

## Cost per property headline PIs and definitions

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# 1 Summary

This document details four headline cost per property indicators, and their detailed definitions.

These definitions are in line with HouseMark core definitions and enable wider sector benchmarking, as well as benchmarking with other Acuity members.

However, the key to successful benchmarking of these measures is allocating your costs in a consistent way.

Cost allocation varies significantly between housing providers, meaning cost per property measures within financial statements are not comparable.

Organisations wishing to benchmark these high level cost per property measures need to ensure they are closely following the definitions detailed below.

HouseMark is available to respond to any definitions queries. However, responsibility for ensuring data accuracy of these measures falls to the housing provider. If participants require detailed validation of their data, assistance with collating it (over and above clarity on definitions), or would like to benchmark their costs in more detail, HouseMark can provide this but there will be an additional charge.

## 1.1 Key principles

The purpose of this exercise is effectively to split your total operating costs into five distinct areas:

Housing management	Responsive repairs and void works	Major works and cyclical maintenance	Overheads	'Other'
<p>Includes costs relating to front-line housing management, namely:</p> <ul style="list-style-type: none"> <li>• Rent collection and arrears management</li> <li>• Tenancy management</li> <li>• Lettings</li> <li>• Anti-social behaviour management</li> <li>• Resident involvement</li> </ul>	<p>Includes all costs relating to responsive maintenance and standard void works. Importantly, it includes both service provision (contractor side) and management (client side) meaning that staff involved in taking repairs calls or managing contractors should be included.</p>	<p>Includes all costs relating to major works and cyclical maintenance <b>including any capital spend</b>. Importantly, it includes both service provision (contractor side) and management (client side) meaning that staff involved in programme management or stock condition surveys should be included.</p>	<p>Also referred to as 'back office costs', this category includes costs relating to:</p> <ul style="list-style-type: none"> <li>• Office premises</li> <li>• Finance</li> <li>• ITC</li> <li>• Central overheads (including HR)</li> </ul>	<p>Includes all costs relating to estate services, care and support, development and 'wider-role' type activities (such as area regeneration, employment and training, financial inclusion). Also includes any 'reconciling items' like depreciation of housing stock.</p>



With the exception of capital spend included in the major works and cyclical maintenance section, all costs should total your operating costs (ie. all costs should be allocated somewhere).

However, the fifth category ('other') includes items that are not benchmarkable (as they will vary depending on your operational portfolio) and as such are merely 'set aside' for the purposes of this benchmarking exercise.

We are effectively benchmarking the costs of your core landlord functions that every landlord needs to carry out as part of their raison d'être.

## **1.2 Employee and non-pay costs**

Your non-pay costs should generally be fairly straightforward to allocate to the above five categories, using the guidance below.

Your employee costs may be more difficult. We would expect the majority of employees to fall wholly into one of the above five categories. However, some staff (particularly in smaller housing providers) may carry out functions that cut across two or more of the categories. In this instance, the cost of these staff should be apportioned between the five categories based on the time they spend carrying out each role.

For example, a call-handler taking calls relating to both arrears and repairs will need to have their cost split between housing management and responsive repairs and void works.

## **1.3 Units and turnover**

To scale your costs for benchmarking purposes, we divide them by the number of units in management.

The HouseMark exercise splits costs by tenure type to provide additional granularity and accuracy. For the purpose of these measures (and ease of data collation) we do not apply this split. If you need not be concerned by tenure type. Simply divide all costs into the five categories and divide them by all units in management.

To compare overheads we use adjusted turnover as a denominator, as it is entirely possible an organisation carries out significant activities that do not relate to units, such as floating support or wider role type activities. These functions will necessarily increase overhead costs, without increasing unit numbers. As such, a more accurate comparison uses adjusted turnover as a denominator for overheads.

### **The calculation for adjusted turnover is:**

'Turnover' minus 'Turnover relating to units not managed (if any)' minus 'Turnover relating to the sale of properties' minus 'Turnover relating to amortisation of grant (following FRS102 provisions)'.



## 2 Detailed definitions

### 2.1 CPP 01 - Direct cost per property of housing management

This is the total direct costs relating to housing management of your stock in management, divided by the number of units in management.

The numerator must include:

- 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

#### Housing management direct staff includes:

- Rent collection and arrears management (excluding rent and service charge accounting)
- ASB management
- Tenancy management
- Lettings
- Resident involvement

Note this would include:

- Generic housing officers
- Income management specialist teams
- ASB specialist teams
- Lettings specialist teams
- Resident involvement specialist officers
- Estate services management (client side) staff.
- Directors and heads of housing management /estate services / customer service functions and their PAs
- A proportion of contact centre staff time based on the amount of time they spend on housing management and estate services calls (for a multi-functional call centre this would usually be around 50%)
- A proportion of central complaints management teams based on the percentage of time spent on housing management issues (usually around 50%)

#### Note it would exclude:

- All staff engaged in management or delivery of responsive repairs and maintenance as detailed under '*direct cost per property of responsive repairs and void works*'.
- All staff engaged in management or delivery of major works and cyclical maintenance programmes as detailed under '*direct cost per property of major works and cyclical maintenance*'.
- The chief executive and all staff involved in overhead / back-office functions, as detailed under '*overheads as a percentage of turnover*'
- All estate services 'contractor-side' staff, such as caretakers, concierges, groundsmen, cleaners etc.
- All care and support staff
- All staff carrying out 'wider-role' functions, such as community investment, financial inclusion, regeneration etc.



#### **Housing management non-pay costs include:**

- Payments to debt collection agencies for the recovery of former tenant arrears
- Legal fees, bailiff/sheriff officer costs and court costs relating to housing management
- Cash collection charges (including security charges e.g. Securicor)
- Bank charges (including Giro bank)
- Swipe card costs
- Spend on communication (resident newsletters, reports for residents etc.)
- Spend on resident training to enable the resident to be involved in scrutiny
- Spend on formal and informal resident involvement groups
- Spend on resident board memberships
- Grants to resident groups
- Professional witness costs in relation to ASB
- Assistance to tenants to help them move home e.g. removal service (excluding grants to move or downsize)
- Choice based lettings fees
- Any other costs relating to direct housing management functions

#### **Note it would exclude:**

- All maintenance costs as detailed in '*direct cost per property of responsive repairs and void works*' and '*direct cost per property of major works and cyclical maintenance*'
- All overhead / back-office costs as detailed in '*overheads as a percentage of adjusted turnover*'
- Estate services (contractor side) costs
- Costs relating to care and support
- Other costs eligible for service charge
- All costs relating to 'wider role' type activities (such as area regeneration, financial inclusion, employment and training)
- Reconciling items such as
  - One off redundancy costs
  - One-off pension deficit funding
  - Loan fees and financing arrangements
  - Charges for bad debts
  - Charitable donations
  - Depreciation of housing stock
  - Impairment
  - Cost of sales
  - And any other costs that are not part of your ongoing operating expenses.

For smaller housing providers we would expect a figure of between £250 and £500 per property for this indicator.



## 2.2 CPP 02 - Direct cost per property of responsive repairs and void works

This is the total direct costs relating to responsive repairs and voids works divided by the number of units in management.

The numerator must include:

- Total cost of all staff directly engaged in the delivery of responsive repairs and void works, both in management (client side) and service provision (contractor side) if applicable, and include their national insurance, pensions and on-costs.
- All non-pay costs relating to responsive repairs and void works
- Note that responsive repairs includes all repairs that are carried out in response to a repair call (from either a tenant or member of staff) and will include responsive gas maintenance (but exclude servicing). Void works includes all standard void repairs that are carried out when a property becomes naturally vacant. It excludes planned and major works even if they were delayed until the property was void in order to carry them out.
- Include communal repairs (where they are responsive)

### Responsive repairs and void works direct staff includes:

- DLO staff, and any other staff carrying out responsive repairs and void works
- Staff involved in management of responsive repairs and void works, which may be contractor management.
- Staff involved in repairs pre and post inspections.
- Directors and heads of responsive repairs and void works functions and their PAs (note if they also look after major works and cyclical maintenance, only a proportion of their costs relating to responsive repairs and void works should be counted)
- A proportion of call-handling staff time based on the amount of time they spend on responsive repairs calls (for a multi-functional call centre this would usually be around 40%)

### Note it would exclude:

- All staff engaged in housing management as detailed under '*direct cost per property of housing management*'
- All staff engaged in management or delivery of major works and cyclical maintenance programmes as detailed under '*direct cost per property of major works and cyclical maintenance*'.
- The chief executive and all staff involved in overhead / back-office functions, as detailed under '*overheads as a percentage of turnover*'
- All estate services 'contractor-side' staff, such as caretakers, concierges, groundsmen, cleaners etc.
- All care and support staff
- All staff carrying out 'wider-role' functions, such as community investment, financial inclusion, regeneration etc.

### Responsive repairs and void works non-pay costs include:

- DLO costs
- Payments to contractors
- Out-of-hours responsive repairs call centre costs
- Disrepair cases (compensation and legal fees)



- Contract preparation costs
- Council tax, heating and security on voids
- Redecoration allowances
- Removal of squatters (legal fees etc.)

**Note it would exclude:**

- All housing management costs as detailed under '*direct cost per property of housing management*'
- All major works and cyclical maintenance costs as detailed under '*direct cost per property of major works and cyclical maintenance*'
- All overhead / back-office costs as detailed in '*overheads as a percentage of adjusted turnover*'
- Estate services (contractor side) costs
- Costs relating to care and support
- Other costs eligible for service charge
- All costs relating to 'wider role' type activities (such as area regeneration, financial inclusion, employment and training)
- Reconciling items such as
  - One off redundancy costs
  - One-off pension deficit funding
  - Loan fees and financing arrangements
  - Charges for bad debts
  - Charitable donations
  - Depreciation of housing stock
  - Impairment
  - Cost of sales
  - And any other costs that are not part of your ongoing operating expenses.

For smaller housing providers we would expect a figure of between £400 and £800 per property for this indicator.



### 2.3 CPP 03 - Direct cost per property of major works and cyclical maintenance

This is the total direct costs relating to major works and cyclical maintenance (both management and service provision) divided by the number of units in management.

**It includes capital spend on major works.**

The numerator must include:

- Total cost of all staff directly engaged in the delivery of major works and cyclical maintenance, both in management (client side) and service provision (contractor side) if applicable, and include their national insurance, pensions and on-costs.
- All non-pay costs relating to major works and cyclical maintenance, **including capital spend**
- Major works and cyclical maintenance refers to planned maintenance (as opposed to reactive) and includes servicing of gas appliances and lifts, as well as window cleaning and replacement programmes.
- Include planned maintenance of communal areas.

**Major works and cyclical maintenance direct staff includes:**

- DLO staff, and any other staff carrying out major works and cyclical maintenance
- Staff involved in management of major works and cyclical maintenance, which may be contractor management.
- Staff involved in stock condition surveys and pre and post inspections.
- Staff involved in aids and adaptations programme management
- Directors and heads of major works and cyclical maintenance functions and their PAs (note if they also look after responsive repairs and void works, only a proportion of their costs relating to major and cyclical should be counted)

**Note it would exclude:**

- All staff engaged in housing management as detailed under '*direct cost per property of housing management*'
- All staff engaged in management or delivery of responsive repairs and void works as detailed under '*direct cost per property of responsive repairs and void works*'.
- The chief executive and all staff involved in overhead / back-office functions, as detailed under '*overheads as a percentage of turnover*'
- All estate services 'contractor-side' staff, such as caretakers, concierges, groundsmen, cleaners etc.
- All care and support staff
- All staff carrying out 'wider-role' functions, such as community investment, financial inclusion, regeneration etc.

**Major works and cyclical maintenance non-pay costs include:**

- DLO costs
- Payments to contractors
- Aids and adaptations
- Professional fees (architects clerk of works etc)
- Compensation payments for disturbance
- Decanting costs
- Contract preparation costs



- Stock condition survey costs
- Expenses relating to resident consultation around major works and cyclical maintenance
- Capital spend on major works – note this excludes capital spend on development. Be careful! If your capital spend includes an element of capitalised staff costs, be sure not to double count if you have already included the staffing costs in the employee costs section.

**Note it would exclude:**

- Any capital spend relating to development, IT or anything that is not major works.
- All housing management costs as detailed under '*direct cost per property of housing management*'
- All responsive repairs and void works costs as detailed under '*direct cost per property of responsive repairs and void works*'
- All overhead / back-office costs as detailed in '*overheads as a percentage of adjusted turnover*'
- Estate services (contractor side) costs
- Costs relating to care and support
- Other costs eligible for service charge
- All costs relating to 'wider role' type activities (such as area regeneration, financial inclusion, employment and training)
- Reconciling items such as
  - One off redundancy costs
  - One-off pension deficit funding
  - Loan fees and financing arrangements
  - Charges for bad debts
  - Charitable donations
  - Depreciation of housing stock
  - Impairment
  - Cost of sales
  - And any other costs that are not part of your ongoing operating expenses.

For smaller housing providers we would expect a figure of between £400 and £2,000 per property for this indicator, depending on the size of your major works programme.



## 2.4 CPP 04 - Overhead costs as a percentage of turnover

This is the total cost of overheads divided by adjusted turnover as a percentage:

Overheads ÷ Adjusted turnover x 100

The numerator must include:

- Total cost of all staff directly engaged in overhead (back-office) functions, including their national insurance, pensions and on-costs.
- All non-pay costs relating to overheads

### Overheads direct staff includes:

- Chief executive and PA
- Corporate services directors and PA
- Office managers
- Corporate support officers
- Front-of-house receptionists
- IT staff
- Finance staff (including rent and service charge accountants)
- Insurance officers
- HR and payroll processing staff
- Performance management and business improvement staff
- PR and marketing staff (including any graphic designers)
- Company secretary and other corporate governance staff

### Note it would exclude:

- All staff engaged in housing management as detailed under '*direct cost per property of housing management*'
- All staff engaged in management or delivery of responsive repairs and void works as detailed under '*direct cost per property of responsive repairs and void works*'.
- All staff engaged in management or delivery of major works and cyclical maintenance programmes as detailed under '*direct cost per property of major works and cyclical maintenance*'.
- All estate services 'contractor-side' staff, such as caretakers, concierges, groundsmen, cleaners etc.
- All care and support staff
- All staff carrying out 'wider-role' functions, such as community investment, financial inclusion, regeneration etc.

### Overhead non-pay costs include:

- Office rent and/or depreciation
- Other office premises costs (utilities, cleaning, maintenance, furniture, fixtures and fittings)
- Office supplies (such as stationery, printing, postage, refreshments, books and periodicals)
- Finance costs (including audits fees and payroll processing)
- General business insurance liability premiums (but exclude property insurance premiums which go to 'other')
- IT costs (including hardware and software purchase and depreciation, and telephone costs)
- HR costs



- Recruitment
- Staff training costs
- Corporate board and governance costs (including payments to board members, committee costs and training costs)
- PR and marketing costs (including graphic design and website)
- Corporate membership and subscription fees
- Tenant survey costs
- Consultancy fees relating to central corporate management (but stock condition survey costs are included in major works and cyclical maintenance).

**Note it would exclude:**

- All housing management costs as detailed under '*direct cost per property of housing management*'
- All responsive repairs and void works costs as detailed under '*direct cost per property of responsive repairs and void works*'
- All cost relating to major works and cyclical maintenance programmes as detailed under '*direct cost per property of major works and cyclical maintenance*'
- Estate services (contractor side) costs
- Costs relating to care and support
- Other costs eligible for service charge
- All costs relating to 'wider role' type activities (such as area regeneration, financial inclusion, employment and training)
- Reconciling items such as
  - One off redundancy costs
  - One-off pension deficit funding
  - Loan fees and financing arrangements
  - Charges for bad debts
  - Charitable donations
  - Depreciation of housing stock
  - Impairment
  - Cost of sales
  - And any other costs that are not part of your ongoing operating expenses.

Your total overheads figures should be divided by your adjusted turnover.

**Calculation for adjusted turnover**

Adjusted Turnover = (Statement of comprehensive income Turnover + DLO internal turnover - First tranche home ownership sales Turnover - Non-social housing properties built for sale Turnover)

**DLO internal turnover:** Whether or not you have an in-house maintenance DLO could significantly affect this indicator; there will be associated overheads but no corresponding turnover. An adjustment is therefore made for the notional turnover generated by this business, being the schedule of rates or equivalent value of the repairs carried out for your own organisation. As a rough check, we would expect the internal turnover to be in the region of 150- 200% of the corresponding staff costs of the internal workforce. This adjustment should only be made if the DLO is part of the entity being benchmarked.



### **3 Further information**

Any queries: HouseMark would be happy to advise. You can contact our benchmarking helpline on 024 7647 2707 or email [data@housemark.co.uk](mailto:data@housemark.co.uk)