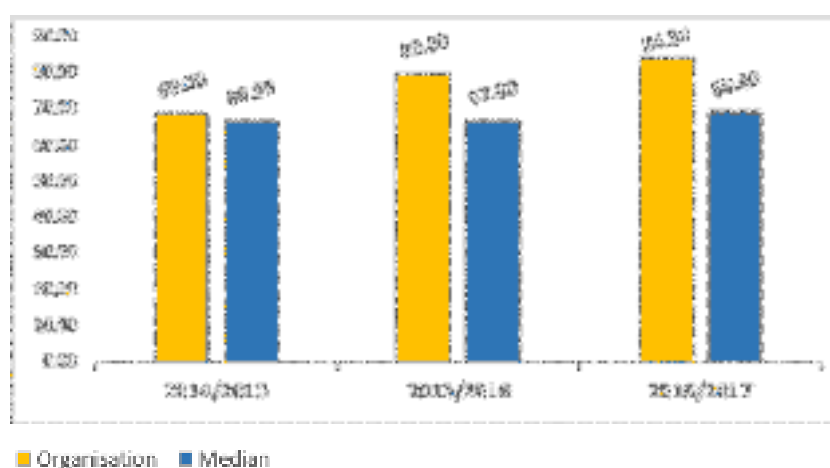
Resident Involvement

At £55 the total costs per property in this area has remained consistent with previous years, though we remains above the median (£40), placing us in group 4 when compared to the peer group. Employee costs are above median (possibly because of the apportionment of senior staff to this area) and non-pay costs are high – because of the investment in community engagement works and Enthusiasm grant.

However, performance remains positive. The percentage of tenants who are satisfied that their views are listened to and acted upon has increased for a second year and we continue to be placed in group 1 of the peer group for this indicator. The maximum value for this indicator was 87.8%.



Satisfaction that views are listened to

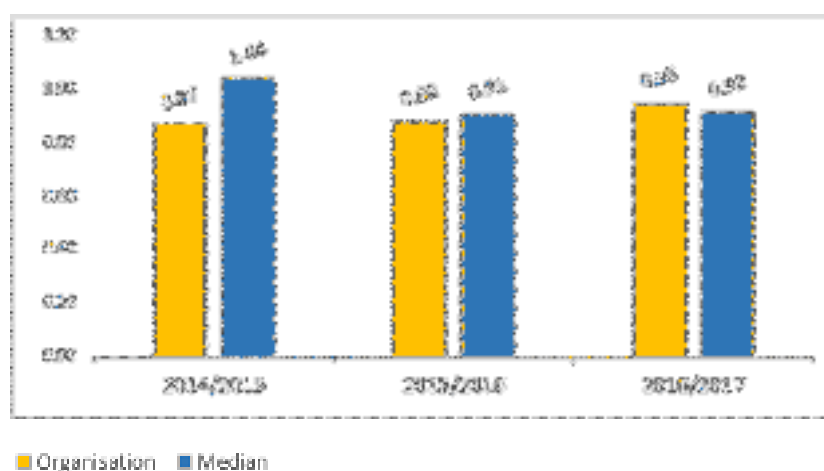


Lettings

Lettings management is rated as good performance and low costs compared to our peers, with a total cost per property of £52 and a performance score of 56. Non pay costs (mainly Homefinder IT costs) are above average but employee costs are low compared to the peer group.

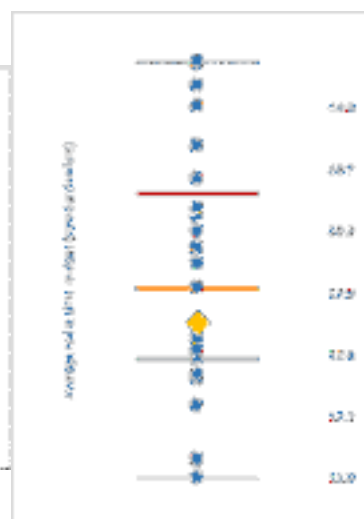
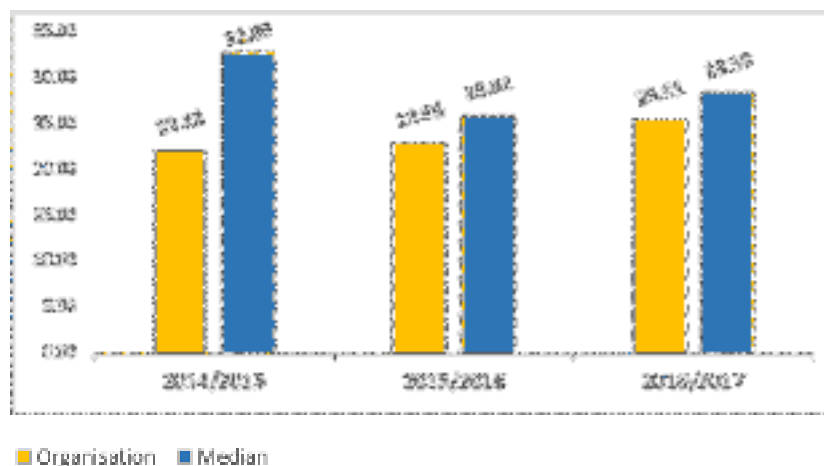
A key focus in this area is the rent loss due to voids performance which will be compared to business plan assumptions. Rent loss in 2016/17 increased slightly from 0.88% in 2015/16 to 0.95% in 2016/17, placing us group 3 in the peer group. This is consistent with the increase in average re-let times discussed below.

Rent loss % due to voids



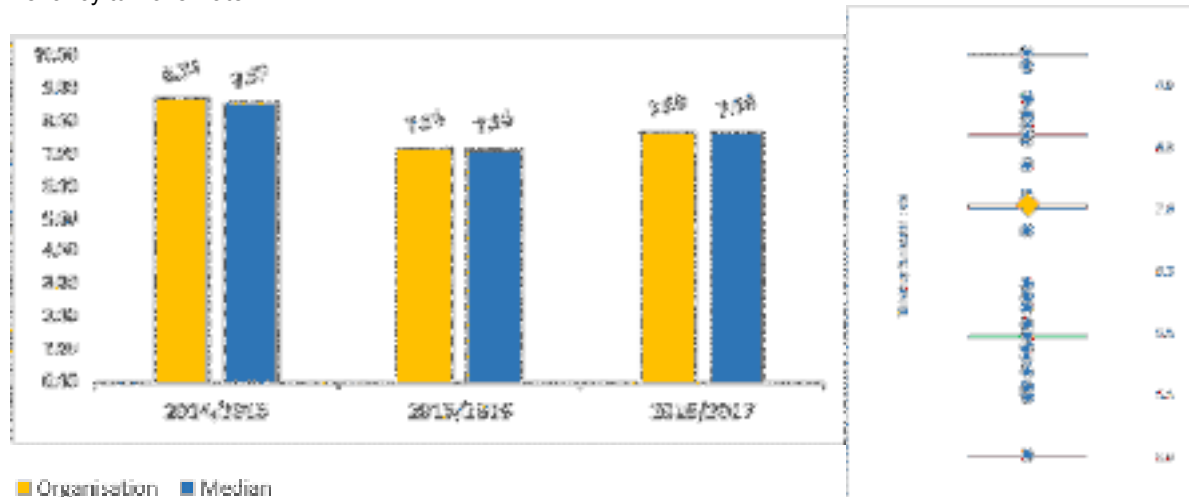
The average re-let time in days (standard re-let) increased from 23 days in 2015/16 to 25 days in 2016/17, a 10.28% increase compared to a 9.55% increase for the peer group. This places us in group 2 in the peer group. During 2016/17 a review of the end to end lettings process was undertaken. This identified some improvement areas which have been implemented. The performance for 2017/18 is conservatively forecast at 24 days.

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



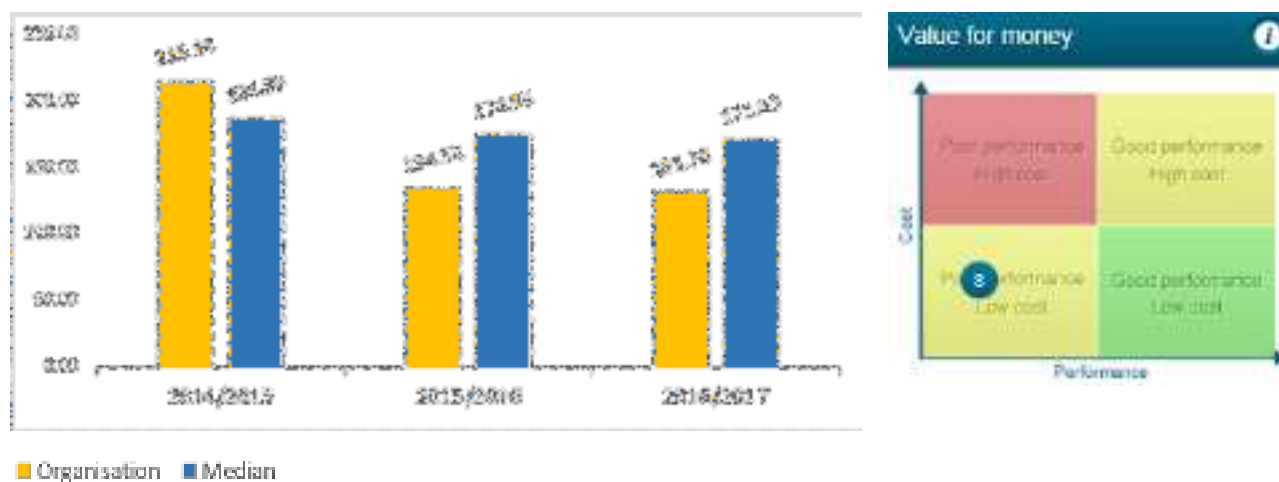
It is important to look at these measures alongside tenancy turnover to assess the sustainability of new tenancies, as it may be a false economy if we are letting properties quickly but without due preparation. Tenancy turnover increased from 7.18% in 2015/16 to 7.69% in 2016/17 and compares to 7.66% for the peer group, placing us just above the median for this indicator.

Tenancy turnover rate



Estate Services

Total cost £ per property: estate services



The reported expenditure in this area is below the median and remains consistent with the previous year, placing us in the top quartile of 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. This spending is lower than it was a few years ago following considerable investment over the last decade.

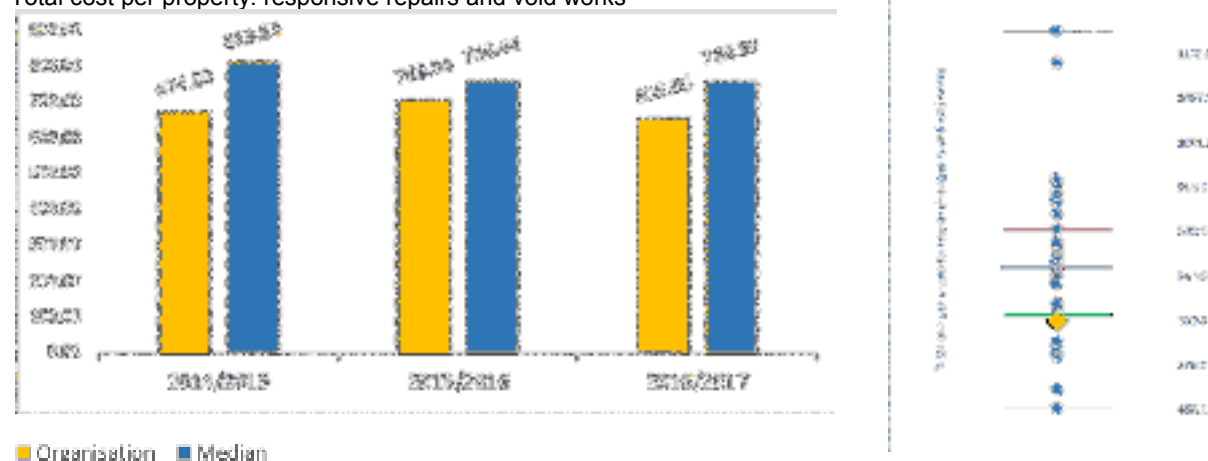
79.8% of respondents said that they were very or fairly satisfied with their neighbourhood as a place to live, placing us in group 4 of the peer group. However, care should be taken when evaluating the satisfaction with neighbourhood as there are a number of factors that impact on this indicator, a number of which we have no influence upon and this specific service is only one element of the satisfaction level.

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 benchmarking data shows that the total cost per property (CPP) of responsive repairs and void works is £656 and places us in the top quartile (i.e. lowest cost).

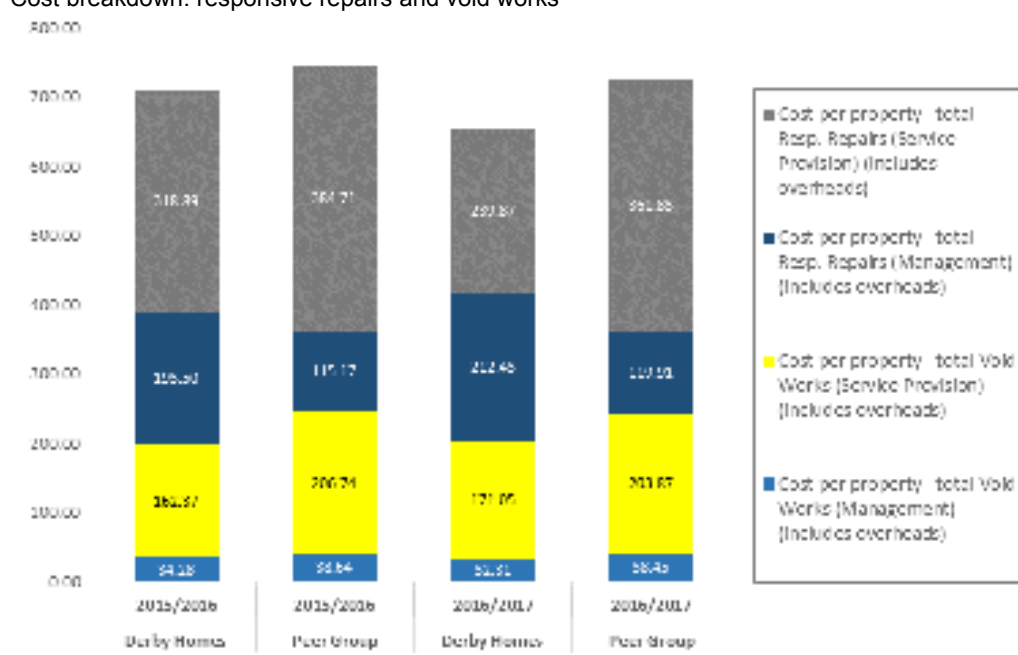
Total cost per property: responsive repairs and void works



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

- Responsive repairs (service provision) cost per property has decreased from £319 in 2015/16 to £240 (Q1) in 2016/17 whilst responsive repairs (management) costs have increased from £194 in 2015/16 to £212 (Q4) in 2016/17.
- Total void works (service provision) cost per property has increased to £171 (Q2) in 2016/17 from £162 in 2015/16 whilst total void works (management) costs remain comparable to the previous year at £32 (Q2)

Cost breakdown: responsive repairs and void works

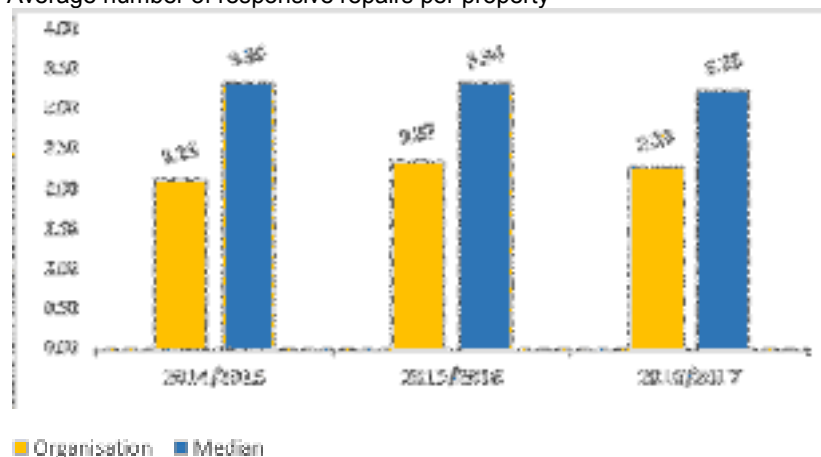


Average costs of a responsive repair have decreased again this year, from £134 to £105 and places us in group 2 of the peer group; however there is an inconsistent approach to how job numbers are calculated across the HouseMark group, with no definition of what should be classed as one job. From a Derby Homes perspective we don't compare the average cost per job figure due to the inconsistent basis that users record a job. Even within Derby Homes a few years ago a 'single' job may have had say five jobs raised against it for each of the trades working on it, now it has one. Naturally this artificially increases the average cost per job. In reality the total workload has remained relatively consistent.

What is important is the overall cost per property indicator, which is how we truly compare with others in the benchmarking group. This is explained on page 4.

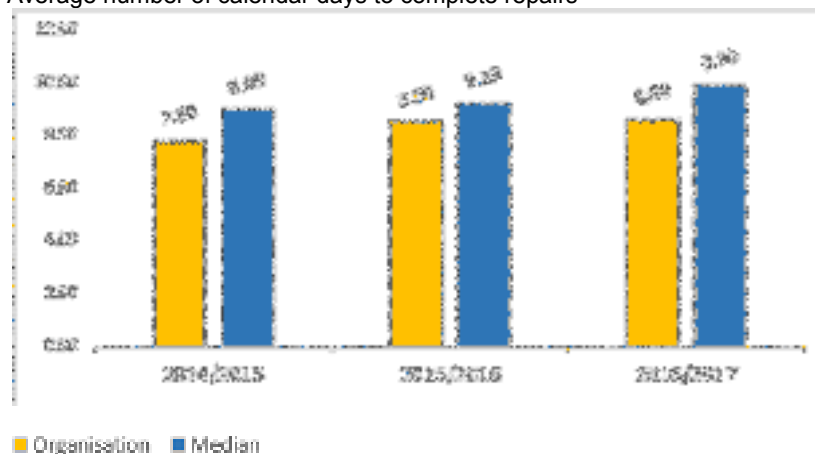
There has been a 3.25% decrease in the average number of repairs per property from 2.37 in 2015/16 to 2.29 in 2016/17 and we remain upper quartile performance compared to our peer group, for which median performance is 3.25.

Average number of responsive repairs per property



Performance (average days to complete a repair) remains consistent, 8.5 days in 2015/16 and 8.6 days in 2016/17. Derby Homes are in group 2 of the peer group.

Average number of calendar days to complete repairs



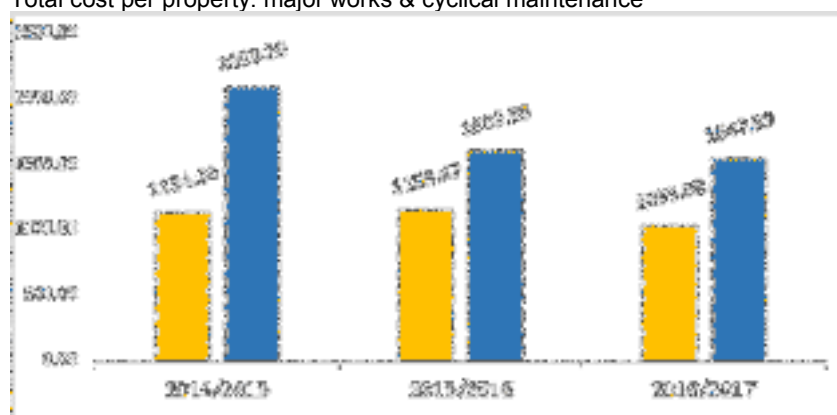
Appointments kept as a percentage of appointments made are consistent 99.87% in 2015/16 and 99.89% in 2016/17 and we remain in group 1 of the peer group.

It is critical at this point to mention the planned works element which will be attributing to the positive outcome of the repairs service, and the fact that Derby Homes has a dedicated customer service team for repairs. However, the main contributor to the excellent results presented is likely to be the value from the in-house repairs team. Please note that 18 of the 33 organisations in the peer group also have direct labour organisations (DLO's).

Major Works and Cyclical Maintenance

The low major works and cyclical spend per property is because the HRA capital programme is 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 2016/17 was £1,034, a decrease of £120 compared to 2015/16 placing us in group 1 in the peer group.

Total cost per property: major works & cyclical maintenance

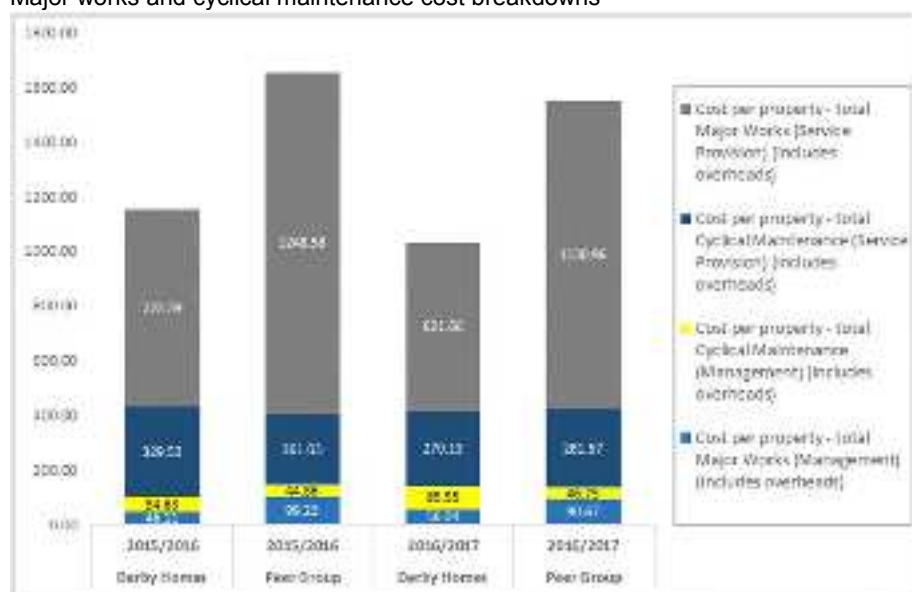


■ Organisation ■ Median



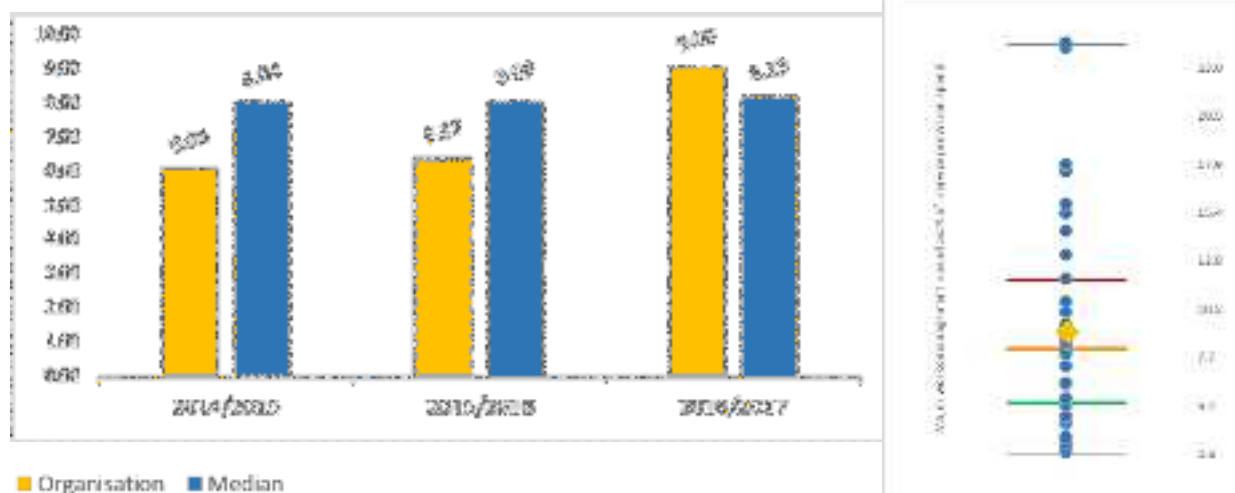
Major works and cyclical maintenance (investment) is split between client side costs (management) and contractor side costs (service provision).

Major works and cyclical maintenance cost breakdowns



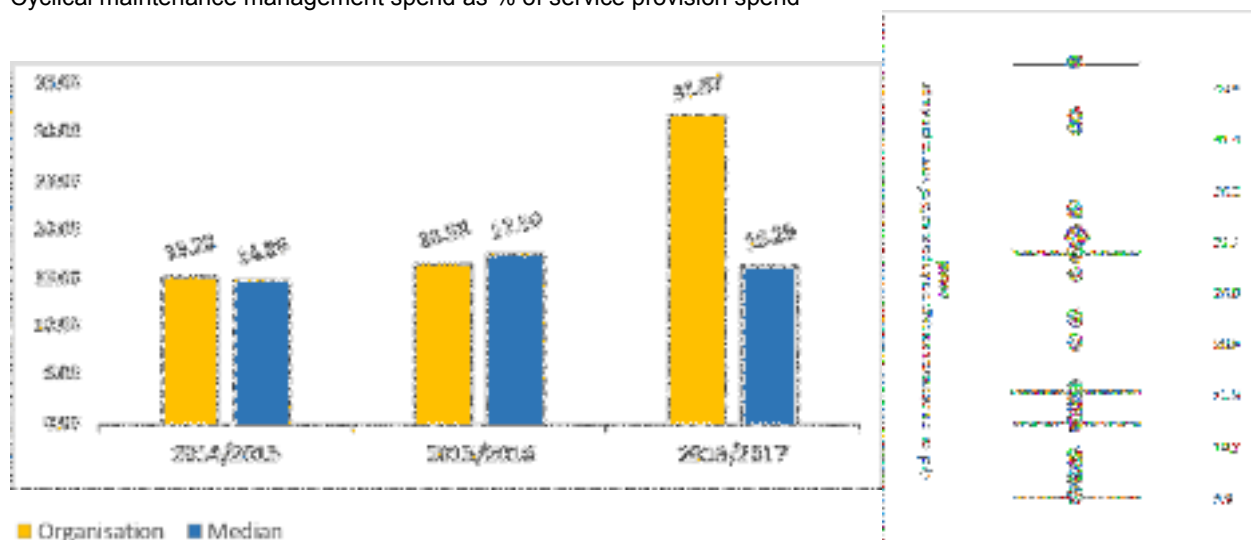
Major works management spend as a % of service provision spend has increased from 6.37% to 9.06% placing us in group 3 in the peer group. This is likely to be due to an allocation of time for senior staff (Heads of Service and Directors) against this cost area. It is possible that other organisations included such costs within “Central Services” which is very low for Derby Homes – see Overheads section.

Major works management spend as % of service provision spend



Cyclical maintenance management spend as a % of service provision spend has increased from 16.58% to 31.67%. This places us in group 4. Same reason as above relating to apportionment of senior staff time applies.

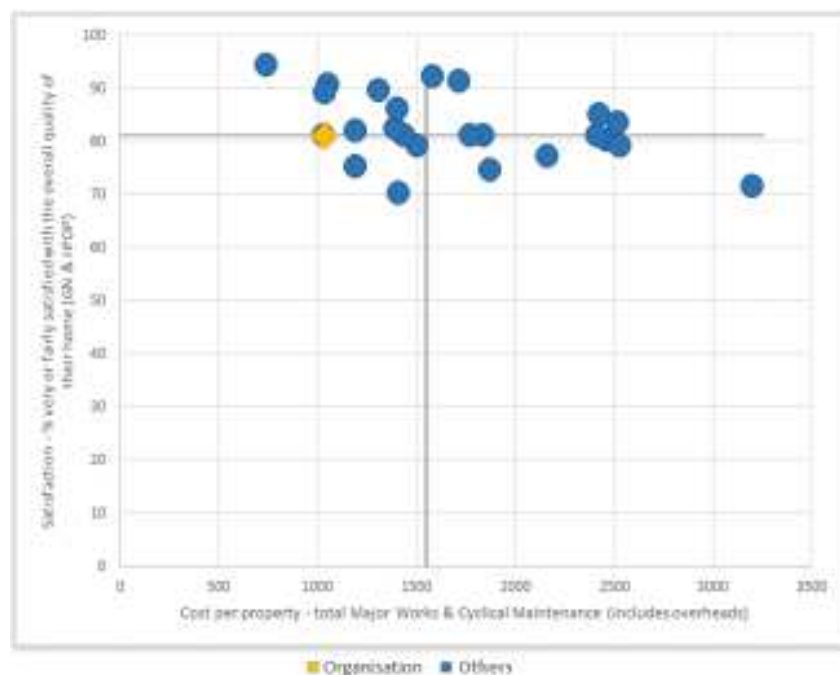
Cyclical maintenance management spend as % of service provision spend



The average SAP rating has increased from 73.2 to 73.9, a 1% increase compared to a 0.2% increase for the peer group and places us in group 2.

Percentage of dwellings that are non-decent and dwellings with a gas safety certificate are both placed in group 1.

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.



Satisfaction

Overall, satisfaction levels are very positive, with performance for all measures either increasing or remaining consistent compared to the previous year. Being in the upper quartile for overall service, value for money and views listened to is something that Derby Homes is particularly proud of.

KPI	2016/17					2015/16		2014/15	
	Upper	Median	Lower	Result	Quartile	Result	Quartile	Result	Quartile
Overall service	89.9%	83.8%	81.0%	89.9%	1	90.0%	1	86.0%	2
Quality of home	87.5%	81.0%	78.9%	81.0%	2	79.0%	3	77.0%	4
Neighbourhood	88.6%	84.0%	80.5%	79.8%	4	81.0%	3	77.0%	4
Rent provides value for money	87.0%	82.8%	78.0%	88.5%	1	87.0%	1	82.0%	3
Views listened to	77.0%	69.4%	58.5%	84.3%	1	80.0%	1	69.0%	3
ASB complaint handling	93.5%	89.4%	78.0%	95.0%	1	No data	n/a	No data	n/a
ASB complaint outcome	91.65%	89.1%	82.9%	89.0%	3	No data	n/a	No data	n/a

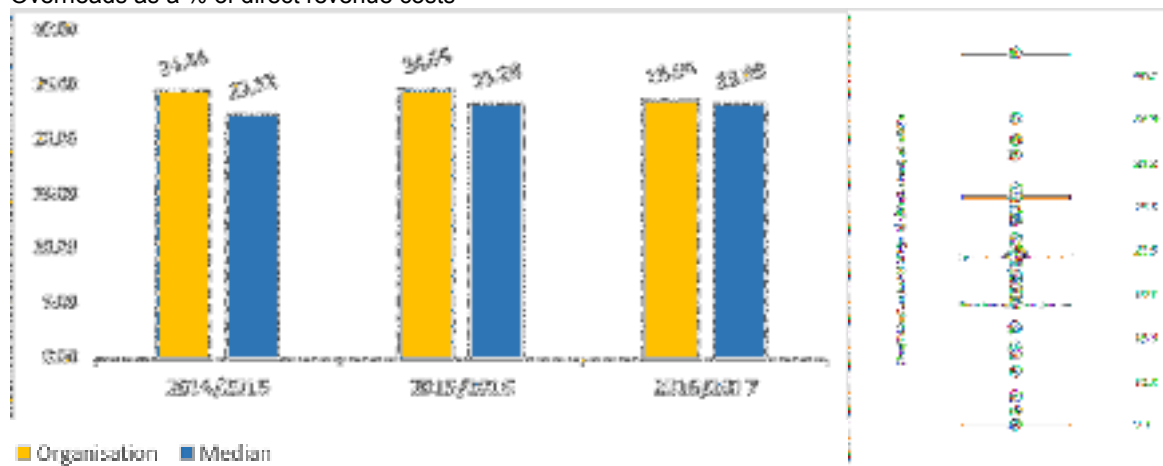
Overheads

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 (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) and non-pay costs. Although it is usually preferable to have low overheads, the right level of investment is fundamental to supporting front line activities effectively.

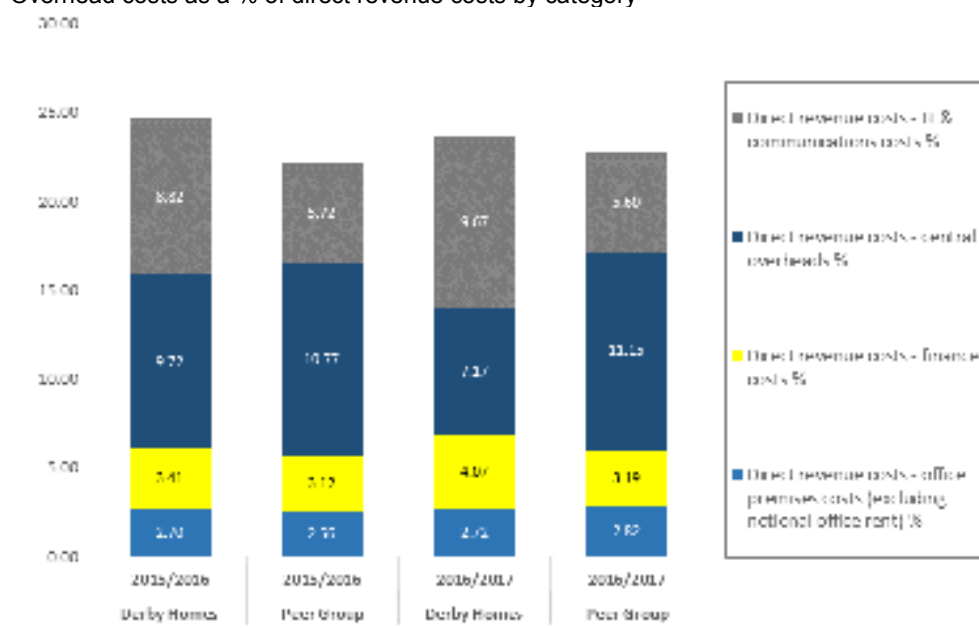
Overhead costs as a percentage of direct revenue costs have decreased from 24.65% to 23.64% placing us just above the median and in group 3 of the peer group.

Overheads as a % of direct revenue costs



This KPI is misleading as it takes the total overhead costs (£4.6m) of the company and compares this against direct revenue costs only (approx. £19.5m). Overall, across all of Derby Homes in 2016/17 total costs for all services (which include costs in addition to direct revenue costs, such as HRA Capital works, public buildings maintenance, temporary accommodation and Derby Homes owned properties) were £36.1m. Arguably a more realistic percentage would be 14.6% (£4.6m / (£36.1m - £4.6m))

Overhead costs as a % of direct revenue costs by category



The House Mark system splits overheads into the following four categories as part of its overall overheads assessment. These are shown in the following table:

KPI	Per Employee £		Total Overheads Costs £'000	
	Result	Median	Result	Median
Office Premises	2,025	2,638	530	716
IT	7,184	5,286	1,882	1,433
Finance	2,083	2,332	793	925
Central	3,670	7,351	1,397	2,540
Total	14,962	17,607	4,602	5,614

What this table shows is that the actual costs for overhead items are significantly less than comparable with the peer group with the exception of IT.

- 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.
- IT costs are consistent with expectations due to the investment that this area has in service delivery, and the increased investment until 2019/20 in renewal of IT systems which has increased costs significantly in this area
- 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.
- 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”.

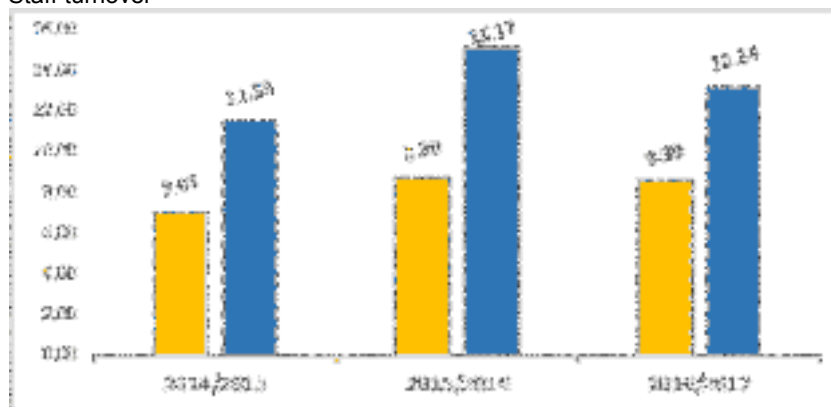
Overall, the overheads remain reasonable and are well below comparable organisations.

Corporate Health

Staff are a key business asset and this section provides some headline staffing measures compared to our peer group.

Staff turnover, which includes both voluntary and involuntary turnover, has decreased from 8.8% in 2015/16 to 8.6% in 2016/17. This is a 2% decrease compared to a 13% decrease for the peer group. Our performance in this area remains consistent and we continue to be placed in group one and well below median levels.

Staff turnover

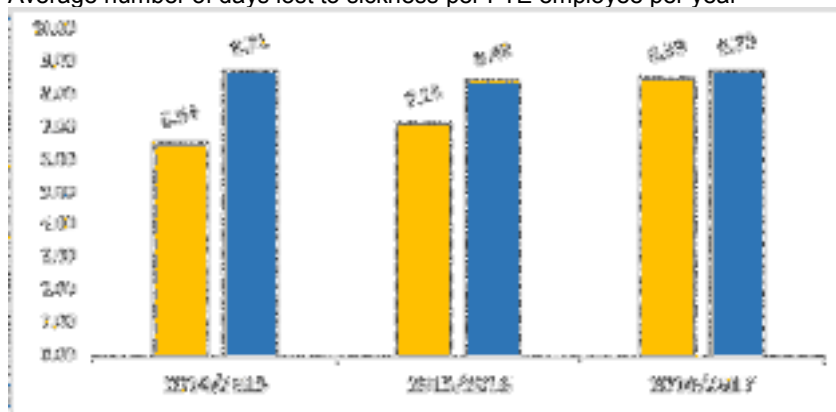


Organisation Median

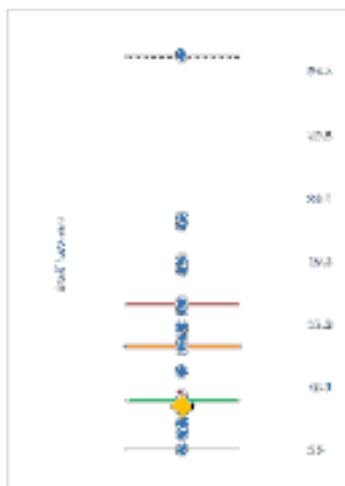
Sickness absence has seen a slight increase over the last three years, and we are now placed in group 2 of the peer group. This indicator has increased from 7.15 in 2015/16 to 8.53 in 2016/17 and we are now only just below median.

Staff absence includes long and short term sickness absence.

Average number of days lost to sickness per FTE employee per year



Organisation Median



slight

