



Ashfield District Council – 2015/16

Value for Money Analysis of the Services provided by Ashfield Homes Limited

November 2015

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1. EXECUTIVE SUMMARY

1.1 Overview

1.1.1 As part of a stock options exercise being undertaken by Ashfield District Council, Ark Housing Consultancy was commissioned to carry out a value for money exercise of services provided by Ashfield Homes Limited (AHL). Our work demonstrated there was no clear-cut financial reason for the housing service to be brought back in-house, or for the management and maintenance services to be left with AHL.

1.1.2 However, leaving matters as they currently are is also not a realistic option if the benefits of the Council owning a significant asset are to be realised for itself and its tenants. The relationship between the Council and the ALMO needs to be reset and as part of this process, it would help if the Council's strategic ambitions for the housing stock were re-defined.

1.1.3 Ten years have elapsed since Ashfield achieved the decent homes standard for all of its stock. It is not clear what "advances" have been made since then, nor what the strategic direction of the housing service has been. While the ALMO has generated significant financial savings that have been returned to the Council, it has not built any new council housing and its services to tenants are no longer at an excellent standard.

1.1.4 No clear theme or trend emerged from our analysis of the ALMO's performance indicators, service out-turns, costs or benchmarking information. The data showed a mixed bag of results, some positive and some negative. AHL are members of two benchmarking groups and in addition we compared their repairs and maintenance costs against our own database. They have opened themselves to external scrutiny but have failed to optimise their use of benchmarking and it is difficult for tenants and other stakeholders to assess their performance relative to other social landlords or to make vfm judgements about the housing service.

1.2 Strengths

1.2.1 AHL has delivered significant cost savings since 2011, both in terms of a reduced management fee and efficiency savings returned to the Council.

1.2.2 The ALMO has a good level of up-to-date stock condition data – so it should be able to plan for future investment. It now needs a clear focus though on the future of the housing stock, the criteria for investment, and in stock retention, refurbishment and disposal.

1.2.3 There are low service delivery costs in a number of areas (incl Housing Management, DLO & Finance) and its repair and maintenance costs are broadly in line with what we would expect to see.

1.2.4 AHL is quick at completing repairs to tenanted and empty homes and at re-letting standard voids. It is being proactive in using repairs data and is receiving good scores from tenants for how their complaints are dealt with and the outcomes.

1.2.5 VMS is actively used as an on-going tool for spotting trends in customer satisfaction and AHL has demonstrated a willingness to open itself to scrutiny from tenants and external assessors.

1.2.6 The organisation produces modern, easy to read documentation for tenants.

1.3 Weaknesses

1.3.1 The ALMO has been unable to grow the service as they would have liked and in recent years has not invested significant sums in the housing stock or in services to tenants.

1.3.2 AHL does not have an asset management strategy nor a value for money strategy, both of which are key documents and are vital to ensuring investment in the housing stock is well planned and targeted. The current policy documents are limited in their scope and detail and they lack clear action plans.

1.3.3 AHL is not setting itself stretching targets to achieve top quartile performance. Most of its PI and cost out-turns are in the second and third quartiles (just above or below average) with few measures showing top scores for quality or efficiency.

1.3.4 The organisation is not using the STAR survey for collecting and reporting on resident satisfaction which makes it difficult to compare its satisfaction scores with those achieved by other landlords. There are some instances of low satisfaction scores (e.g. with the last repair) – and VMS scores are not compared with peers.

1.3.5 Resident scrutiny is happening but it is unclear how focused this is on driving service improvements and cost efficiencies.

1.3.6 Light on front-line staffing – pressures in areas like housing management. Is this impeding their work and its impact?

1.3.7 It is not clear how AHL is utilising benchmarking – we did hear of some isolated examples, but it did not come across as a corporate priority, have they the capacity to research & learn?

1.4 Other discussion points or issues

1.4.1 The housing service has high overheads (particularly in the areas of office accommodation & IT) that we understand are the result of charges levied by the Council.

1.4.2 Surplus sharing arrangement between the Council and AHL is not an incentive for the ALMO to generate further savings or efficiencies (AHL can only keep £25k of surpluses in each year) and this policy should be revisited.

1.4.3 In certain areas, we think there is a possibility of duplication of effort with both the Council and ALMO involved in certain services / unclear shared responsibilities – e.g. debt recovery and tackling anti-social behaviour.

2. SCOPE

- 2.1 Ashfield District Council engaged Ark Housing Consultancy LLP (Ark) to undertake a Value for Money analysis of the services provided by Ashfield Homes Ltd.
- 2.2 Ashfield Homes Ltd (AHL) is the Arms Length Management Organisation (ALMO) which manages and maintains almost 7,000 council homes on behalf of Ashfield District Council, in North Nottinghamshire. For this AHL receives a management fee of £11.032m in the current year, plus it generates additional external income of £399,876. It expects to make a small surplus of £53,600. In addition the Council funds approx. £6.8m of capital improvements and major works to the housing stock.
- 2.3 The Council is in the process of evaluating the future management arrangements for the council's housing stock and required a Value for Money study of the services provided by Ashfield Homes, as part of its stock options exercise.
- 2.4 There are around 54,470 homes in Ashfield (at July 2015) of these, 6,866 are Council owned. The Ashfield District has an estimated population of 121,600 (2013 ONS). The majority of this population, together with associated housing, jobs and services are concentrated within the 3 main towns of Sutton in Ashfield, Hucknall and Kirkby in Ashfield together with 3 large villages in the substantial rural area mainly to the west of the M1 motorway.
- 2.5 Ashfield Homes was created on 1 April 2002 by Ashfield District Council to undertake landlord functions of its housing service and was granted a 25 year contract, with break clauses every 5 years. Under Section 27 of the Housing Act 1985, the following functions were delegated to Ashfield Homes:
- Arrears Management and Debt Counselling;
 - Tenant Participation, Information and Consultation;
 - Enforcement of Tenancy Conditions;
 - Similar functions for Leaseholders;
 - Stock Investment and Repairs Ordering;
 - Managing Lettings, Voids and Under occupation;
 - Estate Management, Caretaking, and Support Services under Supporting People; and
 - Anti-Social Behaviour Policy (in partnership with the Council).
- 2.6 Ashfield was ranked 66th out of 354 Councils in the index of local deprivation in 2010, with an unemployment rate of 5.5 per cent compared to the East Midlands average of 5.3% (NOMIS March 2015) and 7.8% of working age people in Ashfield claim ESA or Incapacity Benefit.
- 2.7 Ashfield District Council (through Ashfield Homes) completed its Decent Homes programme in October 2005, making all of its properties 'Decent' in accordance with the UK Government Standard.

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- 2.8 The Council requested a draft report for the Council to comment on, and then a final report that can be used as part of the evidence base for the Council's housing stock options process. The contract commenced in the week beginning 5 October 2015, with completion required within 2 – 3 months.

3. METHODOLOGY

- 3.1 The VfM analysis we have undertaken has compared Ashfield Homes to various social housing organisations (both of a similar and a different size) with a particular emphasis on comparing key performance data on the supply of services and their cost and quality.
- 3.2 The Council and Ashfield Homes provided some of the performance data used (such as Housemark benchmarking reports) and Ark used its own benchmarking data and knowledge base to supplement this. A significant part of this work was done via a desktop analysis using comparator information and document reviews.
- 3.3 Measuring or assessing VFM is not an exact science and it involves making value judgements based on a number of factors. Typically these factors are:
- Service delivery out-turns, as measured by performance indicators;
 - The actual, average or unit cost of providing the services; and
 - Customer satisfaction (as a proxy measure of quality).
- 3.4 Thus it is possible to have high-cost services that provide good value for money if the service is performing well and producing high levels of customer satisfaction. But management's job requires them to see if they can lower the cost of service provision while preserving the other two indicators, or can they generate even higher performance and satisfaction levels for the same or a lower cost?
- 3.5 Ashfield District Council has also commissioned a separate study of tenants' views and the results of both projects will need to be evaluated in order to make a well-evidenced decision. (In the other study, Chris Broughton Associates has been engaged "*to seek views about the extent to which current housing management policies, services, service delivery and performance is in line with expectations and to canvass ideas about how policies and services might adapt to challenges due to policy and demographic change.*")
- 3.6 We met with officers of Ashfield District Council on 8th October 2015 for a pre-meeting, where we discussed the project and agreed the way forward, who the key contacts were and mechanisms for reporting back on progress.
- 3.7 We then carried out a variety of tasks as follows:
- Document reviews – we requested a series of documents to inform us of relevant strategies, service standards, performance, budgets and expenditure, customer satisfaction and information for tenants;
 - We undertook a detailed analysis of repairs & maintenance data, submitted on a standardised spreadsheet, which allowed us to compare AHL with over 50 other social landlords in our database;

- Interviews were conducted with a number of key personnel at AHL (Head of Corporate Services, Company Accountant, Tenancy Services Manager, Lettings & Supported Housing Services Manager, Director of Asset Management & Interim Housing Services Director, Senior Operations Manager, Procurement Manager and Responsive & Voids Maintenance Manager; and
- Comparisons were also made with other social landlords using Ark's own data and knowledge.

3.8 In addition AHL provided us with an additional set of documentation, which their staff felt were relevant to the project and we reviewed these as well.

3.9 After submitting a draft report, we met with officers from the Council and ALMO on 17th November 2015 to discuss our findings after which detailed comments were received. Where possible these are incorporated in this final report.

4. MAIN FINDINGS

4.1 General Issues

- 4.1.1 AHL has a strong track record of delivery efficiency savings since 2011. These already amount to approx. £2.5m and the organisation is continuing to make on-going in-year savings through actions such as the re-tendering of works' contracts, changing the terms and conditions of staff contracts (e.g. removing flexitime and bonus payments) and staff redundancies. The target for efficiency savings for 2015/16 amounts to £681,414 and AHL reports it is on target to achieve efficiency savings of £3.9m over the five-year term of the current management agreement.
- 4.1.2 Budgetary control appears to be strong and this is needed as AHL is operating on tight margins, with a small surplus of just 0.51% forecast on annual turnover of £11.432m. Regular reports on expenditure with variances highlighted and updated end-of-year forecasts are made to each Board meeting. AHL has built up allocated reserves of £843,085 to the end of 2014/15, but this is forecast to fall to £610,901 by the end of the current year due to one-off costs associated with the home visiting and call monitoring services.
- 4.1.3 However, there is minimal public reporting on expenditure or financial performance, with some notable exceptions such as rent arrears. It would be helpful for tenants if they saw cost per property data for AHL compared to other social landlords for key services such as repairs, delivering property improvements and tenancy management. This would allow them to make informed decisions on whether their rent represented good value for money.
- 4.1.4 AHL's efforts to expand their services and to increase its income have only had a limited success to date. A notable exception is the call centre, which is projected to generate a surplus of £370,000 over the next five years. So far AHL has not built any new homes for rent, although this remains an ambition. This position is disappointing despite AHL having a long-running focus on income generation (evidenced by regular discussions at Board meetings) and a growing number of ALMOs are actively involved in new build housing schemes nationally.
- 4.1.5 AHL's peer group in Housemark is quite small, as it only numbers 14 organisations (including AHL) and they do not all provide data for all of the benchmarked services or costs. Some of the comparator groups for performance or costs were as small as six. The list of peer landlords is shown at Appendix One, it consists of both ALMOs and local authorities.
- 4.1.6 Overall, a mixed performance of above and below average scores are being reported against most service delivery indicators (second and third quartiles), when services are compared to other social landlords using Housemark and Ark's own database. There are very few indicators in the best or worst quartiles. Delivery looks stronger when compared to the eight social landlords in the Efficiency East Midlands benchmarking group, albeit there is some overlap with the Housemark group.
- 4.1.7 As a general rule the ALMO is spending less than average on services compared to other landlords. In the housing management team officer salaries

appear to be higher than average which also means that staffing numbers are lower than average. Patch sizes and the average numbers of properties per member of staff are higher than average across AHL. DLO staff costs per property are well below the Ark average, which points towards lower staffing numbers.

- 4.1.8 Work or job rates in the DLO are broadly in line with other in-house service providers in our benchmarking group, although they are slightly higher than private contractors as expected, due to higher pension contributions and other factors such as more generous annual leave.
- 4.1.9 Cuts in staffing levels at AHL in the last three or four years have reduced a number of service costs. Some of the cuts have been forced on AHL (as they have on other social landlords) through changes in Supporting People funding. Other cuts have been made to meet targets for financial savings as part of the Council's previous stock options exercise and an on-going efficiency programme. VFM training has been provided for all AHL managers in the past year.
- 4.1.10 Annual targets are not stretching the organisation and in many instances the targets set (and which appear in reports to the Board and for tenants) do not match or deliver top quartile performance – either in terms of service outputs or cost. This could be seen as the actions of a 'coasting' organisation, although it might also be a realistic option or a consequence of delivering services with fewer resources.
- 4.1.11 In addition a shortage or absence of measurable targets in some of the customer service standards, makes it difficult for interested parties such as tenants, to monitor performance across all service areas.
- 4.1.12 The organisation has demonstrated a willingness to open itself to external scrutiny and assessment, particularly on the technical or property maintenance side of the business. It has taken part in exercises run by HQN and other bodies (e.g. ISO, BSE, etc.) to assess the efficiency of the DLO and compliance with health & safety rules.
- 4.1.13 These have resulted in positive reports during the past year, with the DLO being praised by HQN's assessor for demonstrating both good value for money and quick response times, which they say are among best practice timescales.
- 4.1.14 Some key strategic documents, such as the asset management strategy and the value for money strategy are absent or missing. Instead AHL has policy documents, which we were provided with, but these are not good substitutes for Board approved strategies. This risks investment levels and procurement schemes not being as effective or efficient as they should be, money not being targeted in the right areas and even being wasted.
- 4.1.15 AHL are part way through collecting detailed information on the condition of the Council's housing stock and has recognised that it needs to produce an asset management strategy - to plan and organise future investment in the

housing stock, set out how different stock types will be used and the criteria for any disposals.

4.2 **Customer Satisfaction**

4.2.1 AHL currently uses a tool called VMS, rather than STAR surveys, to measure and monitor customer satisfaction levels. STAR is used by the majority of social landlords to measure and report on customer satisfaction. Its lack of use in Ashfield makes it difficult to compare customer satisfaction across most service areas with the performance of other social landlords. VMS data is not reported via benchmarking tools such as that run by Housemark, nor does AHL have access to VMS data from other social landlords who use this approach.

4.2.2 Oddly AHL does report customer satisfaction data for two performance indicators via Housemark. And for both indicators, the ALMO scores lowly. These indicators relate to:

- New tenants' satisfaction with the 'allocation and letting service' (8 organisations provided data and AHL are 8th out of 8 with a figure of 80.9% in a range from 100 down to 80.9. The next lowest was 88.61% and the other 6 scores were in the 90s or higher); and
- Tenants' satisfaction with their 'most recent repair' (12 organisations provided data and AHL are 12th out of 12 with a figure of 88.7% in a range from 99.72 down to 88.7. All the other 11 organisations have reported scores in the 90s).

4.2.3 AHL has responded to the above findings by stating that their methods of collecting satisfaction data are more independent and robust than some of their peers and if every organisation was consistent in using their approach then the results would be different. This includes not having an operative present when the repair survey is completed. The 3-year average for the top figure is 87.3%, which brings their score closer to that of others. AHL believes it delivers higher satisfaction levels than these figures suggest and they point to low levels of complaints received, in support of this.

4.2.4 The most obvious omissions on customer satisfaction in current benchmarking reports as well as in Board and public reports on performance, are:

- Overall tenants' satisfaction with their home;
- Tenants' satisfaction with the quality of services; and
- Tenants' satisfaction with whether their rent represents value for money.

4.2.5 Senior managers at AHL describe their approach to quality as being a combination of regular / constant monitoring of services via VMS scores throughout the year, reviewing the complaints received and their handling /

monitoring (they get relatively few complaints and enjoy high levels of customer satisfaction on their handling of these) as well as the external assessor checks, including IIP, CSI, ISO9000 etc. They accept these are mostly 'internal' or inward looking and do not readily allow for comparison with others.

4.2.6 VMS does provide AHL with a regular flow of data throughout the year which it says it can act upon quickly if any specific problems are highlighted or negative trends start to emerge. This assertion is not doubted but it does raise a question over whether AHL should additionally participate in the STAR survey, possibly once every two years so it can obtain customer satisfaction data which can be benchmarked against other landlords.

4.2.7 An additional or alternative measure for customer satisfaction relates to complaints and in this respect, although the data is quite limited, AHL appears to be performing well based on the Housemark results. The organisation is the best performer in its peer group for:

- The % of complainants who are satisfied with the way their complaint was handled; and
- The % of complainants who are satisfied with the outcome of the complaint.

4.2.8 This is a significant piece of evidence and it is also noticeable that AHL receives many compliments from tenants. These are reported in some detail to each Board meeting although it is not clear what, if any, benefit or added value this provides for monitoring and scrutiny purposes.

4.2.9 In the AHL Board reports we read only quite basic information is provided on complaints and there is no sense of common or recurring themes and what lessons are being learned and changes made to how services are provided. AHL used to produce a report for tenants showing a lot of detail on complaints but discontinued this (as an efficiency saving) after the 2013/14 report, as it was not considered to represent good value for money. A much shorter 'report' on reasons for complaints, lessons learned and changes made to policies and services, could be incorporated in other publications, such as the annual tenants report. This shorter style of feedback on complaints is planned for inclusion in the 2014/15 Tenants Report.

4.3 **Corporate Issues** (including finance, IT, publicity and staffing)

4.3.1 In addition to absorbing the annual £669,000 reduction in their management fee since 2011 (achieved through a variety of cost savings, including a big reduction in the size/cost of the SMT, other staff cuts, extending the period for certain servicing & painting contracts and small back office savings), AHL has continued to cut costs with £357,000 savings returned to the Council in the last 3 years.

4.3.2 The AHL efficiency register (version 4, dated 30/10/15) was reviewed. This details £2.028 M cumulative savings from 2013/14 to 31/03/16, rising to £2.692 M a year later. This covers the abolition of flexitime, re-tendering contracts, job evaluation, income from home improvement works, reducing publication costs

and cutting some publications, reducing number of accreditations. It is clear that the size of savings is getting smaller and more difficult to generate, possibly reflecting they have picked all of the low hanging fruit.

- 4.3.3 AHL can retain £25,000 p.a. from any budget surplus (they are adding these to their reserves at present) but every £ more than this figure is returned to the Council. This does not create a strong incentive for AHL to make greater savings and it would be worthwhile looking to change this arrangement, to have a more equal surplus sharing arrangement, perhaps on a sliding scale?
- 4.3.4 Publicly reported monitoring tables of performance are updated and published on a regular (monthly basis) via the AHL website, but the relatively small number of KPIs (ten) is not fully focused on customer services and only provides a partial picture.
- 4.3.5 Of the 10 indicators chosen to report on, one of these is for 'repairs post inspected by tenants' which is a simple activity figure and provides no real sense of service quality, while two other indicators relate to the number of appointments made and kept, whereas in the target column AHL shows the figure for the % of appointments kept - which is a combination of the 2 performance figures.
- 4.3.6 There is no financial or cost information shown (with the exception of % of rent collected) in this table and combined with the content of the paragraph above, we are left feeling that this reporting mechanism (which in many respects is good, as it is open and allows scrutiny of performance to take place) is not being fully utilised. There is space for at least 2 indicators of service quality or cost to be included in this monthly table. We understand that tenant representatives selected the indicators used for reporting purposes and that a review of these is planned for 2016, but this is an activity where tenants would probably benefit from independent support and advice.
- 4.3.7 An odd selection of PIs was chosen to be tested for their accuracy in 2014 by the Council's auditors. Seven indicators were looked at but most of these were not related to service out-turns or significant areas of expenditure. The list is shown in the table below, but it included such measures as the average cost of staff training and sickness days lost.
- 4.3.8 These audit checks should be better informed by risk analysis, with a particular focus on high value contracts and/or high volume customer facing services, rather than back office activities irrespective of their importance. (For the record, six of the seven indicators were found to be accurately calculated and reported).

4.3.9 Table of AHL Indicators Audited for Accuracy in 2014

Leaseholder satisfaction with the service provided by AHL
Number of working days lost to sickness absence per FTE employees

Number of tenants and residents associations that AHL provide support to (Not necessarily grant funded)
Average Cost of training per employee
% of properties with a SAP rating > 80 (% against number of properties surveyed)
Percentage of voluntary leavers who receive an exit interview
Percentage of workplace inspections undertaken within identified time scales

4.3.10 There is an attractive set of publications about customer services, many of which are available on the company's website. As a general rule these are written in plain language, with bright photographs and diagrams although they are also longer than perhaps is necessary and measurable standards are dotted about rather than brought together for ease of reference. More use is being made of the internet by AHL to communicate with its customers and stakeholders, which is a more cost effective method than sending out hard copies of all its publications for customers.

4.3.11 The service standard booklets have been updated this year and they contain more measures stating the services that tenants can expect to receive from AHL. However, these are dotted about the documents and have not been brought into a single section or page, for ease of reference. AHL does not set targets for what level of compliance or achievement can be expected, e.g. 95% of calls will be answered within 6 rings or 90% of home appointments will be undertaken within 5 days.

4.3.12 Staff satisfaction levels have recently bounced back after a big dip in 2014/15, which coincided with implementation of a job evaluation exercise and changes in some employment terms & conditions and the withdrawal of bonus payments at the DLO.

4.3.13 Staff turnover rose significantly to an unsustainable 20.12% last year but this is understood to be down to factors such as the supporting people redundancies and technical staff leaving to take advantage of opportunities in the private construction sector and/or higher salaries offered by some of their peers.

4.3.14 Staff sickness levels improved to 9.21 days in 2014/15 which is equivalent to second quartile / above average performance. The trend appears to have continued in the current year with an average figure of 6.24 days per employee reported at October 2015 which is equivalent to top quartile performance and a notable turnaround from the high levels in 2013/14.

4.3.15 This measure has a direct impact on the value for money of services and reductions of this size should be encouraged and applauded.

4.3.16 Higher than average overhead costs are reported in the areas of office accommodation and IT, but these are both understood to be wholly due to charges imposed by ADC. The ALMO provides services from 4 offices or bases, including property shops and from the DLO's depot. Most of these bases are shared facilities with the Council and it is understood there would

not be sufficient room for AHL staff to be re-located to ADC's main offices in Kirkby in Ashfield. It would require the Council to reduce its charges, for these overhead costs to come down, closer in line with average or lower than average costs.

4.3.17 The number of offices does appear high for a landlord operating in a single LA area and with 6,811 properties to manage and maintain. Only Norwich City Council with over twice the number of properties has reported using more offices (six) within the peer group. Overheads are three times those of the best in their peer group – they represent 13.8% of operating costs at AHL against 4.2% by the best in the group (Exeter). However, the higher number of office bases is probably a direct product of the rural nature of the district and the dispersed population.

4.3.18 It is understood the Council has recently entered into a service sharing arrangement with Mansfield District Council to reduce costs, but this facility does not include, or apply to AHL. This is a decision that could be re-visited, with a view to making lower cost services available to both AHL and Mansfield's housing service.

4.3.19 Limited progress has been made to date by AHL with expanding paid-for services to other residents in the district, or other organisations. If more income could be generated by selling services this could increase surpluses (for sharing with the Council) or provide further investment in existing services, or in new services for tenants. AHL has not built any new housing in the district unlike many other ALMOs. Instead the Council has pursued new council building through other means.

4.4 Housing Management

4.4.1 The housing management team overall appears to be pretty lean with larger than expected patch sizes and lower than average costs per unit for providing their services, but this is matched by generally average or below average performance as measured by benchmarked PIs.

4.4.2 AHL employ specialist rather than generic staff and with the numbers involved it would be difficult to see how further staff savings could be made without this having a serious detriment on service quality and/or performance. Six staff manage the general needs properties, four staff work on rent collection and arrears recovery, there is one tenancy sustainment officer, one money management advisor, one resident involvement officer, and two team leaders. There are no specialist ASB staff – all low level work is done by the housing management staff with serious cases (requiring legal action) referred to the Council. AHL has been at this staffing level since 2012/13.

4.4.3 Managers at AHL feel this staffing level is already having a negative impact in several ways – for instance, property conditions at evictions and in day to day voids is worsening and staff do not have resources to keep on top of this through routine or unannounced property visits and inspections. Staff have little 'spare' time to do visits to other landlords for intelligence gathering and benchmarking is largely the preserve of managers. More use is made of the

Efficiency East Midlands benchmarking group than Housemark, with visits made in past year to Derby and A1 Bassetlaw, to pick up good practice ideas.

- 4.4.4 However, they feel that performance at rent collection and arrears control has been maintained at previous levels despite the staff cuts and welfare reform. No evictions have been made as a result of arrears due to welfare reforms, which is a notable achievement. A 'no evictions' policy on rent arrears cases has been operated and it is possible this is being abused by some tenants, which will also impact on rates of rent collection and arrears recovery.
- 4.4.5 The lettings team looks better staffed, but the supported housing team (lifeline operators x 8 and care coordinators x 8) has lost half its staff due to SP cuts. They are looking to see if they can increase income from other sources by extending services to other tenants and private residents in the district.
- 4.4.6 There are 4 different teams involved with debt recovery (recharges due to property damage from current tenants and FTAs) – AHL staff in the technical team, rents team and finance team, as well as finance staff at ADC. It would seem appropriate to review whether this arrangement would benefit from some streamlining.
- 4.4.7 In addition lots of time appears to be taken up in the allocations team chasing utility companies to get gas and electricity connected at void properties. This is either a task for support staff or it would be better if standard arrangements could be made with the power companies.
- 4.4.8 AHL managers think their best hope for efficiencies in the future is in extending the use of IT, but this would entail some financial investment. They do not think introducing generic teams would help them, due to the increasingly specialist nature of their work.
- 4.4.9 From Housemark data it looks to be a low cost service overall. At an average cost of £235.25 per property, per year, AHL is the third least expensive out of 14 and within the top quartile. But there is something of a mixed bag in terms of performance. It is delivering well on standard voids, but performance in key indicators such as rent collection and arrears recovery is less positive, being maintained at average or above average levels. Low staffing levels appears to be countered by higher than average employee costs.
- 4.4.10 With 3.83 **housing management** employees per 1,000 properties, AHL could be referred to as efficient. This is the second lowest staffing figure out of 14 and is in the top quartile. However, their average pay is reported at £32,843, which is above average, and the 5th highest out of 14, which is third quartile performance.
- 4.4.11 It is a low cost service for **rent arrears and collection**, at £56.38 per property (placing it in the top quartile) against the median average of £83.22. But this appears to be reflected in weaker performance at collecting rent and arrears recovery, where AHL performance is below average, in the third quartiles for collecting rent (99.09%), current arrears (1.84%) and former tenant arrears (1.33%). It is not possible to state categorically that this level of performance is directly linked to the reduction in staffing levels, but it is a reasonable assumption to make.

- 4.4.12 The **resident involvement** service is also low cost at £32.73 per property, making it the 4th lowest out of 13 and top quartile performance. There are no customer satisfaction scores to demonstrate the quality of service, such as whether ‘tenants feel they are listened to’ and ‘have opportunities to influence decisions over their services’. The number of resident involvement staff per 1,000 properties is lower than the average (it is in the second quartile) and the average employee cost at £34,793 is median, being 7th out of 13.
- 4.4.13 **Anti-Social Behaviour** is a real mixed bag – the cost of dealing with each case is low at £28.27, which is third lowest out of 13 and top quartile. But there is no data reported for the % of cases resolved successfully or on customer satisfaction with the service. The number of ASB employees per 1,000 properties is very low at 0.26, the second lowest in the group and also top quartile, but the average cost of ASB employees at £37,185 is the second most expensive out of 13 and in the fourth (worst) quartile. However, we understand that the average cost figure includes some of the Council’s staff costs, making it more difficult to interpret this information.
- 4.4.14 **Tenancy Management** is another odd combination of outcomes, but again it is an area without any customer satisfaction data reported on the service, so what can be said about its quality? The cost per property is better than average at £65.61, making it the fifth lowest out of 13 and in the second quartile against a median of £71.52. AHL only employs 1.14 staff per 1,000 properties which is lower than average, sixth lowest out of 13 and in the second quartile, but once again it has a high average staffing cost of £33,360, in 11th place out of 13 (the third most expensive) and in the bottom quartile. The median average cost is £29,641.
- 4.4.15 **Lettings** – the data shows a higher than average cost of lettings per property at £52.26, the 5th most expensive out of 13 and in third quartile. But their average re-let time for standard voids is good at 21.9 days, which is the third best out of 13 and top quartile performance. Their void rent loss is also better than average at 1.15%, which is the 5th lowest out of 15 and places them in second quartile. In fact AHL are not far from top quartile performance which is 0.95%.
- 4.4.16 AHL look slightly over-staffed for the letting service, employing 1.01 people per 1,000 properties, which is 8th best out of 13 and third quartile (below average).
- 4.4.17 These higher than average staffing figures may be consequence of operating a dispersed service out of several offices. The average employee cost is median at £30,074. A very mixed couple of quality scores are reported for the lettings service:
- Properties accepted on 1st offer is just better than average and 4th out of 9, in the second quartile; but
 - New resident satisfaction with the allocations and lettings process is poor at 80.9% and 8th out 8, which is bottom quartile. (AHL say their 3-year

average score would be 87.3%, which is better but would still place them in 8th position.)

4.4.17 Average re-let time for standard voids is 21.9 days, the third best out of 13 and top quartile performance. This matches a positive finding in the HQN report on the DLO, dating from July 2015. We do not know if this is down to strong performance in housing management, lettings or the void repairs service, or a combination of all three teams. Irrespective of this, it represents good performance by AHL and it has a positive knock on effect, by minimising the amount of rent loss on empty properties and the money spent on providing temporary accommodation.

4.5 **Housing Maintenance**

4.5.1 We have been able to analyse the results of both Ark and Housemark benchmarking exercises to identify both common themes and differences. These indicate both positives and weaknesses in performance, service out-turns and cost, although for many measures the in-house team is performing at a similar cost to other landlords' DLOs. (Please refer to the table shown below and the detailed report at Appendix Two).

4.5.2 The results of the Ark benchmarking shows a number of areas in which AHL are providing good value for money, such as the average price of responsive repairs, the overall cost of responsive repairs and voids, and gas servicing / maintenance. This supplements good performance reported through Housemark for the short time taken to complete repairs to both tenanted and empty homes, the completion of gas safety work and the % of repair appointments made and kept.

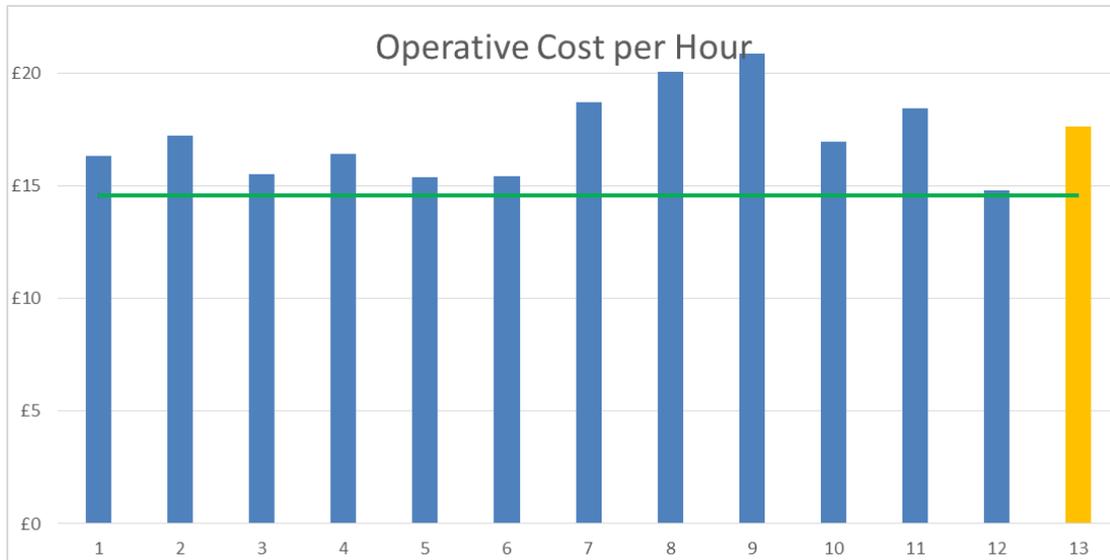
4.5.3 Areas of concern include the higher than average number of repairs completed at each property and the lower than average SAP rating – given the latter's likely impact on heating costs and on residents' comfort and health. There are a number of areas of planned investment where rates are higher than benchmarked prices, such as kitchens, heating installation and external doors.

4.5.4 Rates for planned works (which relate to kitchens, bathrooms, heating installations etc.) are those from the last year of the Keepmoat contract. A new contract is now in place for the delivery of these elements. It is too early to benchmark these costs at this stage but Ark recommends this benchmarking is undertaken once a full year's work has been completed and the process is repeated annually to help the service test its on-going value for money.

4.5.5 AHL's client side asset management costs are low compared to benchmarks. Ark recommends that a greater focus is placed on active asset management, in conjunction with the outcomes from the Project Viability modelling that has recently been undertaken. It is possible that an increase in client side staffing could enable AHL to develop longer term efficiencies in asset management.

4.5.6 Ark has compared the terms & conditions of AHL's in-house contractor with those for other in-house contractors in the past 12 months. This shows that the Ashfield T&Cs are very similar to the average, but over the course of a full year the AHL operatives work 58.7 fewer hours (3.5% less), while their hourly cost is marginally higher (£0.30 or 1.75%).

4.5.7 The effective cost per hour for each of these IHCs, shown against the Private Sector average benchmark as a green horizontal line, are shown below. Ashfield Homes are highlighted in yellow:



4.5.8 A summary of AHL's rates for each work element, compared against Ark's benchmark database, is shown below (rates exclude VAT):

Ref.	Element of Work	Ark Benchmark Average	Ashfield	% Variance from Ark Average Benchmark
1	Kitchen Replacement	£3,794.94	£4,597.84	-21.2%
2	Bathroom Replacement (General needs with overbath shower)	£2,652.87	£2,846.92	-7.3%
3	Bathroom Replacement (Full bathroom shower in lieu of bath)	£3,285.78	£3,500.47	-6.5%
4	Full Central Heating System Replacement (Combination Boiler)	£3,028.12	£3,637.65	-20.1%
5	Window Replacement	£3,230.12	£2,678.02	17.1%
6	External Front and Back Door Replacement (including frame)	£1,072.14	£1,481.84	-38.2%
7	Electrical Wiring Replacement (Rewiring)	£2,450.54	£3,253.96	-32.8%
8	Roofing Replacement (Pitched roof)	£4,961.83	£5,564.93	-12.2%
9	Gas Appliance Servicing and Safety Checks (boilers, gas fires and other gas appliances)	£116.79	£91.58	21.6%
10	External Cyclical Decorations Programme (pre-paint repairs + painting/decoration)	£552.44	£158.45	71.3%
11	Responsive Repairs – Total Cost of Repairs per property per annum	£325.53	£315.04	3.2%
12	Responsive Repairs – Cost per Repair	£109.58	£70.81	35.4%
13	Responsive Repairs – No. of Repairs per property per annum	2.97	4.45	-49.6%
14	Responsive Repairs – Repairs completed per operative per day	3.75	3.92	4.5%
15	Routine Void Property Works	£1,864.26	£1,729.21	7.2%
16	Void turnover as % of Overall Stock	8.79%	7.97%	9.3%

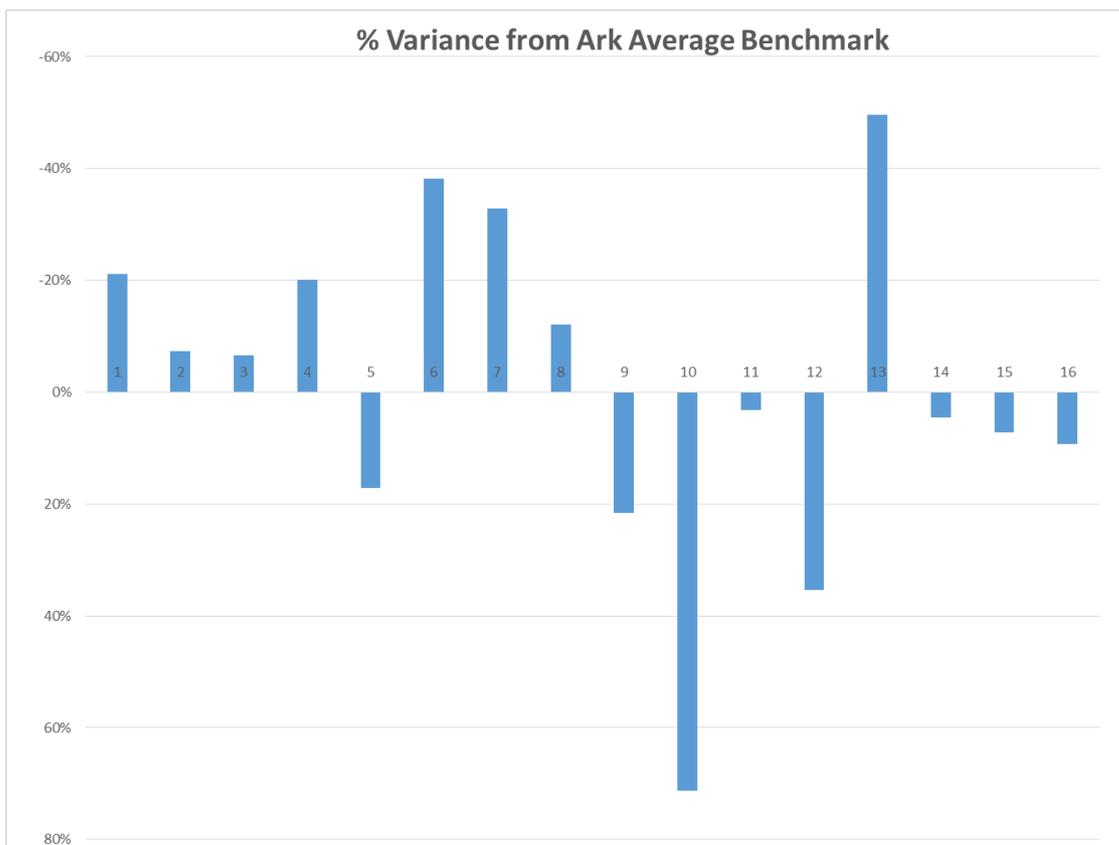
4.5.9 More detailed information for each element is included in the full results of the Ark benchmarking exercise, shown at Appendix Two. However, it is worth stating that when considering this report, it is essential to remember that there are many reasons for price variances, including:

- Specification differences;
- Location (urban & rural);
- Stock concentration;
- Stock volume;
- Delivery model (i.e. type of contract and cost model);
- Project/programme volume;
- Order book certainty; and
- Contract price adjustment mechanisms.

4.5.10 There will be differences in the specification of works undertaken by each organisation included within the benchmarking data set. For example, there may be significant differences in the extent of electrical work undertaken as part of a kitchen or bathroom replacement.

4.5.11 Ark has reduced the impact of these variations by utilising an extensive dataset. However, if Ashfield Home's own specification varies significantly from the norm, this variation may be noticeable within the comparisons. If Ashfield Homes note such variations there will be an opportunity to consider their specification against the market benchmarks and decide whether to continue with their own approach or consider altering the specification.

4.5.12 The following graph provides a visual comparison of AHL's costs/benchmarks, for each element of work or services, against Ark's sector benchmark.



4.5.13 More detailed information for each element is included in Appendix Two. Ark have only added comment where there is contextual information or a recommendation arising from the benchmarking process.

4.5.14 Where AHL's individual benchmark prices are below or around the benchmark averages, then this should give reassurance that reasonable value for money is being achieved. Please note the issues detailed in paragraph 4.5.9 will inevitably create variances between organisations.

4.5.15 Where benchmark costs are significantly greater than the averages, the Council or Ashfield Homes may wish to consider more detailed analysis to establish which factors are creating higher costs.

4.5.16 There was a target cost element to the Keepmoat Planned Works contract. Any saving on target cost by Keepmoat was shared with the Client. At the time of writing this saving has been estimated by Ashfield Homes and it is anticipated that there will be a 1% discount. This means that the rates for Planned Works, including kitchens, bathrooms, heating installation, electrical rewiring, external doors, windows and roofing may effectively be reduced by 1%.

4.6 **Responsive Repairs & Void Works** (based on Housemark data)

4.6.1 The service appears to be responsive to tenants' needs and expectations, but more attention needs to be given to completing repairs in a single visit and understanding what is contributing to a below average satisfaction level.

- 4.6.2 The average time taken to complete a repair to a tenanted property was 5.4 days, which is the second best out of 14 and represents top quartile performance.
- 4.6.3 But the average number of repairs completed per property at 4.16 (lower than the 4.45 figure collected by Ark), was the highest or worst of the 9 social landlords who reported figures for this indicator. The best performance was 2.28 repairs per property and the median was 3.02.
- 4.6.4 AHL managers explained that unlike many of their peers, they will issue two separate repair orders for emergency works – one for making safe and another for the follow-up repair. If a tenant reports 10 repairs in a year, their property is surveyed to see if a package of works needs to be undertaken – this is to reduce costs and inconvenience. Similarly if no repairs are ordered at a property over 12 months, then a survey will be arranged to proactively identify any outstanding repairs.
- 4.6.5 The average cost of each responsive repair was £110.08, which is the fifth lowest out of 13 and second quartile. The cheapest / best was £80.54, while the most expensive was £137.10 and the median was £112.53. The average repair cost given to us was lower than reported here at £70.81, but this excluded management costs.
- 4.6.6 The percentage of repairs completed in the first visit stood at 89.91% which was 5th out of 9 and it represents median performance. Top quartile performance was 98.1% and the worst quartile was 86.9%.
- 4.6.7 Repair appointments kept as a % of appointments made was very high at 99.87%, which was 2nd best out of the 9 reporting and represents top quartile performance. This measure was one of the 10 being reported on monthly to tenants and it is often one of the most important factors influencing tenant satisfaction.
- 4.6.8 But somewhat oddly the percentage of tenants satisfied with their most recent repair was the lowest of the 12 landlords in the Housemark group at 88.7%, which was in the bottom quartile and below the median of 95.07% and top quartile performance of 98.03%. (This was only slightly changed from the previous year when it was 88.6%).
- 4.6.9 The average cost of standard void repairs was £1,983.71 per property, which was the third lowest out of 13 and top quartile performance. In addition the average re-let time (for standard voids) was 21.9 days and the third quickest out of 13, which was also top quartile performance.
- 4.6.10 This was not matched for properties that needed more works to be undertaken before they were re-let. The average re-let time for major works voids was 87.9 days and the third slowest out of 8, which was in the third quartile and below average performance.
- 4.6.11 AHL explained part of this delay was due to keeping bedsits empty until their neighbouring property became vacant so they could be converted into a one bed flat, as well as converting properties with solid fuel heating to gas and the

need to wait for a gas supply and meter to be fitted. In addition an external contractor had performed poorly and had recently been replaced by the DLO.

4.6.12 Rent loss from void properties was better than average at 1.15%, this was the fifth lowest out of 13 landlords and equal to second quartile performance.

4.6.13 Average repairs costs per property (when allocated across the whole stock) fluctuates between the third and ninth best out of 14. More work needs to be done by AHL to understand these results and to identify where savings can be made. (Repairs service provision total CPP is £458.10, this is 9th out of 14 and 3rd Q, Repairs management cost total CPP is £72.31, this is 3rd best out of 14 and Top Q, Voids service provision total CPP is £167.47, this is 7th out of 14 and 2nd Q, and Voids management cost total CPP is £30.70, this is 6th out of 14 and 2nd Q.)

4.7 **Major Works, Planned & Cyclical Maintenance**

4.7.1 AHL achieved full compliance with the decent homes standard back in 2005, but it has to replace and upgrade components each year to maintain the stock at this standard. Currently about 0.34% of the stock fails to meet the decency standard, this is median performance and 6th out of 11. The best performance is 0.00% and the worst is 6.02% non-decent stock. Although this represents a relatively small number of properties, it is nevertheless disappointing given past efforts and investment levels. The ALMO says these non-decent properties are the consequence of tenants refusing improvement works or decisions on the long-term future of specific properties are pending.

4.7.2 We understand that Ridge, who have been undertaking the stock condition surveys, recommended increasing the expenditure on planned works in recent years but this has not proved possible. Shortfalls in planned expenditure are usually reflected in higher than average repair costs to tenanted and void properties.

4.7.3 While this does not appear to have happened yet at Ashfield, this needs to be kept under review and corrective action taken if necessary.

4.7.4 There is a 5-year plan of works and a property viability exercise is being undertaken with Ridge. This includes identifying properties for alteration, refurbishment, change of use and disposal.

4.7.5 In order to properly plan this work, AHL should prepare an Asset Management Strategy in conjunction with the Council.

4.7.6 The external painting programme has been moved from a 5-year to a 6-year cycle to reduce costs.

4.7.7 The average SAP rating (which essentially measures insulation levels and energy conservation) of the housing stock is 68.8, which is below average performance at the seventh best out of 10 and below average, in the third quartile. The top quartile performers average 74.9 while the worst quartile is 66.

- 4.7.8 AHL explained this performance was largely the result of having an older than average housing stock, with very few properties built in the 1970s and 80s. This also has an impact on carrying out adaptations for disabled residents and the completion of Lifetime Homes' works. It also appears that individual properties do not automatically have their SAP rating updated after improvement works are completed, so the reported average score may not be accurate. All of these explanations are a cause for concern. Given the impact that lower than average insulation has on heating costs, tenant's comfort and health, more work should be done to improve SAP ratings of the stock and where improvements have been completed it is essential SAP scores are correctly recalculated and included in the overall stock score.
- 4.7.9 The percentage of properties with a current gas safety certificate is 100%, which is equal 1st out of 13 (there are 5 landlords at this level) and represents top quartile performance. The worst performance was 98.59%. It is important that this positive out-turn is maintained for the well-being of tenants and to avoid litigation.
- 4.7.10 There is a rolling 3-year programme of electrical safety checks on all properties, with many electrical repairs identified during these checks. There has been no price increase on this contract in the last 5 years.
- 4.7.11 Similarly the planned investment work undertaken by Keepmoat has been carried out on a 5-year contract, on which there has only been a 3.5% increase in rates charged.
- 4.7.12 There is no customer satisfaction data reported via Housemark on what tenants think about the overall quality of their home although this does appear to be reported in the EEM benchmarking.
- 4.7.13 As with much of the financial information reported on via Housemark, AHL is generally in the second or third quartile so it is neither the cheapest nor the most expensive. Higher than average overheads (due to accommodation and IT costs) are part of the explanation for these. However, of the costs shown below, service provision and management costs for both major works and cyclical maintenance would appear to warrant further investigation by AHL to determine why they cost higher than average.
- 4.7.14 The total cost per property is £1,375.82, which is the 5th lowest spend of 14, and second quartile. It represents 65.38 % of the total repair costs, which is the 4th lowest out of 14 and below average. (The best quartile is 79.5%, median is 69.6% and worst quartile is 52.91%)
- 4.7.15 Major works service provision, total CPP is £1,062.66, the 6th lowest out of 14, second quartile. It is just closer to the top quartile of £998.98, than the median of £1,131.55.
- 4.7.16 Major works service provision is 50.5% of total repair cost, 10th out of 14 and third quartile.
- 4.7.17 Average cost of major works per property receiving major works is £4,598.35, or 4th out of 8 and very close to the median of £4,690.44.

4.7.18 23.1% of the stock is receiving major works in the year (the peer group varies from 9.8% to 86.6%).

4.7.19 Major works management costs, total CPP is £86.99, 7th out of 14 and second quartile, very close to the median of £88.67.

4.7.20 Major works management costs is 4.12% of total repair costs, 8th out of 13 and third quartile.

4.7.21 Cyclical Maintenance service provision, total CPP is £186.86, 10th out of 14, and third quartile.

4.7.22 Cyclical Maintenance service provision is 8.88% of total repair cost, which is 4th lowest out of 14, and top quartile.

4.7.23 Cyclical Maintenance management costs, total CPP is £39.61, is the 9th most expensive out of 14, which is third quartile.

4.7.24 Cyclical Maintenance management costs is 1.88% of total repair cost, is the 8th most expensive out of 14, which is third quartile.

4.8 **Estate Services**

4.8.1 Total cost per property is £77.52, better than average at 6th out 14, and representing second quartile performance.

5. OBSERVATIONS

5.1 **Benchmarking**

5.1.1 We have referred to 3 sources of benchmarking information – Housemark, the Efficiency East Midlands group and Ark’s own library / dataset of performance which collates information from over 50 social landlords.

5.2 **Housemark Benchmarking**

5.2.1 Only a minority of AHL’s performance and cost indicators reported on by the detailed schedules are in the top or bottom quartiles, although positively more are in the former than the latter. The majority of indicators are in the mid-range, either just above or below the averages for their peer group. However, it is possible to identify some clear themes or trends from an analysis of the outcomes.

5.2.2 Top quartile performance is shown in the following areas:

- Average cost of repairs to tenanted and void homes;
- Average time to complete repairs to tenanted and void homes;
- Average re-let time of standard voids
- Housing Management cost per property
- Rent service cost per property
- Resident Involvement cost per property
- Anti-Social Behaviour cost per property
- Finance cost
- Complaints handling & outcomes satisfaction

5.2.3 Bottom quartile performance is shown in the following areas:

- Overheads (Office, IT and Central costs)
- Overheads as a cost % of repairs, voids, estates, cyclical & major works
- Staff turnover rates
- Satisfaction with allocations & lettings
- Satisfaction with the most recent repair
- No. of repairs completed per property

5.3 **EEM Benchmarking**

5.3.1 Within the Efficiency East Midlands benchmarking group, 8 social landlords provided data across 27 measures, with the out-turns or cost information split into and reported as falling into thirds – top, middle and bottom, or green, amber and red. Overall AHL had a very creditable / positive performance, with 15 Greens, 6 Ambers and just 3 Reds, with another 3 areas where no data was submitted.

5.3.2 There is a strong emphasis within the measures on the efficiency of trades’ operatives and the completion of technical works. Among the better performing areas for AHL were being in the lowest cost third for both the housing

management and maintenance services (per unit) and in completing repairs on time. This is summarised in the report's commentary as:

“Ashfield Homes deliver an above average repairs and maintenance service in terms of quality at a below average cost against the comparator group.”

5.3.3 However, the 3 Reds are rather worrying outcomes as they reflect a cross-section of negative scores, as follows:

- Overall customer satisfaction – in house survey (AHL was 8th out of 8);
- Emergencies as a % of day to day repairs (AHL was 7th out of 9); and
- Average value of materials used per day to day repair (AHL was 5th out of 5).

5.4 **Ark Benchmarking**

5.4.1 The full results are available at Appendix Two, but the key findings and recommendations from this exercise are summarised below:

- The benchmarking shows a number of areas in which Ashfield Homes are providing good value for money, such as the average price of a responsive repair and the overall cost of responsive repairs and voids;
- There are a number of areas where rates are higher than benchmarks, such as kitchens, heating installation and external doors; and
- The rates for Planned works (kitchens, bathrooms, heating installation etc., are those from the last year of the Keepmoat contract. A new contract is in now in place for delivery of these elements. It is too early to benchmark these costs at this stage but Ark recommend that this benchmarking is undertaken once a full year's work has been completed.

5.5 **Complaints**

5.5.1 Performance looks good, although the available data is limited. AHL are best in class for the % of complainants who are satisfied with (1) the way their complaint was handled and (2) with the outcome of the complaint.

5.5.2 This is very good, but in the Board performance report you do not get this impression. Evidence was provided of management particularly in the DLO working with staff to identify common issues arising, the lessons to be learned and corrective action.

5.5.3 My interview with housing managers gave me the impression that a lot of emphasis was placed on trying to resolve complaints at the earliest possible stage in the process. This is good practice and is normally associated with good customer service, as well as potentially saving money on complaint resolution. Care just needs to be taken to ensure the number of customer complaints are being recorded accurately, as this can sometimes suffer.

6. BEST PRACTICE RECOMMENDATIONS

- 6.1 AHL should prepare strategies for asset management and value for money, which clearly set out future plans for the housing stock, its age, type and the expected levels of investment, the criteria governing its disposal and timescales for the delivery of key programmes. These would be supported by detailed action plans with SMART targets, aimed at delivering top quartile performance.
- 6.2 The Council and AHL should set more stretching targets for improvement in service performance, costs and outcomes by aiming for top quartile levels.
- 6.3 Staffing levels in the housing management team should be reviewed to assess whether the service could save money by investing in additional resources. This could include additional tenancy sustainment and tenancy management officers.
- 6.4 The future use of IT to make the management and maintenance services more efficient and modern should be investigated as part of a new IT strategy for the housing service.
- 6.5 The Council and AHL need to agree on the ALMO's strategy for growing its service offer and increasing its income stream through the sale of paid-for services to a growing number of residents and other organisations.
- 6.6 Overhaul the suite of PIs used for public reporting, to ensure that it is directly linked to the published customer service standards and it provides a broad picture of customer service out-turns and costs, so that tenants can scrutinise performance and costs.
- 6.7 AHL should review its continuing use of VMS as a source of customer satisfaction data and their non-use of STAR. While the current system provides on-going and up to date information, it does not allow for easy comparison with other social landlords.
- 6.8 The Council should consider extending the contract sharing arrangement with Mansfield DC, to include AHL, so that it can also benefit from lower service costs which are passed on to tenants either through their rents, investing in their homes or by funding customer services.
- 6.9 AHL needs to further investigate the reasons for the poor performance on major voids, as well as the reasons for the low customer satisfaction scores for the allocations and lettings process and the most recent repair.
- 6.10 The Council should review its charges for accommodation and IT, and the surplus sharing arrangement with AHL to see if greater incentives can be included in the contract.
- 6.11 The Council / ALMO should repeat a detailed benchmarking of R&M rates and prices on an annual basis to help your organisation continue to test their own on-going value for money.

6.12 Process mapping of certain services, where different teams share responsibility for service delivery, should be considered for the purpose of identifying duplication of tasks and greater efficiency.

Ark Housing Consultancy LLP
November 2015

Appendix One

List of Social Landlords in the Housemark Peer Group and Stock Numbers

A1 Housing Bassetlaw	4,140
Adur DC	2,327
Barrow in Furness BC	2,678
Blackpool Coastal Housing	4,234
Cannock Chase DC	5,232
Cornwall Housing	8,167
Eastbourne Homes	3,185
Exeter City Council	4,451
Mansfield DC	4,441
Newark and Sherwood Homes	2,925
Norwich City Council	14,385
Shropshire Towns and Rural Housing	3,816
South Essex Homes	4,459

List of Social Landlords in the East Midlands Benchmarking Exercise

A1 Housing Bassetlaw
Ashfield Homes
Bolsover District Council
Derby Homes
Gedling Homes
Newark and Sherwood Homes
Nottingham City Homes
Nottingham Community Housing Association
Tuntum

Appendix Two

Contents

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- 2. Planned, Cyclical & Responsive Benchmarking Outcomes**
 - 2.1 Kitchen Replacement
 - 2.2 Bathroom Replacement (general needs with overbath shower)
 - 2.3 Bathroom Replacement (full bathroom shower in lieu of bath)
 - 2.4 Full Central Heating System Replacement (combination boiler)
 - 2.5 Window Replacement per property
 - 2.6 External Front and Rear Door Replacement (including frame)
 - 2.7 Electrical Wiring Installation (rewiring)
 - 2.8 Roofing Replacement (pitched roof)
 - 2.9 Gas 3* Appliance Servicing and Safety Checks (boilers, gas fires and other gas appliances)
 - 2.10 External Cyclical Decorations Programme (pre-paint repairs + painting/decoration)
 - 2.11 Day to Day Responsive Repairs – Total repairs cost per property per annum
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 - 2.14 Day to Day Responsive Repairs – Repairs completed per operative per day
 - 2.15 Routine Void Property Works
 - 2.16 Void Turnover as % of Overall Stock
- 3. Specialist Mechanical and Electrical (M&E) Contracts**
- 4. Client Side Cost Analysis**

1. IHC Staff Terms & Conditions

- 1.1 A direct influence on business efficiency is the cost of staff, who (including management and back office staff) will usually represent around 55% of total turnover for an IHC.
- 1.2 Actual costs are a product of the total remuneration package (salary, national insurance, pension, bonus, sick pay etc.) combined with the availability to work (working days less holiday entitlement, training, sick leave and working hours per day).
- 1.3 In completing this analysis of terms and conditions, Ark have used an average operative salary of £23,500, so that the impact of Ashfield Home's T&C's when compared to commercial private sector comparators can be fully understood, without any effect of varied salaries that are paid across the sector, within Ashfield Homes and by external contractors.
- 1.4 We have reviewed Ark's database of private contracting staff salaries and terms and conditions to calculate an average "private sector" contracting labour cost benchmark.
- 1.5 Ark have also reviewed the terms and conditions for a number of IHC's within the past 12 months against which Ashfield Homes can be compared.
- 1.6 The staff costs table below details the cost impact of the various constituent parts of staff terms and conditions. Taking into account non-productive time such as holidays, sickness, training etc.; the annual salary has been subjected to the various terms and conditions, and an hourly rate calculated for comparison purposes.
- 1.7 If an IHC provides its employees with additional benefits which reduce the time available for productive work, compared to the private sector contractor, such as additional holidays, sick pay and training days, then these can add significant additional costs to the overall cost of labour.
- 1.8 The analysis does not take into account any impact of salary level variations between Ashfield Homes and the private sector contracting benchmark. This could be considered further as part of a more in-depth review of the IHC.

Organisation Name:	Private Sector Average	IHC Sector Average	Ashfield
Average Salary (per employee)	£23,500	£23,500	£23,500
Employer Pension Contribution %	3.1%	8.9%	10.5%
Employer Pension Contribution (per employee)	£733	£2,172	£2,468
N.I. Contribution (per employee)	£2,131	£2,131	£2,131
Bonus Payment (per employee)	£177	£578	£0
Other Costs (per employee)	£240	£0	£274

Total Costs (single employee)	£26,781	£28,380	£28,372
Weekdays per annum available (per employee)	260	260	260
Days Annual leave (per employee)	22.1	25.0	27.0
Additional Service Leave days (per employee)	0.1	1.6	0.0
Bank Holidays (per employee)	8.0	8.0	8.0
Sick Leave (per employee)	2.3	6.8	3.7
Training, Meetings, Other (per employee)	1.7	4.7	4.0
Days available to work per annum (per employee)	225.9	214.0	217.3
Days worked per week	5.0	5.0	5.0
Hours worked per week	40.8	38.9	37.0
Hours per day	8.2	7.8	7.4
Hours per year (per employee)	1842.1	1666.7	1608.0
Cost per hour (single employee)	£14.58	£17.17	£17.64

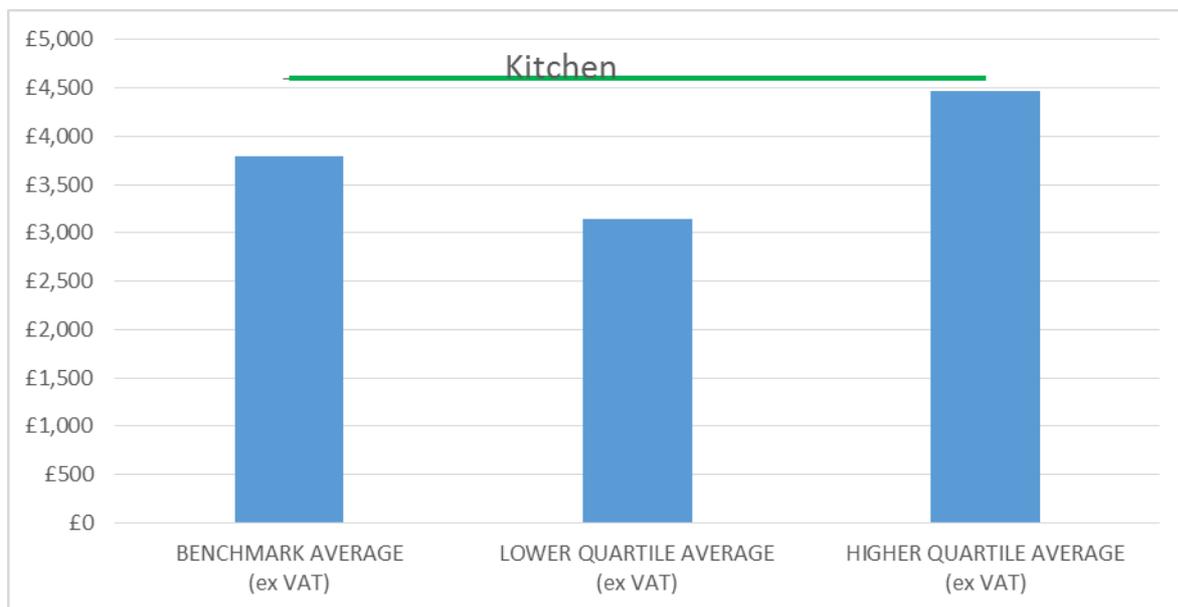
2. Planned, Cyclical & Responsive Benchmarking Outcomes

This section provides detailed costs for each of the benchmarking outcomes, based on what Ashfield Homes is able to provide suitable costs for. Shown below is a list of the current benchmarks Ark has available:

- Kitchen Replacement
- Bathroom Replacement (general needs with overbath shower)
- Bathroom Replacement (full bathroom shower in lieu of bath)
- Full Central Heating System Replacement (combination boiler)
- Window Replacement per property
- External Door Replacement (Front & rear doors - including frame)
- Electrical Wiring Installation (rewiring)
- Roofing Replacement (pitched roof)
- Gas 3* Appliance Servicing and Safety Checks (boilers, gas fires and other gas appliances)
- External Cyclical Decorations Programme (pre-paint repairs + painting/decoration)
- Day to Day Responsive Repairs – Total repairs cost per property per annum
- Day to Day Responsive Repairs – Average cost per repair
- Day to Day Responsive Repairs – No. of repairs per property per annum
- Day to Day Responsive Repairs – Repairs completed per operative per day
- Routine Void Property Works
- Void Turnover as % of Overall Stock

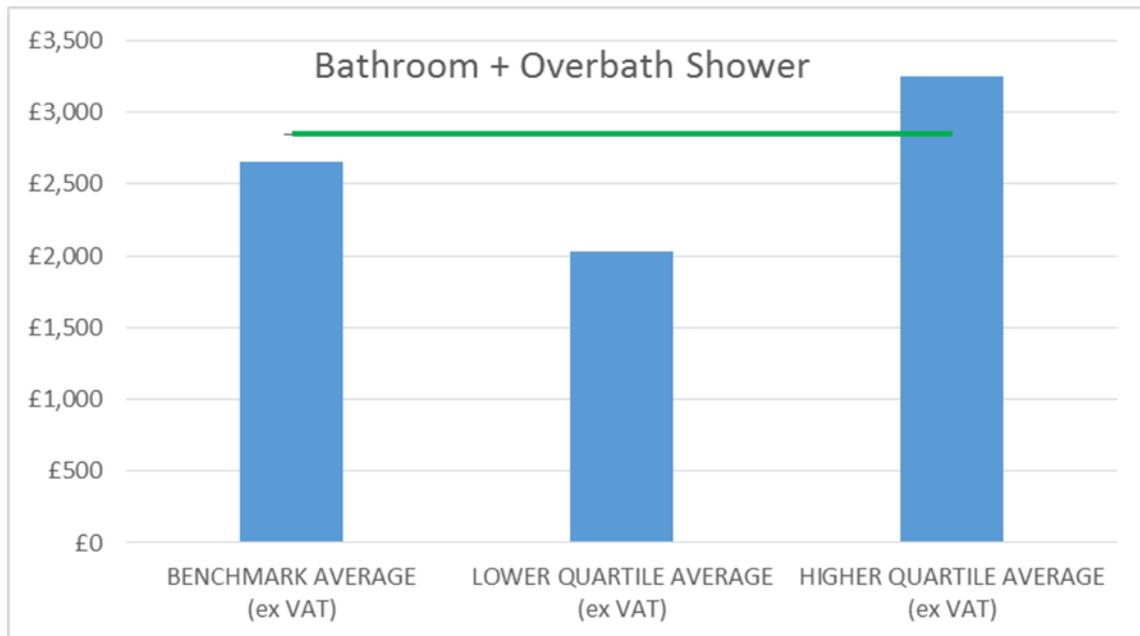
2.1 Kitchen Replacement

Comparison vs Your Organisation	Cost £	Variance £	Variance %
BENCHMARK AVERAGE	£3,794.94	+£802.91	+21.2%
LOWER QUARTILE AVERAGE	£3,140.60	+£1,457.25	+46.4%
UPPER QUARTILE AVERAGE	£4,473.42	+£124.42	+2.8%
ASHFIELD	£4,597.84		
TOTAL NUMBER OF BENCHMARKS	36		



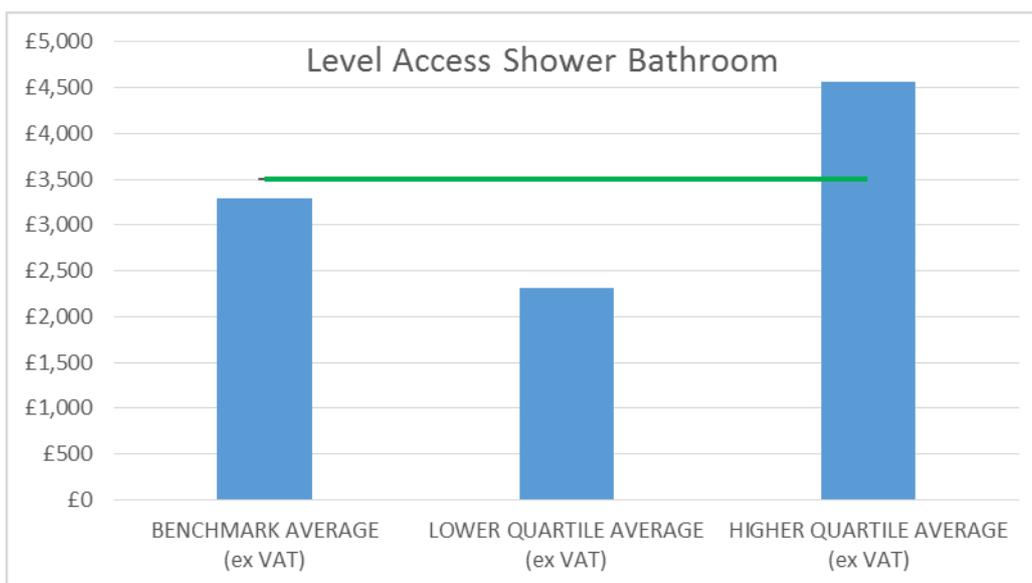
2.2 Bathroom Replacement (general needs with over bath shower)

Comparison vs Your Organisation	Cost £	Variance £	Variance %
BENCHMARK AVERAGE	£2,652.87	+£194.05	+7.3%
LOWER QUARTILE AVERAGE	£2,029.96	+£816.96	+40.2%
UPPER QUARTILE AVERAGE	£3,247.57	-£400.65	-12.3%
ASHFIELD	£2,846.92		
TOTAL NUMBER OF BENCHMARKS	22		



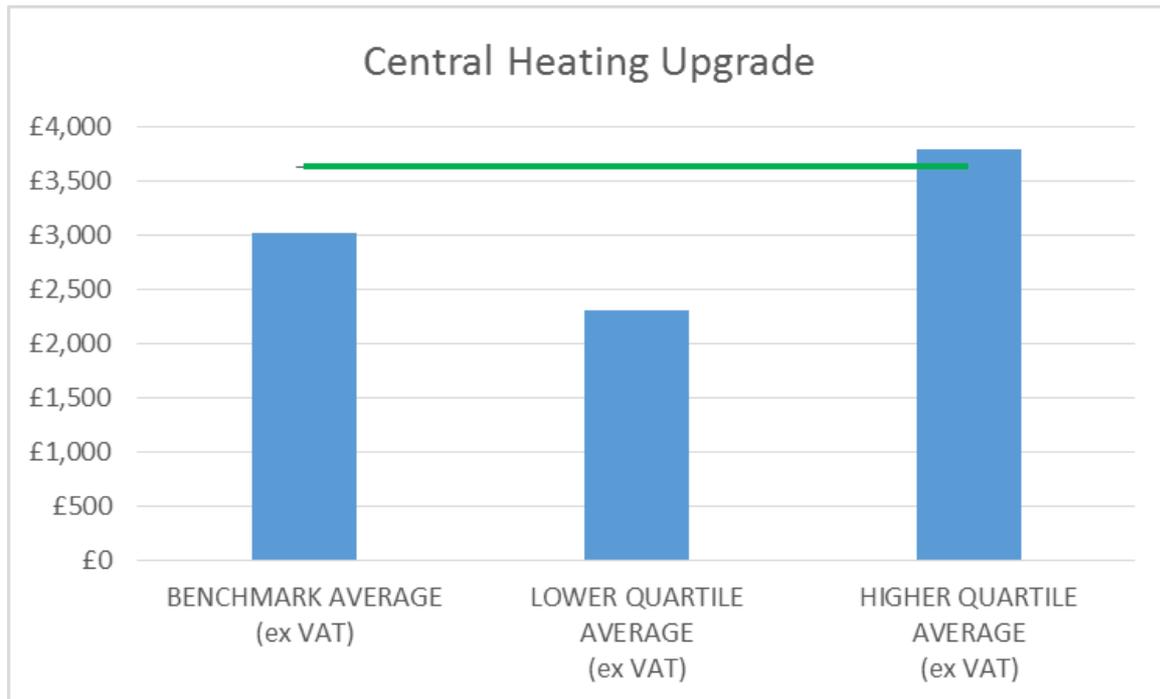
2.3 Bathroom Replacement (full bathroom shower in lieu of bath)

Comparison vs Your Organisation	Cost £	Variance £	Variance %
BENCHMARK AVERAGE	£3,285.78	+£214.69	+6.5%
LOWER QUARTILE AVERAGE	£2,314.46	+£1,186.01	+51.2%
UPPER QUARTILE AVERAGE	£4,567.28	-£1,066.81	-23.4%
ASHFIELD	£3,500.47		
TOTAL NUMBER OF BENCHMARKS	18		



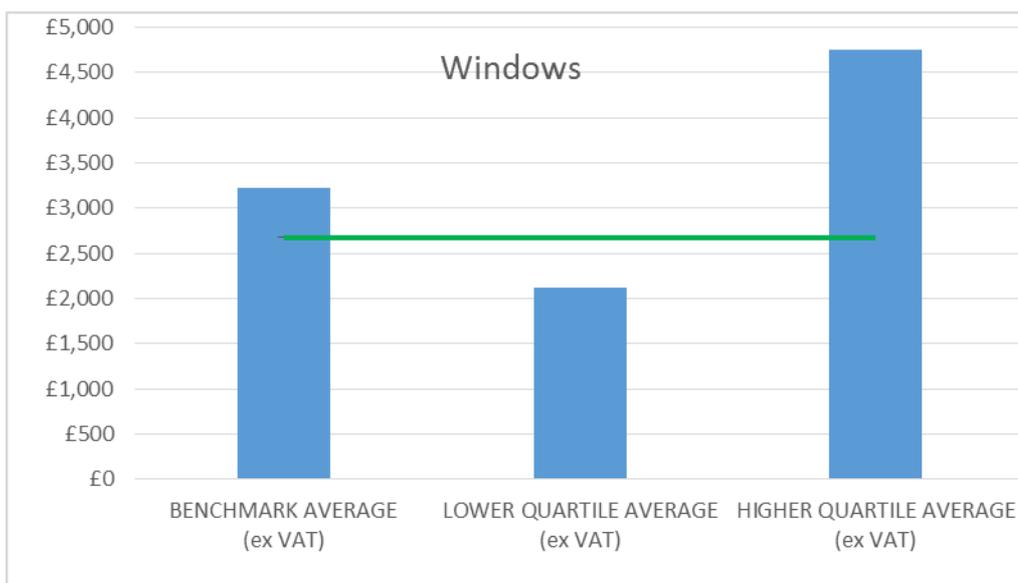
2.4 Full Central Heating System Replacement (combination boiler)

Comparison vs Your Organisation	Cost £	Variance £	Variance %
BENCHMARK AVERAGE	£3,028.12	+£609.52	+20.1%
LOWER QUARTILE AVERAGE	£2,304.49	+£1,333.16	+57.9%
UPPER QUARTILE AVERAGE	£3,795.20	-£157.55	-4.2%
ASHFIELD	£3,637.65		
TOTAL NUMBER OF BENCHMARKS	31		



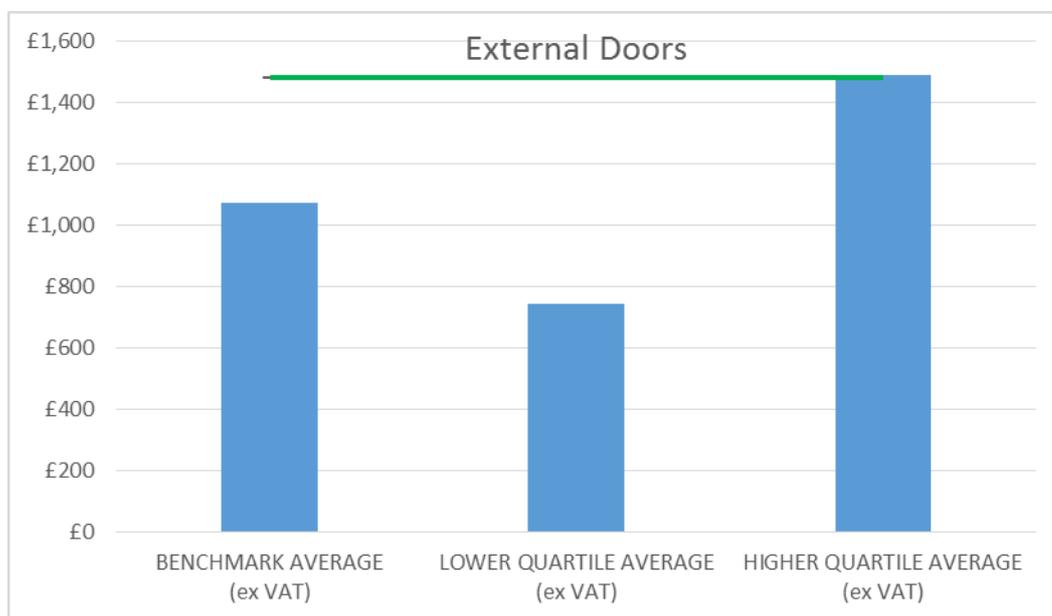
2.5 Window replacement (per property)

Comparison vs Your Organisation	Cost £	Variance £	Variance %
BENCHMARK AVERAGE	£3,230.12	-£552.10	-17.1%
LOWER QUARTILE AVERAGE	£2,113.92	+£564.09	+26.7%
UPPER QUARTILE AVERAGE	£4,753.14	-£2,075.12	-43.7%
ASHFIELD	£2,678.02		
TOTAL NUMBER OF BENCHMARKS	12		



2.6 External Door Replacement (Front & Back combined - including frame)

Comparison vs Your Organisation	Cost £	Variance £	Variance %
BENCHMARK AVERAGE	£1,072.14	+£409.70	+38.2%
LOWER QUARTILE AVERAGE	£741.95	+£739.89	+99.7%
UPPER QUARTILE AVERAGE	£1,489.09	-£7.25	-0.5%
ASHFIELD	£1,481.84		
TOTAL NUMBER OF BENCHMARKS	24		

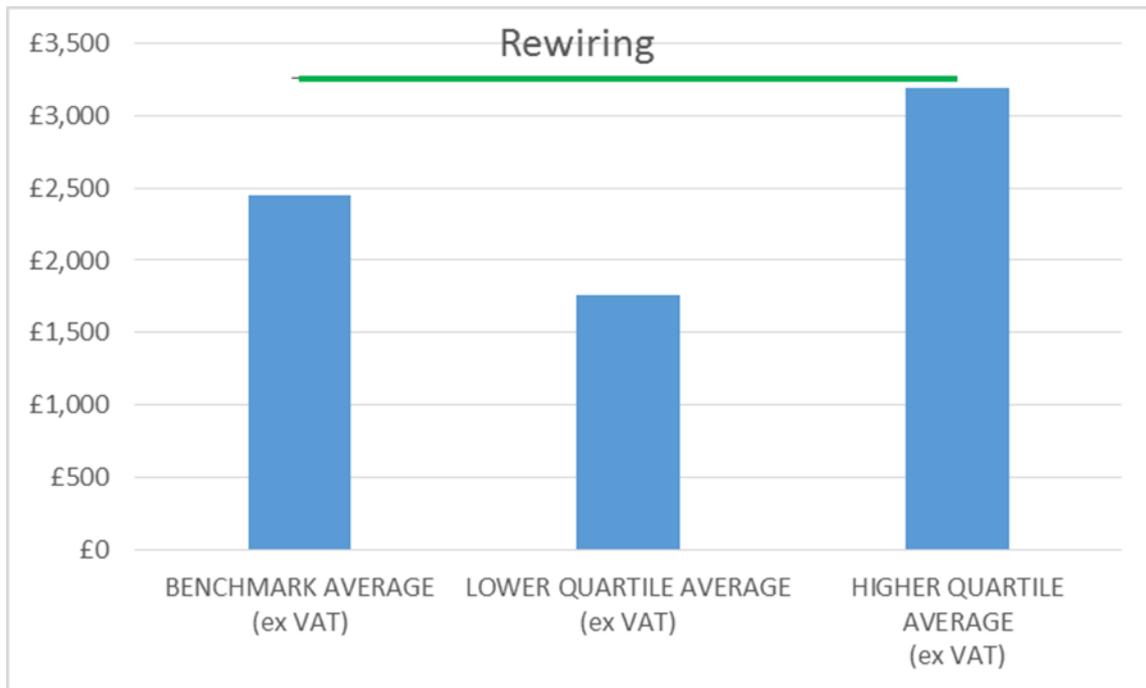


2.6.1 The rate supplied by Ashfield Homes includes sidelights where these are incorporated into the door frame, where appropriate, which will have increased the overall price supplied.

2.6.2 The costs above are the combined costs for replacing both a front and rear external door to a house. These have been benchmarked against Ashfield's cost to replace 2no. external doors, as Ashfield did not provide separate replacement costs for a front door compared to a rear door.

2.7 Electrical Wiring Installation (rewiring)

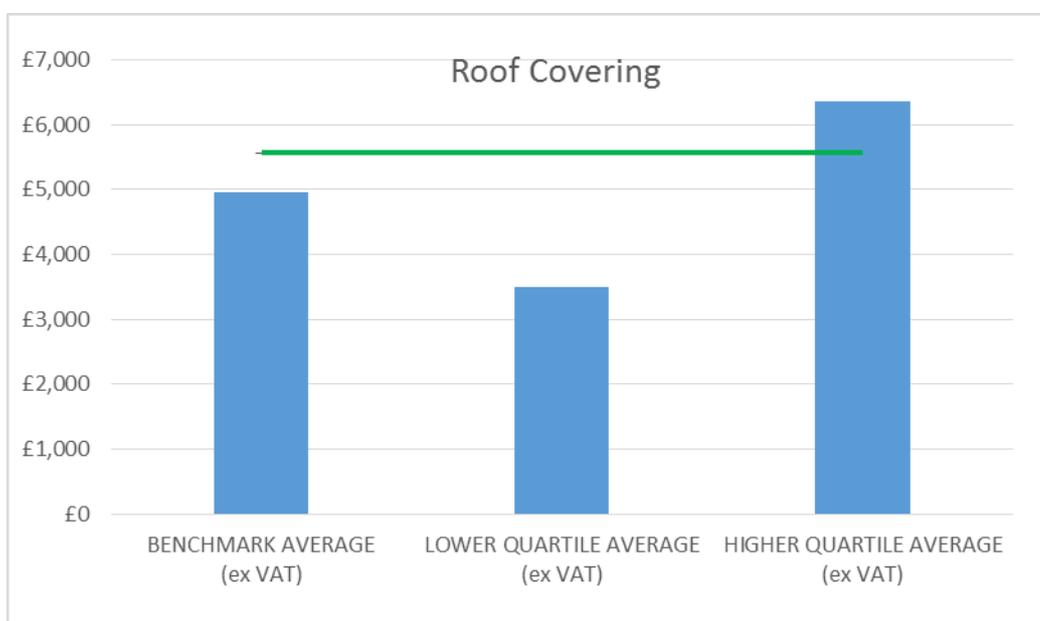
Comparison vs Your Organisation	Cost £	Variance £	Variance %
BENCHMARK AVERAGE	£2,450.54	+£803.42	+32.8%
LOWER QUARTILE AVERAGE	£1,761.07	+£1,492.89	+84.8%
UPPER QUARTILE AVERAGE	£3,191.05	+£62.91	+2.0%
ASHFIELD	£3,253.96		
TOTAL NUMBER OF BENCHMARKS	29		



2.7.1 Only 1 full rewire was completed in 2014-15 and so this rate has limited value for benchmarking purposes.

2.8 Roofing Replacement (pitched roof)

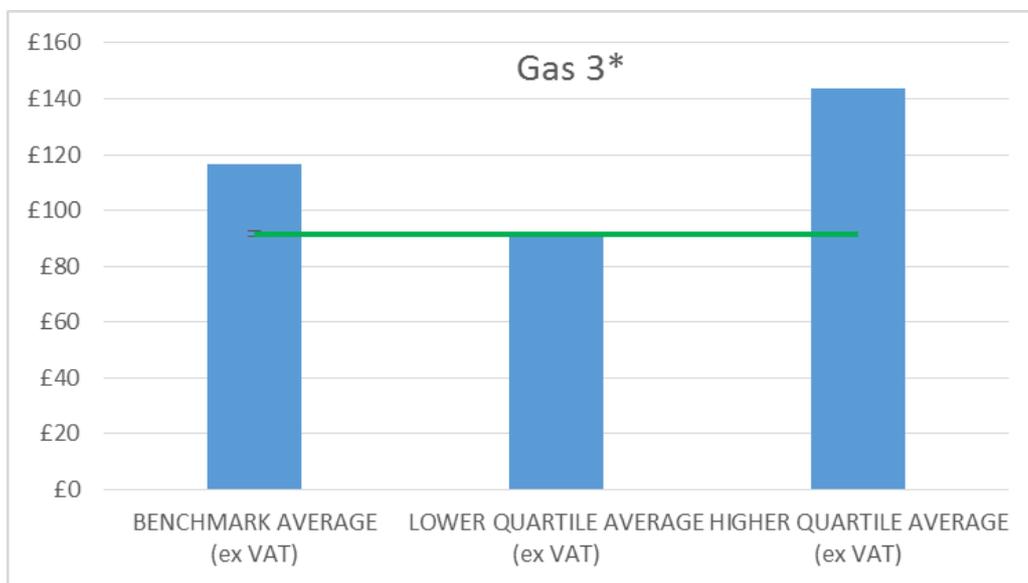
Comparison vs Your Organisation	Cost £	Variance £	Variance %
BENCHMARK AVERAGE	£4,961.83	+£603.11	+12.2%
LOWER QUARTILE AVERAGE	£3,502.94	+£2,061.99	+58.9%
UPPER QUARTILE AVERAGE	£6,360.48	-£795.55	-12.5%
ASHFIELD	£5,564.93		
TOTAL NUMBER OF BENCHMARKS	12		



2.8.1 Roofing work completed during 2014-15 included roofs to sheltered accommodation and blocks of flats. This will have increased the overall price per property for Roofing.

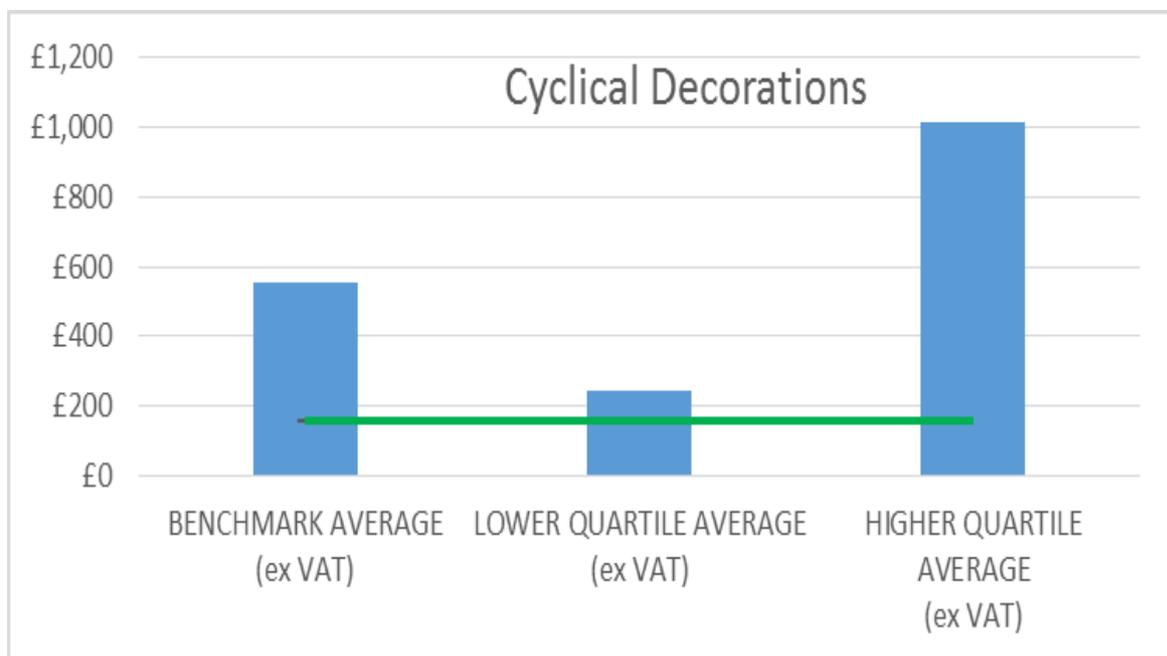
2.9 Gas 3* Appliance Servicing and Safety Checks (boilers, gas fires and other gas appliances)

Comparison vs Your Organisation	Cost £	Variance £	Variance %
BENCHMARK AVERAGE	£116.79	-£25.21	-21.6%
LOWER QUARTILE AVERAGE	£90.52	+£1.06	+1.2%
UPPER QUARTILE AVERAGE	£143.79	-£52.21	-36.3%
ASHFIELD	£91.58		
TOTAL NUMBER OF BENCHMARKS	36		



2.10 External Cyclical Decorations Programme (pre-paint repairs + painting/decoration)

Comparison vs Your Organisation	Cost £	Variance £	Variance %
BENCHMARK AVERAGE	£552.44	-£393.99	-71.3%
LOWER QUARTILE AVERAGE	£243.69	-£85.24	-35.0%
UPPER QUARTILE AVERAGE	£1,015.31	-£856.86	-84.4%
ASHFIELD	£158.45		
TOTAL NUMBER OF BENCHMARKS	26		

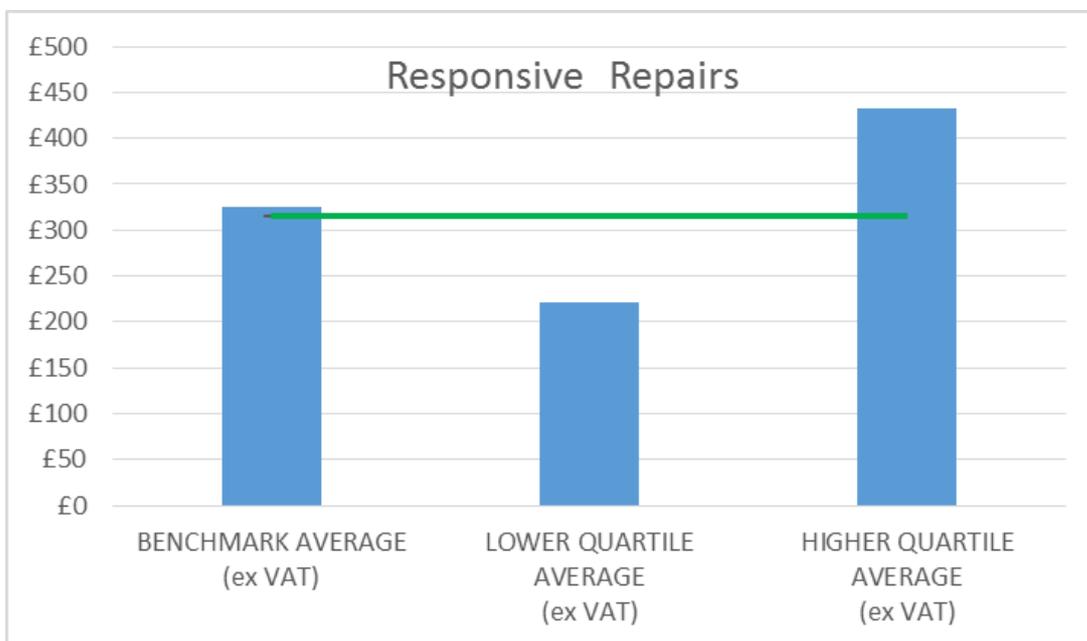


2.10.1 This benchmark frequently has a wide variety of prices due to the varying extent of decoration involved with different property types.

2.10.2 Ashfield Homes have recently proposed extending external painting from the existing 5 year cycle to a 6 year cycle in order to reduce costs.

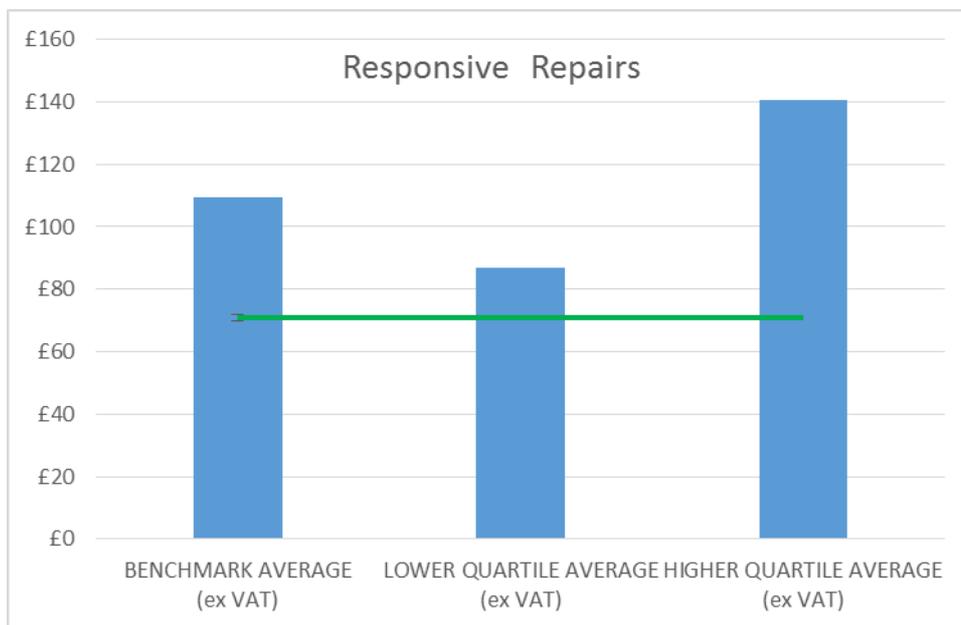
2.11 Day to Day Responsive Repairs – Total repairs cost per property per annum

Comparison vs Your Organisation	Cost £	Variance £	Variance %
BENCHMARK AVERAGE	£325.53	-£10.49	-3.2%
LOWER QUARTILE AVERAGE	£221.93	+£93.11	+42.0%
UPPER QUARTILE AVERAGE	£433.19	-£118.15	-27.3%
ASHFIELD	£315.04		
TOTAL NUMBER OF BENCHMARKS	34		



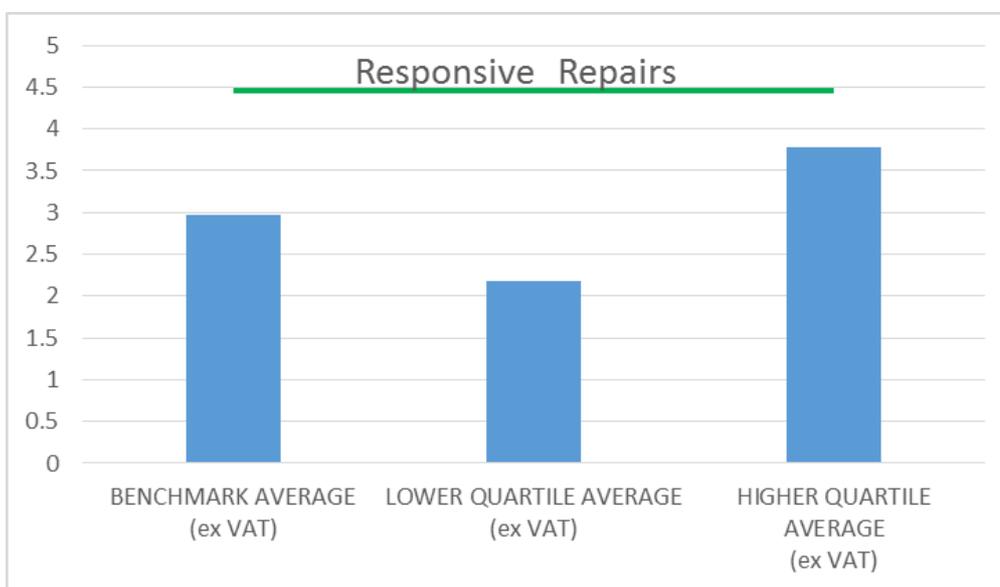
2.12 Day to Day Responsive Repairs – Average cost per repair

Comparison vs Your Organisation	Cost £	Variance £	Variance %
BENCHMARK AVERAGE	£109.58	-£38.76	-35.4%
LOWER QUARTILE AVERAGE	£86.72	-£15.91	-18.3%
UPPER QUARTILE AVERAGE	£140.58	-£69.77	-49.6%
ASHFIELD	£70.81		
TOTAL NUMBER OF BENCHMARKS	25		



2.13 Day to Day Responsive Repairs – No. of repairs per property per annum

Comparison vs Your Organisation	Cost £	Variance	Variance %
BENCHMARK AVERAGE	2.97	+1.48	+49.6%
LOWER QUARTILE AVERAGE	2.18	+2.27	+104.2%
UPPER QUARTILE AVERAGE	3.77	+0.67	+17.9%
ASHFIELD	4.45		
TOTAL NUMBER OF BENCHMARKS	24		

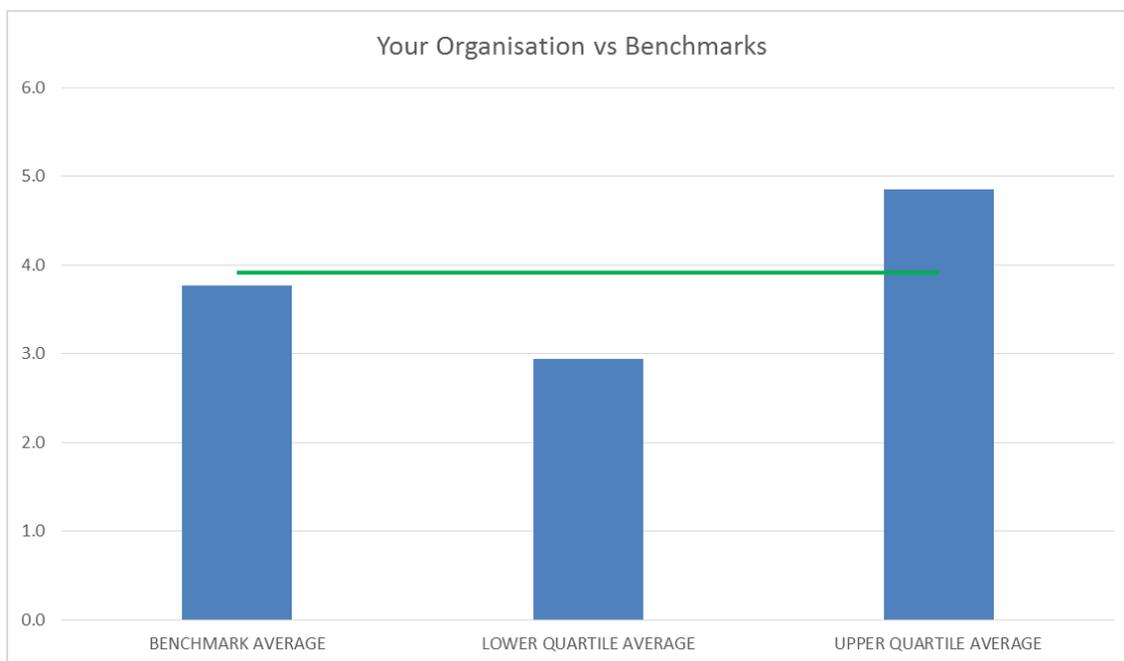


2.13.1 Ashfield Homes are keen to ensure all jobs are logged no matter how trivial as there is a particularly strong need to have a thorough audit trail, due to the increasing number of claims by residents, and questioning of decisions by residents and other interested parties.

2.13.2 If tenant has 10 repairs in a year their property is surveyed in order to identify if there is an underlying reason for the larger than normal number.

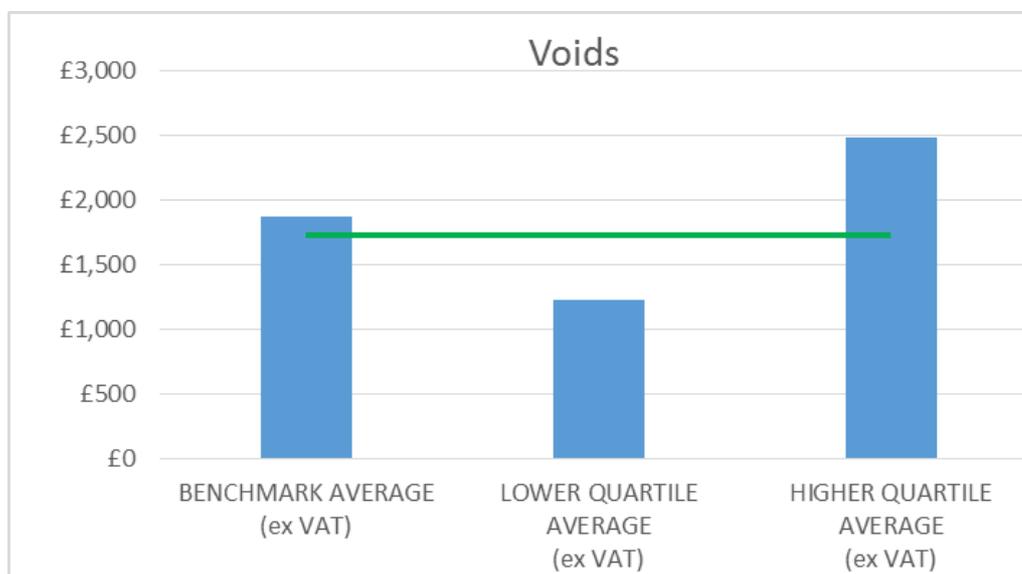
2.14 Day to Day Responsive Repairs – Repairs completed per operative per day

Comparison vs Your Organisation	Cost £	Variance	Variance %
BENCHMARK AVERAGE	3.75	+0.17	+4.5%
LOWER QUARTILE AVERAGE	2.94	+0.98	+33.2%
UPPER QUARTILE AVERAGE	4.85	-0.93	-19.2%
ASHFIELD	3.92		
TOTAL NUMBER OF BENCHMARKS	11		



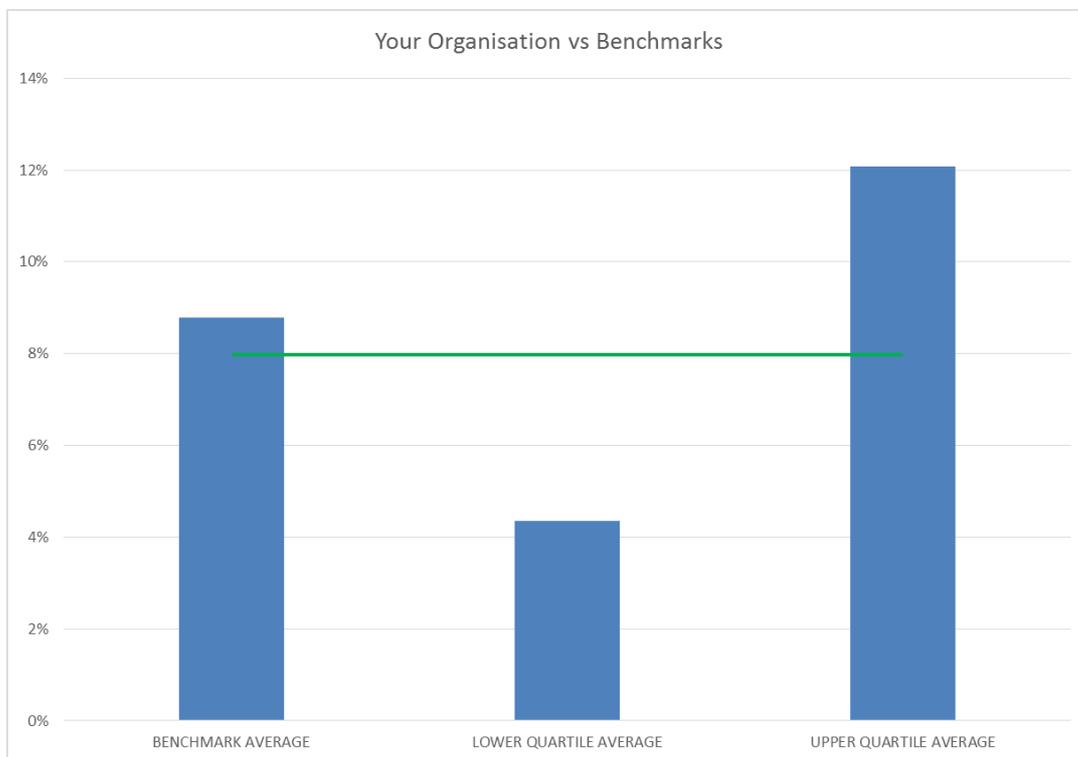
2.15 Routine Void Property Works

Comparison vs Your Organisation	Cost £	Variance £	Variance %
BENCHMARK AVERAGE	£1,864.26	-£135.06	-7.2%
LOWER QUARTILE AVERAGE	£1,228.93	+£500.27	+40.7%
UPPER QUARTILE AVERAGE	£2,482.20	-£752.99	-30.3%
ASHFIELD	£1,729.21		
TOTAL NUMBER OF BENCHMARKS	30		



2.16 Void Turnover as % of Overall Stock

Comparison vs Your Organisation	Cost £	Variance £	Variance %
BENCHMARK AVERAGE	8.79%	-0.82%	-9.3%
LOWER QUARTILE AVERAGE	4.35%	+3.62%	+83.1%
UPPER QUARTILE AVERAGE	12.09%	-4.12%	-34.1%
ASHFIELD	7.97%		
TOTAL NUMBER OF BENCHMARKS	28		



3. Specialist Mechanical and Electrical (M&E) Contracts

- 3.1 This review investigated costs associated with M & E maintenance and servicing contracts.
- 3.2 Organisations can utilise a wide variety of different service providers, including external contractors and IHCs to cover these contracts.
- 3.3 While representing a relatively low cost compared to other areas of asset management spend, specialist M&E contracts generally cover vital areas of organisational compliance, with potentially severe consequences for customers and the organisation if service standards are proven to be inadequate.
- 3.4 Most of these contracts require specialist skills, which are generally not provided by IHCs, and would in any case be difficult for an IHC to manage, due to the specialist skills required and the relatively low volume of work within an organisation.
- 3.5 The following table indicates the current contractual arrangements in place for each participating organisation:

Specialist Works Element	Your Organisation	Cost Per Unit
Air Conditioning	3 year tendered contract	£82.16
Automatic Doors	Ad hoc	-
CCTV Servicing (Head Office)	Open ended agreement	£961.70
Door Entry (Head Office)	Open ended agreement	£553.20
Emergency Lighting (Offices & sheltered schemes)	2 year tendered contract	£75
Fire Alarms (offices and sheltered schemes)	2 year tendered contract	£766.15
Firefighting Equipment (offices and sheltered schemes)	2 year tendered contract	£10.15
Legionella (offices and sheltered schemes)	2 year tendered contract	£923.82
Lifts (incl abnormal £5k expenditure)	Open ended agreement	£1845.96
Stair Lifts	Annual Contract	£161.13

- 3.6 AHL's spend per unit on a range of Specialist M&E works areas are shown above. Where there are gaps in the information, it was either unavailable at the time of writing this report, or your organisation does not have any requirement or an arrangement in place – this may require further investigation.
- 3.7 It should be noted that consortia procured specialist M&E contracts are available in the market place. For example, CHIC (Central Housing Investment Consortium Ltd) has a range of compliance contracts including:

-
- ✓ Gas Auditing Service - Blue Flame Associates
 - ✓ Asbestos Management - DMW Environmental
 - ✓ Mobility Adaptations/Serviceing - Lift & Engineering Services
 - ✓ Water Hygiene - Green Compliance
 - ✓ Fire Safety Equipment - Sunfish Compliance
 - ✓ Drainage Maintenance - UK Drainage
 - ✓ Door Entry Systems Replacements - OpenView Security Solutions
 - ✓ Removal & Disposal of Asbestos - Axiom Building Solutions
 - ✓ Passenger Lift Serviceing - Lift & Engineering Services

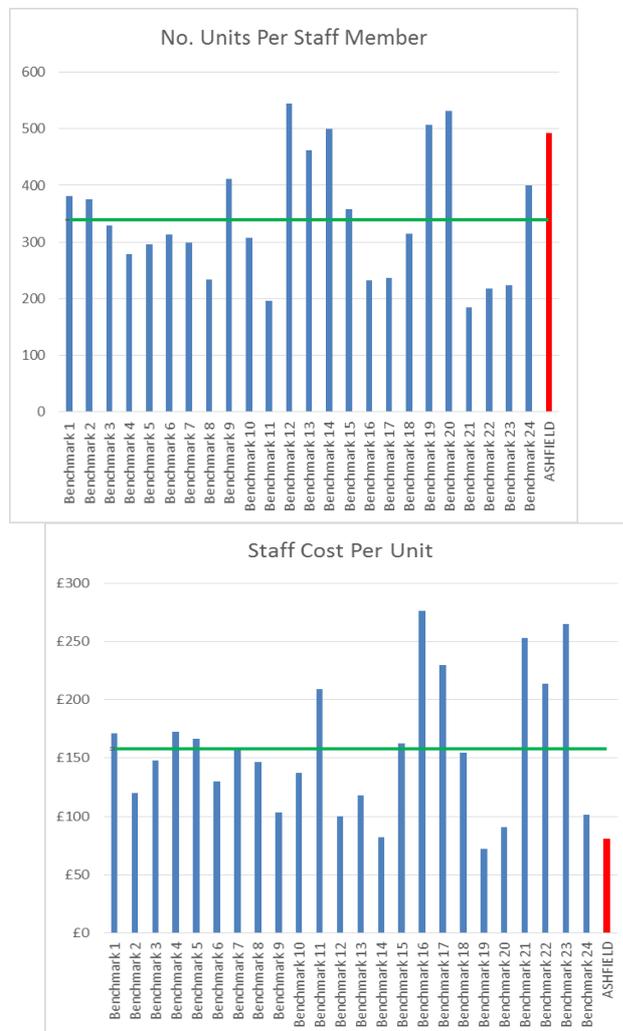
4. Client Side Cost Analysis

- 4.1 The total cost of Asset Management includes the amount spent on various contracts for responsive, void, planned and cyclical maintenance and servicing works, but also includes the associated client side costs.
- 4.2 Low client side resourcing and/or costs could result in poor planning and by default increase the contractors service delivery costs, whereas high client side costs & resourcing which are focussed on checking and policing may add little or no value to contractor outputs.
- 4.3 Where an organisation includes an IHC, this point is especially relevant. Part of the benefit of establishing an efficient IHC should be that the organisation is able to make efficiencies on the client side due to the absence of the need for the 'policing function', and the ability to generate overall organisational efficiencies by minimising duplication. In addition IHC staff are a resource that can be used by the organisation to gather business intelligence on a daily basis.
- 4.4 Generally, client side Asset Management and maintenance costs are around 10% of the total contractor spend. What is critical is that this cost should be focussed on strategic asset management, asset data management and detailed project and programme planning, as well as letting and managing effective compliance contracts.
- 4.5 The 2 client side benchmarks included in this report are:
- Number of units per (asset management client side) staff member
 - Staff cost per unit – this is total staff costs including central overheads (If the organisation is unable to provide the management overheads figure then Ark assumes 20% of net salary costs).

	Ashfield DC	Ark Benchmarks
Total No. Posts (Excluding Executive Team)	14.11	-
Estimated Total Staff Expenditure	£397,633	-
NI Contribution	£25,341	-
Pension Contribution	£37,466	-
Car & Travel Costs	£8,438	-
Other Costs	£11,030	-
Organisational Overhead (assumed 20%)	£79,527	-
Total Estimated Staff Cost	£559,433	-
Number of Units	6,951	-
Ave. No. Units Per Staff Member	492.6	339
Expenditure Per Member of Staff	£39,648	-
Staff Cost Per Unit	£80.48	£157.64

- 4.6 Typically the higher the number of units per staff member, the greater the economy of scale and the leaner the staff resourcing.

- 4.7 Similarly, the leaner the staff cost per unit, the more cost effective and efficient the client side resource is.
- 4.8 AHL's client side benchmark is shown graphically against Ark's sector benchmarks below:



- 4.9 Ashfield Homes' client side staff manage a relatively high number of properties per person and the staff cost per unit is low.
- 4.10 While this appears to represent good value for money, Ashfield Council could consider if a greater level of investment in client side staff, if targeted correctly, could result in longer term benefits from more active strategic asset management.
- 4.11 This could be an area for discussion between Ashfield council and Ashfield Homes in the future, in conjunction with the outcomes from the recent Property Viability modelling that has been undertaken.