Value for Money Metrics
2021/22

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 achieve our core purpose.

We set out our core purpose and strategic aims and objectives within our Corporate Plan, which has measurable targets to assess performance, over time and relative to others. Performance against the expected outcomes of the Corporate Plan is regularly assessed by our Executive Team and Board. This report is a summary and assessment of value for money for the year ended 31st March 2022. To read our full financial statement, which includes information on how we performed against our targets and how we compare to our peers, visit: **https://www.regenda.org.uk/financial-statements**

Regenda's core purpose is to regenerate places and provide opportunities for people's economic and social wellbeing to thrive.

The successful attainment of our goals will ensure that we are a market-leading, high performing organisation, fulfilling our core purpose of regenerating places by providing opportunities for people to advance their social and economic wellbeing.

Value for money is not about minimising cost but is instead about achieving efficiencies and generating more value from the resources we have and the investments we make. VFM is embedded within the annual planning process, ensuring it is part of all we do. Every year, we review our strategic priorities, and this year we revised our Group Corporate Plan (GCP) and associated performance targets to reflect the new operating environment post Covid-19 and Brexit, and the impact of the rising cost of living.

In 2021/22, we paused a number of services to ensure we adhered to government guidelines and kept residents, staff and communities safe during Covid-19.

In response to this, we changed our service standards to manage the impact of the pandemic on staffing and resource availability. The impact of the pandemic caused delays and a backlog of services to our customers. To ensure that customers were aware of changes to our services, we wrote to all residents, updated our website, published regular updates through our social media channels and provided regular updates through our Customer Services Team.

Despite the challenges faced, we continued to invest £24.7m in our homes throughout the year. This included c£14m in works to improve the energy efficiency ratings of our homes so that all homes achieve EPC Band C by 2030. This will help residents to reduce energy bills, help tackle fuel poverty in our communities and further reduce the potential for damp and condensation issues arising.

We recognise the need to do more to improve the customer experience. 78% of customers said we are easy to do business with and we want to improve. We launched our Customer Centric Strategy in 2021/22 and established our Resident Voice Panel, enabling customers to hold us directly to account for our performance.

From autumn 2022, we will seek customer feedback on our services on a monthly basis and will use this feedback to shape our services and make plans for improvement. We are adopting the Tenant Satisfaction Measures (TSMs) proposed by the government and will regularly report performance against these.

To ensure that the resident voice and value for money are integral to everything we do at Regenda, two Regenda Board members are championing resident voice and VFM.

Value for Money Metrics
2021/22

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

National median source: Global accounts 2021 (all registered providers)

EBITDA MRI Interest Cover

2021/22
99%

EBITDA is short for earnings before interest, taxes, depreciation and amortization. It is one of the most widely used measures of a company's financial health and ability to generate cash. MRI means Major Repairs Included.

Summary: Our performance has **reduced from 156%** in 2020/21 and is out of target.

National median for all registered providers: **183%**

Operating Margin Overall

2021/22
15.2%

The operating margin measures how much profit a company makes on a pound of sales after paying for variable costs of production, such as wages and raw materials, but before paying interest or tax.

Summary: Our performance has **reduced from 19.9%** in 2020/21 and is just slightly out of target.

National median for all registered providers: **23.9%**

Operating Margin Social Housing Lettings

2021/22
22.8%

This measures how much profit we make on social housing lettings after paying for variable costs of production, such as wages and raw materials, but before paying interest or tax.

Summary: Our performance has **reduced from 28.92%** in 2020/21 and remains within target.

National median for all registered providers: **26.3%**

Headline Social Housing Cost Per Unit

2021/22
£3,958

This assesses the cost per unit for our social housing stock, as defined by the regulator.

Summary: Our performance has **reduced from £3,505** in 2020/21 and is out of target.

National median for all registered providers: **£3,730**

Reinvestment

Reinvestment looks at how much we invest into our homes and displays this as a percentage of the value of the number of units we manage.

2021/22

2.4%

Summary: Our performance has **reduced from 3.36%** in 2020/21 and is out of target.

National median for all registered providers: **5.8%**

New supply delivered % social housing

This sets out the number of social housing properties we have built or acquired over the year as a percentage of our existing housing stock.

2021/22

0.2%

Summary: Our performance has **reduced from 0.97%** in 2020/21 and is out of target.

National median for all registered providers: **1.3%**

New supply delivered % non-social housing

This sets out the number of non-social housing properties we have built or acquired over the year as a percentage of our existing housing stock.

2021/22

0.0%

Summary: Our performance has **stayed the same as 0.0%** in 2020/21 and remains within target.

National median for all registered providers: **0.0%**

Gearing

Gearing is the amount of debt – in proportion to equity capital – that a company uses to fund its operations.

2021/22

40%

Summary: Our performance has **reduced from 38.8%** in 2020/21 and is within target.

National median for all registered providers: **43.9%**

Return on capital employed

This shows if a company is doing a good job of generating profits from its capital to build and grow their business.

2021/22

2.4%

Summary: Our performance has **reduced from 2.99%** in 2020/21 and remains within target.

National median for all registered providers: **3.0%**

Please see page 4 for details on how we plan to improve our performance.

Projections

		Actual	Projections for		
		2021/22	2022/23	2023/24	2024/25
Metric 1	Reinvestment %	**2.4%**	5.77%	10.12%	6.31%
Metric 2 (a)	New supply delivered % (Social housing units)	**0.2%**	0.64%	0.70%	2.14%
Metric 2 (b)	New supply delivered % (Non-social housing)	**0.0%**	0.19%	0.00%	0.23%
Metric 3	Gearing %	**40%**	42%	46%	48%
Metric 4	EBITDA-MRI Interest Cover %	**99%**	66%	122%	125%
Metric 5	Headline social housing cost per unit	**£3,958**	£4,615	£4,602	£4,651
Metric 6 (a)	Operating Margin % (social housing lettings)	**22.8%**	19.43%	29.0%	29.82%
Metric 6 (b)	Operating Margin % (overall)	**15.2%**	10.27%	18.81%	19.79%
Metric 7	Return on Capital Employed	**2.4%**	1.66%	3.24%	3.34%

The table above outlines projected performance against the VFM metrics to 2024/25.

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 an independent survey of 90% of our properties. It includes development activities and significant works, including £14m in improvements to increase energy efficiency ratings of our homes to EPC Band C by 2030.

The five-year forecast delivery of new social housing supply includes 618 properties to be developed by Regenda Homes and Redwing. This comprises 304 homes as part of our Grove Street development and a further 241 general needs/affordable homes, 50 properties for market rent and 23 homes for outright sale.

Our Gearing is projected to increase year on year, reflecting the financing required to deliver our development programme. Gearing remains within the financial covenant set by our funders, which is 60%. EBITDA MRI, operating margin Social Housing Lettings (SHL), operating margin overall and Return of Capital Employed are all forecast to reduce in the year 2022/23 as we invest in our homes, with performance improving in the years following. Headline social housing costs per unit reflects investment within our stock and service delivery over the coming years.

The negative impact on operating margin (SHL) in recent years due to the investment in remedial fire safety works is anticipated to improve from 2023/24.

Operating margin has been impacted in the year due to delays in the development programme and shows improvement from year 2023/24. Return on Capital Employed is projected to be in the range of 1.66% to 3.34% between years 2022/23 to 2024/25.

The current economic climate is a pivotal and volatile time for customers, our colleagues and our group which, whilst extremely challenging, also presents opportunities. Rising inflation, fire safety costs, homes improvements to energy efficiency and a sustained increase in general repairs costs are impacting on our financial performance. Covid-19 adversely affected many of our customers and the incidence of financial hardship and poverty is increasing. Our diverse service offer through our group structure, incorporating quality housing, care and support; training, education and apprenticeships will be at the heart of our approach to helping people through difficult times.

Our financial plans also reflect our approach to the environmental challenges that we all face, the equality, diversity and inclusion imperative in our work and the importance of customers being at the heart of what we do. We will continue to meet our core purpose – to regenerate places by building the homes people need, supporting into training, education and employment and providing care and support.