



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

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# Agenda etc

Purpose: help ensure the quality & credibility of your data

For: those tasked with collecting/submitting data

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

- Pause after each theme to pick up Q/A
- Anything that can't be answered will be followed up
- Scheduled for 1 hour but happy to overshoot if needed
- Recording available on Acuity website to relive the excitement

# Benchmarking basics

- benchmarking = comparisons
- not everything that is performance managed needs to be benchmarked....
- ..... so, the question is: *will comparisons provide additional insight?*
  - it's about exploring variation in results to understand
    - why is it so? What's the story?
    - extent to which context is a factor
- why do it?
  - understand what good looks like – basis for exploring different approaches/good practice
  - setting evidence-based
    - improvement action/targets
    - resource allocation
  - mitigate risks in challenging circs – create headroom/buffer
  - to hold exec/board to account
  - provide assurance of sound grasp of cost and performance (ie VFM), in context – a VFM regulatory requirement
- benchmarking provides no answers, only questions – the basis for intelligent analysis



**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

- intelligent analysis?
  - cost & performance/quality in the round, complemented with other info (eg qualitative customer feedback, service reviews), taken in context
  - look at related metrics in conjunction eg:
    - arrears reduced at expense of void loss?
    - FTAs reduced by write-offs?
    - good average void & repair times at expense of satisfaction?
    - etc
- unintelligent analysis? - not a finely calibrated tool for
  - crude league tabling
  - getting hung up on immaterial/minor apportionment
  - blaming/exposing individuals

# Benchmarking basics

- less is more: best focus on getting a smaller number of key metrics right
- getting it right? - everybody sticks to the definition - might be different to how you traditionally count something
- any alternative can't be described as benchmarking - undermines credibility of data & ultimately the sector
- definitions can't legislate for every eventuality – sometimes need interpreting based on what metric is trying to do
  - clubs a useful forum to discuss
  - call us



Usual format: numerator/denominator = result

# All definitions available on data entry page by clicking on the blue '?'

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**

ac@iTY

Home Main Menu Data entry Reports Members PIs Contact Pamela Farquharson

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:** 266 (last updated: 25/06/2019)

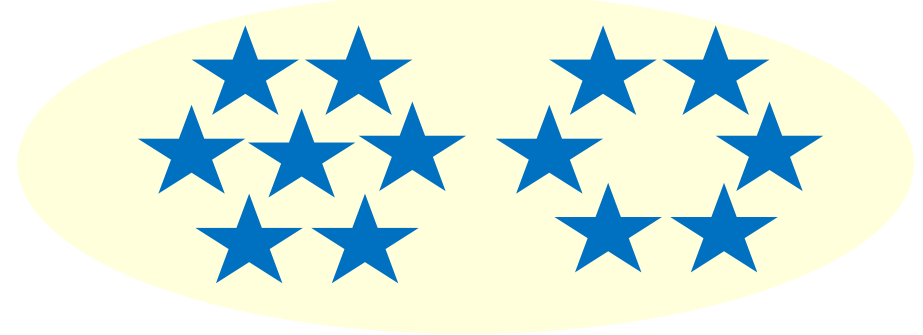
The next set of slides illustrate the role of voluntary & regulatory metrics in demonstrating (evidencing & reporting) VFM

Demonstrating VFM is a regulatory requirement & reported in your annual accounts

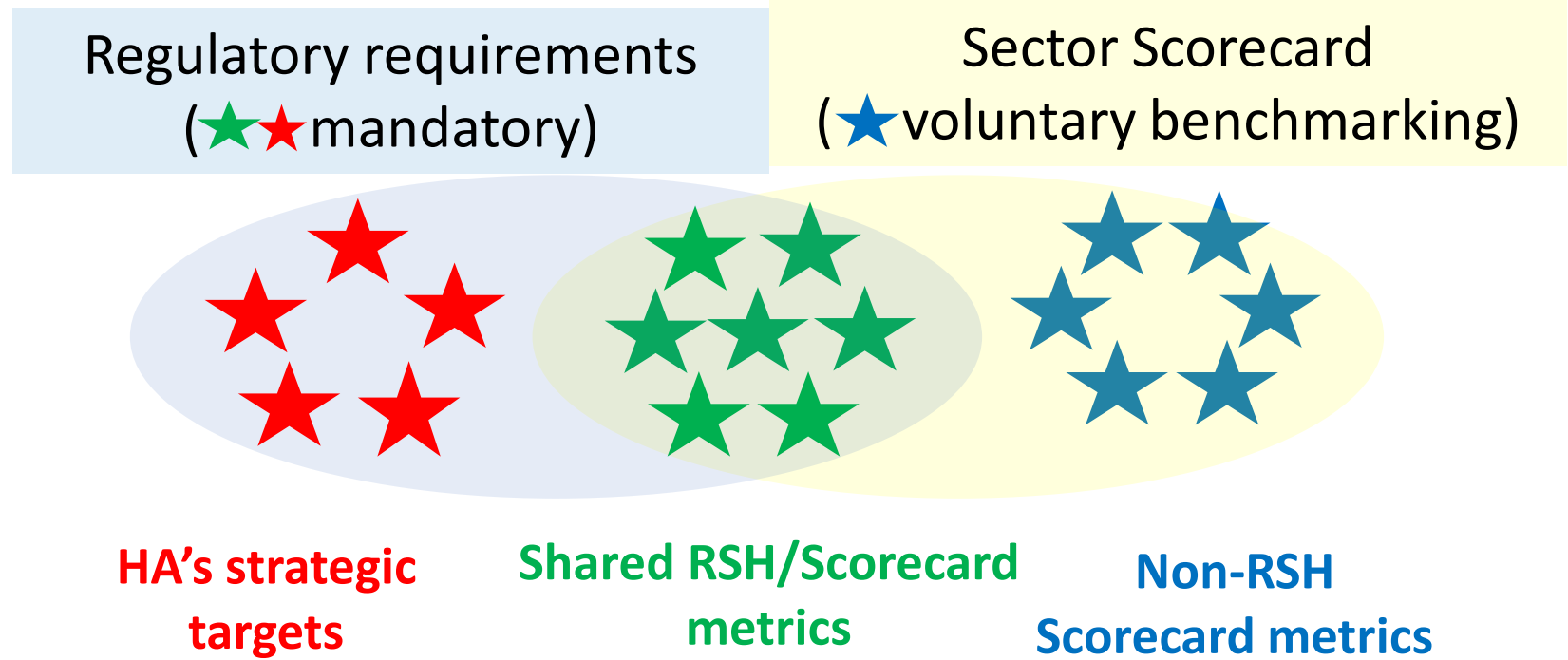


# Evidencing & Reporting VFM

Sector Scorecard  
(★ voluntary benchmarking)



# Evidencing & Reporting VFM



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

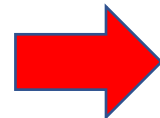
Map your value to metrics, then set targets

your value (mission/objectives)

your metric/target

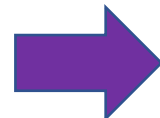
YOU

1) enjoyment of the home & community through excellent landlord services



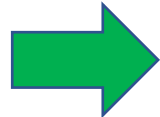
increase satisfaction to 89%

2) new homes across a range of tenures



increase stock by 3%

3) community investment – people, place & planet, improving quality of life, eg financial inclusion, employment, etc



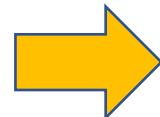
# beneficiaries, £ invested, satisfaction, SROI/HACT measure?

4) support - dignity & independence



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

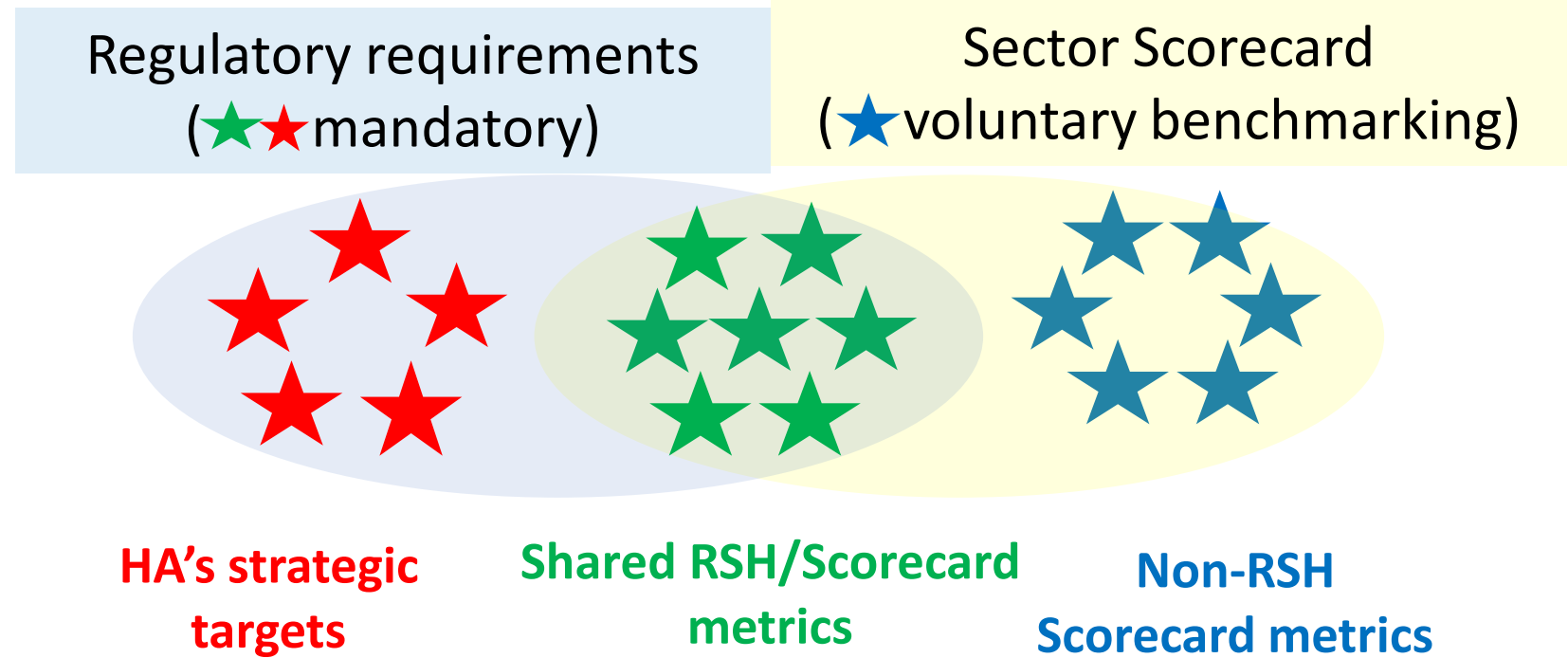
5) non-social? exists to support 1-4



increase £s (& recycle into above)



# Evidencing & Reporting VFM



Er, so what are you supposed to do with them?.....

.....they are the basis for telling a story about how you are maximising VFM

They are not the story; simply evidence points in a warts 'n' all narrative

The plot line is based on a question

RSH is asking the question.....but you'd want to ask it of yourself anyway

Regulatory requirements  
(★ mandatory)

Sector Scorecard  
(★ voluntary)



HA's strategic  
targets

Shared RSH/Scorecard  
metrics

Non-RSH  
Scorecard metrics

## Question:

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

Analysis &  
Understanding

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

Answer

... & where does Acuity fit?

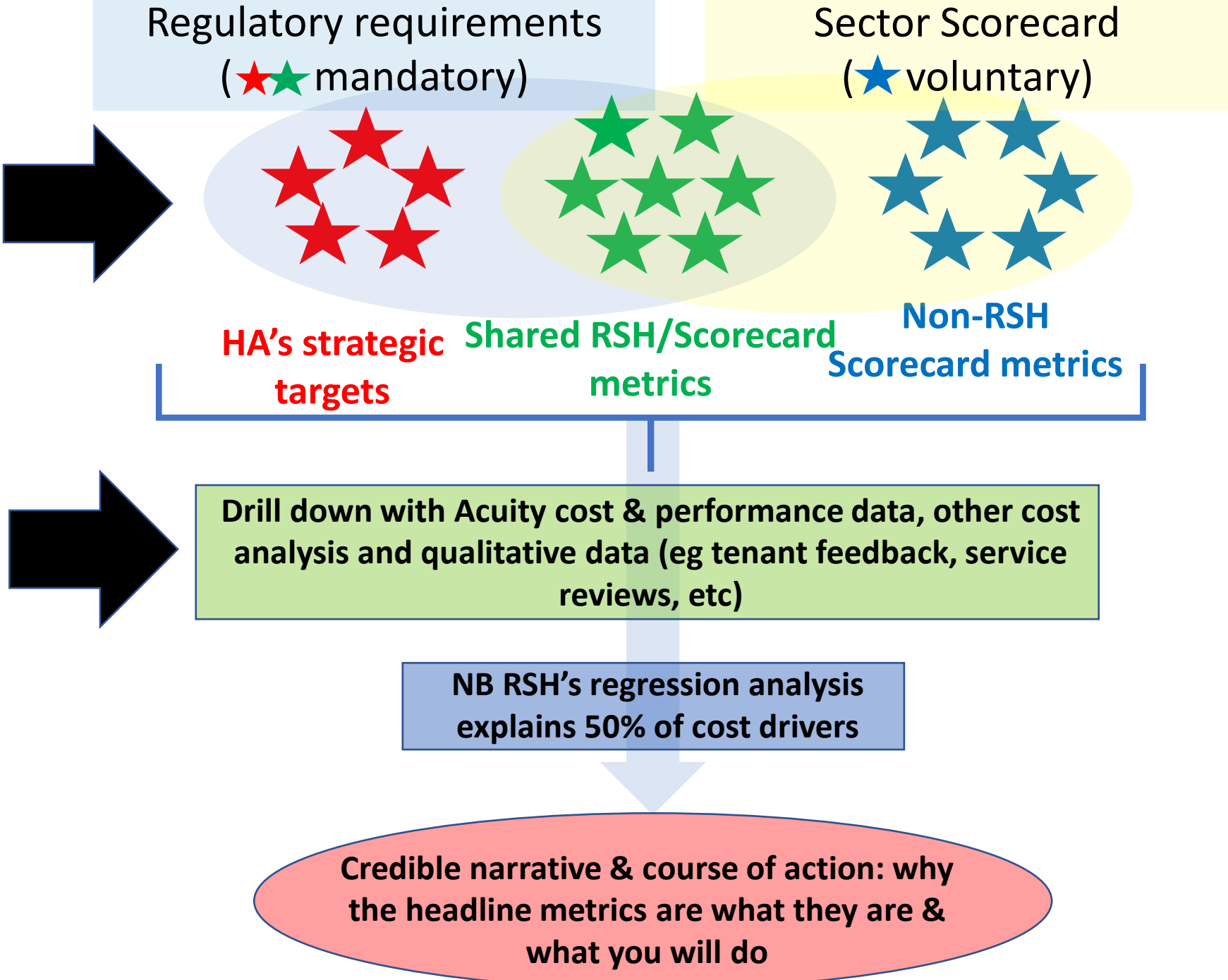
Credible narrative & course of action: why  
the headline metrics are what they are &  
what you will do

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

**Analysis & Understanding**

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

**Answer**





- 
- Where do 22ish RSH TSMs leave the sector scorecard?
  - How will the TSMs relate to RSH's existing approach to VFM?.....
  - .....back in 2010, VFM was a consumer thing.....now it's economic
  - ....time for a VFM standard overhaul?





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
- how does RSH use them?
  - starting point not the end - not a league table – looked at in round, intelligently, in context
  - drawn to outliers
  - **why is it so?** – basis for story
    - written test (reporting in accounts); verbal test (IDA)
  - current RSH VFM focus - how sector squares investment circle with finite resources
    - realistically means a shift from development to existing stock

# Getting the calculations right

- metrics definitions - components correspond to lines in the electronic accounts ie FVA template (NROSH)
- ['VFM metrics: tech note guidance May 2022'](#) (updated as & when)
  - provide full definitions of 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!

# How RSH's Headline Social Housing Cost metric relates to Acuity cost metrics

**RSH's Headline SH Cost metric**  
(comprises Management, Service Charges, Maintenance, Major Works & 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 cost metrics help you unpack the RSH's Headline metric when you tell your VFM story

They are more reliable comparisons than comparing the RSH's components that constitute the Headline metric

# Issues with RSH Social Housing Cost metric

- headline SH CPU is reliable but 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 – benchmarking practice does not!
- you can stick your overheads where you like!
- ...or, say, lose 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

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)
- **housing management costs** - differ markedly/justifiably depending on biz model (eg client group, flatted stock, extent of service offer, etc) – so exclude
  - 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 (unlike RSH metrics)
    - 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)
- 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 & client side.

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

## Major Works & Cyclical

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

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

## Overheads

### Back office costs:

- Office premises
- Finance
- IT
- Central services inc HR, PR, front of house reception, Co. Sec, performance staff

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
- two principal cost types
  - **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 floating support, 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 & in-house DLO

Get in touch about any further issues

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