

Peer Group Review Summary

We have reviewed the basis of the peer groups we use to analyse the RSL sector in Scotland and that allow RSLs to benchmark their performance. This paper summarises the results of our review. A more detailed paper explaining the basis of the review is available on request.

Existing peer groups

The basis of the existing nine peer groups was established some years ago and adjusted over time. The context of the regulatory environment has been changing and the framework increasingly focuses on tenants' and other service users' needs. It is some years since we comprehensively reviewed the peer group system to ensure that the groups continued to provide a robust benchmarking system for the sector today. In particular, the number of RSLs has fallen steadily, average stock size has grown, and the profile of RSLs has changed. We therefore need to ensure that peer groups are relevant to the present arrangements.

The groups that we have used until 2005/06 are as follows:

1. RSLs with supported accommodation
2. Small urban RSLs
3. Larger urban RSLs
4. Large older urban RSLs
5. Small rural RSLs
6. Larger rural RSLs
7. Small scale transfer RSLs
8. National RSLs
9. LA stock transfer RSLs

These groups use various criteria: size of stock, location of stock, stock source / acquisition and primary focus. The classification produces groups of different numbers of RSLs, some of which are too small to offer statistical significance. A further classification is used for financial data. Although it had been hoped to integrate the financial and non-financial classifications, further work is required to complete such a project.

Our approach

The purpose of the review was to ensure that peer groups provide a credible and robust tool for assessment and benchmarking. Our main aspiration was to create a system to group RSLs by the characteristics most strongly associated with their performance. We also sought to increase the size of classes to make them more statistically reliable and to encourage benchmarking by RSLs. Lastly, we hoped to identify other characteristics of stock transfer RSLs to be able to close that category, as a means of encouraging such organisations to compare themselves with other RSLs.

In summary, we:

1. Defined and measured performance, using the available data
2. Selected and measured the characteristics that may influence RSL performance
3. Assessed the type and degree of association between characteristics and performance
4. Grouped RSLs by the characteristics with the strongest association with performance

We measured the following characteristics against performance:

Stock location	Stock quality
Stock size	Stock acquisition
Stock age	Deprivation
Provision type	Stock dispersal
Stock type	RSL age

Our findings

We found that many of the existing criteria used to define groups, such as stock size and type of provision, remain valid though at different levels (e.g. revised stock size bands). Based on our analysis, we opted to retain stock transfer as a criteria. However other currently used criteria, such as stock age, do not contribute significantly to explaining actual or potential performance. We also examined other characteristics such as levels of multiple deprivation and stock dispersal, and found no significant association with performance.

If we grouped RSLs by only the characteristics associated with *all* aspects of performance, we could create a small number of large groups. This would make statistical analysis more reliable and meet our aspirations for larger groups, but the range of scores for performance measures within each group would be greater than in most existing peer groups. Although a range of scores is desirable to encourage benchmarking and motivate improvement, too great a range might prove a disincentive. After consultation with a sample of RSLs, we set the parameters and number of groups accordingly, as shown below.

Our conclusions

We have created new groups based on characteristics that are strongly associated with performance potential. Each group is larger than the desirable minimum class size of 10. For any given performance measure, they score within a limited range. This provides greater confidence in the statistical significance of the results. We consider that the new set of groups will improve the quality of benchmarking within the sector. The new groups are as follows:

- 1. Specialist RSLs**
- 2. Rural RSLs**
- 3. Urban RSLs < 500 units**
- 4. Urban RSLs 500 – 1000 units**
- 5. Urban RSLs > 1000 units**
- 6. Stock transfer < 1000 units**
- 7. Stock transfer > 1000 units**

The new classification has been used in the analysis of APSR data for 2006/07 and can be applied retrospectively to previous years' APSR data. We also propose to use the new classes to inform other regulatory activities such as inspections and regulatory assessment. A list of the RSLs allocated to these groups is available on our website. Please send any comments or queries to:

Ana Richardson, Business Analyst
Communities Scotland
Highlander House
58 Waterloo Street
Glasgow G2 7DA
0141 305 4108
riinfo@communitiesscotland.gsi.gov.uk

February 08