How HouseMark data links to Global Accounts and the Sector Scorecard

Global Accounts

Each year Housing Associations are required by law to publish their audited financial statements. This formal record of their activities follows a standardised format and generally includes:

- A statement of comprehensive income – which shows income and expenditure within the year
- A statement of financial position – which shows the value of assets, liabilities and reserves
- A section dedicated to income and expenditure on social housing lettings, which includes a breakdown of expenditure
- A section detailing income and expenditure for non-social housing activities
- Notes detailing:
    - The value of current and former tenant arrears at the end of the period
    - Unit numbers at the beginning and end of the period (including the number of units developed / acquired and demolished)
    - Investment in assets (such as capital spend and depreciation)
    - Income and expenditure relating to the sale of housing stock

These accounts are audited and published within six months of the end of the financial year. For most Housing Associations, this means their accounts are available by September at the latest (as their financial year runs from April to March)[1].

English Housing Associations submit their financial statements to the Regulator for Social Housing (RSH) via a standard template called the Financial Viability Assessment (FVA). For the majority who operate an April-March financial year, the deadline for this submission is 30 September.

Scottish Housing Associations submit similar data to the Scottish Housing Regulator (SHR) via the Audited Financial Statements (AFS).

Welsh Housing Associations submit similar data to the Welsh Government via Community Housing Cymru (CHC).

Housing Associations in Northern Ireland submit similar data to the Department for Communities (DfC).

The English and Scottish regulators publish the full dataset annually on their websites, usually around December time. In England, this full dataset is referred to as the Global Accounts, and will be used to calculate the seven VFM metrics set out by the regulator.

Global Accounts information can be used to calculate and compare key headline financial ratios such as operating margin, gearing and interest cover. This information can help:

- Inform important decisions that affect continued operations and risk assessments
- Demonstrate financial viability to the regulator and other stakeholders
- Negotiate investment and funding agreements and demonstrate compliance with loan covenants

The Global Accounts also include social housing unit costs. The headline social housing cost per unit is all operating costs relating to social housing, divided by the number of social housing units.

[1] A minority of housing associations have a financial year that matches the calendar year (ie January to December)

This can then be split into five sub-categories[2]:

- Management cost per unit
- Service cost per unit
- Routine maintenance cost per unit
- Planned maintenance cost per unit
- Other cost per unit

Sector Scorecard

The Sector Scorecard is the name for a set of 15 indicators developed by the Efficiency Working Group in order to benchmark efficiency across the sector. It was piloted with HouseMark in 2017, and over 320 housing associations participated. Following the success of the pilot, the exercise is continuing in 2018. A new Sector Scorecard advisory group has been established to provide strategic oversight.

HouseMark, along with our partners Acuity, is the approved data collection agent for the Sector Scorecard. HouseMark carries out analysis of the data and publishes the annual report. Data entry opens in April and closes in September. HouseMark issues the sector analysis report in October.

Sector Scorecard measures are aligned with the VFM metrics used by the English Regulator for Social Housing (RSH) as part of the Value for Money standard to measure economy, efficiency and effectiveness . The metrics are highlighted below with an asterisk*.

The 15 headline measures collected in the Sector Scorecard are:

- Operating margin (overall) *
- Operating margin (social housing lettings) *
- EBITDA MRI (as % interest) *
- New Supply absolute – social and non-social
- New Supply % – social and non-social *
- Gearing *
- Customer satisfaction
- Reinvestment *
- Investment in communities
- Return on capital employed (ROCE) *
- Occupancy
- Ratio of responsive repairs to planned maintenance
- Headline social housing cost per unit *
- Rent collected
- Overheads as % adjusted turnover

In addition to the 15 measures, we collect the headline social housing cost per unit broken down into the following sub-categories.

- Management cost per unit
- Service charge cost per unit
- Maintenance cost per unit
- Major repairs cost per unit
- Other social housing costs cost per unit

Using the Global Accounts and Sector Scorecard

Comparing the headline measures included in these two tools provides an excellent can-opener to understanding your relative performance.

[2] Subject to confirmation for 2018.

Analysing these figures against contextual data such as landlord size, location, stock distribution, age of LSVT and tenure/activity split can explain up to 50% of the variance in unit costs[3].

However, there is no proscribed method for allocating costs within the financial statements. As a result, significant variance in how costs are allocated goes some way to explaining the remaining 50% of the variance. HouseMark's research shows that the allocation of the following items / activities in particular is subject to wide variation.

Item	Common variances
All overheads – including premises, ITC, finance, HR and other central overhead spend. This includes both employee costs and non-pay spend such as office rent, software purchase/depreciation and consultancy fees. Together they typically make up around 15% of operating costs.	Some landlords put all overheads to the 'management' sub-category. Others split this out between various different categories, using their own methodology.
Maintenance management costs – typically this is the cost of office-based employees taking repairs calls and managing contractors / DLO staff.	Some landlords put this all to 'management'. Others will put it all to 'maintenance'. Some operate a split.
Community investment spend – including things like providing training, employment or financial advice or carrying out other community activities that bring social value.	Some landlords will allocate this to 'management', others will put it in the 'other' category.
Individual items such as: • Charges for bad debts • Charitable donations • Council tax on voids • Redundancy payments • Property insurance	Can all be allocated inconsistently to either 'management', 'maintenance' or 'other'.

These are only a few of the most common examples of where HouseMark has observed a significant variation in which cost per unit sub-category they are allocated to in the Global Accounts.

In one case, one landlord in the Global Accounts had double the management cost per unit of a similar peer, despite the real costs being only 15% higher.

This makes meaningful analysis of management and maintenance costs using the Global Accounts or Sector Scorecard difficult.

[3] HCA publication: Delivering better value for money: Understanding unit costs.

HouseMark's detailed cost benchmarking

Whilst fundamentally all costs tie back to the headline social housing cost per unit, the HouseMark detailed cost benchmarking ensures that all landlords allocate their detailed costs in the same way.

For some landlords, this can make the HouseMark data collection exercise tricky, as they find that their internal cost code classifications do not always match the HouseMark categories. HouseMark has made this significantly easier, with the launch of our new data entry platform in 2017, but ultimately your cost centres and employees still need to be allocated according to the consistent HouseMark methodology.

Once costs have been allocated in line with the methodology, you can be sure that your unit cost comparisons are a fair and accurate reflection.

It also provides the next level in terms of understanding your unit cost drivers. For example, the HouseMark data can help you understand:

- The size of various teams and their productivity
- Average costs per different employee type
- Areas where better procurement could deliver savings

All of this can be compared against a wide range of known variables. This includes all the variables mentioned in the HCA unit cost analysis (landlord size, tenure split etc.) and more. For example, HouseMark data allows you to compare with organisations that have a DLO, generic or specialist housing officers, or a multi-functional contact centre.

Find out more

To make the most of your data and drive effective performance improvement, contact us to find out more. Call our performance analytics team on 024 7647 2707 or email data@housemark.co.uk.