Value for Money Metrics 2022/23

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 31 March 2023. 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.

We deliver our core purpose through a dynamic group of organisations (commercial and charitable entities), delivering very different but complementary activities. We work where we can make a difference, and operate across the housing and construction, care and support, and training and employment sectors.

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 (VFM) is not just about reducing costs but also includes 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, cost of living crisis and recent rent cap.

In 2022/23, we continued to adjust our services to meet demands following the impact of the Covid-19 pandemic and within the current economic context of rising costs and increasing pressures within the labour market.

In response to this, we changed our service standards to manage the impact of the economic operating environment on staffing and resource availability, which had caused delays and a backlog of services our customers require. Customer feedback was considered when setting our targets, including input from our Resident Voice Panel (RVP), which is made up of resident representatives from Regenda Homes and Redwing.

Despite the challenges faced, we invested £29m in our homes throughout the year. This included £8.6m for planned improvements such as new kitchens, bathrooms and External Wall Insulation. We are continuing to invest 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 mould issues arising.

We recognise the need to do more to improve the customer experience. 70% of customers said they are satisfied with the overall service we provide, and we want to improve. We have a Customer Centric Strategy in place, which aims to build our services around customer needs, and have established our Resident Voice Panel, enabling customers to hold us directly to account for our performance.

In October 2022, we adopted the Tenant Satisfaction Measures (TSMs) set by the Regulator of Social Housing. We regularly report the findings to RVP and will share our performance against the TSMs on our website and in our annual report.

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.

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

National median source: Global accounts 2022 (all registered providers)

The arrows show direction of travel compared to our 2021/22 performance.

- A red arrow means that our performance is below target.
- An amber arrow means that our performance is close to target.
- A green arrow means that our performance is above target.

EBITDA MRI Interest Cover

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.

2022/23

42.1%

Summary: Our performance has **reduced from 99%** in 2021/22 and is below our target of 71%

National median for all registered providers: **146%**

Operating Margin Overall

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.

2022/23

9.3%

Summary: Our performance has **reduced from 15.2%** in 2021/22 and is below our target of 10.9%

National median for all registered providers: **20.5%**

Operating Margin Social Housing Lettings

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.

2022/23

19.7%

Summary: Our performance has **reduced from 22.8%** in 2021/22 and is slightly below our target of 19.8%.

National median for all registered providers: **23.3%**

Headline Social Housing Cost Per Unit

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.

2022/23

£4,451

Summary: Our performance has **increased from £3,958** in 2020/21 but remains within our target of £4,595

National median for all registered providers: **£4,150**

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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.

2022/23

3.0%

Summary: Our performance has **increased from 2.4%** in 2021/22 and is outside our target of 5.8%

National median for all registered providers: **6.5%**

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.

2022/23

0.02%

Summary: Our performance has **reduced from 0.2%** in 2021/22 and is outside our target of 0.6%.

National median for all registered providers: **1.4%**

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.

2022/23

0.02%

Summary: Our performance has **increased from 0.0%** in 2021/22 and is above our target of 0.0%.

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.

2022/23

41.3%

Summary: Our performance has **declined from 40%** in 2021/22 and is slightly above our target of 39%.

National median for all registered providers: **44.1%**

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.

2022/23

1.8%

Summary: Our performance has **reduced from 2.4%** in 2021/22 and is above our target of 1.7%.

National median for all registered providers: **3.2%**

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

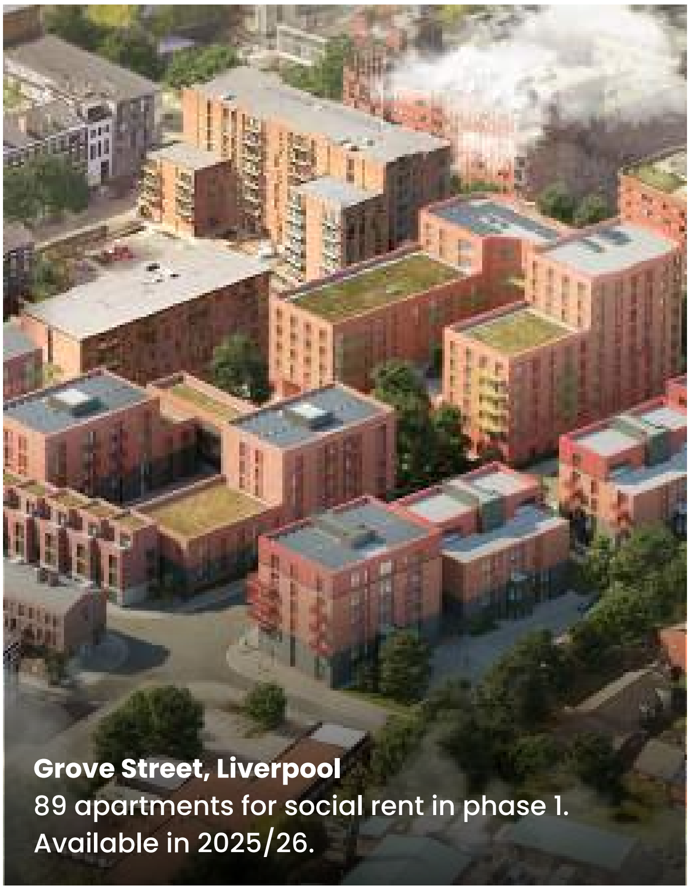
Value for Money Metrics 2022/23

Projections

		Actual	Projections for		
		2022/23	2023/24	2024/25	2025/26
Metric 1	Reinvestment %	3.0%	6.3%	6.0%	2.9%
Metric 2 (a)	New supply delivered % (Social housing units)	0.02%	0.3%	0.8%	0.9%
Metric 2 (b)	New supply delivered % (Non-social housing units)	0.02%	0.0%	0.0%	0.0%
Metric 3	Gearing %	41.3%	38.0%	39.0%	39.0%
Metric 4	EBITDA-MRI Interest Cover %	42.1%	60.0%	147.0%	159.0%
Metric 5	Headline social housing cost per unit	£4,451	£4,995	£4,505	£4,526
Metric 6 (a)	Operating Margin % (social housing lettings only)	19.7%	18.8%	23.9%	26.0%
Metric 6 (b)	Operating Margin % (overall)	9.3%	9.6%	16.0%	18.1%
Metric 7	Return on Capital Employed	1.8%	3.8%	2.9%	3.4%

The table above outlines projected performance against the VFM metrics to 2023/24.

New Ferry, Wirral
34 apartments for affordable rent in phase 1.
Available in 2025.



Grove Street, Liverpool
89 apartments for social rent in phase 1.
Available in 2025/26.

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 £36m in improvements to increase energy efficiency ratings of our homes to EPC Band C by the 2030 (fuel poor) and 2035 deadlines.

The three-year forecast delivery of new housing supply includes 245 homes to be developed by the Regenda Group. Longer-term, we are planning a further 354 homes to be developed from 2031. 73 of these units, comprising 50 market rented units and 23 units for outright sale, will be developed by Redwing. The plan includes the delivery of 89 social rented units in the Grove Street development to be handed over 2025/26 as part of the first phase of the development.

Following 2024, when our gearing will decline slightly, our gearing is projected to increase year on year, reflecting the financing required to deliver our development programme. Gearing will remain within the financial covenant set by our funders, which is 60%.

EBITDA MRI, operating margin Social Housing Lettings (SHL), operating margin overall and Return On Capital Employed are all forecast to reduce in the year 2023/24 due to budgetary commitments. All increase 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 2024/25. Operating margin has been impacted in the year due to delays in the development programme. Operating margin shows improvement from year 2024/25.

Summerfield Close, Liverpool
22 shared ownership and affordable rent homes. Available in 2024.

Return on Capital Employed is projected to be in the range of 3.8% to 3.4% between years 2023/24 to 2025/26.

The current economic climate is a pivotal and volatile time for customers, our colleagues and the Group which, whilst extremely challenging, also presents opportunities. Wider inflation, fire safety costs, improvements to energy efficiency, a sustained increase in general repairs costs and development pressures at a time when social rental income has been capped to 7% in 2023/24, is impacting on financial performance.

The rent cap imposed by the government aims to help limit the impact of the rising cost of living for customers. The impact of Covid-19 adversely affected many of our residents over the past three years and the incidence of financial hardship, fuel poverty and overall poverty is increasing. Our diverse service offer, incorporating quality housing, care and support, training, education and apprenticeships will be at the heart of helping people through difficult times.

Our financial plan also reflects our approach to the environmental challenges that we all face, the equality, diversity and inclusion imperative in our work and the importance of our customers being at the centre of what we do.

We are aware of the considerable challenges ahead but are confident in our ability to meet our targets and realise ambitious goals, thriving as we grow and providing first class products and services to greater numbers of people.

Breck Road, Wirral
15 houses for Rent to Buy. Available in 2024.