

## NOTTINGHAM CITY HOMES

### REPORT OF THE DIRECTOR OF FINANCE, ICT & GOVERNANCE

THE BOARD  
18 SEPTEMBER 2008

#### HOUSEMARK DATA 2007/08 AND 2008/09

#### 1 SUMMARY

- 1.1 This report is to present to the Board the Housemark benchmarking data for the Company's actual expenditure and performance in 2007/08 and the budget for 2008/09.
- 1.2 Housemark have issued a draft report, which includes data submitted by all ALMOs subscribing to the Housemark benchmarking club. A final report will be issued in early October that will include any amendments to data and any late submissions.

#### 2 RECOMMENDATIONS

- 2.1 To note the contents of this report.

#### 3 HOUSEMARK BENCHMARKING DATA

- 3.1 Attached to this report is a table that compares Housemark data from 2005/06 to 2008/09. All years are based on actual expenditure and performance except for 2008/09 which has been compiled from the approved budget. The figures are in cash terms, unadjusted for inflation.
- 3.2 Housemark enables us to compare the management cost per dwelling with all other ALMOs that subscribe to Housemark. We believe that all ALMOs are subscribers, but there are a very small number not submitting data.
- 3.3 In this context "management cost" means not just the cost of housing management activities but also client side repairs and maintenance functions. For ease of comparability "contractor" repairs and maintenance management is excluded from the management costs. Costs associated with delivering services, e.g. actually carrying out repairs, caretaking and cleaning, are excluded from the management unit costs.
- 3.4 Other cost and performance data is included in the annual benchmarking exercise, but the main focus is on the unit costs of managing the services.
- 3.5 All data submitted to Housemark is validated and finally quality assured when every submission has been made. We can therefore place reasonable reliance on the accuracy of the whole dataset. The data included here for 2008/09 has not been through such a rigorous quality assurance process as that for 2007/08, but this will be completed before the final report. Generally less reliance is placed upon the budget data and a number of ALMOs do not participate in the benchmarking for the budget year.

3.6 There are two datasets included as Appendices A and B, for all ALMOs and for the metropolitan ALMO peer group respectively. Since the former will include organisations with very different characteristics, it is considered preferable to focus on the metropolitan data.

## 4 ANALYSIS

4.1 Generally, management costs increased markedly from 2005/06 to 2006/07 and then fell more sharply to 2007/08. Appendix B shows that the unit cost for core housing management is now £446, at the median level and ranked 11<sup>th</sup> of 21. For 2006/07 our ranking was 32<sup>nd</sup> of 32.

4.2 It is believed that there were some inaccuracies in the data provided for 2006/07, resulting in inflated unit management costs. This was mainly attributable to –

- Housing office staff time relating to non-housing functions, e.g. collecting other Council income and responding to queries in respect of other Council services, was not correctly accounted for and erroneously included as core housing management.
- Lack of clarity concerning the client and contractor roles for Property Services, resulting in high costs for void, responsive and major/cyclical repairs management.
- Confusion over the true definitions of some functions, particularly lettings and major/cyclical repairs.

4.3 In fairness to Housemark, errors of omission of that nature may be difficult to pick up at validation stage, without some knowledge of how our business operates at housing offices and within Property Services. Their validation processes are more designed to ensure that costs are not allocated away from core housing management, which would have the effect of unfairly understating unit costs.

4.4 The lower management costs for 2007/08 and 2008/09 do reflect that we have been successful in driving down costs across the business. For the whole company, costs fell from 2006/07 to 2007/08 by £1.2m. Salaries and wages costs increased by £251k, which is less than the rate of inflation. It should be noted that wages costs have almost no impact on the cost of management, since the weekly paid workforce is almost entirely delivering the front line service rather than managing it.



4.5 In 2006/07 the Housemark costs included £1.9m of consultancy fees which were an overhead for the business as a whole, with 43% being attributed to core housing management. The equivalent amounts for 2007/08 are £378k and 32%.

4.6 The Company still has further to go in reducing its costs as we strive for excellence and it is essential that we understand fully the reasons why our costs are higher or lower than our peers. For the core functions, empty property management and rent collection and accounting have higher unit costs than the median value for the group.

- 4.7 For empty property management, the Company is fully committed to dealing with the legacy of a high level of void properties and needs more resources to achieve this. With regard to rent collection and accounting, there are a number of factors affecting the costs, but the drive to turn round performance again requires a high level of resources, a number of housing office staff spend time in rent collection and this, together with an appropriate share of their overheads, including security, is all aggregated into the costs. Managers have been working on the detailed analysis of their costs and the cost drivers to ensure that there is a detailed understanding of the Housemark data.
- 4.8 Housemark also provides an analysis by cost category, i.e. splitting the costs into housing management, premises, IT, finance, legal and central overheads. This shows the cost of each to be less than the median level for each category, except for IT. This is understood and expected, since our IT costs have been shown to be high in previous benchmarking exercises, even though increased investment is essential to bring the service up to an acceptable standard. Our costs for IT are therefore likely to remain high in the medium term.

## 5 HOUSEMARK PERFORMANCE: METROPOLITAN ALMOs

- 5.1 The following tables summarise the top level cost and quality indicators for the main areas of Nottingham City Homes' business for which Housemark has benchmarking data. The data makes the comparisons against our peer group (Metropolitan ALMOs).

Upper Quartile	Middle Upper	Median	Middle Lower	Lower Quartile
				

- 5.2 The table below shows how Nottingham City Homes compares to its peers in terms of Housing Management Total Core Costs and Tenant Satisfaction.




Business Activity	Cost KPI Quartile NCH 07/08	Quality KPI	Quality KPI Quartile NCH 07/08
Housing Management Pay CPP		Overall Tenant Satisfaction	
Overhead CPP		N/A	

Tenant satisfaction provides a good measure of the overall quality of the services delivered by Nottingham City Homes. Overall tenant satisfaction in 2007/2008 was 62%. Although this placed NCH in the lower quartile, performance has improved significantly during 2008 with 69% of tenants satisfied with the services provided by Nottingham City Homes (Source: Status Survey 2008).

During 2007/2008 NCH introduced the Vision Management System (VMS) for capturing customer satisfaction, which through a rectification process ensures we respond to the concerns of individual customers as well as identifying trends in service delivery.

Embedded into our performance management culture, the information obtained from VMS surveys has informed service managers in their service improvement plan (SIP) preparations.

- 5.3 Housemark compares Nottingham City Homes to its peers in terms of company spend per property on responsive and void repairs. This information is also compared against the percentage of residents satisfied with repairs service and the percentage of repairs completed on time.


Business Activity	Cost KPI Quartile NCH 07/08	Quality KPI	Quality KPI Quartile NCH 07/08
Responsive & Void Repairs Spend per Property		% of residents satisfied with repairs service	
		Percentage of repairs completed on time	

For 2007/2008, NCH was in the lower quartile for its Responsive and Void Repairs Spend per Property. However, during 2008, NCH market tested its repair service and successfully won the repairs tender. The scenario for 2008/2009, which has been compiled from the approved budget, predicts an improvement for NCH during the financial year.

The Status Survey for 2007 also placed NCH into the lower quartile in terms of the percentage of residents satisfied with the repairs service. However, indicative results from the 2008 survey show significant improvements. NCH has also implemented Vision Management System (VMS) for responsive repairs. By the end of July 2008, NCH achieved an average satisfaction score of 7.73 points out of 10, which means we are making progress to achieve our target of 8 points out of 10. When compared to other ALMOS who use VMS, our ranking for June 2008 was 13<sup>th</sup> of 15.

NCH performs extremely well in terms of the percentage of repairs completed on time. For 2007/2008, NCH was in the Middle Upper Quartile. This is an improvement compared to the 2006/2007 Housemark benchmarking data. The improving trend is set to continue as performance data for 2008/2009 shows very promising results, with 95% of all repairs completed on time (end July 2008).

- 5.4 The following table outlines how Nottingham City Homes compares to its peers in terms of Major & Cyclical Repairs Spend per Property and the % of dwellings failing to meet the Decent Homes Standard.



Business Activity	Cost KPI Quartile NCH 07/08	Quality KPI	Quality KPI Quartile NCH 07/08
Major & Cyclical Repairs Spend per Property		% of dwellings failing to meet the Decent Homes Standard	

NCH performed extremely well on its Major & Cyclical Repairs Spend per Property. By the end of 2007/2008, NCH performance was upper quartile.

Again, scenario data shows a predicted improvement for 2008/2009.

In terms of the percentage of dwellings failing to meet the Decent Homes Standard, it must be noted that NCH are carrying out full stock condition surveys through the next two years. As a consequence, figures are likely to fluctuate at each quarterly reporting date. NCH has also implemented a streaming programme to deliver the Decent Homes work. The streaming programme means performance won't be accurately presented until all of the work is complete.

5.5 The table below outlines the cost of Tenancy related activities and Housing Management Pay. This information is provided alongside rent arrears, tenant satisfaction with decision making and weeks taken to re-let empty properties.

Business Activity	Cost KPI Quartile NCH 07/08	Quality KPI	Quality KPI Quartile NCH 07/08
Tenancy Related Activities Housing Management Pay CPP		Current tenant rent arrears as % of rent due	
		% tenants satisfied with participation in decision making	
		Number of weeks taken to re-let empty properties	

Housemark benchmarking data for the end of 2007/2008 reveals that NCH is in the lower quartile for rent arrears when compared to its peers. However, it is important to note that NCH rent arrears performance is improving year on year. We have improved collection rates and increased collection by £378k at the end of August 2008 compared to the same time last year. At the end of August the arrears were at the lowest level ever for 15 years and represented almost a £500k reduction compared to the previous financial year. During the same period the number of evictions has reduced.

In terms of tenant satisfaction with participation in decision making, 2007 Status Survey results places NCH in the lower quartile. However, indicative results for 2008 show improved satisfaction among tenants. In addition, NCH has a dedicated involvement hotline and have created a menu of involvement opportunities, shaped by customers. These range from informal consultation based activities such as our Home Panel to more structured opportunities within one of our thematic forums such as the BME Forum, Customer Communications Panel or Resident Procurement Group.

2007/2008 benchmarking data places NCH in the lower quartile for the number of weeks taken to re-let empty properties. However, the company has made significant improvements since 2006/2007. The average re-let time reduced from 74.5 days in 05/06 to 63.7 days in March 2008, with a current in month figure of 40 days. During that period, NCH introduced a single focused specialist team responsible for voids, allocations and lettings. This approach has contributed to the significant reduction in vacant properties, average re-let time and the improved quality, through pre termination inspections. Vision Management Surveys are also issued to new tenants and feedback is used to improve services.

## **6 IMPLICATIONS FOR NOTTINGHAM CITY HOMES OBJECTIVES**

- 6.1 Key to achieving our objectives is analysing and understanding our costs, related performance and using that knowledge and information in our planning and budgeting processes so that we can make best use of our resources.
- 6.2 Clearly the Housemark data shows that our direction of travel has improved significantly and is extremely encouraging. We must now ensure that the improvement is sustained as we carry out our Delivery Plan objectives. This will be tracked through our financial and performance monitoring frameworks and by the regular scrutiny of the Performance and Regulatory Committee.

## **7 VALUE FOR MONEY & EFFICIENCY ISSUES**

- 7.1 Knowing how our costs compare with others and understanding the cost drivers are key elements for improving value for money and efficiency throughout the Company.

## **8 EQUALITY & DIVERSITY IMPLICATIONS**

- 8.1 There are no specific Equality and Diversity issues relating to this report or the Housemark data.

## **9 COMMENTS OF THE DIRECTOR OF FINANCE**

- 9.1 The Director of Finance is the author of this report.

## **10 BACKGROUND MATERIAL AND PUBLISHED DOCUMENTS REFERRED TO IN COMPILING THIS REPORT**

- 10.1 Housemark data submission and working papers.

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