



London Borough of Hammersmith & Fulham

HOUSING, HEALTH AND ADULT SOCIAL CARE SELECT COMMITTEE

19th February 2014

BENCHMARKING HOUSING REVENUE ACCOUNT HOUSING MANAGEMENT COSTS

Report of the Cabinet Member for Housing: Councillor Andrew Johnson

Open Report

Classification: For Scrutiny Review & Comment

Key Decision: No

Wards Affected: All

Accountable Executive Director: Melbourne Barrett, Executive Director of Housing and Regeneration

Report Author: Kathleen Corbett, Director of Finance and Resources (Housing and Regeneration)

Contact Details:
Tel: 020 8753 3031
E-mail: kathleen.corbett@lbhf.gov.uk

1. EXECUTIVE SUMMARY

- 1.1. HouseMark is a membership-based organisation focused on improving performance and value for money in social housing. It is jointly owned by the Chartered Institute of Housing and the National Housing Federation. HouseMark was set up in 1999 and has over 900 housing organisation members. It is recognised as the industry standard and enables cross-sector comparisons which are just not possible from publicly available data. The data uploaded to their benchmarking service is subject to data quality checks by HouseMark and they have an established activity based costing methodology. Benchmarking is based on HouseMark's direct housing management cost per property key performance indicator. Housemark benchmarking is based on quartiles, with top quartile performance, i.e. performance in the top 25% being considered good compared to peers.
- 1.3 Significant cost has recently been taken out of the provision of housing management services as part of the HRA Transformation Programme. LBHF's direct housing management cost per property is within 1% of the top quartile cost. This is despite LBHF spending considerably more than the peer group on managing antisocial behaviour, which is a reflection of the importance the Council places on this service. The base cost per property after excluding this of £195.98 is well within the upper quartile of £225.81.

2. RECOMMENDATIONS

- 2.1. Members are asked to note and comment on the report.

3. INTRODUCTION AND BACKGROUND

- 3.1 The Housing Revenue Account (HRA) Financial Strategy and Rent Increase 2014/15 report was approved by Cabinet on 3rd February 2014. This report noted that the targeted on-going annual revenue savings of £4 million per annum by 2014/15 identified in the HRA Transformation Programme approved by Cabinet on 21st May 2012 had been achieved together with the consequential reductions in headcount. Delivery of the transformation savings programme was critical to both improve service quality and to contain the current reliance on asset sales, to fund on-going repairs and maintenance activity and to improve the financial position of the HRA overall, freeing up investment for debt repayment, innovation, estate improvements and service improvement.
- 3.2 The HRA MTFs Transformation Programme involved the re-procurement of repairs and maintenance contracts – contract value circa £200 million over 10 years – as well as the market testing and outsourcing of Housing Services for the South of the Borough and Estate Services for the whole Borough. Significant cost has recently been taken out of the provision of housing management services.

- 3.3 The contract for Housing Management in the South of the Borough was awarded to Pinnacle PSG and started on 1st July 2013. The management of Rent Collection has been transferred to H&F Direct, this service is subject to an SLA with accompanying performance targets and remains under review. The remaining North of the borough housing service is working in house to the same specification as the service delivered by Pinnacle PSG, introducing an element of competitive tension which should spur further improvement, and both areas will be benchmarked against each other and comparable boroughs for performance.
- 3.4 The outcomes expected from the new Housing Management Service are:
- An annual service cost reduced from £1.638 million to £1.348 million with the winning tender being from Pinnacle Housing Ltd at £1.348M giving a significant £290k¹ per annum contribution towards the savings required by the Housing Revenue Account Financial Strategy.
 - Significant improvement in all the cost KPIs together with marked improvements in the quality KPIs benchmark figures.
 - A leaner department that is more effective at delivering good effective performance and contract management.
 - Flexibility within the service to continuously evolve to meet the needs of the residents.
- 3.5 Benchmarking has been carried out using the 2014/15 budget numbers which have been loaded onto HouseMark. Data has been compared to the most recent data provided to Housemark by the other organisations. It should be noted that this means that the Council's 2014/15 projected costs are being compared against 2011/12 and 2012/13 actual costs, however this does still give a good indication of how the Council's budgeted 2014/15 housing management costs compare. Benchmarking has been based on the direct cost per property indicator used by Housemark. The peer groups used consisted of all London Boroughs, London based Arm's Length Management Organisations (ALMO's) and other London Housing Organisations who are members of HouseMark, totalling 57 organisations.

¹ Part year savings delivered in 2013/14

4. BENCHMARKING RESULTS

4.1 The results are set out below:

KPI	Sample Size	Upper £	Median £	Lower £	LBHF Budgeted costs for 2014/15 £
Direct CPP of Housing Management	57	261.25	305.94	336.16	263.24
Direct CPP of Rent Arrears & Collection	57	69.51	82.94	99.07	84.27
Direct CPP of Resident Involvement	57	27.01	37.26	52.15	16.73
Direct CPP of Anti-Social Behaviour	57	35.44	43.46	59.33	67.26
Direct CPP of Lettings	57	24.34	31.03	43.21	46.00
Direct CPP of Tenancy Management	57	63.05	93.03	108.38	48.98

4.2 LBHF's direct housing management cost per property is within 1% of the top quartile cost. This is despite LBHF spending considerably more than this peer group on managing antisocial behaviour, which is a reflection of the importance the Council places on this service.

4.3 The base cost per property after excluding this of £195.98 is well within the upper quartile of £225.81.

LOCAL GOVERNMENT ACT 2000

LIST OF BACKGROUND PAPERS USED IN PREPARING THIS REPORT

No.	Description of Background Papers	Name/Ext of holder of file/copy	Department/ Location
1.	None		