

Proposed New Housing Interactive Profiles, Future Resources & Housing Scorecard Models

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Introduction

Local Government has faced funding reductions since 2010. According to the 2018 NAO report “Financial Sustainability of Local Authorities”, there has been a substantial real terms fall in government funding of 49.1% for 2017/18. In responding to this funding challenge, CIPFA has not only continued to press for adequate funding but also sought to develop sector led tools such as the Financial Management Code and Resilience Index to support those with responsibility for balancing the budget. Housing has faced similar funding challenges to the Housing Revenue Account (HRA).

During the summer of 2018 the government published its green paper on social housing, ‘A Deal for Social Housing’, which sets out the basis for future housing policy and extended the Regulator of Social Housing’s powers on economic standards to cover local authority housing providers. This was then followed by further government announcements in October 2018 to expand housing supply by removing the limit on local authority borrowing against their HRA to give credence to Local Authorities for re-engagement in Council house building.

Why use CIPFA’s Housing Data Products?

Given borrowing requirements are likely to be rigorously tested against the rigidity of the HRA, CIPFA felt it is important that Local Authorities and other stakeholders have access to a range of financial and non-financial data services that is related to local authority housing in England. This is essential information for housing professionals in charge of the HRA, regulators and others to ensure the HRA self-financing requirements are in check. The range of housing data tools CIPFA intends to provide will enable practitioners to compare and contrast between the different sets of performance indicators and sector groupings.

Proposed Products

- **Housing Interactive Profile** – This tool will enable practitioners to carry out interactive comparisons against 41 different sets of performance indicators using LA’s and sector groupings.
- **Housing Future Resources Model** – The CIPFA Housing Future Resources Model aims to project a range of HRA metrics forward to 2023, underpinned by robust trend assumptions informed by the Institute’s experts. This includes a scenario modelling tool which will enable practitioners to use a selective range of indices to create a compendium of

what-if scenarios and future predictability models. The indices will cover a range of areas including; Housing supply and stock, the impact on rental income and arrears levels and a range of other financial and non-financial measures.

- **Housing Scorecard** – Inspired by the CIPFA Financial Resilience Index, the Housing Scorecard focuses specifically on the HRA and is designed to keep the HRA and the housing service in check for local authorities, including both financial and non-financial measures.

Product 1: Proposed Housing Interactive Profile

The Housing Interactive Profile we are looking to develop will be based upon statutory data returns such as; HRA, Local Authority Housing Statistics (LAHS), Revenue Account Outturn (RO), Capital Outturn Return (COR4) and RP General Account Statements. This tool will provide an interactive dashboard which will enable practitioners to carry out interactive comparisons against 79 different sets of performance indicators using LA’s and sector groupings.

The table on the following pages below provides a summary of the key measures/indicators that will be available within the profile:

Proposed Summary of Measures/Indicators Included in the Housing Interactive Profile

Sources	Data/Indicator	Definition	Theme
LAHS	Section A	This section provides a range of housing stock information owned by LA’s including; <ol style="list-style-type: none"> 1. Total LA owned dwelling numbers 2. Breakdown of LA stock by bed size 3. Housing stock valuation based on open market /social rented stock based on 1999 prices. 4. Number of newly built LA dwellings 	Housing Stock
LAHS	Section C	The focus of this section is on housing allocations and provides useful information relating to: <ol style="list-style-type: none"> 5. Total number of households on LA waiting lists 6. A ratio of those on waiting lists by bedroom size 7. The ratio of those on the waiting list with a reasonable preference. 	Housing waiting list

Sources	Data/Indicator	Definition	Theme
		<ul style="list-style-type: none"> 8. People who are homeless 9. The number and proportion of those that are homeless and for whom the LA owes a duty to house. 	
LAHS	Section D	<p>This section collates data relating to:</p> <ul style="list-style-type: none"> 10.Total LA lettings 11.Ratio of lettings at Affordable and Social Rents 12.Total of secure and flexible tenancy lets 	Lettings and Nominations
LAHS	Section E	<ul style="list-style-type: none"> 13.Provides the total number of dwellings vacant as at year end and those available and not available for re-letting. 14.The ratios provide the proportions vacant dwellings relative to overall stock in management. 	Vacant Dwellings
LAHS	Section F	<p>Provides a range of stock condition information and Key Performance ratios e.g.:</p> <ul style="list-style-type: none"> 15.Average energy efficiency rating of dwellings 16.Dwellings with H&S risks 17.Cost of making properties non-decent 18.No of LA dwellings decent 19.No of LA dwellings non-decent 20.Total cost of making properties decent 21.Average cost of making properties decent 22.Proportion of dwellings non-decent 23.Total capital expenditure within the HRA account 24.Number of dwellings receiving capital works 25.Average cost of capital works 26.The cost of dwellings having planned capital works for demolition, conversion and new builds 	Dwelling Stock Condition

Sources	Data/Indicator	Definition	Theme
LAHS	Section G	27.This area considers housing management issues such as the average time taken to re-let LA dwellings and evictions carried.	Stock Management
LAHS	Section H	This section focuses on rent collection and rent arrears management and analyses a range of information and KPI's such as: 28.Average 52 week rent per LA's 29.A breakdown of social /affordable rents by bedroom size 30.Current and former tenants' cumulative arrears (excluding service charges) 31.Total value of rent arrears written-off 32.Value of LA rent roll 33.Rent losses as a result of vacant dwellings 34.Total collectable rent 35.Rent arrears as a proportion of rent roll 36.The proportion of rent collected 37. Rent arrears written-off as a percentage of rent roll 38. Total debt per property	Rent Collection and Arrears
RTB Table 685	Annual Right to Buy Sales	39.Shows total number of dwellings sold under the RTB scheme by LA	Right to Buy
RTB Table 692	Quarterly Right to Buy receipts	40.Receipts received from sale of the dwellings by Local Authority: 2013/14 - 2017/18	Right to Buy
HRA	Reserves Status	41.This looks at the LA financial status in terms of whether they are in surplus or deficit at year end.	Reserves
HRA	Repairs and Maintenance	The main points here are: 42.The total revenue expenditure on LA repairs and maintenance service 43.Average repairs and maintenance service spend per property	Repairs and Maintenance

Sources	Data/Indicator	Definition	Theme
HRA	HRA Reserves	44.This indicator looks at the level of HRA reserves held by LA's at year end.	Reserves
HRA	Provision for bad debt	45.This gives the provisions the LA has made for HRA bad debt for the year.	General Finance
HRA	Expenditure per property	46.Total HRA expenditure for the LA 47.Average expenditure per property	General Finance
HRA	Gross value of Rents	48.Gross value of rental income received both from dwellings and other property.	Rental Income
HRA	Tenants' leaseholders' and other charges for services and facilities	49.Gross value of income received from leaseholders (including service and other charges for facilities).	Tenancy/Leaseholder
HRA	Government grants and assistance (including downward adjustments)	50.Total value of any grants and or any other support from Central Government.	Grants & Support
HRA	Total Income	51.Total value of all income received by the LA.	General Finance
RO	Other nightly paid, privately managed accommodation	52.LA net expenditure on privately managed overnight temporary accommodation for the homeless.	Homelessness

Sources	Data/Indicator	Definition	Theme
RO	Private managed accommodation leased by the authority	53.LA net expenditure on privately managed accommodation leased by the authority to house homeless households temporarily.	Homelessness
RO	Hostels (non-HRA support)	54.LA net expenditure on hostels used to house homeless households temporarily.	Homelessness
RO	Bed/breakfast accommodation	55.LA net expenditure on B&B used to house homeless households temporarily.	Homelessness
RO	Private managed accommodation leased by RSLs	56.LA net expenditure on privately managed accommodation leased by RSLs to house homeless households temporarily.	Homelessness
RO	Directly with a private sector landlord	57.LA net expenditure directly with a private sector landlord accommodation leased by RSLs to house homeless households temporarily.	Homelessness
RO	Accommodation within the authority's own stock (non-HRA)	58.LA net expenditure on accommodation within the authority's own stock used to house homeless households temporarily.	Homelessness
RO	Other temporary accommodation	59.LA net expenditure on other temporary accommodation used to house homeless households temporarily.	Homelessness
RO	Homelessness: Administration	60.LA net expenditure on homelessness administration.	Homelessness
RO	Accommodation within RSL stock	61.LA net expenditure on accommodation used to house homeless households within RSL stock.	Homelessness

Sources	Data/Indicator	Definition	Theme
RO	Homelessness: Prevention	62.LA net expenditure on homelessness prevention work.	Homelessness
RO	Homelessness: Support	63.Total LA net expenditure on Homelessness Support programmes.	Homelessness
RO	Rent allowances - discretionary payments	64.Total net rent allowances paid by way of discretionary payments.	Housing Benefit Administration & supporting payments
RO	Non-HRA rent rebates - discretionary payments	65.Total net expenditure on non-HRA rent rebates discretionary payments.	Housing Benefit Administration & supporting payments
RO	Rent rebates to HRA tenants - discretionary payments	66.Total net expenditure on HRA tenants discretionary payments.	Housing Benefit Administration & supporting payments
RO	Housing benefits administration	67.Total net LA expenditure on housing benefit administration.	Housing Benefit Administration & supporting payments
RO	Supporting People	68.Total net LA expenditure for the provision of housing welfare services for Supporting People.	Housing Benefit Administration & supporting payments
RO	All Total Housing Services	(A)Total gross expenditure on Housing Services in terms of: 69.Employee Costs 70.Running expenses 71.Total expenditure (B)Total income generated by the Housing Service from: 72.Sales, fees & charges	General Finance

Sources	Data/Indicator	Definition	Theme
		73.Other 74.Total income	
		75. (C) Overall net expenditure on the housing service	
COR4&5	Total Resources used to Finance Capital Expenditure	76.The total value of resources used to finance capital expenditure (including; grants from central Gov't, EU, private developers, other public bodies, reserves etc.).	Capital Expenditure
COR4&5	Capital Financing Requirement as at 31 March	77.The level of Capital Financing Requirement needed by the LA to fund capital expenditure in accordance with the prudential code.	Capital Expenditure & Receipts
COR4	Expenditure & Receipts Total Capital Expenditure	78.Actual value of capital expenditure spend.	Capital Expenditure & Receipts
COR4	Expenditure & Receipts Total Capital Receipts	79.Total value of HRA capital receipts received by the LA.	Capital Expenditure & Receipts

Product 2: Proposed measures for the Housing Future Resources Model

Given the growing level of uncertainty for local government finance as a whole and the impact of recent government policy decisions on the HRA, the CIPFA Housing Future Resources Model will shape the medium term financial outlook for the HRA into the mid-2020s.

As the “cliff edge” of 2020 approaches, finance officers responsible for setting budgets and Medium Term Financial Strategies (MTFSs) must make difficult choices based on a number of assumptions. The need for models and tools that can help in medium term financial planning has never been so important.

The CIPFA Housing Future Resources Model aims to provide a relatively simple model for projecting HRA financial resources forward to 2023, underpinned by robust trend assumptions informed by the Institute’s expertise.

The model is for all English local authorities including: Counties; Districts; Unitary Authorities; Metropolitan Districts; London Boroughs who have responsibilities for providing social housing.

The model projects 35 major influential measures having the most impact within the HRA based on various MHCLG published returns such as LAHS, HRA and RO:

Streams	Predictability Measures	Source	Predictive Assumptions
Housing Stock	1. HRA stock movement	LAHS_A	The CIPFA Central calculated trend option
Change in Value of Stock	2. Average change in Housing stock valuation (using 1999 prices) based on: a. Open market b. Social rented stock	LAHS_H	
Housing Demand	3. Estimated average length of time to house people on the waiting list (in years) 4. Estimated average length of time to house Households in Reasonable Preference Category - Homeless (in years) 5. Estimated average length of time to house Households in RPC - Owed a duty by any local housing authority (in years) 6. Estimated average length of time to house Households in RPC - Occupying insanitary/overcrowded housing or otherwise living in unsatisfactory housing conditions (in years) 7. Estimated average length of time to house Households in RPC - Need to move on medical or welfare grounds, including grounds relating to a disability (in years)	LAHS_C	The user input trends option This will permit the user to input their own figures for several variables (TBC) for each year to 2022-23.
Dwellings	8. Estimated spend on capital Expenditure 9. Predicted rate of RTB sales 10. Predicted rate of RTB receipts	LAHS_E	
Expenditure on Stock	11. Estimated HRA Expenditure £000 12. Estimated HRA Expenditure per property £000 13. Estimated HRA Income £000	LAHS_F	

Lettings & Rental Income	14. Ave weekly rent [standardised] - all - social rent 15. Ave weekly rent [standardised] - all - affordable rent 16. Ave weekly rent [standardised] - all excl HMO - social rent 17. Ave weekly rent [standardised] - all excl HMO - affordable rent 18. Cumulative arrears - current tenants £ 19. Cumulative arrears - former tenants £ 20. Rent arrears written off the HRA £ 21. Total value of rent roll (incl rent rebates) £ 22. Rent arrears written off as a percentage of rent roll (%) 23. Rent loss on void dwellings (+ve) £ 24. Rent income to HRA (total rent collectable) £ 25. Total cumulative arrears as % of rent roll 26. Rent collection rate as % of rent roll 27. Gross value of rental income £000 28. Total debt per property £	LAHS_H	
Reserves	29. Estimate of financial reserves for the year £000	HRA	
Maintenance costs	30. Projected expenditure - Repairs & maintenance £000 31. Projected expenditure - Per property Repairs & maintenance £000	HRA	
RTB	32. Predicted rate of RTB sales 33. Projected RTB receipts	RTB Table 685 RTB table 692, HRA	

Homelessness	34. Projected Expenditure for accommodating homeless households 35. Average cost of accommodating homeless households	RO	
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Product 3: Proposed Housing Scorecard Development

Why Develop the Housing Scorecard?

CIPFA’s third proposed housing product, the Housing Scorecard, broadly seeks to do the same as the CIPFA Financial Resilience Index. However, whereas the Resilience Index focuses primarily on the General Fund side of local authority expenditure, the Housing Scorecard will focus specifically on the HRA. Unlike the Resilience Index, the Housing Scorecard has both financial and non-financial measures – it is designed to keep the HRA and the housing service in check. Therefore, the Housing Scorecard can give the government comfort that in the self-financing regime LAs’ are self-regulating the HRAs’ to make sure that they are not too exposed, especially in terms of their borrowing and the recent announcement to remove the debt cap.

Where possible the underlying principles of the scorecard are to ensure:

- All measurements are consistent across all Councils within a tier
- The methodology used for deriving measures and calculations are transparent
- Use reliable and trusted measures.

Housing Scorecard Scoring index

The first step in the scoring process involves identifying the highest and lowest values within the comparator group. We will then assign a score of 0 to the lowest performing council and 1 to the highest performer. Finally, for each Council the indicator score is calculated as follows:

$$\frac{\text{council value} - \text{minimum value}}{\text{maximum value} - \text{minimum value}}$$

For the categorical variables, the categories are given a numerical value and the same calculation made. The result of these calculations is a relative score on each measure for each local authority, which, for ease of interpretation will be rescaled so the median score is 100.

Once the scoring process has been completed the measures are then weighted together based on their level of significance and importance, the table below provides an example data set:

Indicators	Weighting
Ratio of HRA Capital Spending against HRA Rent Income	0.25
Capital Financing Requirement at 31st March against HRA Reserves	0.25
HRA Reserves at 31 st March	0.10
Rent loss on void dwellings	0.15
Proportion of LA homes which were non-decent	0.15
% of capital receipts generated as a proportion of Total Capital Expenditure	0.10

The measures will be presented in the form of a dashboard, something similar to the following example:



Other market tools

The Housing Scorecard is unique in terms of its development, as it makes use of statutory data sets such as HRA, LAHS, RO, COR4 and RP General Account Statements with no effort on the part of local authorities to provide any other data returns; it will essentially be a self-service comparator tool, unless we choose to include a questionnaire return to capture current data.

The only other comparator is a collaboration from Housemark and the National Housing Federation, who have developed a scorecard based on data collection not too dissimilar to our proposals, which was piloted in 2017/18 and is currently live.

However, the key difference here is that it is primarily aimed at the Housing Association sector, whereas the three products proposed by CIPFA is for local authority landlords with HRA responsibilities and does not require any form of data returns. Additionally the Housemark and the National Housing Federation scorecard covers all UK geographical locations including Northern Ireland, however the CIPFA proposals is currently the only one intended for English local authorities, although this could be extended to other regions if appropriate. Further details about the Housemark and National Housing Federation model are available from: www.housing.org.uk/resource-library/browse/sector-scorecard-analysis-report-2017.

There is also a piece of work underway from the Local Government Association, National Federation of ALMOs (NFA), Association of Retained Council Housing (ARCH), Housemark, and others to look at the options for introducing regulation of consumer standards, which complements our financial health models to provide a 360 degree view of measuring effectiveness of the HRA.

The Regulator of Social Housing's new value for money (VfM) standard metrics, as it presently stands, only applies to registered private providers of social housing (Housing Associations). The new measures are:

- 1 – Reinvestment %
- 2 – New supply delivered
- 3 – Gearing %
- 4 – Earnings Before Interest, Tax, Depreciation, Amortisation, Major Repairs Included (EBITDA MRI) Interest Cover %
- 5 – Headline social housing cost per unit
- 6 – Operating Margin %
- 7 – Return on capital employed (ROCE) %

All of the above are economic standards measures and do not apply to LA's, however the government's green paper on Social Housing, published in August 2018, does talk about extending its economic VfM standards to all Social Housing providers, hence our proposals being geared towards LA's will offer a valuable contribution to this cause.

Consultation

CIPFA believes that sector input is essential in the development of this scorecard. A balance is needed between consultation, feedback and the need to progress, so we are looking at two possibilities:

➤ **Extensive consultation, analysis and feedback**

We have already initiated a consultation process through the; CIPFA Housing Panel, the CIPFA Housing Conference held in January 2019 and some individual LA representative of the Housing Panel. In addition we have also consulted MHCLG and the Regulator of Social Housing in the development of these analytical tools.

One of the key outcomes of this was the need for adding a streamlined questionnaire to capture current data to enhance our Housing products. We have circulated a draft questionnaire to the Housing Panel members for feedback and the general response suggests whilst this is good to enhance the quality of the data available given past experiences and lack of resources this is likely to become an onerous process. Therefore we have made the decision to develop all three analytical tools using only published returns such as LAHS, HRA and RO of HRA metrics, without the need for any questionnaire returns.

Another suggestion we have received is the need for a future housing resources model, which is capable of provide a relatively simple model for projecting local authority HRA resources forward to 2025. We have therefore included a proposal for this as part of the development proposal – please see Product 2: Proposed measures for the Housing Future Resources Model on page 9.

- There will be some further limited pilot consultation via a selected number of partners and clients. This will be done once the beta version of the product has been developed for testing and evaluation.

A formal decision on how we want to proceed will be determined further down the road once the development and testing cycle has been completed. We interested in recruiting some local authorities for user testing, If you are interested in testing a beta version of the tools please feel free to contact us via benchmarking@cipfa.org to confirm your interest.

Price and Marketing

The intention is that the fully developed Housing Interactive Profile, Future Resources Model and Scorecard will become an integral part of the CIPFAstats product portfolio and will be offered free to local authorities with our full CIPFAstats subscriptions or those LA's who are part of the Housing Advisory Network. However, those authorities who do not subscribe may purchase the products separately.

The three housing products will be hosted separately with its own webpage like we currently do for the VFM Toolkit (www.cipfa.org/services/cipfastats) and therefore subscribing customers will be able to download the products directly from the website.

A marketing strategy is currently in its early stages of development in consultation with the CIPFA Marketing team.

Schedule of Housing Scorecard Measures

Sources	Data/Indicator	Purpose	Polarity	Theme
HRA	1. (Surplus)/Deficit	Assesses the status of HRA reserves held by LA's based on current and previous year.	Lower value is better	Reserves
HRA/COR 4	2. Ratio of Repairs and Maintenance (Financing & Prudential)	The ratio of R&M capital spend against R&M revenue spend. This monitors whether the R&M spending is within the 60% capital and 40% revenue spend guidelines, as per the original Audit Commission.	Capital spend target = 60% Revenue spend target = 40%	Repairs and Maintenance
HRA/COR 5	3. Reserves: HRA Reserves at 31st March and Major Repairs Reserve	Assesses the total level of HRA resource for future spending needs (covering capital and revenue).	Higher positive value is better	Reserves
HRA	4. Provision for bad debt	Assess level of LA bad debt provision on the HRA.	Lower value is better	Debt Management
HRA/COR 4&5	5. Capital Financing Requirement & Capital expenditure	This is to ascertain the proportion of capital spend not yet financed from reserves available.	Lower value is better	Funding
HRA	6. Gross Rents	Assess the value of rental income collected.	Higher value is better	Rent Collection
HRA	7. Ratio of HRA Capital Spending against HRA Rent Income	Helps to ascertain the proportion of rental income applied to finance capital improvements to existing stock.	Higher value is better	Funding
HRA	8. HRA Capital Spending on Existing Stock	This indicates how many years' worth of capital spending on existing stock the level of reserves	Higher value is better	Spend

Sources	Data/Indicator	Purpose	Polarity	Theme
	against HRA Reserves at 31st March including Major Repairs Reserve	can cover. Based on the introduction of self –financing system in 2012.		
LAHS	9. Total value of stock at January 1999	The aggregate (social rented) value of the dwellings’ (both tenanted and vacant) housing stock held in the HRA in accordance with Section 38 of the 2015 Local Gov’t transparency code.	Higher value is better	Asset Valuation
RO	10.Total Housing Services – Expenditure	Ratio of net operating expenditure against gross operating expenditure.	Lower value is better	Expenditure
LAHS	11.Average Relet Time	Efficiency at managing empty dwellings and minimising void periods.	Lower value is better	Efficiency of HRA Stock
LAHS	12.Average EPC/SAP rating of all dwellings at 1 st April	Energy efficiency rating of housing stock.	Higher value is better	Quality of HRA Stock
LAHS	13.Proportion of LA homes which were non-decent (%)	The Decent Homes Standard requires all LA properties to meet minimum standards; good condition of repair, reasonably modern facilities and reasonable degree of thermal comfort. The original target was that all social sector homes would be decent by 2010.	Lower value is better	Quality of HRA Stock

Sources	Data/Indicator	Purpose	Polarity	Theme
LAHS	14.Total dwellings per 1000 stock which were vacant	Efficiency at managing empty dwellings.	Lower value is better	Efficiency of HRA Stock
LAHS	15.Total dwellings per 1000 stock which were vacant but available for letting	Efficiency at managing empty dwellings.	Lower value is better	Efficiency of HRA Stock
LAHS	16.Percentage of dwellings per 1000 stock which were vacant but available for letting	Efficiency at managing empty dwellings.	Lower value is better	Efficiency of HRA Stock
LAHS	17.Former tenant rent arrears written off the HRA against value of rent roll (including rent rebates)	Efficiency at managing rent arrears (former tenant write-offs).	Lower value is better	Income recovery
LAHS	18.Total cumulative arrears as a percentage of rent roll	Efficiency at managing rent arrears.	Lower value is better	Income recovery
LAHS	19.Rent collection rates (%)	Efficiency at collecting rental income.	Higher value is better	Income recovery
COR4	20.% of capital receipts generated as a proportion of Total Capital Expenditure	This illustrates the capacity to fund capital spending through funds generated from sales.	Higher value is better	Capital Receipts
HRA/COR 5	21.HRA Reserves Depletion Rate	This indicator is the ratio between the current level of Housing	A low value suggests that there is a risk that	Reserves

Sources	Data/Indicator	Purpose	Polarity	Theme
		<p>Revenue Account (+ Major Repairs Reserve) reserves and the average change in reserves in each of the past four years. A negative value or one greater than 100 is recoded to 100. The indicator provides a measure of how long (in years) it will take for an authority to completely denude their HRA reserves, if they continue to use reserves at the same rate as in the previous four years.</p>	<p>the authority will run out of reserves. A high value says, that on current trends, they are unlikely to deplete their reserves. No value is given if the authority does not have data for HRA reserves in all of the previous five years.</p>	