

# Sector scorecard



## The Sector Scorecard

Guide to the metrics for housing associations

April 2018



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## 1 Introduction

The Sector Scorecard aims to provide an agreed set of metrics for housing associations to compare their performance and check they are providing value for money.

Following a successful pilot in 2016/17 the Sector Scorecard is being launched in April 2018 to collect data for the 2017/18 financial year.

Acuity is collecting data for English organisations with less than 1,000 homes (SPBM members), while HouseMark is collecting data for larger organisations in England and those based in Scotland, Wales and Northern Ireland. This guide has been produced by Acuity and HouseMark and sets out the definitions to be used by all participants in the 2018 exercise.

Each measure is prefixed with an identification code used by SPBM members (e.g. RSH 204). HouseMark members should identify the measure by its title.

Seven of the Sector Scorecard metrics are also used by the English Regulator for Social Housing (RSH) as part of the Value for Money standard to measure economy, efficiency and effectiveness<sup>1</sup>. These metrics are highlighted in the definitions below and they can be identified as their SPBM codes all begin with the letters **RSH**.

For up-to-date information about the scorecard visit the sector scorecard website, which includes an overview of the measures and FAQs: <http://www.sectorscorecard.com/>

Please note that some KPI definitions have changed slightly since the pilot.

Clarification of the accounting terms used in these definitions provided by the Regulator for Social Housing may be found here: [Accounting direction 2015](#).

## 2 Timetable

- April 2018 – Open up data collection (once definitions have been agreed)
- End of June 2018 – First data entry deadline<sup>2</sup>
- July 2018 – Headline aggregated summary figures shared with the NHF/Sector Scorecard working group<sup>3</sup>
- 30 September 2018 – Data collection closes: final data and amends
- 31 October 2018 – Sector Scorecard report published and organisation data included in the appendix

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<sup>1</sup> <https://www.gov.uk/government/publications/value-for-money-metrics-technical-note>

<sup>2</sup> Deadline for inclusion in SPBM / HouseMark first round of reports. Draft figures may be supplied if final accounts not ready

<sup>3</sup> SPBM and HouseMark members will also have access to Sector Scorecard data via members' online reporting systems



### 3 Data sharing

All data will be publicly released as part of the final report in Autumn 2018. Unlike the pilot, participation this year is not anonymous. Between you submitting your data and the publication of the final report, the data will only be available on a confidential basis to HouseMark and Acuity members. Some high-level data will be shared in an interim report in July, but this will be anonymised.

The information will be collated and analysed by HouseMark/Acuity and reported back to you. It will then be for you and your Board to decide how you wish to use it. Sector-wide data may be used by appropriate organisations (HouseMark/National Housing Federation) for media work and in discussions with key stakeholders, but this will always be anonymised.

### 4 Summary of the 15 measures

Proposed indicators for measuring efficiency within the sector have been developed for the following areas:

1. Business Health
2. Development – capacity and supply
3. Outcomes delivered
4. Effective asset management
5. Operating efficiencies

There are 15 proposed indicators in total, plus suggested optional indicators (shown in square brackets). Some contextual information will also be collected and we expect that providers will want to include further narrative around the measures – suggestions have been made in this document as to what this could cover.

In the detailed definitions below, the measures marked with a star \* are required by the RSH as part of the Value for Money (VFM) standard.

#### 4.1 Business Health

- Operating margin (overall) \*
- Operating margin (social housing lettings) \*
- EBITDA MRI (as % interest) \*

#### 4.2 Development (Capacity & Supply)

- New supply delivered: absolute (social and non-social)
- New Supply % (social and non- social) \*



- Gearing \*

#### 4.3 Outcomes Delivered

- Customer satisfaction
- Reinvestment \*
- Investment in communities

#### 4.4 Effective Asset Management

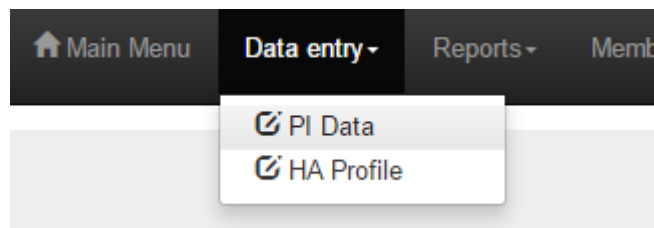
- Return on capital employed (ROCE) \*
- Occupancy
- Ratio of responsive repairs to planned maintenance

#### 4.5 Operating Efficiencies

- Headline social housing cost per unit \*  
This is supported by cost-per-unit metrics breaking the overhead cost down by Management, Maintenance, Major repairs, Service Charge and Other costs.
- Rent collected
- Overheads as % adjusted turnover

### 5 Definitions – Contextual data for SPBM members

This background data is completed in the HA Profile section of SPBM data entry<sup>4</sup>.



#### 5.1 Turnover & Stock

This information will be used to provide context on the size of the provider and range of activities undertaken.

Please complete the Turnover and Stock numbers broken down as:

- General needs
- Housing for older people
- Supported housing

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<sup>4</sup> HouseMark members submit contextual data using the Configure Profile screens. For more information, contact HouseMark's technical support team on 024 7647 2707 or email [data@housemark.co.uk](mailto:data@housemark.co.uk)



- Shared ownership
- Leasehold
- Non-social

If you are able to provide a breakdown of turnover you can do so under T/O breakdown

- SHL income – general needs
- SHL income – supported housing and housing for older people
- SHL income – other
- Other social housing – LCHO
- Other social housing – charges for support services
- Other social housing – other
- Non-social housing activity – built for sale
- Non-social housing activity – other

### **Accounting policy for property**

Policy choice can lead to differences in some of the metrics, so this is important information for comparison. Please specify whether properties held at historic cost, deemed cost or valuation

## **6 Definitions – Business Health**

### **6.1 RSH 101 – Operating margin (overall) \***

The Operating Margin demonstrates the profitability of operating assets before exceptional expenses are taken into account. Increasing margins are one way to improve the financial efficiency of a business. When the regulator assesses this ratio, consideration is given to registered providers' purpose and objectives (including their social objectives). Further consideration is also given to specialist providers who tend to have lower margins than average.

Operating margin (overall) =  $(A \div B) \times 100$

A = Overall operating surplus/(deficit), not including any Gain/(loss) on disposal of fixed assets (housing properties). Similarly, results of JVs are not included in either turnover or operating surplus.

B = Turnover (overall)

Source = statutory financial statements or FVA. Clarification of the accounting terms used in this and other definitions provided by the Regulator for Social Housing may be found here: [Accounting direction 2015](#).

### **6.2 RSH 102 – Operating margin (social housing lettings) \***

Operating margin (social housing lettings) =  $(A \div B) \times 100$



A = Operating surplus/(deficit) on social housing lettings, not including Gain/(loss) on disposal of fixed assets (housing properties). Similarly, results of JVs are not included in either turnover or operating surplus.

B = Turnover from social housing lettings

Source = statutory financial statements or FVA. Clarification of the accounting terms used in this and other definitions provided by the Regulator for Social Housing may be found here: [Accounting direction 2015](#).



### 6.3 RSH 103 – EBITDA MRI (as % interest) \*

**NB: definition has been updated for 2018**

The EBITDA MRI interest cover measure is a key indicator for liquidity and investment capacity. It seeks to measure the level of surplus that a registered provider generates compared to interest payable; the measure avoids any distortions stemming from the depreciation charge.

EBITDA MRI (as % interest) = (EBITDA MRI ÷ Gross interest payable) x 100

EBITDA MRI = [Overall operating surplus / (deficit)

- Gain/(loss) on disposal of fixed assets (housing properties)
- Amortised government grant
- Grant taken to income
- + Interest receivable
- Capitalised major repairs expenditure for period
- + Total depreciation charge for period]

Gross interest payable = [Interest capitalised + Interest payable and financing costs]

Clarification of the accounting terms used in this and other definitions provided by the Regulator for Social Housing may be found here: [Accounting direction 2015](#).

## 7 Definitions – Development (Capacity & Supply)

### 7.1 New supply delivered: absolute

#### 7.1.1 SS 201A – social housing units

This uses the numerator for the RSH VFM metric on new supply (social housing).

Total social housing units developed or newly built units acquired in-year (owned):

- Social rent general needs housing (excluding Affordable Rent)
- Affordable Rent general needs housing
- Social rent supported housing and housing for older people (excluding Affordable Rent)
- Affordable Rent supported housing and housing for older people
- Low Cost Home Ownership
- Care homes
- Other social housing units
- Social leasehold.

MHCLG definition of completion: In principle, a dwelling is regarded as completed when it becomes ready for occupation or when a completion certificate is issued whether it is in fact occupied or not.

Newly-built acquired properties includes new dwellings built where construction is carried out by another entity (such as newly-built S106 acquisitions).

A unit completed by a joint venture with a private sector partner should be counted as a





whole unit. A unit completed by a joint venture with another registered provider should be counted as a whole unit only by the provider that will own the unit (to avoid double counting).

### 7.1.2 SS 201B – non-social housing units

This uses the numerator for the RSH VFM metric on new supply (non-social housing).

Total non-social units developed or newly built units acquired in-year (owned):

- Total non-social rental housing units owned
- Non-social leasehold units owned
- New outright sale units developed or acquired

MHCLG definition of completion: In principle, a dwelling is regarded as completed when it becomes ready for occupation or when a completion certificate is issued whether it is in fact occupied or not.

Newly-built acquired properties includes new dwellings built where construction is carried out by another entity (such as newly-built S106 acquisitions).

A unit completed by a joint venture with a private sector partner should be counted as a whole unit. A unit completed by a joint venture with another registered provider should be counted as a whole unit only by the provider that will own the unit (to avoid double counting).

## 7.2 New supply delivered %

### 7.2.1 RSH 204 A – social housing units

***NB: new definition for 2018***

New social housing supply delivered as a percentage of stock owned, during the period April – March.

$$[A / B] * 100$$

A = Total social housing units developed or newly built units acquired in-year (owned)  
[Social rent general needs housing (excluding Affordable Rent), Affordable Rent general needs housing Social rent supported housing and housing for older people (excluding Affordable Rent), Affordable Rent supported housing and housing for older people, Low Cost Home Ownership, Care homes, Other social housing units, Social leasehold]

B = [Total social housing units owned at period end ('social units' as defined in numerator)]

MHCLG definition of completion: In principle, a dwelling is regarded as completed when it becomes ready for occupation or when a completion certificate is issued whether it is in



fact occupied or not.

Newly-built acquired properties includes new dwellings built where construction is carried out by another entity (such as newly-built S106 acquisitions).

A unit completed by a joint venture with a private sector partner should be counted as a whole unit. A unit completed by a joint venture with another registered provider should be counted as a whole unit only by the provider that will own the unit (to avoid double counting).

## 7.2.2 RSH 205 B – non-social housing units

### ***NB: new definition for 2018***

New non-social housing supply delivered as a percentage of stock owned, during the period April – March.

$$[A / B] * 100$$

A = [Total non-social units developed or newly built units acquired in-year (owned)

(Total non-social rental housing units owned, non-social leasehold units owned, New outright sale units developed or acquired)]

B = [Total social housing units owned (period end)

+ Total non-social rental housing units owned (period end)

+ Social leasehold units owned (period end) [if not included in Total social housing units owned]

+ Non-social leasehold units owned (period end)]

MHCLG definition of completion: In principle, a dwelling is regarded as completed when it becomes ready for occupation or when a completion certificate is issued whether it is in fact occupied or not.

Newly-built acquired properties includes new dwellings built where construction is carried out by another entity (such as newly-built S106 acquisitions).

A unit completed by a joint venture with a private sector partner should be counted as a whole unit. A unit completed by a joint venture with another registered provider should be counted as a whole unit only by the provider that will own the unit (to avoid double counting).



### 7.3 RSH 203 – Gearing \*

**NB: definition has been updated for 2018**

This metric assesses how much of the adjusted assets are made up of debt and the degree of dependence on debt finance. It is often a key indicator of a registered provider's appetite for growth.

Gearing = (Net debt ÷ Carrying value of housing properties) x 100

Net Debt = [Short-term loans  
+ Long term loans  
- Cash and cash equivalents  
+ Amounts owed to group undertakings  
+ Finance lease obligations]

Carrying value of housing properties = [Tangible fixed assets: Housing properties at cost (Period end) / Tangible fixed assets: Housing properties at valuation (Period end)]

**NB.** Cost is the net book value after any depreciation rather than just the cost of properties if the intention is to use the word cost as it is used in the Global Accounts.

*SPBM members: If you use different version of cost, you must indicate in the profile data for your organisation whether properties are held at historic cost, deemed cost or valuation.*

The regulator recognises that there is a wide variety of different gearing measures in use across the sector; different organisations will use different metrics to reflect the nature of their business and their existing loan covenants.

In order to reflect the growing number of providers who operate through the capital markets in which to access funding, this metric measures gearing on a **net debt** basis.

This will provide a more meaningful measure of the financial position of the significant minority of providers who have recently raised funding from the capital markets and therefore hold a significant amount of cash, in preparation for a range of investment programmes. The regulator recognises that registered providers can be restricted by lenders' covenants and therefore may not have the ability in which to increase the loan portfolio despite showing a relatively average gearing result.

Clarification of the accounting terms used in this and other definitions provided by the Regulator for Social Housing may be found here: [Accounting direction 2015](#).

## 8 Definitions – Outcomes Delivered

### 8.1 STA 001 GN/OP – Customer satisfaction GN & OP

Percentage of respondents very or fairly satisfied that their landlord's services overall. In



line with STAR guidance. Includes General Needs and Housing for Older People

## 8.2 RSH 304 – Reinvestment %\*

**NB: new definition for 2018**

This metric looks at the investment in properties (existing stock as well as New Supply) as a percentage of the value of total properties held.<sup>5</sup>

Reinvestment % =  $[A \div B] \times 100$

A = [Properties Acquired (total housing properties)

- + Development of new properties (total housing properties)
- + Works to Existing (total housing properties)
- + Capitalised Interest (total housing properties)
- + Schemes completed (total housing properties)]

B = [Tangible fixed assets: Housing properties at cost (Period end) / Tangible fixed assets: Housing properties at valuation (Period end)]

**NB.** Cost is the net book value after any depreciation rather than just the cost of properties if the intention is to use the word cost as it is used in the Global Accounts.

*SPBM members: if you use different version of cost, you must indicate in the profile data for your organisation whether properties are held at historic cost, deemed cost or valuation.*

Source: Statutory financial statements (Cash flow statement). Clarification of the accounting terms used in this and other definitions provided by the Regulator for Social Housing may be found here: [Accounting direction 2015](#).

## 8.3 SS 303 – Investment in communities

**NB: definition has been updated for 2018**

Community investment is expenditure on community or neighbourhood activities (e.g. employment skills training, money advice, community groups etc.). This does not include capitalised spend or spend on estates recovered through service charges.

For providers submitting an FVA, this should align with the FVA heading 'Community / neighbourhood services'.

**Note:** There may be inconsistency in how community investment is measured and it could underestimate the overall community impact that housing associations have. The

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<sup>5</sup> This metric is not based on cashflow data given the limitations on data collected as part of the FVA regulatory return



Sector Scorecard's advisory group agreed that "£s invested in communities" will be collected in 2018, but it will be collected as actual spend (rather than as a percentage of money generated) and that housing associations will be able to analyse it with reference to income generated, or per property, within the Sector Scorecard dashboard itself.

## 9 Definitions – Effective Asset Management

### 9.1 RSH 401 – Return on capital employed (ROCE) \*

This metric compares the operating surplus to total assets less current liabilities and is a common measure in the commercial sector to assess the efficient investment of capital resources.

$$\text{ROCE} = (\text{A} \div \text{B}) \times 100$$

A = Return [Operating surplus / (deficit) (overall) including gain / (loss) on disposal of fixed assets (housing properties) + Share of operating surplus/(deficit) in joint ventures or associates]

B = Capital employed [Total fixed assets + Total current assets- Current liabilities]

**NB.** Gain / (loss) on disposal of fixed assets (housing properties) is not usually included in operating surplus. Similarly, results of JVs are not usually included in either turnover or operating surplus. However, these results **are included** in this measure as they can be considered to form part of the return on the capital investment in either fixed assets or joint ventures.

Source = statutory financial statements or FVA. Clarification of the accounting terms used in this and other definitions provided by the Regulator for Social Housing may be found here: [Accounting direction 2015](#).

### 9.2 SS 402 – Occupancy

General needs only:

$$\text{Occupied units} \div (\text{Occupied units} + \text{Vacant units available for letting}) \times 100$$

This percentage should be the inverse of your vacant properties available and unavailable to let measure.

"Units in the following states would be considered to be available for letting:

- First let and ready for immediate occupation;
- Re-let and ready for immediate occupation;
- To be let or re-let after minor repairs or normal maintenance and redecoration work between lets;



- The previous tenant is no longer being charged rent and no works are required before a new tenant can move in;
- Handed over from a contractor, development section or maintenance section on completion of works, for new letting or re-letting, and is in a satisfactory condition for letting."

"Units would not be considered available for letting:

- Awaiting improvement, conversion, repair or other works;
- Awaiting sale;
- Unauthorised occupation;
- Waiting to be demolished.

Additionally, a unit can only be considered as being available for letting if it can be freely let by the provider."

Source: Definition of available and unavailable for letting are aligned with the Statistical Data Return (SDR), however unit numbers may differ from the SDR if a provider has units outside of England.

### 9.3 SS 403 – Ratio of responsive repairs to planned maintenance

Routine maintenance ÷ (Planned maintenance + Major repairs expenditure + Capitalised major repairs and re-improvements expenditure)

Source = statutory financial statements or FVA.

## 10 Definitions – Operating Efficiencies

### 10.1 RSH 501 – Headline social housing cost per unit \*

***NB: definition has been updated for 2018***

The unit cost metric assesses the headline social housing cost per unit as defined by the regulator. The cost measures set out in the metric are unchanged from the metric used in the regulator's 2016 publication [Delivering better value for money](#). However, the denominator has been changed from units managed to units owned and/or managed.

Headline social housing cost per unit =

$$\text{Social housing costs} \div \text{Social housing units}$$

$$\begin{aligned} \text{Social housing costs} = & \text{[Management costs} \\ & + \text{Service charge costs} \\ & + \text{Routine maintenance costs} \\ & + \text{Planned maintenance costs} \\ & + \text{Major repairs expenditure} \\ & + \text{Capitalised major repairs expenditure for period} \end{aligned}$$



- + Other (social housing letting) costs
- + Development services<sup>6</sup>
- + Community / neighbourhood services
- + Other social housing activities: Other (operating expenditure)
- + Other social housing activities: charges for support services (operating expenditure)]

**NB.** Use actual expenditure rather than £000s in this and all related cost per unit measures.

*Divided by*

Social housing units = Total social housing units owned and/or managed at period end<sup>7</sup>

(Social rent general needs housing (excluding Affordable Rent), Affordable Rent general needs housing, social rent supported housing and housing for older people (excluding Affordable Rent), Affordable Rent supported housing and housing for older people, Low Cost Home Ownership, care homes, other social housing units)

**NB.** Leasehold units which for example include Right to Buy and fully stair-cased shared ownership units where the provider retains the freehold are excluded from this definition and all related cost per unit measures.

Source = statutory financial statements or FVA. Clarification of the accounting terms used in this and other definitions provided by the Regulator for Social Housing may be found here: [Accounting direction 2015](#).

## 10.2 SS 502 – Management cost per unit

This unit cost metric assesses the MANAGEMENT cost per unit as defined by the regulator in the [Accounting direction for providers of social housing 2015](#). The denominator is the units owned and/or managed.

This measure may be used by the RSH in its analysis of providers costs.

Management cost per unit =  $A \div B$

A = Management costs

B = Social housing units

“Management costs” = total expenditure on Management relating to Social Housing Lettings, as per the financial accounts

“Social housing units” = Total social housing units owned and/or managed at period end<sup>8</sup>  
(Social rent general needs housing (excluding Affordable Rent), Affordable Rent general needs housing, social rent supported housing and housing for older people (excluding

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<sup>6</sup> Accounting Direction 2015 requires material items of social housing activity to be separately identified.

[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/465837/Accounting\\_direction\\_2015\\_full.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/465837/Accounting_direction_2015_full.pdf) .

<sup>7</sup> Leasehold units which for example include Right to Buy and fully stair-cased shared ownership units where the provider retains the freehold are excluded from this definition

<sup>8</sup> Leasehold units which for example include Right to Buy and fully stair-cased shared ownership units where the provider retains the freehold are excluded from this definition



Affordable Rent), Affordable Rent supported housing and housing for older people, Low Cost Home Ownership, care homes, other social housing units)

Source = statutory financial statements or FVA. Clarification of the accounting terms used in this and other definitions provided by the Regulator for Social Housing may be found here: [Accounting direction 2015](#).

### **10.3 SS 503 – Maintenance cost per unit**

This unit cost metric assesses the routine and planned maintenance cost per unit as defined by the regulator in the [Accounting direction for providers of social housing 2015](#). The denominator is the units owned and/or managed.

This measure may be used by the RSH in its analysis of providers costs.

Maintenance cost per unit =  $A \div B$

A = Routine maintenance + Planned Maintenance

B = Social housing units

“Maintenance costs” = total expenditure on Routine maintenance and Planned Maintenance costs relating to Social Housing activities, as per the financial accounts

“Social housing units” = Total social housing units owned and/or managed at period end<sup>9</sup>  
(Social rent general needs housing (excluding Affordable Rent), Affordable Rent general needs housing, social rent supported housing and housing for older people (excluding Affordable Rent), Affordable Rent supported housing and housing for older people, Low Cost Home Ownership, care homes, other social housing units)

Source = statutory financial statements or FVA. Clarification of the accounting terms used in this and other definitions provided by the Regulator for Social Housing may be found here: [Accounting direction 2015](#).

### **10.4 SS 504 – Major Repairs cost per unit**

This unit cost metric assesses the major repairs cost per unit as defined by the regulator in the [Accounting direction for providers of social housing 2015](#). The denominator is the units owned and/or managed.

This measure may be used by the RSH in its analysis of providers costs.

Major repairs cost per unit =  $A \div B$

A = Major Repairs + Capitalised major repairs expenditure for period

B = Social housing units

“Major repairs costs” = total expenditure on Major repairs (including capitalised) relating to Social Housing activities, as per the financial accounts

“Social housing units” = Total social housing units owned and/or managed at period end<sup>10</sup>

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<sup>9</sup> As above

<sup>10</sup> As above





(Social rent general needs housing (excluding Affordable Rent), Affordable Rent general needs housing, social rent supported housing and housing for older people (excluding Affordable Rent), Affordable Rent supported housing and housing for older people, Low Cost Home Ownership, care homes, other social housing units)

Source = statutory financial statements or FVA. Clarification of the accounting terms used in this and other definitions provided by the Regulator for Social Housing may be found here: [Accounting direction 2015](#).

### **10.5 SS 505 – Service charge cost per unit**

This unit cost metric assesses the SERVICE CHARGE cost per unit as defined by the regulator in the [Accounting direction for providers of social housing 2015](#). The denominator is the units owned and/or managed.

This measure may be used by the RSH in its analysis of providers costs.

Service charge cost per unit =  $A \div B$

A = Service charge costs

B = Social housing units

“Service charge costs” = total expenditure on Service charge costs relating to Social Housing activities, as per the financial accounts

“Social housing units” = Total social housing units owned and/or managed at period end<sup>11</sup>

(Social rent general needs housing (excluding Affordable Rent), Affordable Rent general needs housing, social rent supported housing and housing for older people (excluding Affordable Rent), Affordable Rent supported housing and housing for older people, Low Cost Home Ownership, care homes, other social housing units)

Source = statutory financial statements or FVA. Clarification of the accounting terms used in this and other definitions provided by the Regulator for Social Housing may be found here: [Accounting direction 2015](#).

### **10.6 SS 506 – Other social housing costs per unit**

This unit cost metric assesses OTHER SOCIAL HOUSING costs per unit as defined by the regulator in the [Accounting direction for providers of social housing 2015](#). The denominator is the units owned and/or managed.

This measure may be used by the RSH in its analysis of providers costs.

Other social housing costs per unit =  $A \div B$

A = Other (social housing letting) costs + Development services + Community / neighbourhood services+ Other social housing activities: Other (operating expenditure) + Other social housing activities: charges for support services (operating expenditure)

B = Social housing units

“Other (social housing letting) costs” = total expenditure on Other costs relating to Social

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<sup>11</sup> As above



Housing activities, as per the financial accounts

“Social housing units” = Total social housing units owned and/or managed at period end<sup>12</sup>

(Social rent general needs housing (excluding Affordable Rent), Affordable Rent general needs housing, social rent supported housing and housing for older people (excluding Affordable Rent), Affordable Rent supported housing and housing for older people, Low Cost Home Ownership, care homes, other social housing units)

Source = statutory financial statements or FVA. Clarification of the accounting terms used in this and other definitions provided by the Regulator for Social Housing may be found here: [Accounting direction 2015](#).

## 10.7 GNPI 28 – Rent collected as % of rent due (GN)

For General Needs properties only:

Rent collected ÷ (Rent and service charge due for the period - Rent loss due to empty properties) x 100

**Rent and service charge due for the period** = Gross rent and service charge due on the relevant units (gross annual rent roll), including void properties and excluding arrears brought forward.

**Rent collected** = Actual rent and service charge income received in the period from current or former tenants (including HB payments), with no adjustments made for late HB payments, pre-payments or post-payments.

Items collected by the landlord as an agent such as water rates, those not directly part of the rent such as court costs and repairs recharges, and recovery of overpaid housing benefit through the rent collection system should be excluded.

It is acceptable to report this figure a few days after the end of the reporting period to coincide with the end of the rental period. However, no adjustments should be made to this figure for payments received after the end of the rental period.

**Rent loss due to empty properties** = Rent and service charges that could not be collected during the period due to empty dwellings. The dwelling may have been vacant for any reason and includes dwellings that are unavailable to let. Dwellings that are unavailable to let and excluded from the annual rent roll (policy voids), the rent and service charges should be zeroed out. For example, properties awaiting demolition.

## 10.8 CPP 04 – Overhead costs as a percentage of turnover

This measure is aligned with the HouseMark/Acuity measure. For SPBM members we would expect a figure of between 10% and 20%.

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<sup>12</sup> As above



Overheads ÷ Adjusted turnover x 100

## Overheads

Overheads are broadly categorised into Finance, IT, Premises and Central (corporate costs, HR, staff benefits, governance etc).

The numerator must include:

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

**Exclude** costs relating to direct activities (repairs, maintenance, housing management, supported housing, development, estate services, leasehold, shared ownership, other social housing, costs eligible for service charges, property insurance, community investment, costs relating to property sales or non-social activities).

Overheads should only include staff costs (including travel and subsistence) for staff where time is not spent on any of the above direct activities.

## Calculation for adjusted turnover

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

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

## Examples of overheads and direct costs

### Overheads employees include:

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



- Company secretary and other corporate governance staff

**Note it would exclude:**

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

**Overhead non-pay costs include:**

- Office rent and/or depreciation
- Other office premises costs (utilities, cleaning, maintenance, furniture, fixtures and fittings)
- Office supplies (such as stationery, printing, postage, refreshments, books and periodicals)
- Finance costs (including audits fees and payroll processing)
- General business insurance liability premiums (but exclude property insurance premiums which go to 'other')
- IT costs (including hardware and software purchase and depreciation, and telephone costs)
- HR costs
- Recruitment
- Staff training costs
- Corporate board and governance costs (including payments to board members, committee costs and training costs)
- PR and marketing costs (including graphic design and website)
- Corporate membership and subscription fees
- Tenant survey costs
- Consultancy fees relating to central corporate management (but stock condition survey costs are included in major works and cyclical maintenance).

**Note it would exclude:**

- All housing management costs as detailed under '*direct cost per property of housing management*'
- All responsive repairs and void works costs as detailed under '*direct cost per property of responsive repairs and void works*'
- All cost relating to major works and cyclical maintenance programmes as detailed under '*direct cost per property of major works and cyclical maintenance*'
- Estate services (contractor side) costs
- Costs relating to care and support
- Other costs eligible for service charge
- All costs relating to 'wider role' type activities (such as area regeneration, financial inclusion, employment and training)
- Reconciling items such as



- One off redundancy costs
- One-off pension deficit funding
- Loan fees and financing arrangements
- Charges for bad debts
- Charitable donations
- Depreciation of housing stock
- Impairment
- Cost of sales
- And any other costs that are not part of your ongoing operating expenses.