Value for Money Metrics
2018/19

Introduction

We aim to achieve value for money in all that we do.
Value for money means using our resources and assets economically, efficiently, and effectively to deliver our strategic objectives, meet customer expectations and achieve our core purpose.

We set out our core purpose, and strategic aims and objectives within our Corporate Plan; with measurable targets to assess performance, over time and relative to others. Performance against the expected outcomes of the Corporate Plan are regularly assessed by the Executive Team and Board.

This report outlines a summary of our performance against the Regulator of Social Housing's VFM metrics. A full copy of our VFM statement, including how we compare to our peers, can be found within our Financial Statement on our website **www.regenda.org.uk.**

Regenda is committed to the long-term sustainability of our homes and neighbourhoods.

We have made significant investment in our stock over the past 12 months and continue to do so. This includes nearly £2m on planned works and investment to improve the external appearance and efficiency of homes and to improve the living standards for residents.

We are improving the external appearance of 600 homes in Fleetwood. This work is seeing old cavity wall insulation, which was deemed unsuitable in the long term by an independent report, replaced with a newer method, external wall insulation (EWI). The external appearance of the properties is being improved with new cladding.

The programme will help improve energy efficiency in our homes and reduce heating bills for residents, and will also reduce the potential for condensation issues, including damp.

Along with improving the external appearance of our homes, the programme will have major health benefits and will help reduce incidents of fuel poverty.

We're also investing in our specialist and flat accommodation ensuring that our blocks remain safe and attractive places to live now and in the future.

We take the safety of our customers very seriously. All our blocks undergo an annual independent Fire Safety Assessment. All recommendations and improvement works are delivered to meet or exceed approved building regulation standards and safety practices.

Our investment programme has a positive impact on the lives of our customers.

Our investment costs have increased within the year but so has our customer satisfaction. 96% of customers in our EWI programme are happy with the quality of the works. Our latest STAR survey findings (2019/20) found that 88% of customers are satisfied with their home, an increase of 4%. 90% of customers are satisfied with neighbourhood as a place to live.

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How we're performing against the Regulator of Social Housing's VFM metrics

EBITDA MRI Interest Cover
2018/19: 145%
2017/18: 182.1%
Median 206.0%

Headline Social Housing Cost per Unit
2018/19: £3,484
2017/18: £3,128
Median £3,397

Operating Margin Social Housing Lettings
To Let
2018/19: 30.5%
2017/18: 35.2%
Median 32.1%

Operating Margin Overall
2018/19: 22.6%
2017/18: 28.5%
Median 28.9%

Reinvestment %
2018/19: 5.3%
2017/18: 5.0%
Median 6.0%

New Supply Delivered % Social Housing
2018/19: 0.2%
2017/18: 1.1%
Median 1.2%

New Supply Delivered % Non Social Housing
2018/19: 0.2%
2017/18: 0.0%
Median 0.0%

Gearing
2018/19: 36.9%
2017/18: 38.3%
Median 42.9%

Return on Capital Employed
2018/19: 3.7%
2017/18: 4.1%
Median 4.1%

Median figure refers to Global Accounts National Median 2018

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Projections

		Actual	Projections for				
		2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
Metric 1	Reinvestment %	5.3%	5.75%	4.53%	4.65%	2.92%	2.80%
Metric 2 (a)	New supply delivered % (Social housing units)	0.2%	0.75%	1.48%	1.38%	0.73%	0.31%
Metric 2 (b)	New supply delivered % (Non-social housing units)	0.2%	0.13%	1.15%	1.15%	0.30%	1.82%
Metric 3	Gearing %	36.9%	40%	42%	43%	44%	43%
Metric 4	EBITDA-MRI Interest Cover %	145%	153%	174%	186%	182%	195%
Metric 5	Headline social housing cost per unit	£3,484	£3,507	£3,462	£3,526	£3,568	£3,744
Metric 6 (a)	Operating Margin % (social housing lettings only)	30.5%	26.23%	27.87%	28.26%	29.22%	29.36%
Metric 6 (b)	Operating Margin % (overall)	22.6%	19.90%	23.97%	23.60%	24.59%	25.56%
Metric 7	Return on Capital Employed (ROCE)	3.7%	3.47%	3.42%	3.87%	3.81%	4.08%

The table above outlines projected performance against the VFM metrics over the next five years.

Our commitment to regenerating places is evident in the amount and type of investment we are making in our homes.

Reinvestment spend is driven by stock condition which is evidenced by independent survey of over 85% of our properties. Expenditure on development activity is forecast to be less smooth year on year due to the nature of the development programme with significant schemes due to complete in 2020, 2021, and 2022. The stock investment programme is at a standard higher than the requirements set through the decent homes standard.

The 5-year forecast delivery of new social housing supply (ending in 2023/24) comprises 420 general needs/affordable rented homes, 72 for supported housing, and 141 for shared ownership. Other new supply comprises 435 market rented properties and 206 outright sale (ORS).

Our Gearing is projected to increase year on year, reducing slightly in 2024, reflecting the financing required to deliver our development programme. This level remains within the financial covenant set by our funders which is 60%.

EBITDA MRI projection has an overall trend increase to 2024. It is set to be more than 110% of interest payable in each year demonstrating our ability to service our borrowing commitments.

Headline social housing cost per unit is expected to increase over the life of the Group Corporate Plan. This reflects investment within our stock and service delivery over the next five years. Operating Margin (SHL) will be negatively impacted as we invest in remedial fire safety works but is anticipated to improve from 2021. Operating margin also begins to recover following a return to a rent regime linked to CPI from 2020/21. Operating Margin (overall) whilst weaker in Operating Margin SHL, shows improvement over the five years to 2024.

Return on Capital Employed is projected to be in the range 3.42% to 4.08% in the period to 2024.

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Jargon buster

VFM Metric	Definition
Reinvestment	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.
New Supply delivered	The new supply metric sets out the number of new social housing and non-social housing units that have been acquired or developed in the year as a proportion of total social housing units and non-social housing units owned at period end.
Gearing	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.
EBITDA MRI	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.
Headline social housing cost	The unit cost metric assesses the headline social housing cost per unit as defined by the Regulator.
Operating margin	The Operating Margin demonstrates the profitability of operating assets before exceptional expenses are considered. Increasing margins are one way to improve the financial efficiency of a business.
Return on Capital Employed	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.

For more information about our performance including a full copy of our financial statements, visit **www.regenda.org.uk/our-performance**