Value for Money Statement 2019/2020

VALUE FOR MONEY

Board Responsibility
The Board takes responsibility for Value for Money (VfM) by:

- setting objectives and targets
- approving the use of resources through the budget and business plan
- monitoring performance and results

We generate value through building and maintaining quality homes and thriving communities by being increasingly efficient. In support of this, we have four interdependent goals:

- the protection and efficient utilisation of existing assets
- the delivery of well defined, appropriate services to a range of tenant and customer groups
- the development of new homes
- the protection and development of the organisation's financial capability

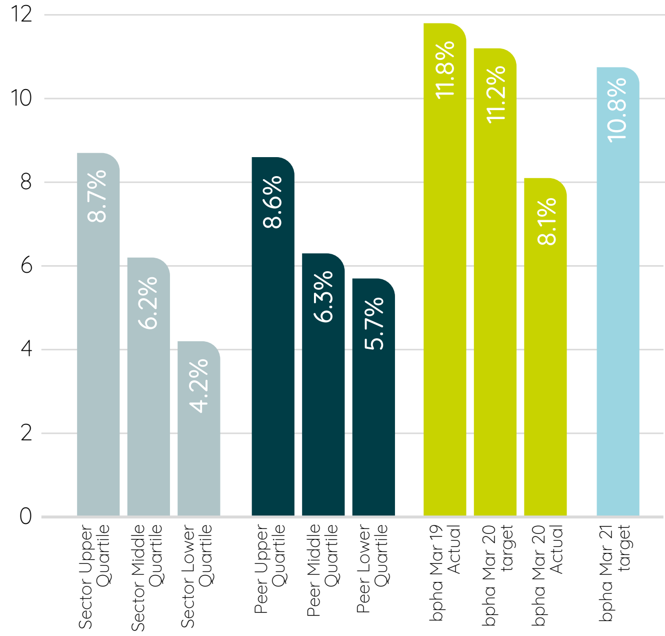
After consideration of the measures set by the Regulator of Social Housing and other key performance indicators, the Board has concluded that we have been successful in delivering Value for Money. Throughout the year the organisation maintained control of costs, investment in improvements to service delivery and existing stock and the delivery of new homes.

Value for Money Performance
We have continued to achieve strong performance across a range of indicators. All measures outlined have been benchmarked against a comparable group of 13 housing associations (Peer Group) in terms of size and geography, alongside the national averages. This comparison is based on the most recent available information published by the Regulator of Social Housing on 31 March 2019.

These measures have been mandated by the Regulator of Social Housing, including the definition of the measure, which sometimes differs to measures elsewhere in the financial statements and to our financial covenants.

bpha sets challenging targets each year to achieve value for money. The current targets for 2020/21 were prepared before the covid-19 pandemic resulted in lockdown restrictions, which will inevitably result in a more challenging environment. Accordingly the Board will keep these under review throughout the coming year and adjust where necessary to take account of the conditions that the Group will be operating under.

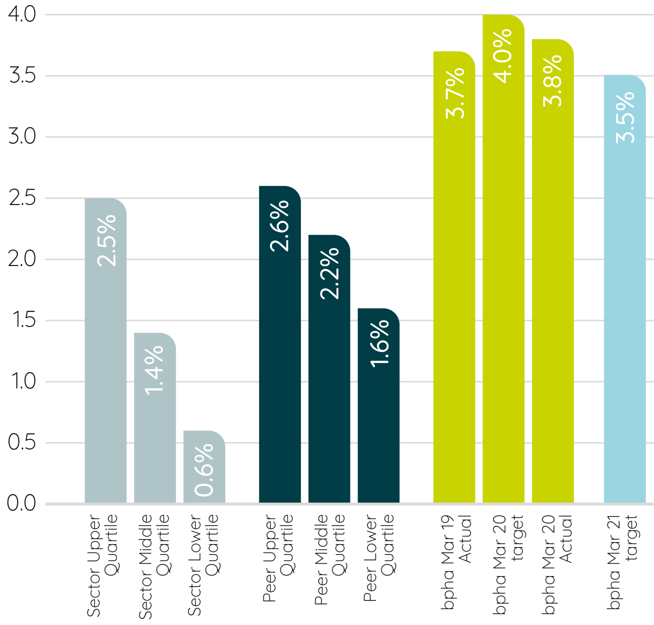
Reinvestment %



Key
- Sector
- Peer
- bpha

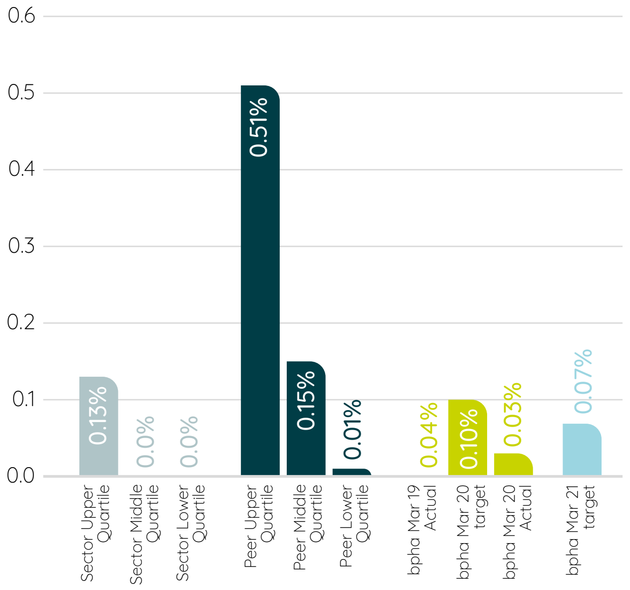
Our reinvestment rates have historically been high compared with others in the sector and we continue to deliver results in line with the upper quartile compared to the sector and against our peer group. The timing of development handovers this year has driven a lower than target result, however we continue work to expand our development programme.

New Supply (Social) %



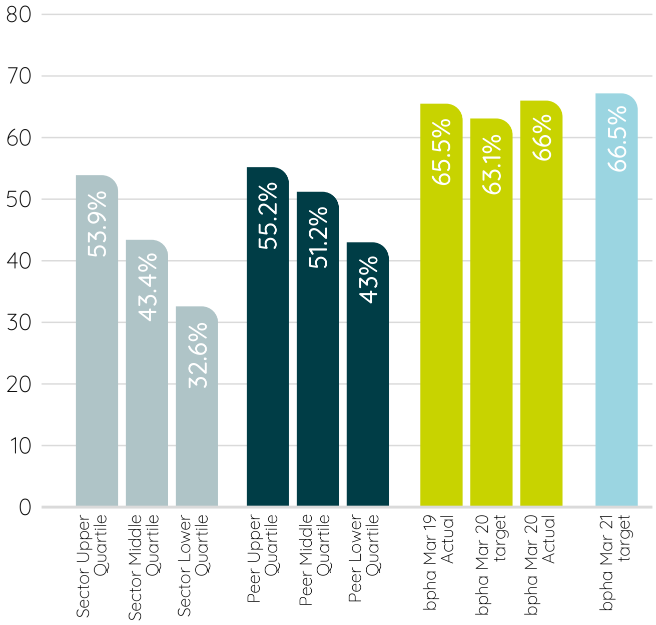
The delivery of new affordable homes is dependent on the timing of development schemes and may not reflect the level of investment during the period. During the year we delivered a further 651 new affordable homes which is 30 more than last year, but less than our target. The 3.8% proportion of new social housing units delivered during the year remains high compared with others in the sector and our peers.

New Supply (Non-social) %



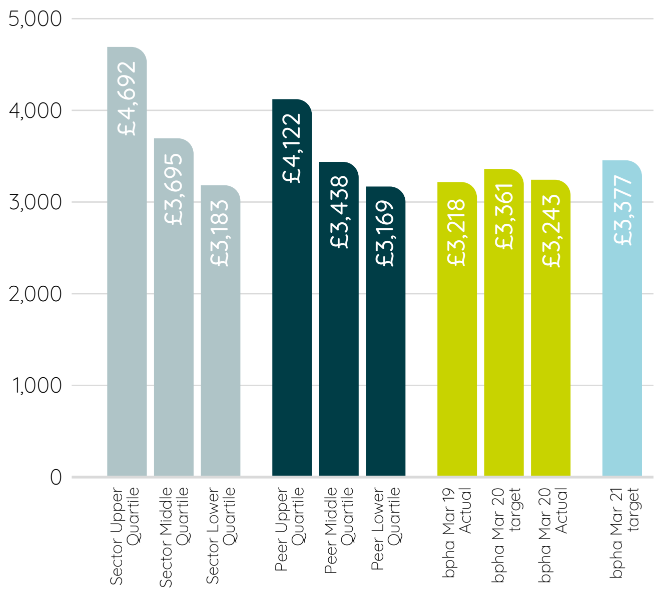
In the year we have delivered properties via our joint venture with Hill through the Gog Magog LLP. Delays in planning consents and other factors resulted in less new supply during the year but we anticipate more development in 2020/21.

Gearing %



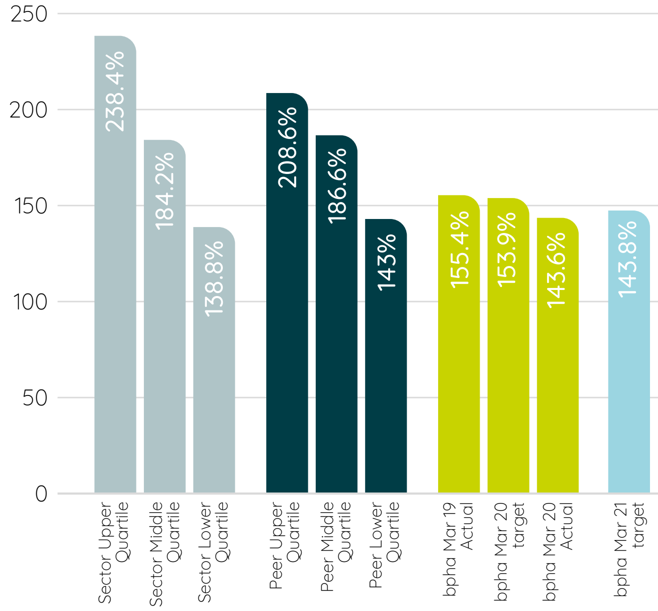
Our level of gearing, measured as the proportion of net debt to the book value of housing, shows that we are making use of our assets to raise funds for investment while maintaining a sustainable level of debt. This reflects our objectives of investing in both new and existing homes, and we expect this to remain relatively high compared with others.

Headline Social Housing Cost Per Unit £



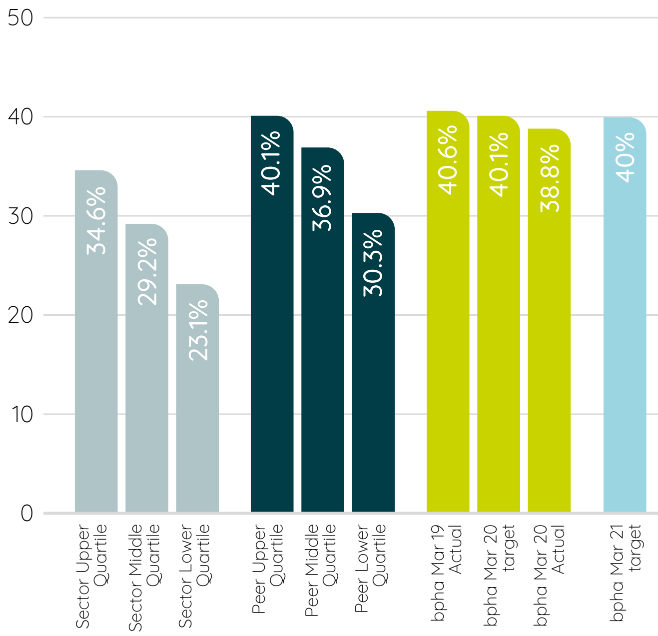
Traditionally, we have been able to demonstrate a high level of control over our costs. Our headline social housing cost per unit has remained well below sector averages and is close to the lower peer and sector quartile. The headline social housing cost per unit of £3,243 for the year is slightly better than our target. We expect this cost to increase in the short term due to our investment in systems and people to support future efficiency gains.

EBITDA MRI Interest Rate Cover %



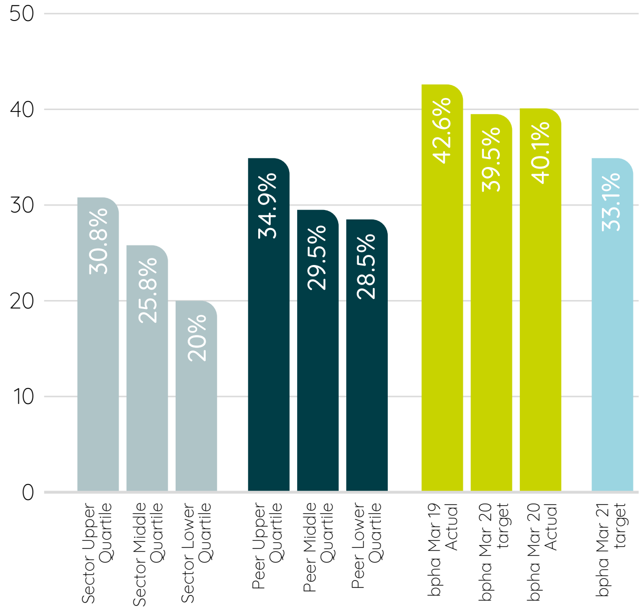
EBITDA MRI is a measure of cashflow, and this shows that our earnings continue to exceed our interest charges by a margin, considerably exceeding our funding covenants. We remain just above the lower quartile compared both with our close peers and nationally, reflecting our long-term track record of delivering new homes supported by higher gearing. A reduction in sales surpluses resulted in the result being below target.

Operating Margin (SHL) %



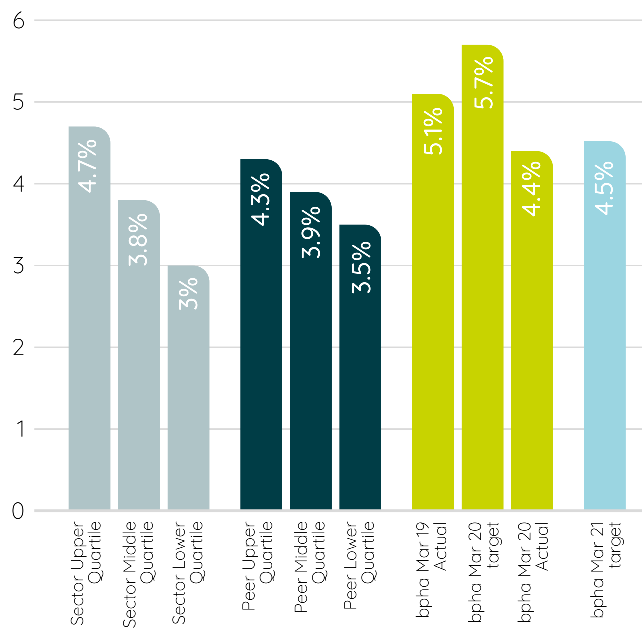
The margin on our social housing lettings remains broadly consistent and is at the top end of the higher quartile compared with the sector and within the middle quartile compared with the peer group. Excluding historical pension costs, the margin is 39.3%.

Operating Margin (overall) %



Our overall operating margin has fallen slightly in the year but is better than our target. This performance reflects increased operating costs as a result of planned investment in people and technology. This performance remains comfortably at the top end of the higher quartile against both peers and the sector, reflecting our high levels of efficiency. This measure can be impacted by the volume of sales arising in the development programme which may differ from year to year, but we aim to ensure that our cost controls free funds for greater investment in new and existing homes.

ROCE %



Our return on capital employed was below target due to a reduction in our sales surplus. However, it is in line with the top quartile for our close peers and is just below top quartile nationally.