

VALUE FOR MONEY – ANNUAL REPORT 2021-22

Report of the Finance Director & Company Secretary

1. SUMMARY

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

2. RECOMMENDATION

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

3. REASON FOR RECOMMENDATION

- 3.1 The Operational Board are well placed to comment on operational performance and the value for money of services provided by Derby Homes. Feedback is to be welcomed and can be considered by Officers and / or the main Board within future plans.

4. MATTERS FOR CONSIDERATION

- 4.1 The Operational Board for a number of years (since 2016) have been commenting on the annual report presented on Value for Money.

The report this year focuses on two areas:

1. The 2021/22 financial outturn compared to the latest RSH benchmarked figures
2. The Housemark report for the 2020/21 figures (the 2021/22 Housemark report will be available in late 2022).

4.2 RSH Benchmarking

The Regulator of Social Housing (RSH) has a requirement that all Registered Providers (Derby Homes is one), must comply with their Value for Money Standard and the supporting Code of Practice.

The RSH approach to VfM concentrates on seven key 'metrics' which indicate overall relative efficiency of a 'standard' Housing Association where rent is collected from tenants and spent on services or on debt.

While Derby Homes performs these functions, they are largely on behalf of the Council (just over 12,500 homes) rather than in our own name (116 homes). This means that several of the standard 'metrics are not directly relevant for Derby Homes' situation.

- 4.3 The metrics are required to be disclosed in the annual financial statements of Derby Homes and the Value for Money section of the financial statements is shown in Appendix 1.

These are quite technical accountancy measures and not the easiest to interpret, especially as the Derby Homes key role is management of the Councils stock rather than being a "standard Housing Association", but in summary the key conclusions are that Derby Homes compares well against sector norms, in particular on the key indicator of cost per property.

The next sections explain each metric in more detail.

- 4.4 Metric 1 & 2 – spend on new properties, and the number (10) of properties acquired against the total owned at March 2022 (111). An increase of 9% against our target of 5%. The new properties were linked to:
- "move on accommodation" project with a local charity – Padley
 - projects with the Council for introductory tenancies for children leaving care and unaccompanied asylum seekers.

- 4.5 Metric 3 – Gearing – this looks at the levels of cash held less loans outstanding and compares this figure against the accounting value of the properties owned. With Derby Homes currently having significant levels of cash, this ratio is very strong.

- 4.6 Metric 4 – Interest cover – this ratio is used to assess if an organisation is generating sufficient profits to meet its interest obligations on its loans. The underlying position is that the annual interest costs are relatively low (at £0.154m), benefiting from delaying taking out loans on new properties whilst cash reserves remain healthy. However, because Derby Homes made a loss in 2021/22, (£0.5m excluding the pension adjustments) this ratio did not look healthy this year.

Interest costs are budgeted for annually and the underlying budgets are at a breakeven. With cash holdings in excess of £10m, there is no concern about the company's ability to pay the interest on its loans to the Council.

- 4.7 Metric 5 – Headline social housing cost per unit.

This is a key metric.

The figure of £3,503 is below the 2019/20 RP average figure of £3,830 (latest figure available).

Our overall costs are £3,503 per property (or £67 a week). It should be noted that some costs are excluded from our costs (e.g., some major works on Council housing where costs are directly incurred by the Council and not through Derby Homes).

The £3,503 figure is inflated because the annual pension scheme adjustment required in the financial statements. The Housemark calculated figure, which excludes the pension adjustment shows a cost of £1,998 as described in section 4.11.

4.8 Metric 6 & 7 – this looks at operating margins (profit margins) and returns (profit) on capital employed (finance invested into the company).

It shows that on the Derby Homes owned properties there are normal levels of profits before loan interest being made (which once loan interest is deducted this area breakeven).

On the overall figures, because of the operating loss of £0.5m, it shows that the loss was 1% of turnover in the year (excluding pension scheme adjustments) and a -1.8% return on capital employed.

It should be noted that the long-term financial plan is to operate at an underlying breakeven position, investing the current cash reserves on areas such as new vans, depot improvements and subsidising new homes.

- 4.9 The Board continues to have two VfM targets:
1. to deliver an additional 5% of affordable homes – in order to use our resources for one of our core purposes
 2. to keep costs per property under the average for Registered Providers – in order to demonstrate cost control

These can be evidenced as being delivered as explained in sections 4.4 and 4.7.

4.10 Housemark

The annual report from Housemark on our costs is set out in Appendix 2. This was reported to the Board at their 31 March 2022 meeting. This year’s report compared Derby Homes with 39 other landlords who manage between 10,000 and 15,000 homes.

4.11 The report looks at a number of KPI’s and costs, but a really useful summary of the overall cost per property table is:

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

Work area	Derby Homes	Median of peer group	Diff £	Diff %	Quartile Group
Housing management	£381	£494	(113)	(23%)	1
Responsive repairs & voids	£725	£933	(208)	(22%)	1
Major works & cyclical maintenance	£892	£1,480	(588)	(40%)	1
TOTAL	£1,998	£2,958	(909)	(31%)	

This shows that actual costs (excluding pension adjustments) on a per property basis are in the top quartile in all service areas.

The £909 lower cost per property against median costs, is around a £17 a week saving on rents for tenants. Translated into service provision, it shows that costs are £11.3m below median a year.

This represents excellent value for money for tenants on Derby Homes spend.

Good value for money figures are also supplemented with tenant satisfaction levels remaining high, with the majority of areas being top quartile.

KPI	2020/21					2019/20		2018/19	
	Upper	Median	Lower	Result	Quartile Group	Result	Quartile Group	Result	Quartile Group
Overall service provided	86%	81%	75%	95%	1	95%	1	94%	1
Quality of home	83%	80%	76%	90%	1	91%	1	90%	1
Views listened to	76%	64%	61%	85%	1	79%	1	83%	1
Neighbourhood	87%	82%	76%	86%	2	87%	1	85%	2
Value for money	89%	85%	82%	93%	1	93%	1	90%	1
ASB complaint handling	90%	74%	49%	95%	1	94%	2	91%	2
ASB complaint outcome	88%	75%	43%	89%	2	90%	2	86%	3

The full report is attached at Appendix 2 – CMIS only.

IMPLICATIONS

5. FINANCIAL AND BUSINESS PLAN IMPLICATIONS

- 5.1 Benchmarking helps us to understand, assess and challenge costs and performance in order to improve services and value for money, which features as one of the strategic objectives within the Delivery Plan. The benchmarking data supports the annual business planning process by helping us assess whether we have achieved optimum balance between inputs, outputs and outcomes and helps to inform intelligent target setting.
- 5.2 The low costs of both Derby Homes and the Council mean that the average rent charged is good value at less than 60% of market rents.

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

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

For more information please contact:

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Background information: RSH – Value for Money Standard - [Value for Money Standard and Code of Practice - GOV.UK \(www.gov.uk\)](https://www.gov.uk/guidance/value-for-money-standard-and-code-of-practice)

List of appendices Appendix 1 – Extract from 2021/22 financial statements - RSH metrics
Appendix 2 – Housemark benchmarking report 2020/21

This report has been approved by the following

Managing Director	Maria Murphy	09.09.2022
Finance Director	Michael Kirk	26.08.2022
	Taranjit Lalria	13/09/2022