Appendix 1

HouseMark Benchmarking
Cost & Performance Analysis Report 2020/21

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 2022/23, 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 39 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)
London Boroughs
Metropolitans / Unitaries
Districts
Housing Associations (Large Scale Voluntary Transfer (LSVT))
Housing Associations (Traditional)

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.

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).

- Satisfaction KPI’s are excellent, all in either the top Q1 quartile, or Q2.
- Overhead cost per property were comparatively lower than the peer group in 2020/21
- Housing management performance was slightly below that of the peer group, however, our costs are also lower based on front-line housing management cost per property and overheads cost per property.
- The overall housing maintenance performance slightly below that of the peer group, however our front-line costs were also lower.

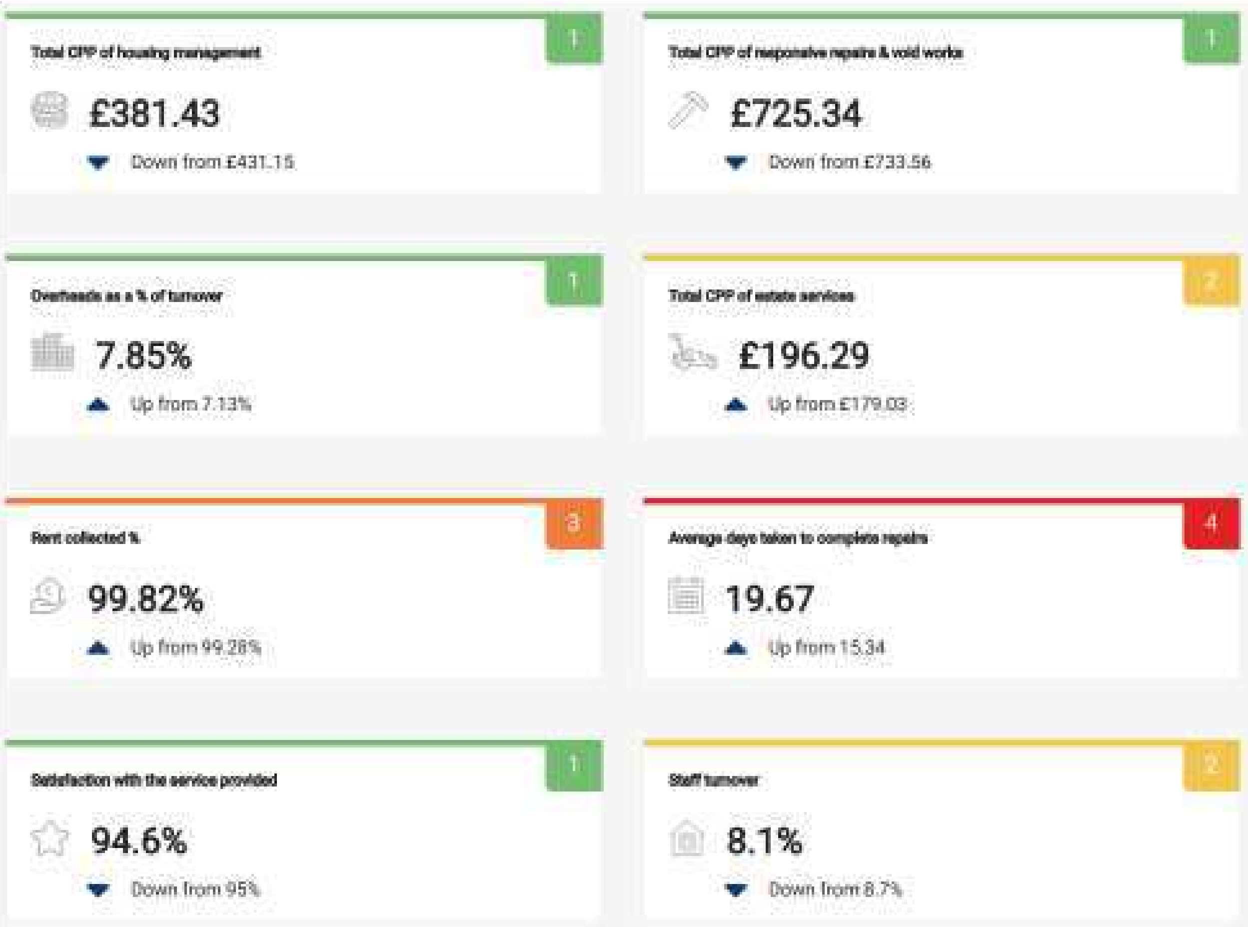
Year-end performance figures (when compared to previous year) have inevitably been impacted by the disruption caused by COVID making financial & satisfaction comparisons with the previous year overly beneficial. Hence the report this year focuses on the general themes that the financial figures tell us rather than explaining movements from one year to the other.

The overall balance of this report shows that there are no areas of real concern with regard to performance, and that there are 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

Business Overview

Total cost per property are costs for service areas such as housing management, responsive repairs etc to be delivered, so are more than just employee and non-pay costs. These service areas need IT kit, an office base, support from HR, marketing, finance etc otherwise cannot be delivered.

The following dashboard provides a quick at-a-glance overview of our position focusing on the key areas of total 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 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%)***	

In summary across all areas there is a decrease in the cost per property. But this will be heavily influenced from reduced activity because of COVID. What is useful from this overarching KPI, is that the Derby Homes costs are all Quartile 1 and below the median.

Satisfaction

There have been significant fluctuations in resident perception scores over the past year nationally. Derby Homes has followed a similar trend although the Customer Survey was postponed during quarter one due to the Covid-19 pandemic. However, we have seen a recovery at year end and satisfaction levels continue to be very positive, with performance for all but one of the following measures in quartile 1 when compared to our peers.

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

	2020/21					2019/20		2018/19	
KPI	**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

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 services such as 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 decreased from £431 to £381, a 11.6% decrease placing us in quartile 1 for this indicator. The main reason for this change is technical, we have reviewed the classification of which staff should be included within the measure and removed several staff whose role is more focused on offering financial advice rather than Income Collection. The Rent Arrears and Collection KPI shows this change in more detail.

Total Cost £ per Property of Housing Management

Overhead costs remain low for Derby Homes and we remain in the top quartile. Other organisations may have lower housing management direct CPP than Derby Homes but with higher overheads which are included in total CPP. This makes their total CPP higher than Derby Homes.

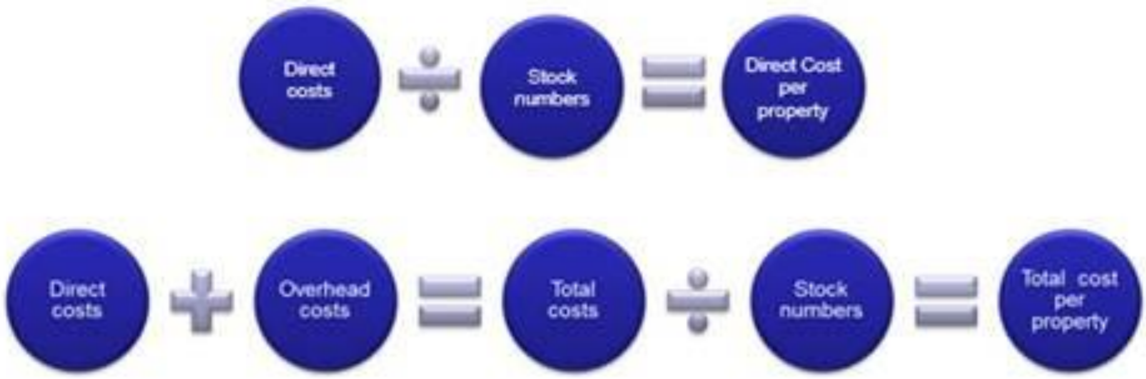
1) Derby Homes has one of the highest employee resource in the peer group (at 8.07 employees per 1,000 properties, compared to a median of 6.85) which drives the direct costs in this service area.

2) While we employ more people (linked with the increasing needs of our tenants), the average pay cost is lower (£32k including on-costs and pension compared to median of £35k).

3) 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

The following sections refer to direct cost rather than total cost per property - direct costs include employee and non-pay costs allocated to a particular service area. The advantage of direct CPP is that is covers only costs incurred as part of the delivery of the particular service area.



The numerator includes:

- Total cost of all staff directly engaged in the delivery of housing management, including their national insurance, pensions and on-costs
- All non-pay costs relating to housing management

and is analysed over the following functions:

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

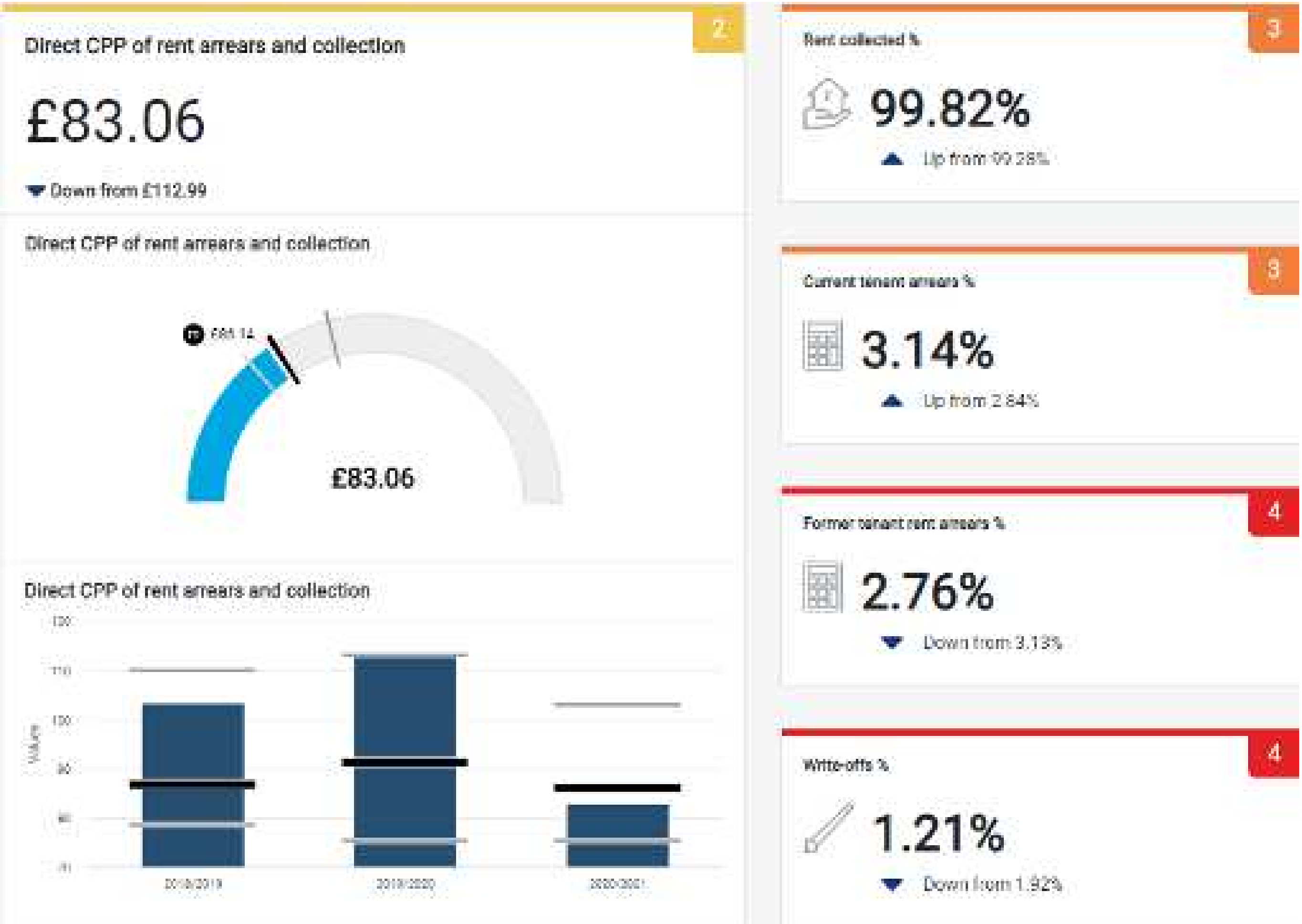
Operational Productivity

The overall operational performance was slightly below that of our peers; however, our costs are also lower. This is based on front-line housing management cost per property (£291), overheads cost per property (£395) and the average performance across four key operational performance indicators.

Direct Housing Management Costs Breakdown (£ per property)

Each of these expense headings are considered below:

Rent Arrears and Collection



The direct cost per property of rent arrears and collection has decreased from £113 to £83 and we are now placed in quartile 2 when compared to our peers. Derby Homes employs 2.6 fte per 1,000 properties in the service, compared to a sector median of 2.0. The Income Team in Derby Homes is adequately resourced and has been able to cover increased workloads arising from the pandemic and increasing numbers of tenants switching to Universal Credit.

The overall cost per property of rent arrears and collection has reduced from £152 to £112 placing us in quartile one when compared to our peers. This is as a result of reviewing which staffing should be included in this KPI, and in 2020/21 we removed staff within the Welfare Reform Team and some Money Advice Officers from the figures. This accounts for the headline drop between 2019/20 and 2020/21.

Year-end current tenant arrears were around £0.16m higher than 2020/21, mainly as a result of the of COVID pandemic and restriction on full enforcement action for cases that would normally go through to eviction.

The following table summarises our 2020/21 performance against the median.

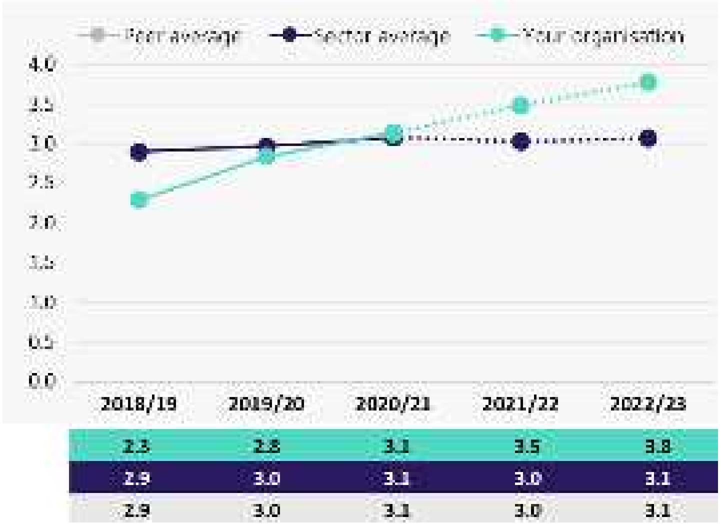
Type of arrears	**Derby Homes 2020/21 %**	**Median 2020/21 %**	**Quartile Group**	**Derby Homes 2019/20 %**	**Median 2019/20 %**
Current arrears	3.14	3.0	3	2.84	2.91
Former arrears	2.76	1.27	4	3.13	1.49
Current & Former arrears	**5.9**	**4.07**	**3**	**5.98**	**4.26**

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 consider any outliers – as such each median is individual and so not expected to sum up to the total median.

After an initial spike in arrears in Spring 2020, on average the sector position remained broadly stable until July 2021. Since then, average arrears have started to increase again. Restrictions on issuing standard collection enforcement actions and the removal of the £20 uplift to Universal Credit, rising energy prices, the end of furlough further added to the difficulties tenants face in paying their rent.

Current tenant arrears as a percentage of the annual rent debit increased by 0.3% compared to 2019/20, placing us in quartile 3, but still very close to the median. After a challenging year due to the impact of the Covid 19 pandemic the arrears figure was at £1.76m compared to £1.6m in 2019/20. Although a 10% increase it should be noted that due to the Covid pandemic 2020/21 was a year of almost no enforcement action due to the ban on evictions. There were only two evictions under the exceptional circumstances category since April as the Government has mainly suspended most of the court and eviction proceedings. The two evictions that were carried out were found to be abandoned by the tenants.

Housemark's budget forecasting tool notes that overall arrears increased by 17% in 2020/21, with significant variances between landlords. Housemark are forecasting continued, albeit smaller, increases at sector-wide level over the medium-term as economic restructuring, benefit changes and cost of living increases result in lower disposable incomes for tenants. They have also analysed the impact of staffing numbers on arrears and factored this into their forecast modelling.



Although former tenant arrears (FTA) have decreased from 3.13% to 2.76% we remain in quartile 4. This 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. The approach in Derby is for an FTA to stay "on the books" until they become "statutorily time barred" after 6 years. Recovery action is attempted on FTA's during this time. Write off's during the 6 years occur for reasons such as notification of death, debt relief orders etc. Other providers do write off earlier than 6 years and hence are reporting a lower FTA % figure.
We also plan a large write off of debts which are over 6 years old in 2021/22. This will take approx. 1% off the headline FTA figure.

Resident Involvement

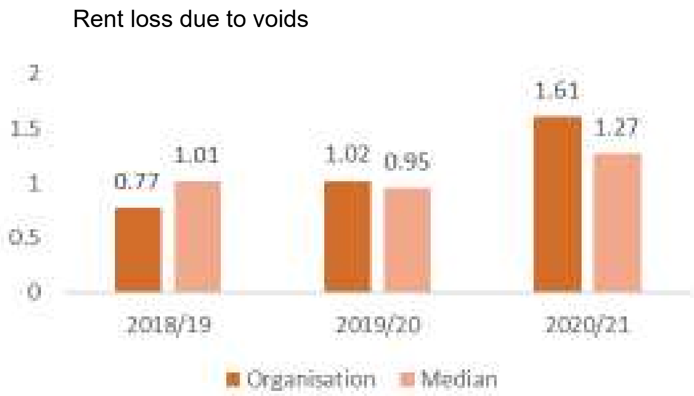
At £48 the direct cost per property in this area has remained consistent with previous years, though we remain higher than the median, and remain in quartile 4. This reflects the positive support we have given to this area of work and a need to continually support tenants' ability to influence our priorities.

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 85%. 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

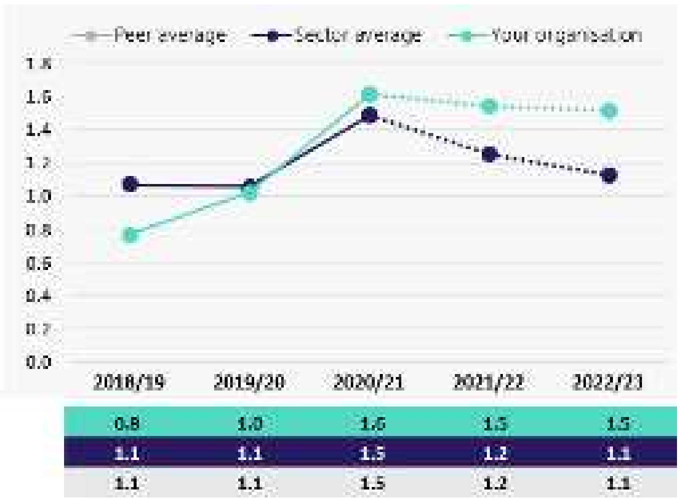
Lettings

The pandemic caused unprecedented disruption to lettings during 2020-21 and in-year void loss was on average 60% higher than in previous years. Disruptions to lettings earlier in the year led to a backlog of voids that many landlords are still working to clear in 2021-22.



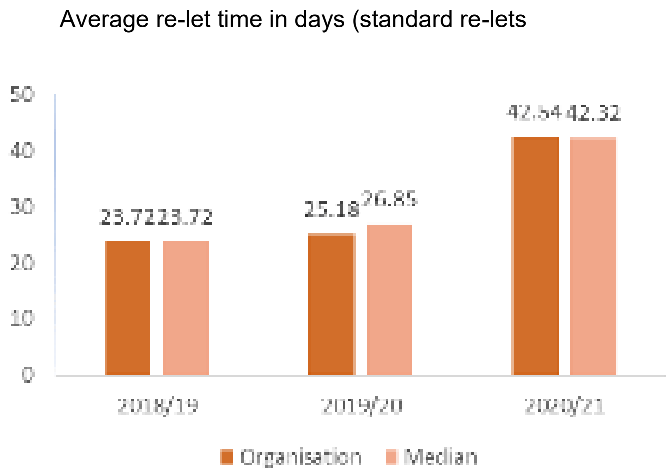
Derby Homes void loss was up by 0.59% to 1.61% at the end of 2020-21 placing us in quartile three when compared to our peer group.

Based on the monthly data by housing organisations, Housemark are forecasting a modest increase in void loss for this financial year, followed by a recovery to near normal levels by March 2023. In reality, the Derby Homes performance in 2021/22 has seen a much quicker return to near normal levels.



This chart compares our performance for void loss against the sector average (mean), charting our annual performance for the last three years and forecasts our likely performance for 2021/22 and 2022/23 based on a comination of assumptions and projections.

During the lockdowns of 2020/21, average re-let times effectively doubled giving a national increase of around 80%. Derby Homes average re-let time in days (standard re-let) increased by 69% by year-end from 25.2 in 2019/20 to 42.5 in 2020/21, placing us in quartile 3 for this indicator compared to our peers.



The average re-let time for all relets (standard and major works) increased from 56 days to 67, the median for this indicator was 57 placing us in in quartile 3.

However, Lettings management is rated as a low-cost service, with a direct cost per property of £25 compared to a median of £47, placing us in quartile one of the peer group.

It is important to look at these measures alongside tenancy turnover to assess the sustainability of new tenancies. Tenancy turnover decreased from 5.71% in 2019/20 to 5.23% in 2020/21 compared to an average of 5.56% for the peer group, and we continued to be placed in quartile 2 for this indicator. This was obviously affected by COVID as for periods of the year there was a ban on new tenancies.

Anti-Social Behaviour

Anti-Social Behaviour (ASB) remains an area of relatively high cost compared to our peer. Direct cost per property has remained relatively constant, increasing slightly from £47 in 2019/20 to £47.74 in 2020/21, and we are placed in quartile 3.

ASB at Derby Homes is better resourced than most peers (1.41 employees per 1,000 properties compared to an average of 0.97 per 1,000 properties for our peer group). Direct cost per case (£608 compared to a median of £703) is below that of our peers, however ASB caseload is high, which may have contributed to the lower cost per case.

Performance in this area remains relatively positive with 86% of respondents saying that they are satisfied with their neighbourhood as a place to live, compared to 87% the previous year, placing us in quartile two of the peer group. Care should be taken when evaluating the satisfaction with neighbourhood, as there are several factors that impact on this indicator, several which we have no influence upon, and this specific service is only one element of the satisfaction level.

Satisfaction with the way the ASB complaint was handled has increased marginally to 94.9% and satisfaction with outcome has reduced marginally to 89%. We are placed in quartile one for both indicators.

Tenancy Management

The direct CPP for tenancy management has reduced from £95 in 2019/20 to £87 in 2020/21 which is 12% lower than the previous year and is lower than that of the median and we are placed in quartile two.

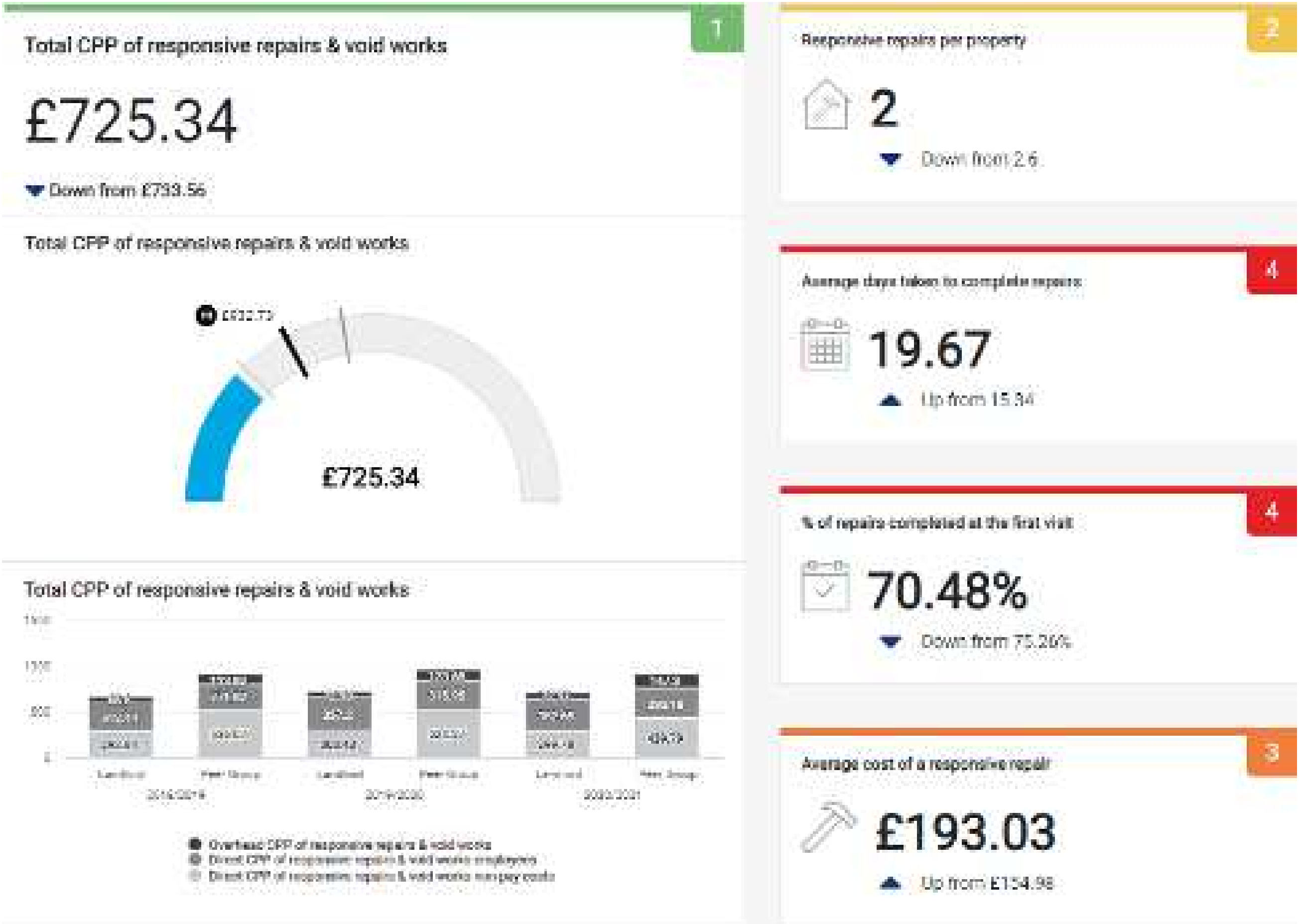
We have a relatively high number of fte's per 1,000 properties of 2.35 compared to an average of 1.97 for our peers but have lower direct employee costs per property for this service area than the median of the peer group for which we are placed in quartile two.

95% of respondents said that they were either very or fairly satisfied with the overall service provided, placing us in the top four of the 27 organisations that submitted data for this indicator within the 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 £725 and we continue to be placed in quartile one.



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

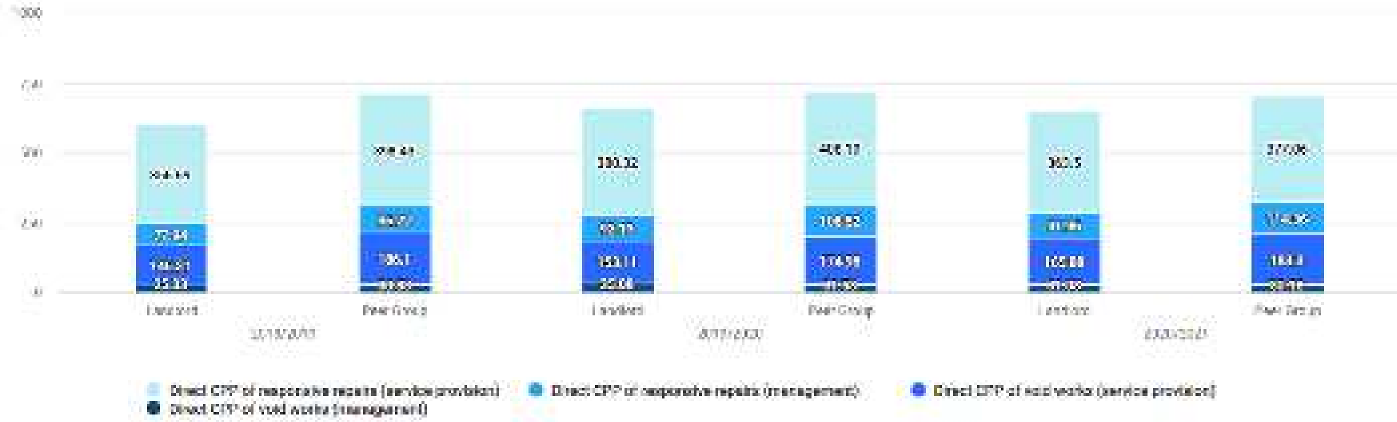
- Overhead CPP has have remained constant at £73 (quartile 1)
- Direct employees CPP has decreased from £357 in 2019/20 to £353 in 2020/21 (quartile 3)
- Direct non-pay CPP has decreased from £303 in 2019/20 to £300 in 2020/21 (quartile 1)

In summary our overall maintenance performance was slightly below that of our peers, however front-line costs are also lower. This is based on our responsive repairs and void works direct cost per property of £652, our cyclical maintenance and major works direct cost per property of £853 and our average performance across four repairs and maintenance KPIs. It should be noted when viewing the square cost vs performance graph

that Housemark essentially rank performance on each KPI within our peer group to build the graph. We do not submit data for ‘satisfaction with the repairs service received’ as we do not use the methodology for data collection that Housemark requires. As there is no data for this measure it has brought the average of the 4 performance KPI’s down bringing us under the median.

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

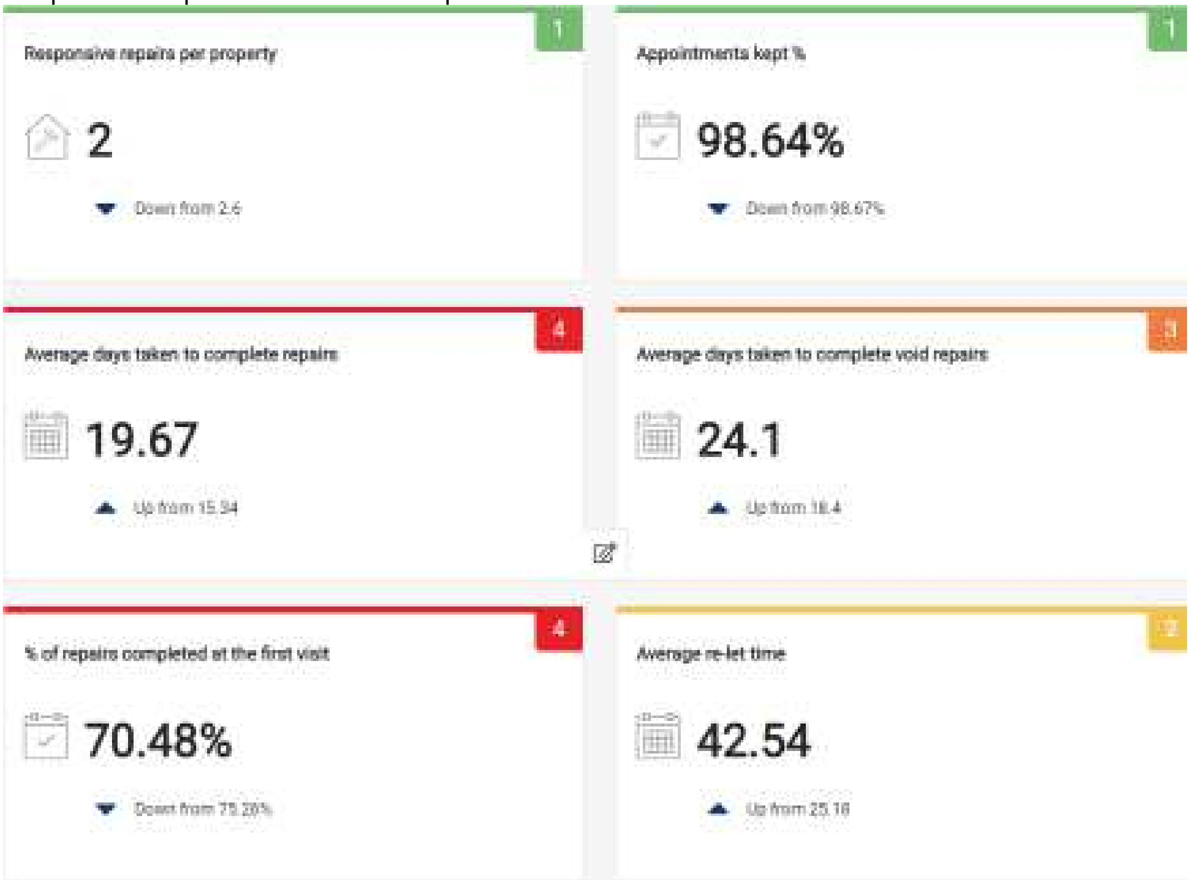
Cost breakdown: responsive repairs and void works



It identifies those direct costs have remained fairly constant for repairs and voids for service provision and management:

- Responsive repairs (service provision) CPP has decreased from £380 in 2019/20 to £363 in 2020/21 (Q1) and responsive repairs (management) costs has remained constant at £92. (Q2).
- The direct CPP of void works (service provision) has increased from £153 in 2019/20 to £166 (Q2), whilst total void works (management) costs have reduced from £35 to £31. (Q2).

Responsive Repairs and Void Works performance



As with most landlords, Derby Homes restricted repairs services during the lockdown periods and as a result repairs volumes carried out last financial year were around 25% lower than in normal times. The number of responsive repairs per property for 2020/21 was 2.0 which was down by 0.60 on 2019/20 (Q1). Peer median for this indicator was 2.3.

The average number of days to complete a repair increased from 15.34 in 2019/20 to 19.67 in 2020/21, which is quartile 4. This 4-day increase is consistent with the median increase which has increased from an average of 10 to 13 days.

The area we are most concerned about is the 70% repairs completed at first visit figure. Whilst in 2020/21 this is artificially low because of the higher proportion of emergency jobs (where the aim is to make safe and repair later as necessary), it is an area where plans are in place to improve this figure. New software will be procured which should provide a better diagnosis of the repair being reported by the tenant.

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.

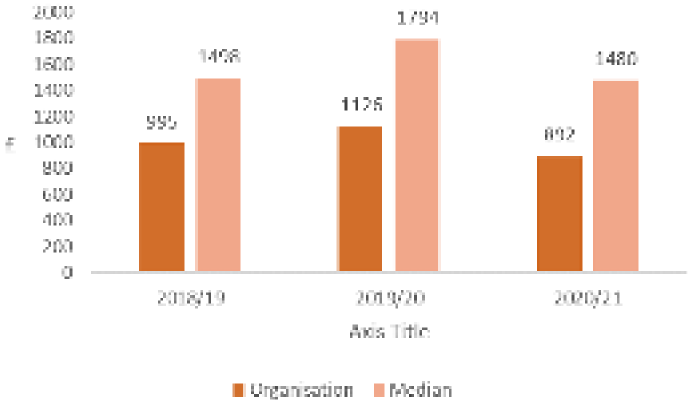
Major Works and Cyclical Maintenance

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.

Figures for 2020/21 are particularly low because non-essential improvement works were put on hold for much of the year.

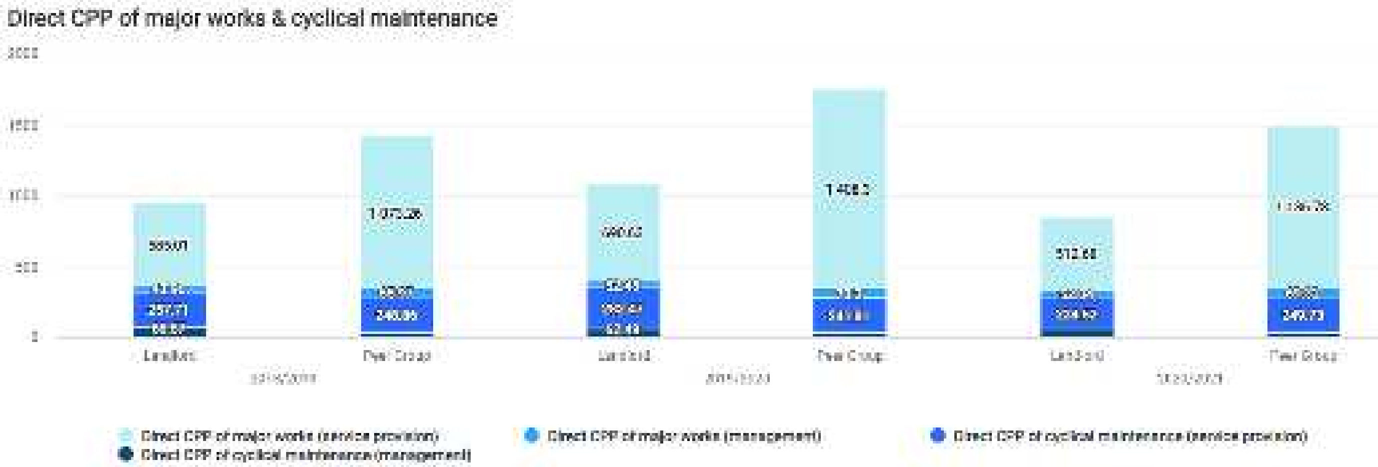
Generally, the mix between some works being delivered by specialist contractors (roofing, windows, doors) and other works by the in house team (kitchens, bathrooms, boiler swaps, electrical upgrades) results in a good value for money output on this area.

Total cost per property: major works and cyclical maintenance



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.

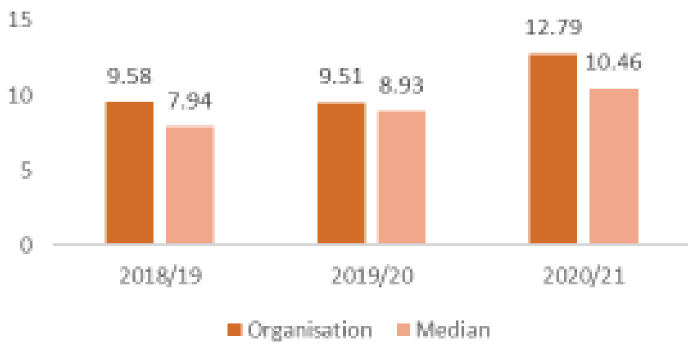
Major works and cyclical maintenance (investment) is split between client-side costs (management) and contractor side costs (service provision):



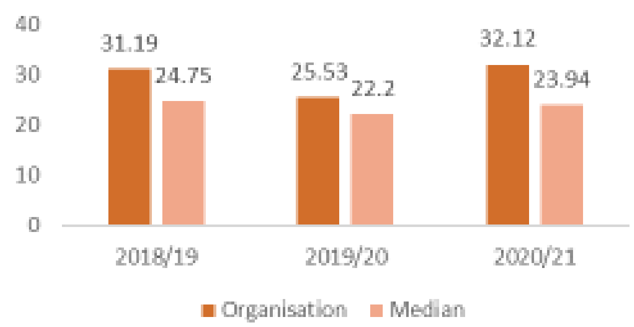
As with other areas there has been a reduction in costs when compared to the previous years major works and cyclical maintenance service provision. Management costs remain largely the same.

Major works management spend as a % of service provision spend has increased from 10% to 13% as a result of the fixed cost of the team and the lower direct spend on works because of the COVID disruption.

Major works management spend as a % of service provision spend



Cyclical maintenance management spend as a % of service provision



Cyclical maintenance management spend as a % of service provision spend has increased from 26% in 2019/20 to 32% in 2020/21 and we continue to be placed in quartile three. Same reason as above on the relatively high ratio of management costs to direct spend.

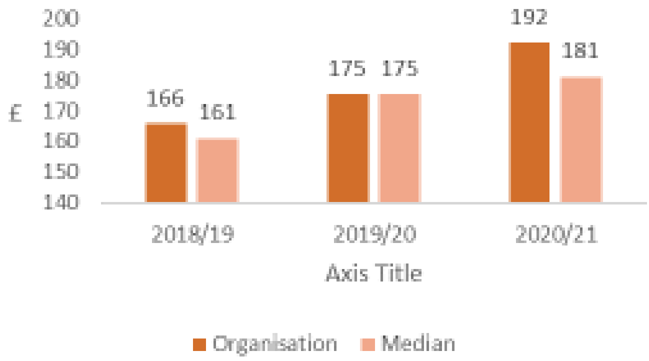
100% of our dwellings meet the decent homes standard placing us in the upper quartile. 99.84% of our properties had a valid gas safety certificate at the end of March, putting us in quartile 3 for the peer group

The average SAP rating was 75.5 and we remain in the upper quartile for this indicator.

Estate Services

Spending has again increased slightly in this area placing us in quartile 3 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. Increases are because of a programme of both car parking and path resurfacing which has started following inspections. There is also a long-term plan to introduce more off-road parking facilities by introducing “hardstanding” driveways to suitable properties.

Direct CPP of Estate Services



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 increased from 17.9% in 2019/20 to 19.6% in 2020/21 and we continue to be placed in quartile one of the peer group.

The HouseMark 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	4,063	7,480	36.30	59.90
Finance	1,411	2,840	12.30	19.90
Office Premises	1,299	2,702	11.60	26.30
HR	594	1,793	5.20	13.00
Central (excluding HR)	2,864	6,337	25.00	52.00

Across the sector, 2020-21 saw a reduction in overheads costs driven by falls in premises expenditure, consultancy and recruitment fees. Increased IT spend was typically capitalised.

In all overhead areas, Derby Homes' overhead costs per employee are significantly less than the median of the peer group. Overall number of fte's per 1,000 properties has increased from 2.8 in 2019/20 to 3.13 in 2020/21, compared to a median of 3.2. Average pay levels (inc 30% on costs) at £38k are around 15% lower than the median of £44k.

As in previous years our overhead cost per property was comparatively lower than our peers in 2020/21.

- IT CPP – are comparable to the previous year. These are lower than the median levels and we are placed in quartile one of the peer group.

- Finance CPP (inclusive of Rental Control, Accounts Payable team and Accountancy) decreased again in 2020/21 and we are placed in quartile one.

- Office premises CPP – has decreased from £13.02 in 2019/20 to £11.61. This reduction will be one off as planned maintenance works to the depot and local housing offices were put on hold during COVID.

- HR CPP – down from £7.42 in 2019/20, this reflects the relatively low-cost service from the Council in support of Derby Homes' HR support rather than employing our own teams.

- Central CPP (inclusive of Derby City Council support services) – down from £27.97 placing us in in quartile one of the peer group.

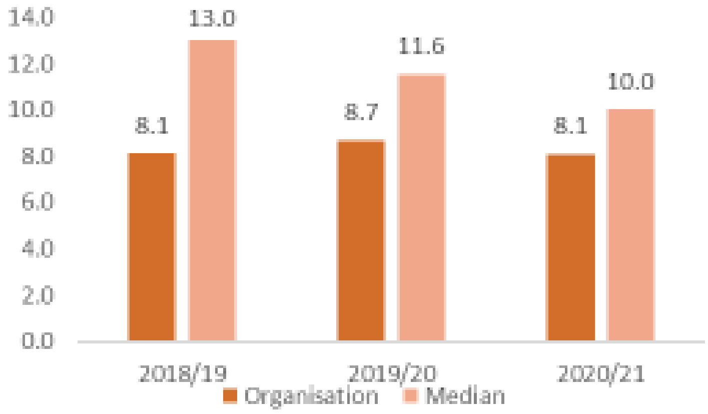
Corporate Health

Housemark calculated an annual figure of 7.7 average working days lost during 2020/21 for Derby Homes which placed us in quartile 2 of the peer group. However, it should be noted that Housemark calculates the data using a specific formula which results in a figure that differs from the data we report at year-end. This figure is provided directly from our Absence Management reporting system.

Nationally, despite peaks in sickness throughout the year, particularly amongst customer-facing staff, across the sector as a whole sickness absence was lower in 2020-21 as many staff worked from home.

From the beginning of the Covid pandemic employees have been able to record non-medical absences relating to Coronavirus /Covid 19 pandemic (self-isolation / care of a dependant etc). During 2020/21 the average 'Days lost' figure for medical absences was 6.27 (Absence Management system) days (3.89 long term, 2.38 short term). When non-medical Covid related absences are included this overall average goes up to 8.43 days. This means that the overall sickness level is slightly better than the previous year but the impact of Covid-19 in requiring isolation – itself not sickness – means that the overall absence rate is slightly higher than last year.

Staff Turnover



Staff turnover, which includes both voluntary and involuntary turnover, has remained fairly constant over the last few years. Our performance in this area remains consistent and we are placed in quartile two of the peer group. We believe that this reflects a settled and positive workforce that recognises that Derby Homes is a reasonable employer in their own circumstances.