



## Data quality workshop: getting it right – financial & regulatory metrics

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# Agenda

- 1) Benchmarking basics – reminder
  - 2) Sector metrics: how they relate (& a bit about VFM)
  - 3) 4 key Acuity cost metrics
  - 4) Regulatory metrics
- Put away any sharp objects now

# Benchmarking basics

- benchmarking **is** the start of a journey not the last word
  - biz analysis tool (internal) – explore variation, understand cost drivers
    - evidence-based resource allocation & focused improvement work
    - aim high - achieve ambition
    - mitigate risks in challenging circs – create headroom/buffer
  - transparency/accountability/political management tool (external & internal)
  - provide assurance of sound grasp of cost and performance, in context, internally & externally – also a VFM regulatory requirement



**Benchmarking results**  
+ other quantitative & qualitative data



**Analysis**  
What's the story?  
How are we doing?



**Insight**  
Understand strengths,  
weaknesses, priorities



**Decisions**  
Further investigation,  
priorities, resource  
allocation, improvement  
action




**Implement**  
Evidence-based Biz Plans  
& VFM Strategy/Action  
Plans

# Benchmarking basics

- it **is not** 'the answer' or last word on VFM – 'computer says no'
  - limitation of metrics - data means nothing without the story of 'why it is so'
    - financial metrics often as much about context as performance
    - cost & performance (inc quality & scope) in the round, complemented with other info
  - .....so arguably judging your VFM is a very human, nuanced qualitative assessment
    - taken in context of your mission & prevailing operating environment/circumstances
    - considering available quantitative/qualitative data in the round
  - not a finely calibrated tool for
    - league tabling
    - getting hung up on immaterial/minor apportionment
    - exposing individuals







All definitions available on data entry page by clicking on the blue ‘?’

- data quality is a hot issue for RSH
- likely to go up agenda (White Paper transparency/accountability theme)
- stick to the definition - might be different to how you traditionally count something
- definitions can't legislate for every eventuality – sometimes need interpreting – call us – clubs a useful forum to discuss this plus HouseMark crosscheck

PACT [Admin Menu](#) [Reports](#) [Members](#) [PIs](#) [Periods](#) [Salaries](#) [Invoicing](#) *Steve Smedley* 

Filters: Period 2020/21 Domain Allocations and Letting Housing for Older People [Save changes](#)

### Input performance data

PI Code	Performance indicator	Q1	Q2	Q3	Q4	
HMHO 30	Percentage of rent lost through dwellings being vacant - HfOP/Sheltered	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	 
HMHO 36	Average re-let time (calendar days) - HfOP/Sheltered	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	 
HMHO 39	Re-lets as a percentage of stock - HfOP/Sheltered	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	 

# Benchmarking basics

- when submitting end of year data, don't forget to ensure your profile is up to date
- 'profile' page provides essential biz context eg GN, supported, HfOP stock #s, other forms of housing, turnover, staffing levels – **useful when picking a bespoke peer group**

Home Main Menu Data entry Reports Members PIs Contact Pamela Farquharson acuity

PI Data  
HA Profile

SPBM benchmarking main menu  
Pamela Farquharson

Status for Nehemiah UCHA

Current period : 2020/21 Q4  
Your return for this period : 0 PIs out of 49 completed

**Important!**  
Please ensure the profile data for Nehemiah UCHA is up to date  
GN properties: 924 (last updated: 13/05/2020)  
Supported housing properties: 44 (last updated: 25/06/2019)  
HfOP properties: 268 (last updated: 25/06/2019)

Sector metrics: how they relate &  
a bit about VFM

# Reporting VFM

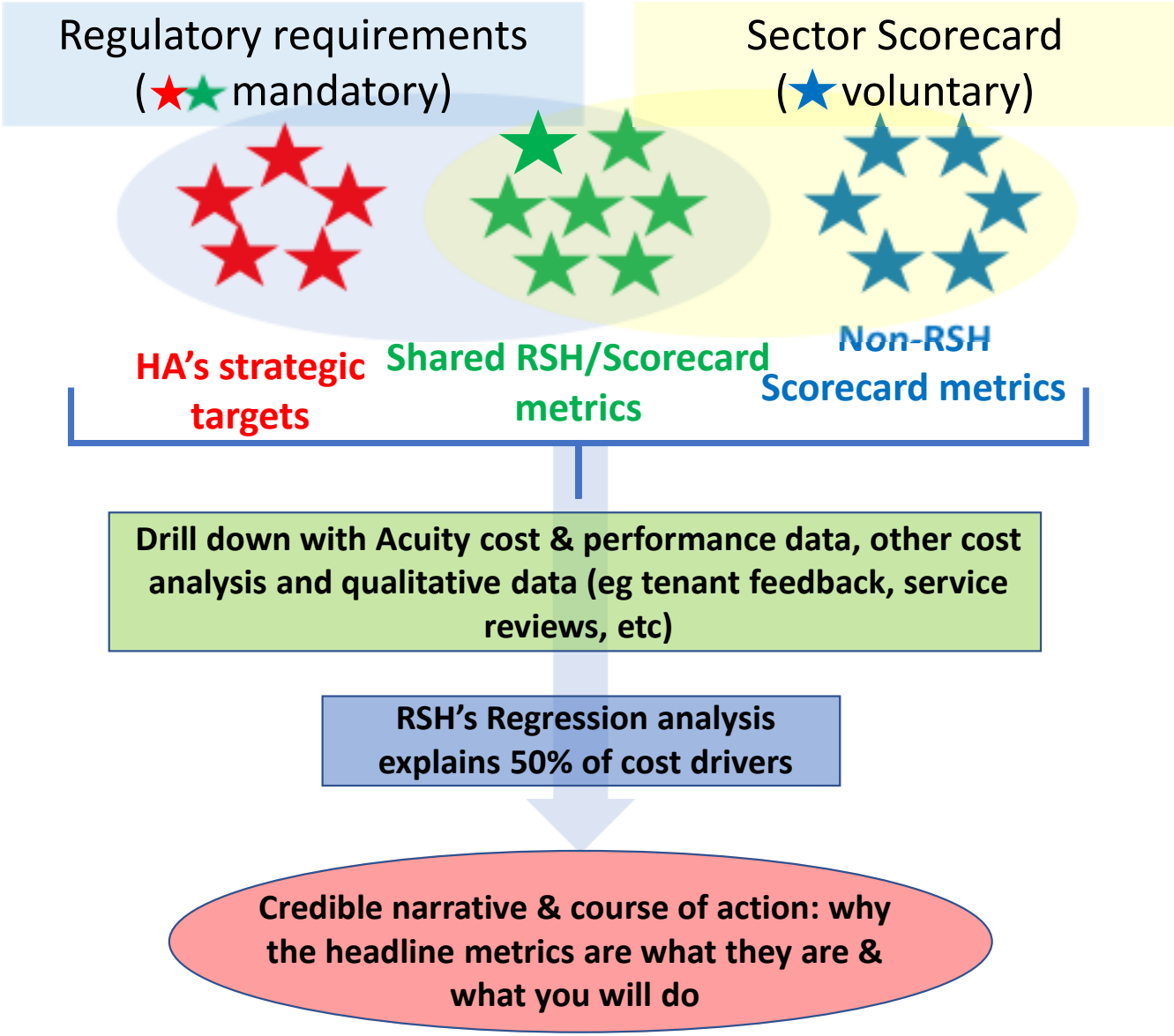
## Question:

Why are the headline metrics what they are?  
Is VFM being maximised?

## Analysis & Understanding

Get behind the headline metrics & explore context, variation, drivers

## Answer



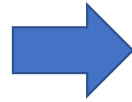
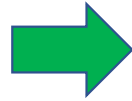
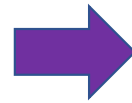
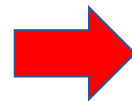


# HA's Strategic targets? – quick digression.....

Map your value to metrics, then set targets

your objectives/value

- 1) enjoyment of the home & community through excellent landlord services
- 2) new homes across a range of tenures
- 3) community investment – people, place & planet improving quality of life, eg financial inclusion, employment, etc
- 4) support - dignity & independence
- 5) non-social? exists to support 1-4



your metric/target

Satisfaction 89%

increase in Rent, SO, Sell

# beneficiaries, £ invested, satisfaction, SROI/HACT measure?

# achieving indie living, distance travelled, support contract metrics, etc

you



# How the various cost metrics relate - the detail!

?

## Problem with RSH/accounts-based metrics:

- headline SH CPU very high level (intended as can opener) – needs breaking down to be transparent....
- but the headline's components are flaky.....weren't developed for benchmarking! OK for accounts
- accounting practice varies from HA to HA
- you can stick your overheads where you like!
- ...or lose, say, high 'Management' costs by assigning x% as overheads & hide it in 'Other'
- you can decide what activity is 'Management' – v other lines eg
  - client side repairs ('maintenance' or 'management')
  - community development ('management' or 'other').....etc

?

Deceased accounts-based Acuity metrics

GNPI03 Av weekly cost per dwelling on mngmt

GNPI027 Weekly investment per unit

## RSH's Headline SH CPU components:

- Management
- Service Charges
- Maintenance
- Major repairs
- Other

Acuity/HouseMark cost metrics (CPP)

CPP01 Cost PP of Housing Management

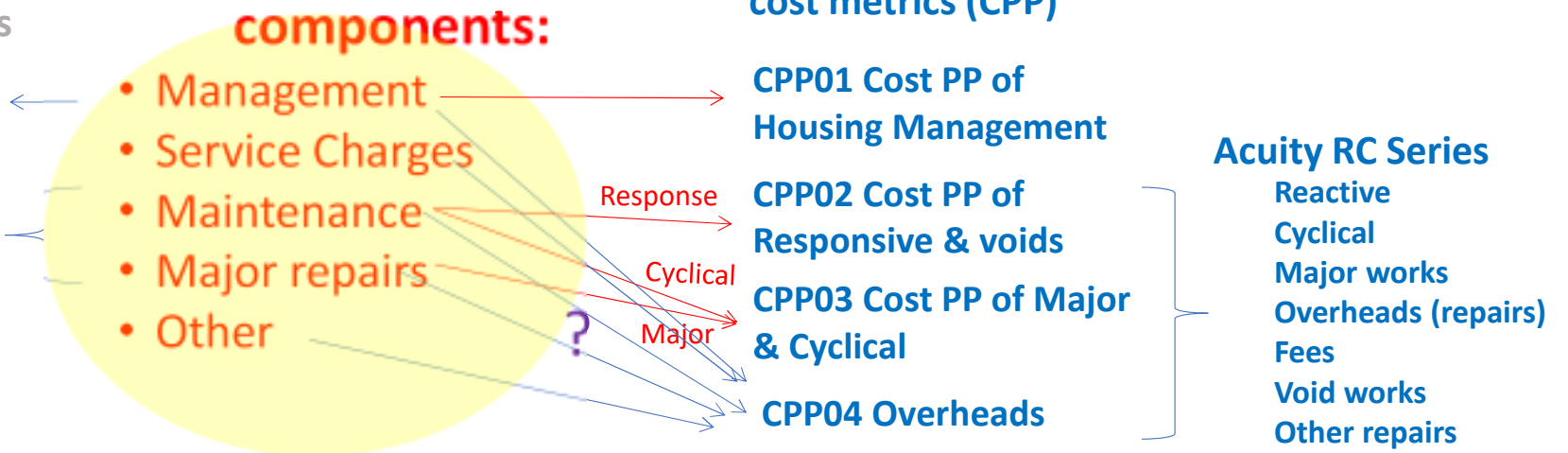
CPP02 Cost PP of Responsive & voids

CPP03 Cost PP of Major & Cyclical

CPP04 Overheads

Acuity RC Series

- Reactive
- Cyclical
- Major works
- Overheads (repairs)
- Fees
- Void works
- Other repairs



4 key Acuity cost metrics

# About Acuity cost metrics

- as noted, RSH/accounts-based cost components flaky for benchmarking
  - need a method for allocating cost in a consistent way
- driver?
  - members identified need for robust but proportionate cost metrics (that fall short of the 'full HouseMark')
  - regulatory expectation to explain costs (backed by evidence) & be transparent
- comprehensive definitions, developed with HouseMark – compare to big HAs
  - [guidance doc](#) explains all individually and as a suite – read it
- commit to adhere to definitions – if not, don't do them
  - requires some effort but worth it

# About Acuity cost metrics

- 4 metrics capture costs associated with **common core biz** of social landlord:
  - 1. housing management **CPP**
  - 2. responsive repairs & void works **CPP** (reactive maintenance)
  - 3. major works & cyclical **CPP** (planned maintenance)
  - 4. overheads **as % turnover** (also found in sector scorecard)
- level playing field - costs of specific activities excluded from **housing management** - **differ markedly** depending on biz model (client group, stock type, service offer, etc)
  - community investment/place shaping
  - estate services (contractor side)
  - care & support (inc support side of HfOP)
    - therefore Support/HfOP provider should be able to compare to GN
    - caveat: apportionment of scheme staff between core housing management/support
  - other service chargeable costs
    - such costs are allocated to **'other'** (effectively a 5<sup>th</sup> pot for your costs)
- remaining 3 metrics aren't so narrowly defined:
  - simply pick up costs of providing service

# Principle: split total operating costs into 5 pots

## Housing Management

- Rent Collection & Arrears (ex rent/service charge accounting)
- Tenancy Management
- Lettings
- ASB
- Resident Involvement
- Estate services (client side)

## Responsive & Voids Works

All costs ref responsive & standard void works inc contractor & clientside.

So staff taking repairs calls included as well as labour & materials.

## Major Works & Cyclical

All costs ref MW & cyclical **inc Capital spend** and contractor & clientside.

So staff involved in programme management & stock included as well as works

## Overheads

### Back office costs:

- Office premises
- Finance
- IT
- Central overheads inc HR

CEO goes here

## Other

### All costs related to:

- Estate services (contractor side)
- Support/Care
- Development
- Community investment

Plus **reconciling** items like depreciation

# About Acuity cost metrics

- with exception of **capital spend** in MW & Cyclical, all costs should = total operating costs (ie all costs should be allocated somewhere)
- 5<sup>th</sup> pot (other) - not benchmarkable due to differences in biz model, financing, mission and stock profile – so set aside
- non-pay costs generally straightforward to allocate from your internal cost structure
- employee costs may be more difficult
  - many staff at big HAs simply fall into one of the 5 pots
  - but smaller HAs staff range across activities
  - so, apportion based on time spent on respective activities
    - **roughly!** Don't agonise – material matters, marginal is irrelevant
- Q. why is overheads expressed as % turnover and not per unit?
- A. some biz models have significant activity that is divorced from unit #s managed but impact overhead costs, eg support contracts, extensive community work

# 3 CPP metrics (& the Other pot)

total direct costs of [activity] of managed stock  
# units in management

- ‘total direct costs of [activity]’
  - ‘direct’ means excluding associated overhead (hence separate metric)
  - total staff costs inc NI, pension & on-costs
  - all non-pay costs
  - exhaustive list types of staff & non-pay cost provided in definitions & [guidance doc](#)
- don’t apportion CEO across activity – CEO is an overhead!
- ‘Other’ pot– remember, includes support/care, estate services (contractor) & community investment activity so that we may exclude them from CPPs.
- Other ‘Other’ pot items include reconciling items
  - one-off redundancy cost
  - one-off pension deficit funding
  - loan fees/financing arrangements
  - charges for bad debt
  - charitable donations
  - depreciation of housing stock
  - impairment
  - cost of sales
  - any other costs not part of ongoing operating expense



# Overheads

$$\frac{\text{total cost of overheads}}{\text{adjusted turnover}} \times 100$$

- ‘total costs ‘
  - total staff costs inc NI, pension & on-costs
  - all non-pay costs
  - exhaustive list types of staff & non-pay cost provided in definitions & [guidance doc](#) eg
    - CEO/PA, Corporate Services Directors & Corporate Support Officers
    - Office Managers & Front of house receptionists (but not front of house customer service staff)
    - IT
    - Finance
    - HR/Payroll
    - Performance management & biz improvement
    - PR/marketing
    - Co. Sec/Corporate governance
  - ditto non-pay eg office rents/depreciation, other premises costs (utilities, etc), office supplies, finance costs (audit fees etc), recruitment, training, IT hard & software, etc
- ‘adjusted turnover’ - required to avoid biz model skewing from property sales, diversification & amortization

Regulatory metrics

# RSH metrics

reinvestment %	N/A	N/A
new supply delivered %	?	1.1%
gearing %	?	41.6%
EBITDA MRI interest cover %	?	227.6%
Headline social housing cost per unit	?	£3306
Operating margin %	?	31.6%
ROCE	?	4%

- represent different facets of value chain
- RSH recognise no prescribed metrics can capture ‘what matters’ to all - hence use of HA’s own metrics
- some metrics will expose certain HAs as outliers (especially smaller HAs)
  - as much about context as performance?
  - regression analysis isolates legit contextual cost drivers – appropriate peer group helps
- RSH looks in round, intelligently
  - starting point not the end - not a league table
  - drawn to outliers
  - instead: **why is it so?** – basis for story
    - written test (reporting in accounts); verbal test (IDA)
  - going fwd RSH interested in how sector squares investment circle with finite resources
    - realistically means a shift from development to existing stock
      - safety first + expect improvement needs of stock to be met + climate/environment + DH2

# Getting the calculations right

- metrics definitions - components correspond to lines in the electronic accounts ie FVA template (NROSH)
- RSH ['VFM metrics: tech note guidance June 2020'](#) (updated as & when)
  - provide full definitions to metrics (also on Acuity system)
  - map definition components to specific lines in the accounts
    - large HAs – map direct to the FVA template (should be idiot-proof!?!@) – annex A
    - small HAs – generally don't do FVA so trickier hence annex B which is  
*intended to help small providers locate the equivalent lines .....within their statutory accounts and enable them to calculate the VFM metrics*
- RSH imagined that as you are required to report metrics in stat accounts, auditors would have a hand in 'validating' your data
- in other words, your auditor should know how to get this right & assist!

Get in touch about any further issues

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