HouseMark Benchmarking
Cost & Performance Analysis Report 2018/19

Contents

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 2020/21, including target setting.

As in previous years, 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 45 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) – 9
Districts – 2
Housing Associations (Large Scale Voluntary Transfer (LSVT)) – 14
Housing Associations (Traditional) – 11
London Boroughs - 5
Metropolitans / Unitaries - 4

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.

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. Performance is plotted using a particular performance measure that Housemark feels is most relevant to the service area.

1. Responsive Repairs
2. Voids and Lettings
3. Rent arrears and collection
4. Tenancy management
5. Resident engagement
6. Customer services
7. Neighbourhood management

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, responsive repairs (1) and voids and lettings (2) represent good value for money, with low expenditure and high performance levels achieved.

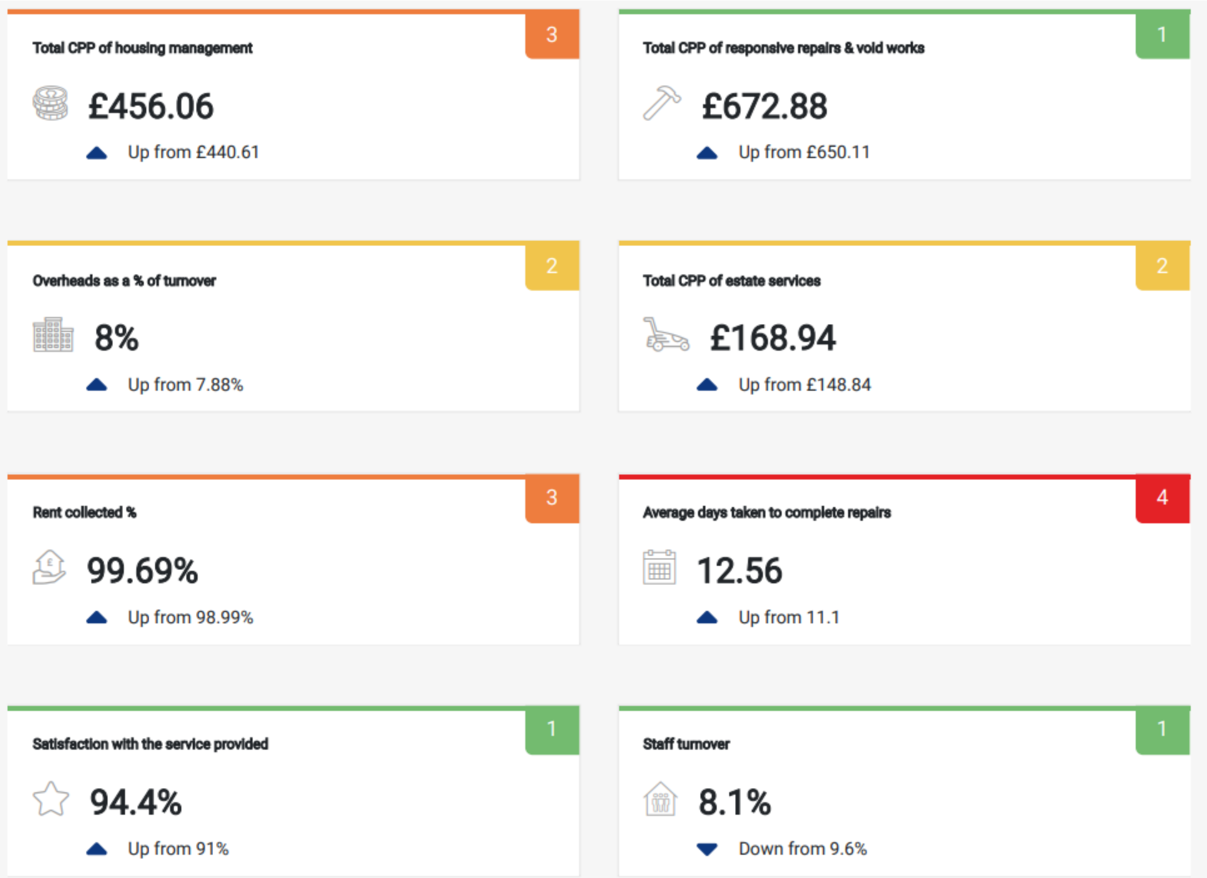
Second, tenancy management (4), resident engagement (5), customer services (6) and neighbourhood management (7) have higher costs than average, though performance in all four areas is good. These are relatively small areas of spend compared to repairs.

Third, rent arrears and collection (3) is represented on the grid as low cost and just within the poor performance quadrant. The performance indicator to plot this area is the percentage of rent collected which at 99.69% places Derby Homes in group three of the peer group.

The overall balance of this report shows that there are no areas of real concern with regard to performance, and that there are several areas of excellent outcomes and value for money. The higher than average costs identified within the housing management service areas are expected. 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.

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	£456	£448	8	1.8%	3
Responsive repairs & voids	£673	£843	(170)	(20.2%)	1
Major works & cyclical maintenance	£995	£1,658	(663)	(40.0%)	1
TOTAL	**£2,124**	**£2,949**	**(825)**	**(28.0%)**	

In summary:

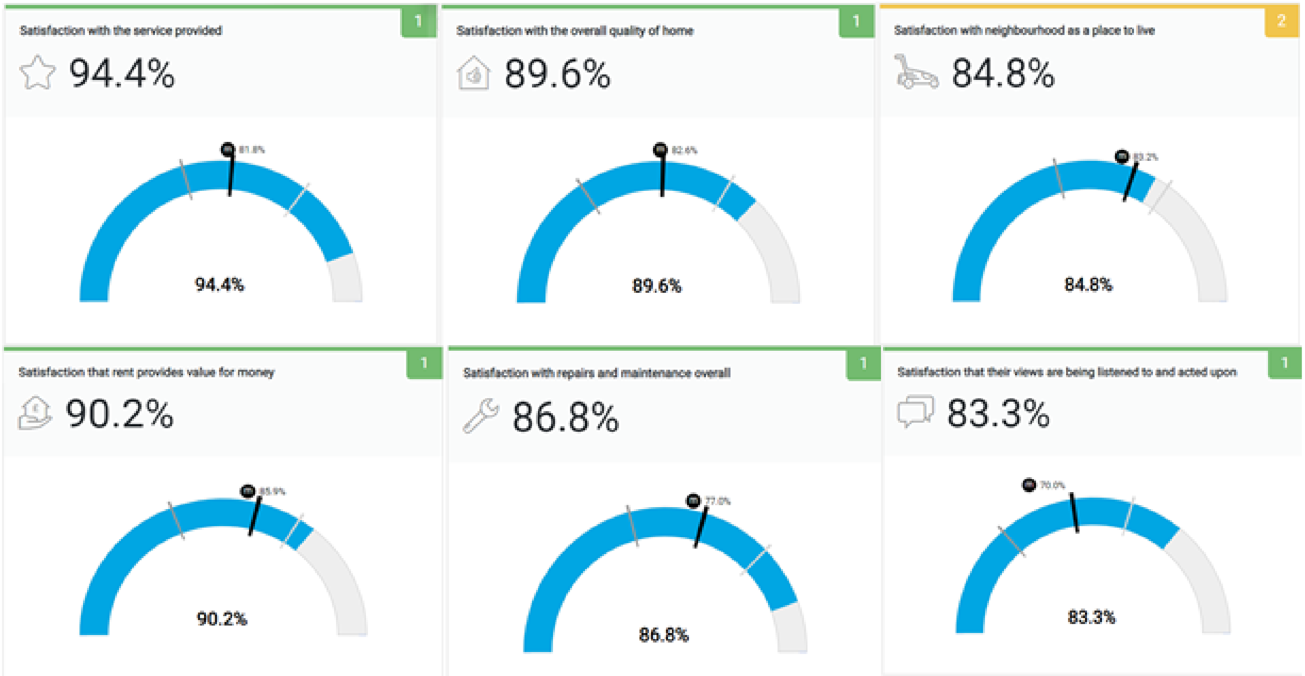
- Housing management – Higher employer pension contributions at 20.9% of salary, but offset by lower average salaries. Overall costs are slightly above the median.

- 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 over £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 over £8.5m a year lower than the median.

Satisfaction

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



Being in group one for services provided, quality of home, value for money, repairs and maintenance, and views listened to is something that Derby Homes is particularly proud of.

	2018/19					2017/18		2016/17	
KPI	Upper	Median	Lower	Result	Group	Result	Group	Result	Group
Overall service provided	88%	82%	78%	94%	1	91%	1	90%	1
Quality of home	87%	83%	77%	90%	1	86%	2	81%	2
Neighbourhood	86%	83%	77%	85%	2	84%	2	80%	4
Value for money	89%	86%	80%	90%	1	89%	1	89%	1
Repairs & Maintenance	82%	77%	71%	87%	1	88%	1	No data	n/a
Views listened to	77%	70%	61%	83%	1	79%	1	84%	1
ASB complaint handling	93%	88%	83%	91%	2	92%	1	95%	1
ASB complaint outcome	95%	89%	81%	86%	3	92%	1	89%	2

Cost and Performance – Key Measures in detail

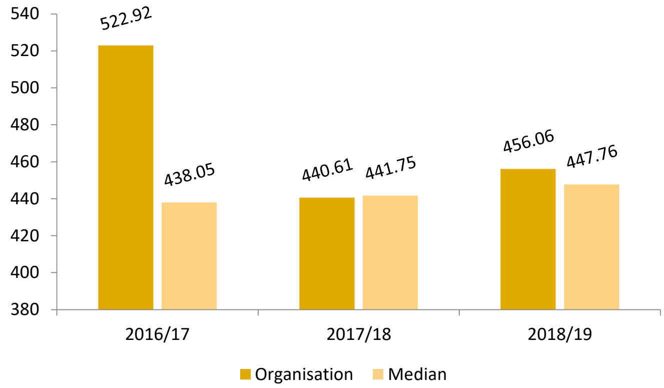
Housing Management

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.

The total cost per property (CPP) for housing management has increased from £441 to £456, a 3.5% increase compared to a 1.4% increase for our peer group, placing Derby Homes in group 3 of our peer group.

Total Cost per Property of Housing Management



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

1) Derby Homes have an average of 9.6 FTE Housing Management staff per 1,000 properties (the highest in the comparator group) compared to an overall average of 6.73 for the peer group. While we employ more people (linked with the increasing needs of our tenants), the average pay cost is lower (£32k including on-costs compared to median of £34k), offsetting the additional costs of more employees.

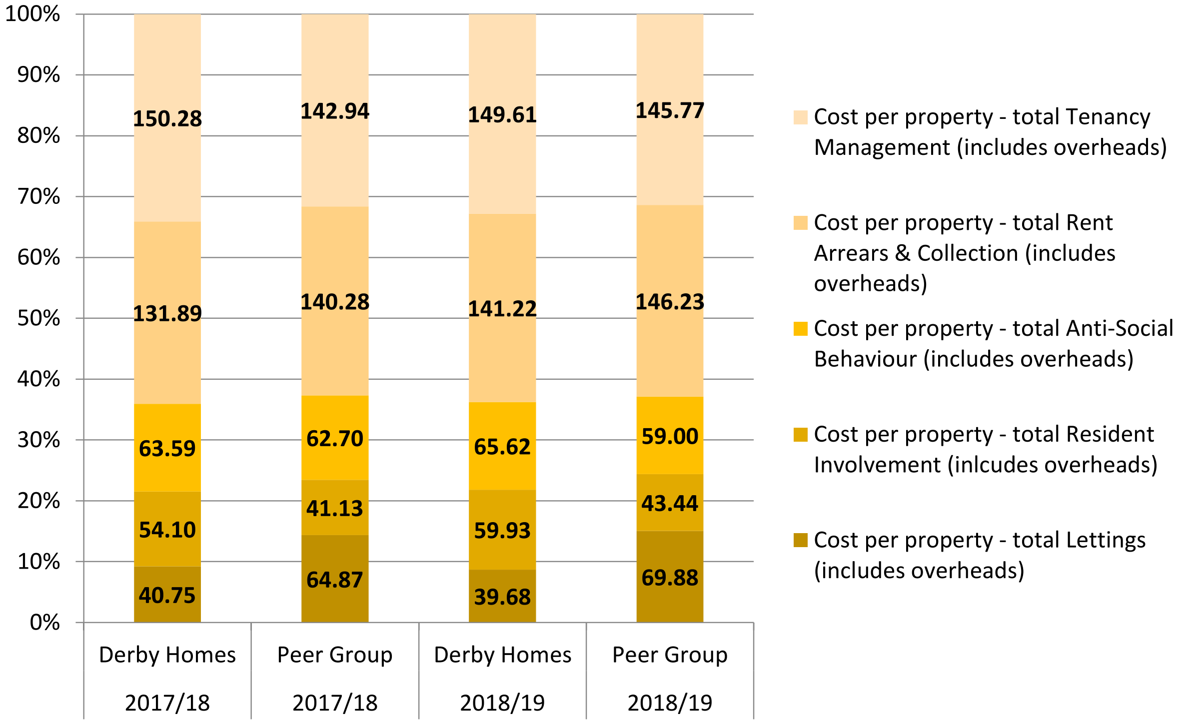
2) Our employer pension costs, at 20.9%, will be higher than most of the comparators, particularly housing associations who may not have Local Government Pension Scheme (LGPS) deficits to fund. Housing Associations contribute to the Social Housing Pension Fund which is requiring increased contributions 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, anti-social behaviour and resident involvement.

Each of these expense headings are considered below:

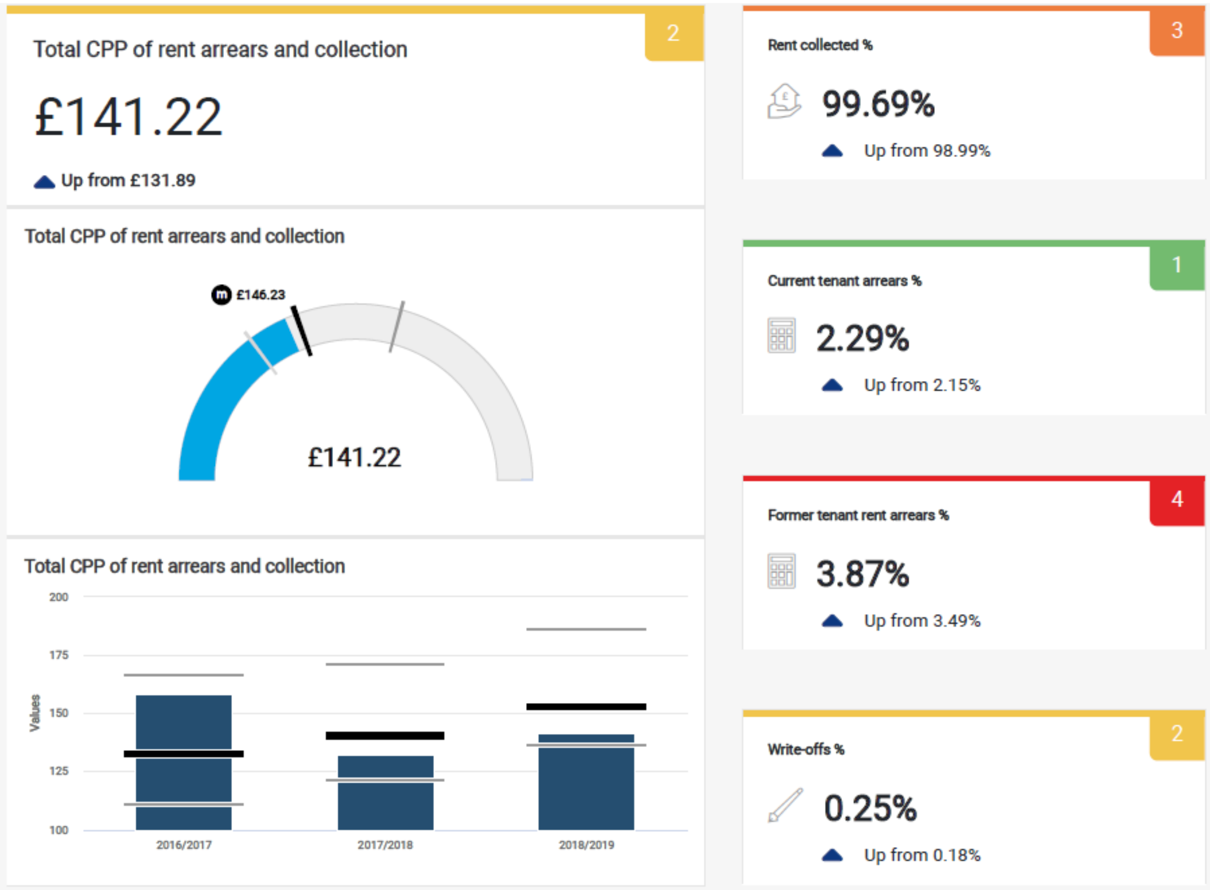
Tenancy Management

Tenancy management continues to be rated as good performance but high cost. At a total CPP of £150, which is comparable with the previous year, we continue to be placed in group 3 for this indicator.

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 3.4 compared to an average of 1.8 for our peers.

94.4% of respondents said that they were either very or fairly satisfied with the overall service provided, placing us in the top three of the 33 organisations that submitted data for this indicator within the peer group.

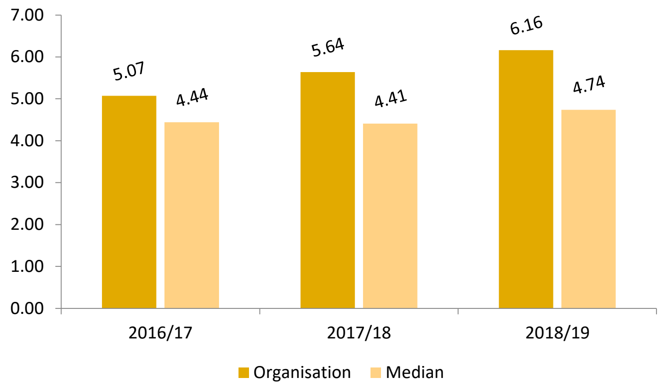
Rent Arrears and Collection



Overall performance on rent arrears and collection has remained constant. The year-end figure for 'rent collected from current and former tenants as a % of rent owed' has increased by 0.7% compared to the previous year and we are now placed in group 3 of the peer group.

The combined rent arrears as a percentage of rent due has increased from 5.64% to 6.16%, a 9.2% increase compared to a 7.5% increase for the peer group.

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



However, performance on current arrears alone (the main collectable debt) continues to remain well above average for which we are placed in group one when compared to our peers. 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 2018/19 performance against the median.

Type of arrears	Derby Homes 2017/18 %	Median 2017/18 %	Derby Homes 2018/19 %	Median 2018/19 %
Current arrears	2.15	2.88	2.29	3.18
Former arrears	3.49	1.50	3.87	1.71
Current & Former arrears	**5.64**	**4.41**	**6.16**	**4.74**

Please note - the sum of the component medians is not expected to match the total median. Each component's median is simply the mid-point of the data, and so it does not take into account any outliers – as such each median is individual and so not expected to sum up to the total median.

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

Although current tenant arrears have increased, performance remains positive, at 0.9% below the median. Very roughly this equates to arrears being £0.5m 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 (0.25% compared to a median write off figure of 0.38% 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.

During 2019/20 there will be a significant write off of former tenant arrears now the new Tenancy Related Debt Write Off policy has been agreed with the Council. The 2019/20 position is expected to be around 3.2%. This is still higher than the median but is due to the majority of former tenant arrears debts remaining on the list until they become statutorily barred after 6 years.

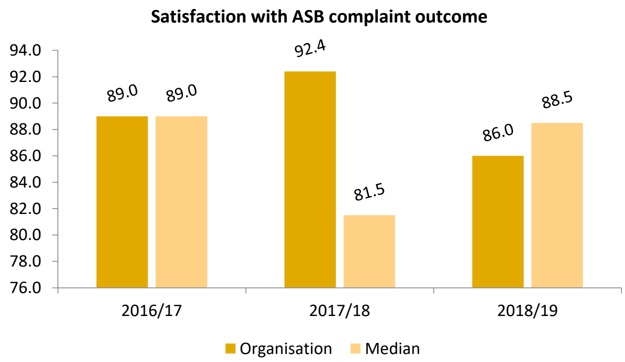
There were 52 evictions in 2018/19 related to rent arrears. Compared against the total number of tenancies these have increased, from 0.32% in 2017/18 to 0.41% in 2018/19, placing us in group 4 of the peer group (median performance 0.24%). However, evictions in 2017/18 were exceptionally low. A number of cases that should have been completed in 2017/18 were carried forward into 2018/19 due to court adjournments/bailiff availability/sickness etc. Eviction remains a last resort and will be avoided wherever possible, we are working closely with Housing Options and Housing Management to try and avoid evictions where possible by assessing the overall all impact on the organisation, this has contributed to the 2019/20 figures to be back to normal levels at around 35.

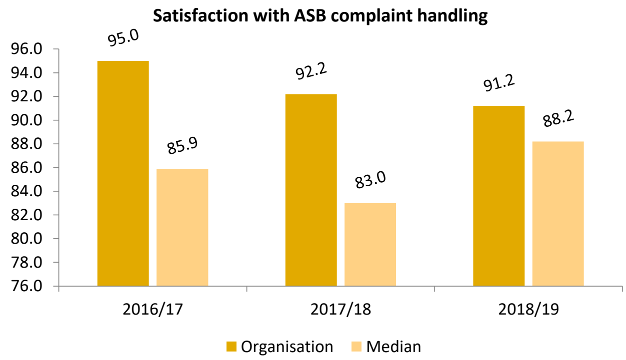
Anti-Social Behaviour

Anti-Social Behaviour (ASB) is an area of high cost compared to our peers. Total cost per property (including overheads) has remained relatively constant, increasing slightly from £64 in 2017/18 to £66 in 2018/19, and we are now placed in group 3. Non pay costs have increased to £2.19 (an increase of £1.09 compared to the previous year) but employee costs per property have remained constant at £47.

However, performance in this area remains relatively positive with 84.8% of respondents saying that they are satisfied with their neighbourhood as a place to live, an increase of 0.8% compared to the previous year, placing us in group two of the peer group.

Satisfaction with the way the ASB complaint was handled has decreased slightly, from 92% in 2017/18 to 91% in 2018/19, a -1.08% decrease compared to a 6.27% increase for the peer group and we are now placed in group 2 for this indicator. Satisfaction with the outcome of the ASB complaint has also decreased, from 92% to 86%, a -6.93% decreased compared to a 8.59% increase for the peer group, placing us in group 3.

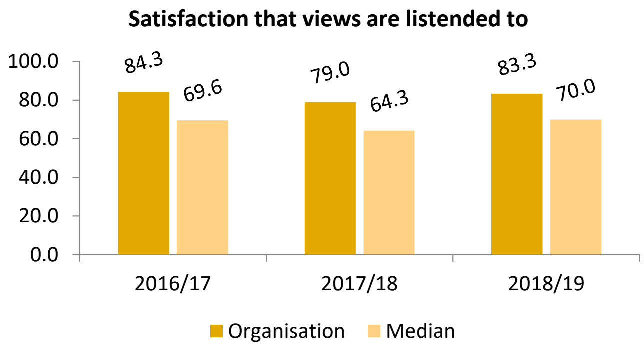




Resident Involvement

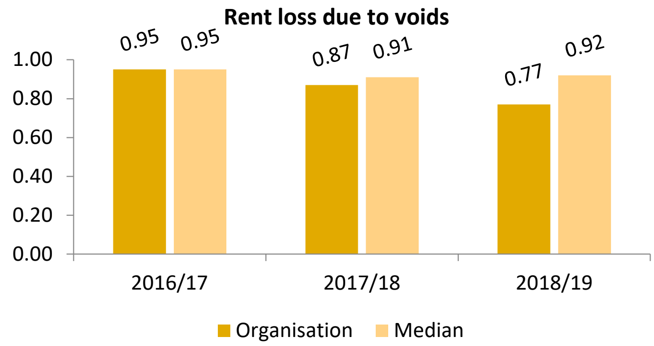
Although there has been a slight increase, at £60 the total cost per property in this area has remained consistent with previous years, though we remain above the median (£43), and we remain in group 3. This reflects the positive support we have given to this area of work and a need to continually support 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 83%. 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.

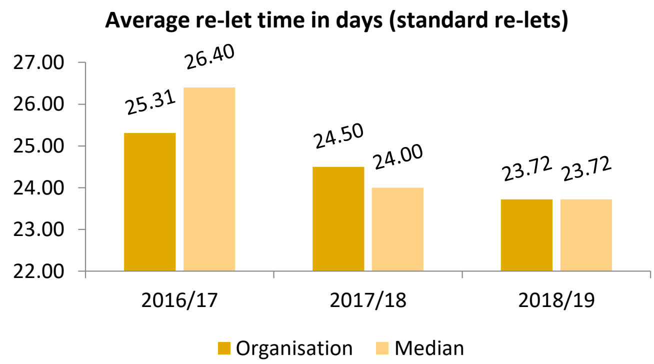


Lettings

Lettings management continues to be rated as relatively good performance and low costs (upper quartile) compared to our peers, with a total cost per property of £40 (£40 last year).



The rent loss due to voids performance is comparable to business plan assumptions (previously 2%, then 1%, now 0.8%). This indicator improved from 0.87% in 2017/18 to 0.77% in 2018/19, and we continue to be in group 2 of the peer group. This is consistent with the decrease in average re-let times discussed below.

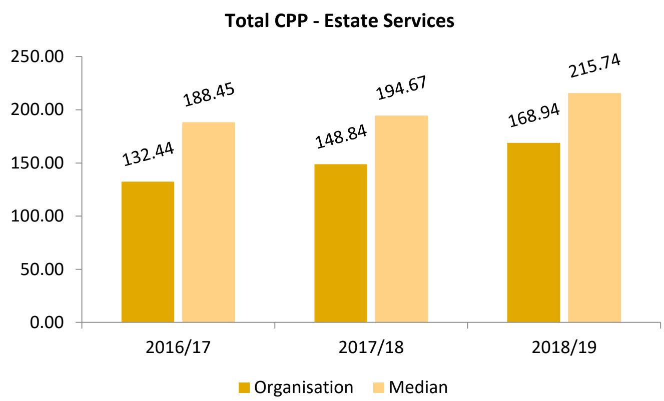


The average re-let time in days (standard re-let) decreased from 24.5 days in 2017/18 to 23.22 in 2018/19, a -3.18% decrease compared to a -1.17% decrease for the peer group, placing Derby Homes at the median point for this indicator. The average re-let time for all relets (standard and major works) has increased from 32.05 days to 38.01 days, the median for this indicator is 33.12 and we are placed in group 4. The average number of days to complete void works has increased slightly from 14.2 to 14.9 days placing us in group 3. The median for this indicator is 11.7.

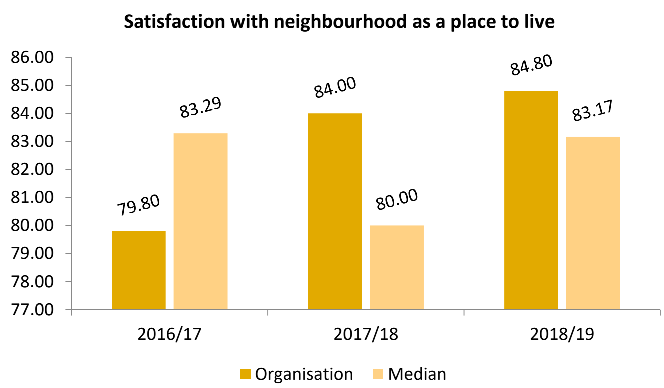
It is important to look at these measures alongside tenancy turnover to assess the sustainability of new tenancies, as it may be a false economy if we are letting properties quickly but without due preparation. Tenancy turnover increased marginally from 6.09% in 2017/18 to 6.15% in 2018/19 and compares to an average of 6.52% for the peer group, placing us in group 2 for this indicator.

Estate Services

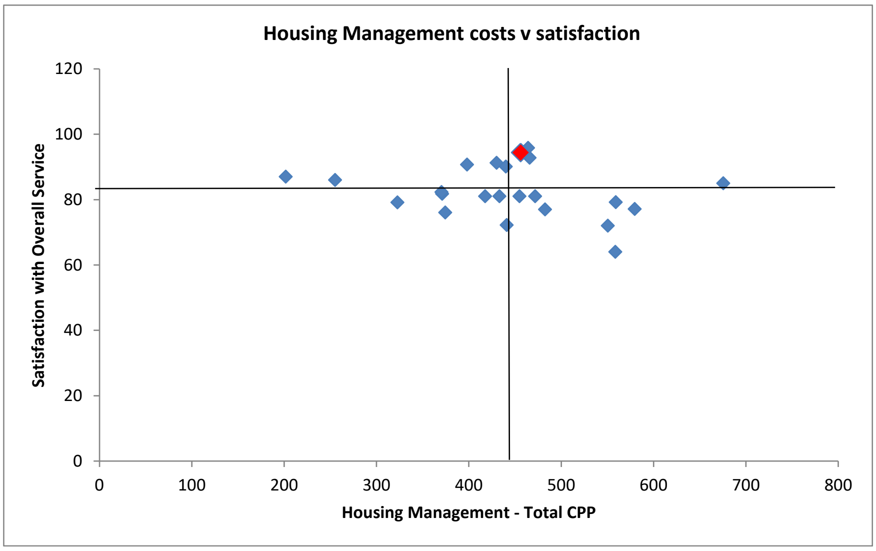
Spending has again increased in this area; a 13.5% increase compared to a 10.82% increase for the peer group, placing us in group 2. Estates Pride capital works are mainly hard landscaping improvements to HRA land, both in the curtilage of the property and surrounding HRA land. Costs on this area are anticipated to increase in the future with the introduction of a more formalised path inspection regime and remedial works.



As mentioned previously, 84.8% of respondents said that they were very or fairly satisfied with their neighbourhood as a place to live, placing us in group 2 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 year on year.



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 relatively high cost, high performance service.

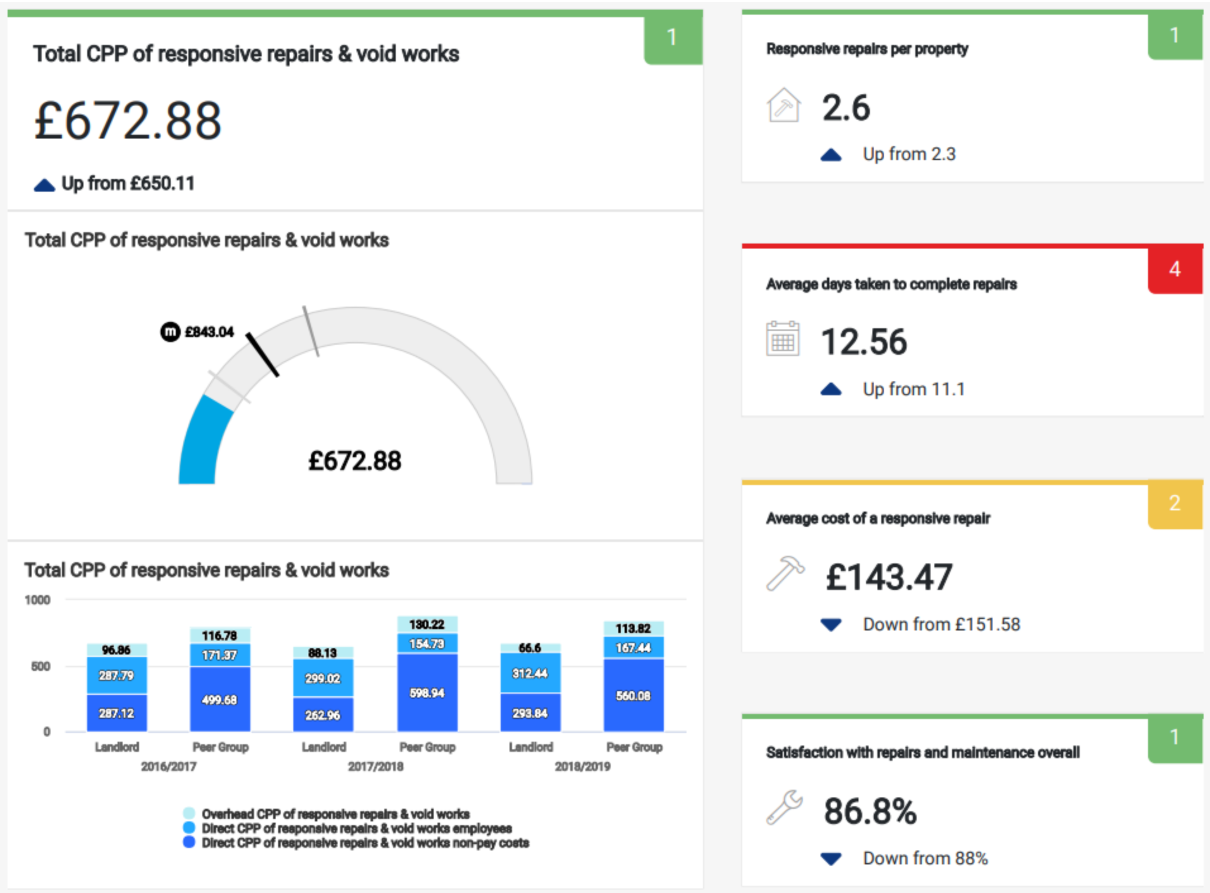


Derby Homes - Peer Group -

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 £673 and we continue to be placed in group one. Costs for this PI have increased by 3.50% compared to a 2.14% increase for our peer group.

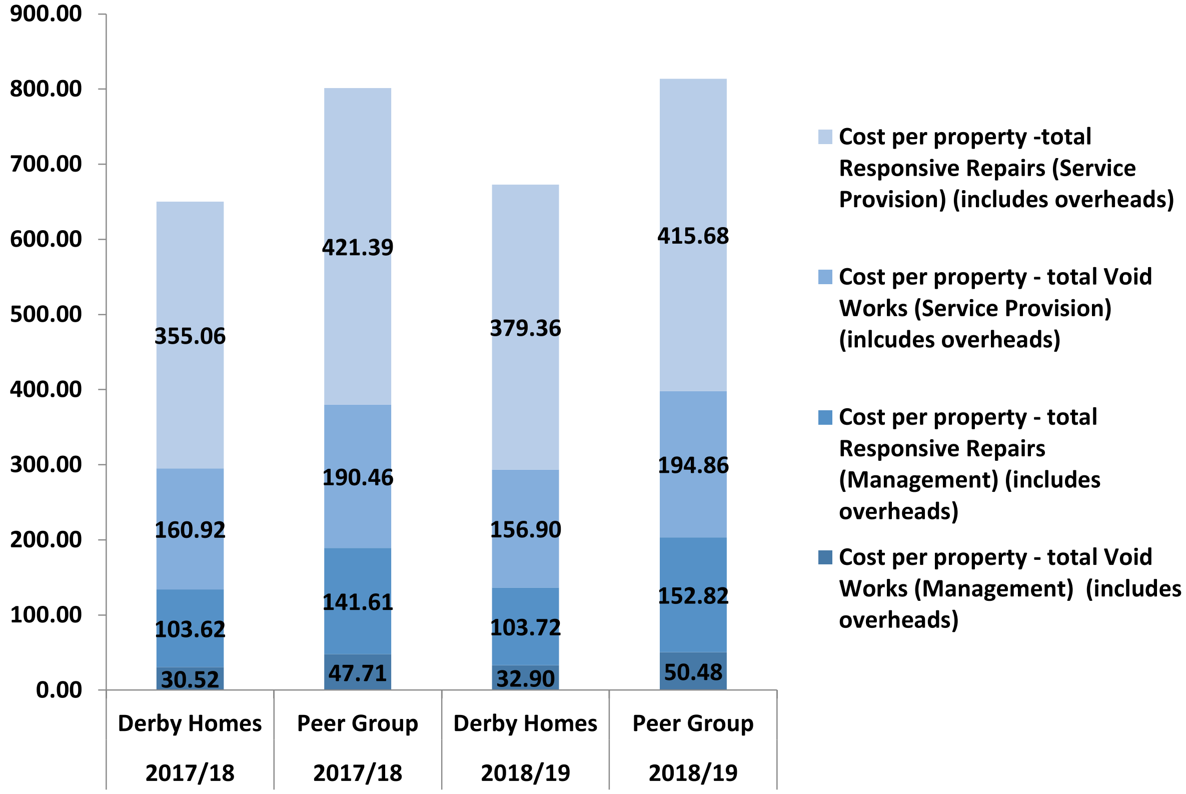


The chart above provides a breakdown of the responsive repairs and void work costs in comparison to our peers. It identifies that:

- Overhead CPP has decreased from £88 in 2017/18 to £67 in 2018/19 (group 2)
- Direct employees CPP has increased from £299 in 2017/18 to £312 in 2018/19 (group 3)
- Direct non-pay CPP has increased from £263 in 2017/18 to £294 in 2018/19 (group 1)

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

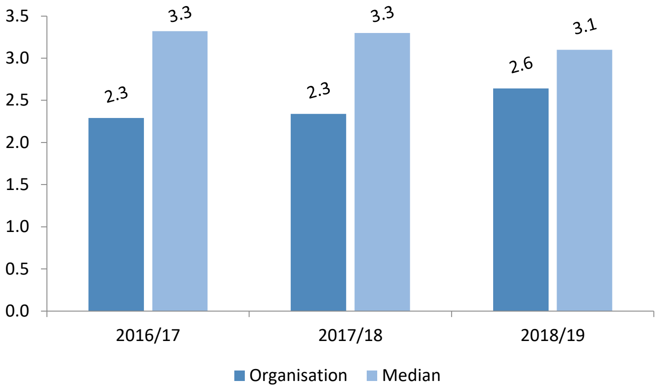
Cost breakdown: responsive repairs and void works



It identifies that:

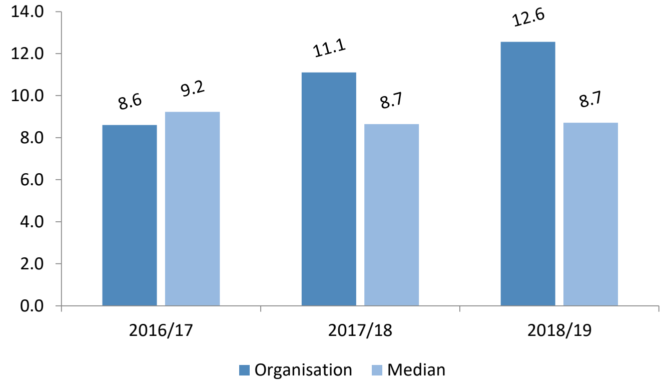
- Responsive repairs (service provision) CPP has increased from £355 (Q2) in 2017/18 to £379.36 (Q2) in 2018/19 and responsive repairs (management) costs have remained constant at £104 (Q1).
- The total CPP of void works (service provision) cost per property has decreased from £161 (Q2) in 2017/18 to £157 (Q2) in 2018/19, whilst total void works (management) costs have increased from £31 to £33 (Q1).

Average number of responsive repairs per property



The average number of repairs per property has increased from 2.34 to 2.64, a 12.8% increase compared to a -6.1% decrease for our peer group and we remain upper quartile performance compared to our peer group, for which median performance is 3.1.

Average number of calendar days to complete repairs



The average number of days to complete a repair has increased from 11.1 to 12,6, a 13.2% increase compared to a 0.7% increase for the peer group, and we are now placed in group four for which the median has remained consistent at around an average of 9 days.

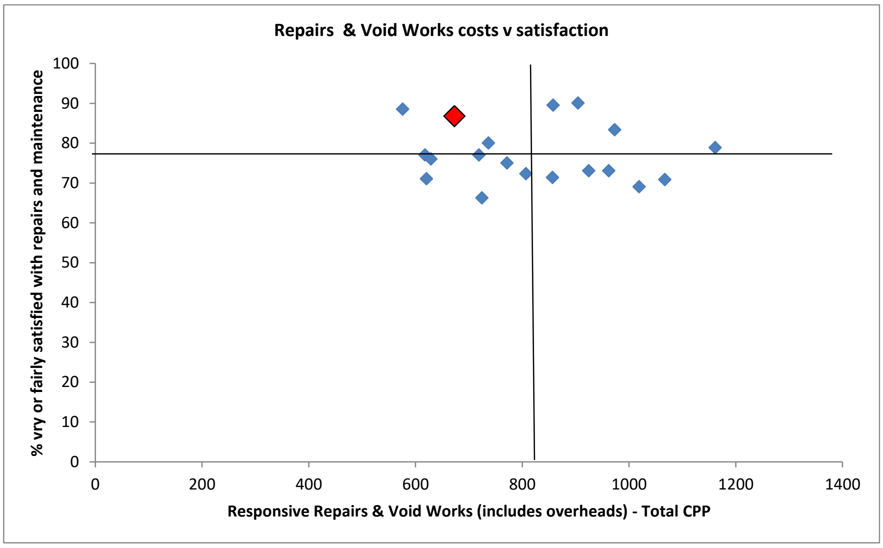
There are a number of issues which have attributed to the increase:

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

- 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, virtually all repairs are completed within target times and satisfaction levels remain high. The following 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.



Derby Homes - Peer Group -

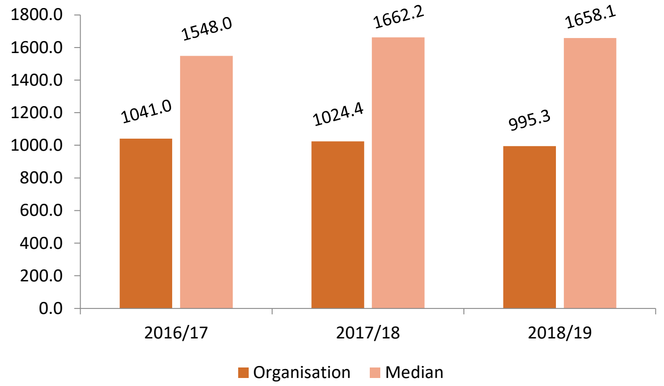
Major Works and Cyclical Maintenance

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.

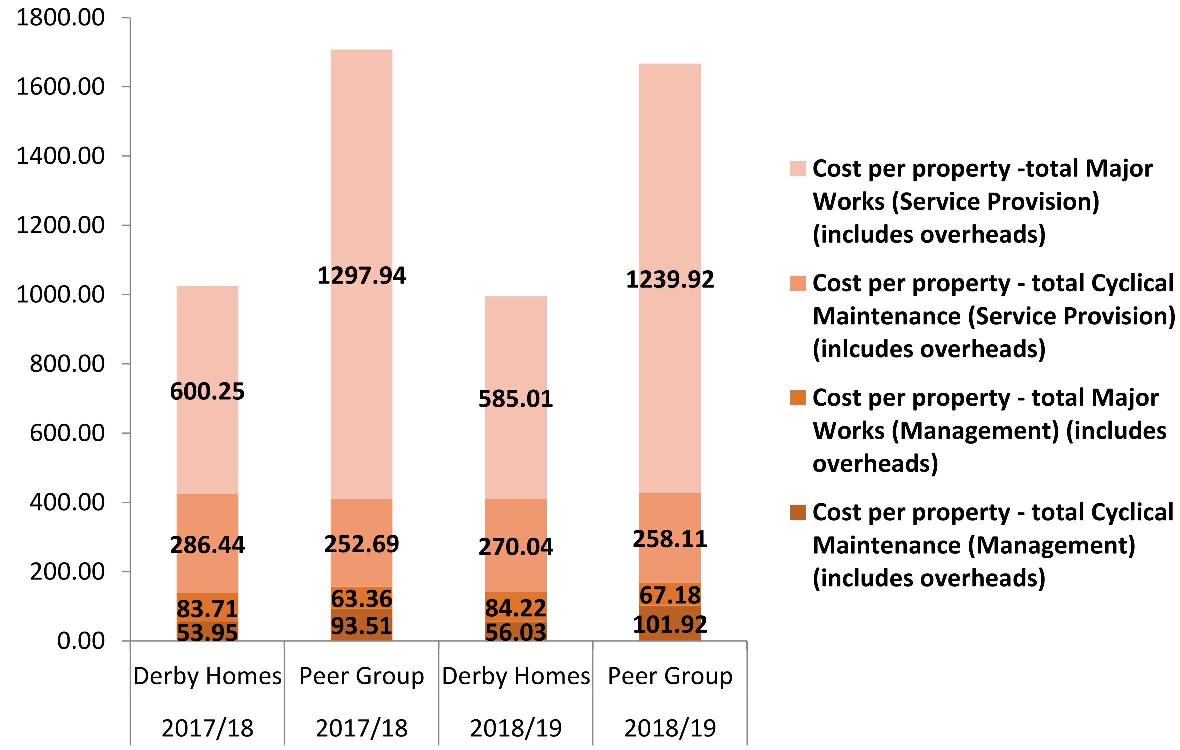
A high or low result in this area is therefore a product of the value for money and underlying needs reducing costs and our investment increasing it, making it an indicator of spending but not of performance in itself. The cost per property in 2018/19 was £995, a decrease of 2.84% and we continue to be placed in the upper quartile, where the median remains constant at around £1.6k.

Total cost per property: major works and cyclical maintenance



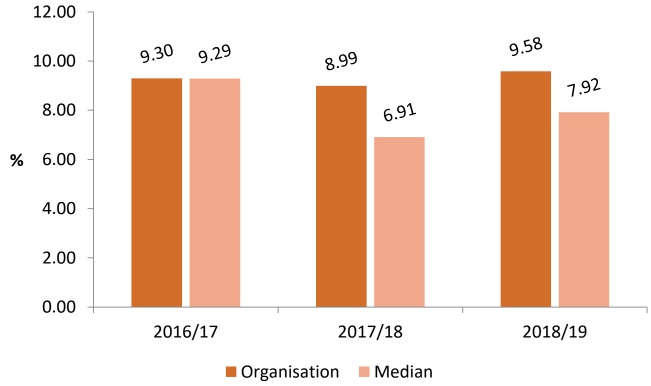
Major works and cyclical maintenance (investment) is split between client side costs (management) and contractor side costs (service provision):

Major works and cyclical maintenance cost breakdowns



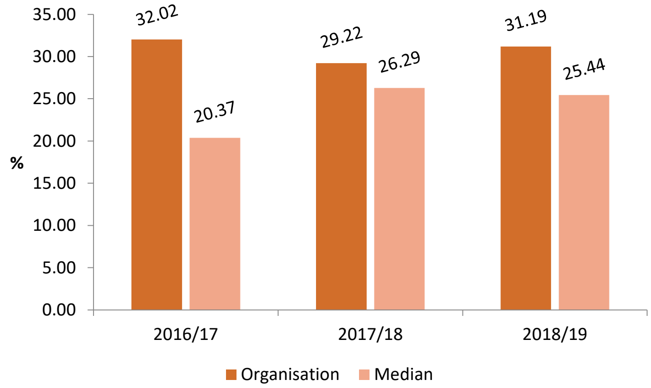
Major works management spend as a % of service provision spend has increased from 8.99% to 9.58%. This is slightly higher than the median because the management cost is relatively fixed whereas the works spend can vary significantly depending on what part of the cycle the component replacements are at.

Major works management spend as a % of service provision spend



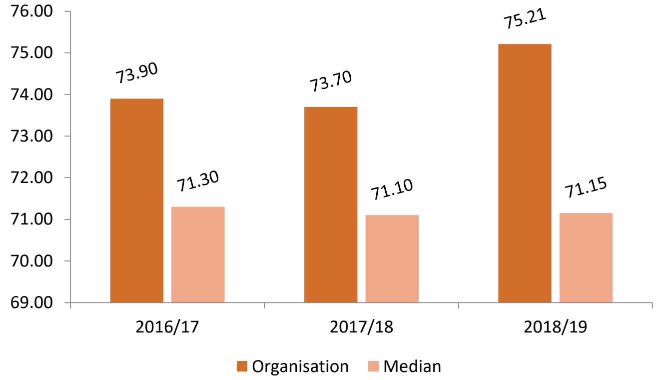
Cyclical maintenance management spend as a % of service provision spend has increased 29% to 31% and we are placed in group three. Same reason as above on the relatively high ratio of management costs to direct spend.

Cyclical maintenance management spend as a % of service provision spend



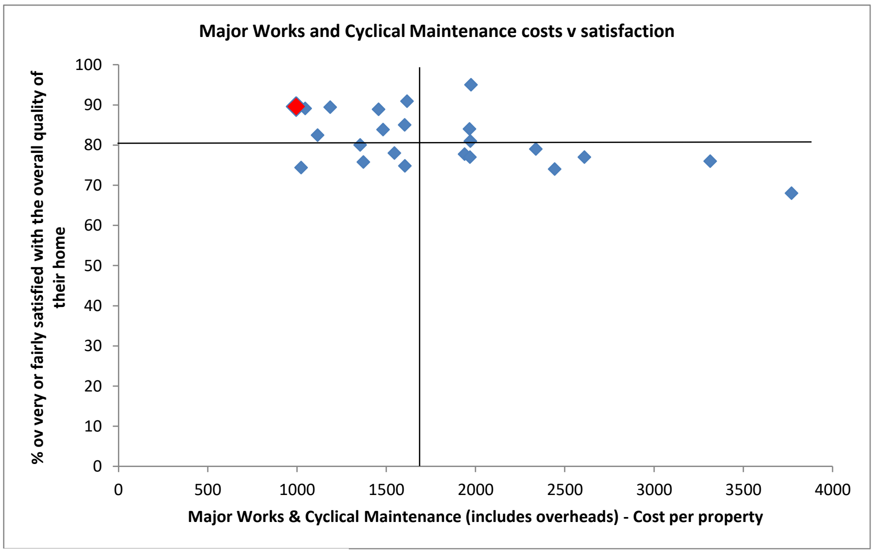
Percentage of dwellings that are non-decent and dwellings with a gas safety certificate are both placed in the upper quartile, reflecting 100% compliant performance.

Average SAP rating



The average SAP rating has increased from 73.7 to 75.2, a 2.05% increase in the measure. The peer group also increased by 0.07% on the measure – and we remain in the upper quartile for this indicator. We are currently moving to a new system of generating our average sap and the level of data being requested has increased to facilitate the move to Open Housing (Open Assets) which has raised the SAP rating to the new improved figure.

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.



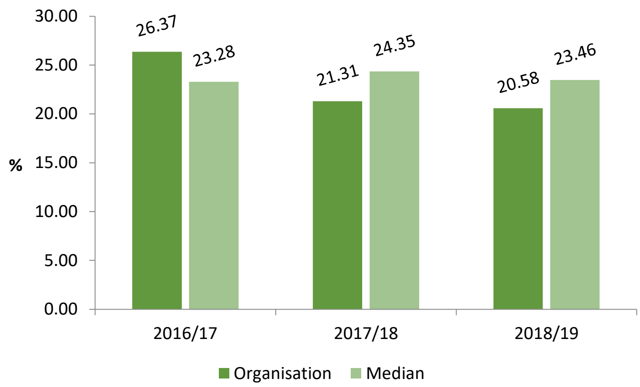
Derby Homes - Peer Group -

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 21.3% in 2017/18 to 20.6% and we are placed in group 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	5,008	7,180	52.86	58.06
Finance	1,468	2,671	15.17	21.02
Office Premises	1,270	2,839	13.40	22.86
HR	726	1,594	7.50	12.73
Central (excluding HR)	2,754	6,731	28.45	50.00

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. This figure is quite volatile and includes some one off costs because of the investment in replacing Open Housing. However these are still below the median levels.

- 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.

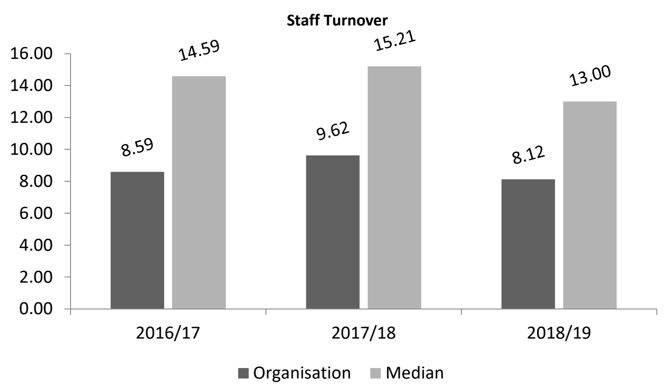
- Office premises - The relatively low office costs represent the accommodation savings that have been made since the move out of the Council House and investment in London Road depot.

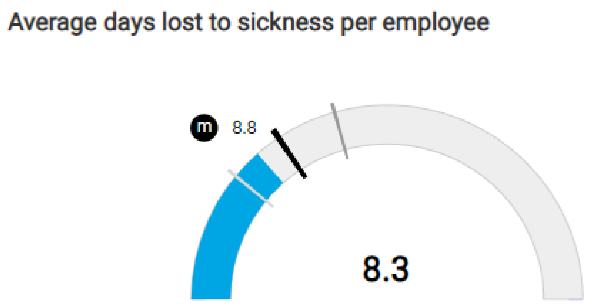
- HR costs - reflects the relatively low cost service from the Council in support of Derby Homes' HR support rather than employing our own teams.

- 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 £50 a year per property below the median – this is equivalent to approx. £0.65m 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 decreased from 9.62 in 2017/18 to 8.12 in 2018/19, a decrease of -15.59% compared to a -15.53% decrease for the peer group. 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.

Although staff absence has increased over the last few years, we are still placed in group two when compared to the peer group which represents relatively good performance.