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bpha  
Value for Money Self Assessment  
2018-2019

# Value for Money

## Board responsibility

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

- setting objectives and targets;
- approving the use of resources through the budget and business plan;
- monitoring performance and results to ensure achievement.

We generate value through our mission to build and maintain quality homes and thriving communities by being increasingly efficient. In support of this, we have four interdependent goals:

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

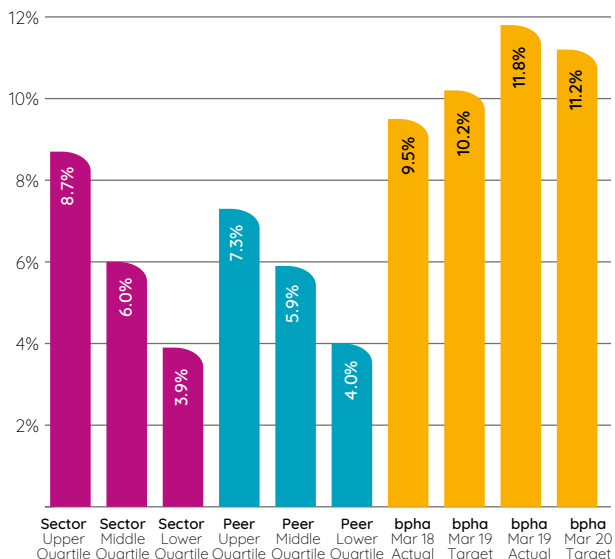
After consideration of the core Value for Money measures set by the Regulator of Social Housing and of other key performance indicators, the Board has concluded that we have been successful in delivering Value for Money, having continued to maintain tight control of costs, invest in improvements to service delivery and existing stock and deliver new homes.

## Value for Money performance

We have continued to achieve strong performance across a range of indicators. All measures outlined below 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 2018.

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.

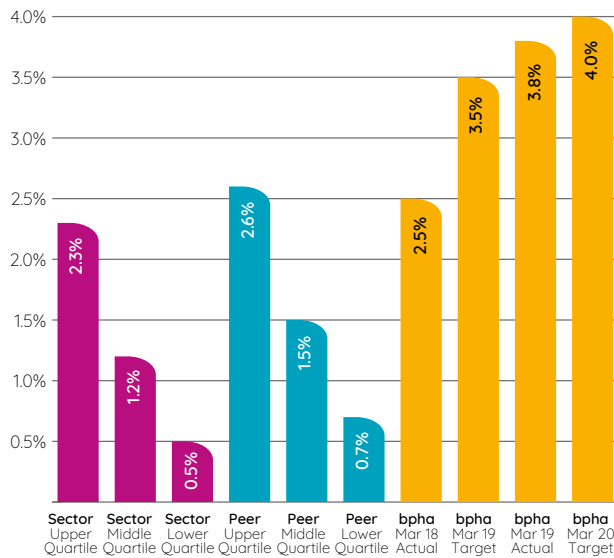
## Reinvestment %



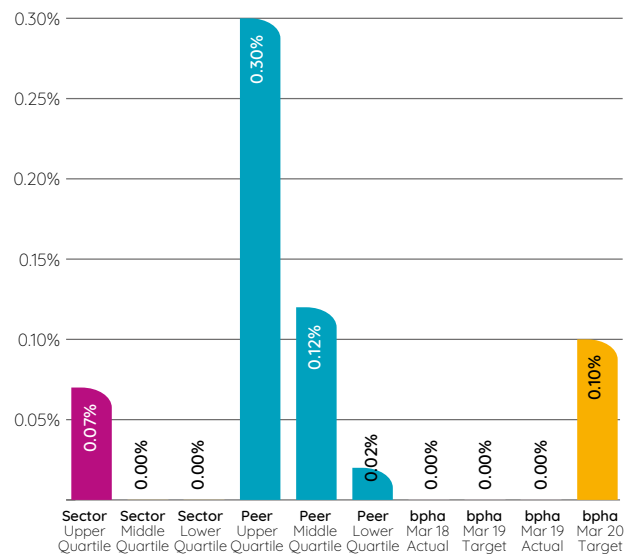
Our reinvestment rates have been historically high compared with others in the sector and even more compared with our peer group. This reflects our twin objectives of maintaining our existing assets and developing new homes. As illustrated by the target for March 2020, we expect the level of reinvestment to remain high as we expand our development programme towards a goal of 700 homes per year.



### New supply (Social) %



### New supply (Non social) %

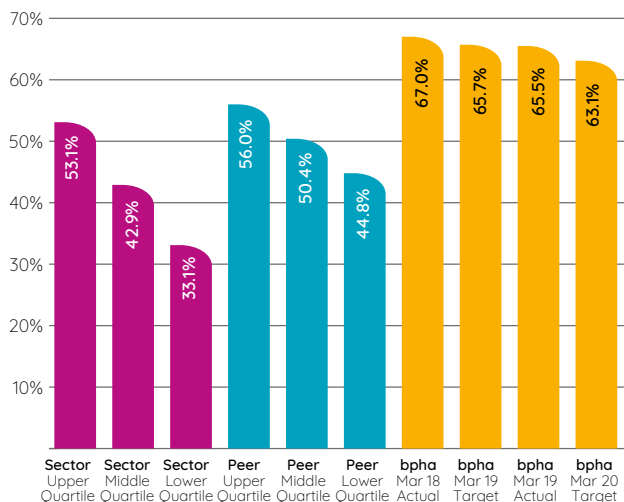


The delivery of new affordable homes is dependent on the timing of development schemes and may not reflect the level of investment during the period. During the year we delivered a further 621 new affordable homes, which was an increase of 236 new homes when compared against the previous year (2018: 385 new affordable homes). The 3.8% proportion of new social housing units delivered during the year remains high compared with others in the sector and our peers, and as illustrated, we expect this measure to remain at a similar level in our targets for next year.

bpha has no history of new supply of non-social homes. However, in line with our strategy we are developing housing for sale and we are projecting to sell 17 new market sale homes by March 2020, placing bpha just below the peer middle quartile measure.

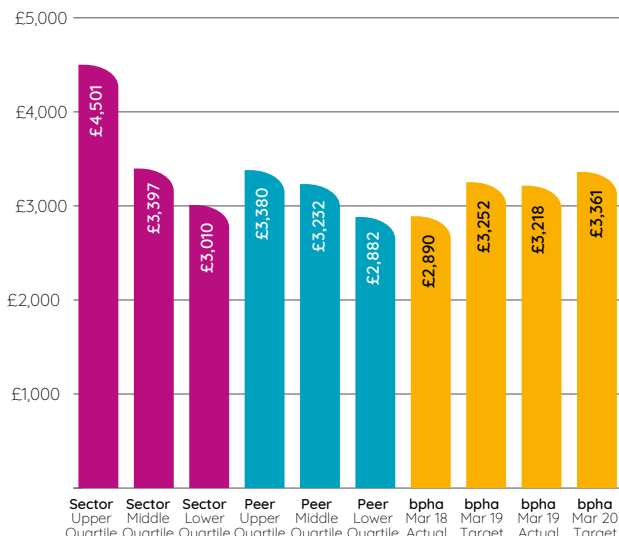
236  
more new affordable homes than the previous year

### Gearing %



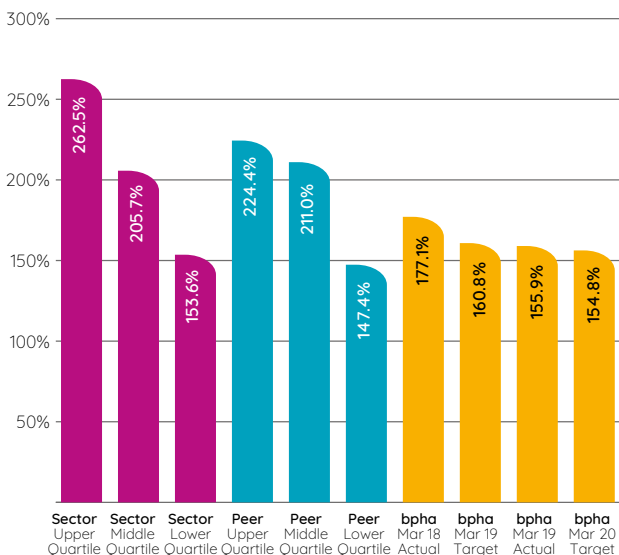
Our level of gearing, measured as the proportion of debt to the book value of housing, shows that we are making use of our assets to raise funds for investment while maintaining a sustainable level of debt. This reflects our objectives of investing in both new and existing homes, and we expect this to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

### Headline social housing cost per unit £



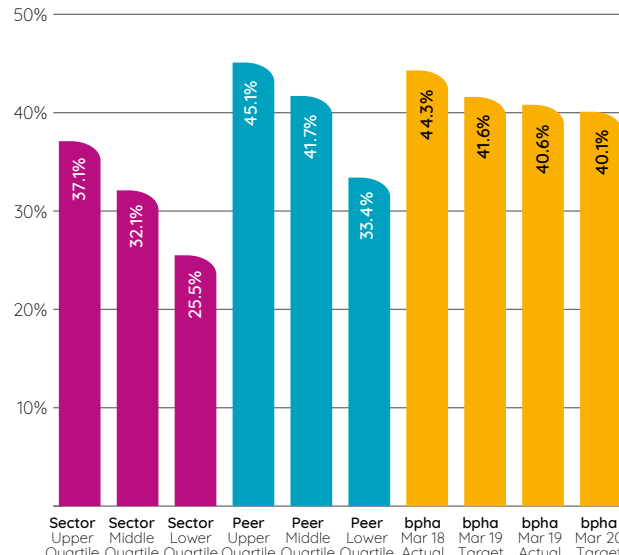
Traditionally, we have been able to demonstrate a high level of control over our costs. Our headline social housing cost per unit has remained below sector averages and close to the middle peer quartile, and in line with the target. We expect this cost to increase in the short term due to our investment in systems and people to support future efficiency gains.

### EBITDA MRI interest rate cover %



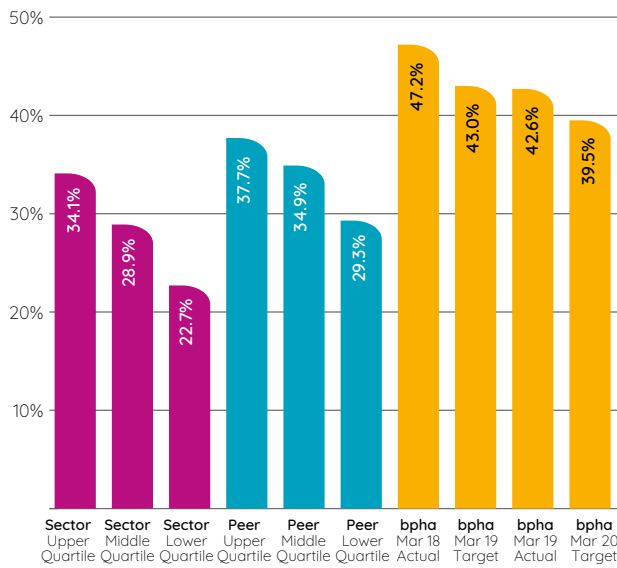
EBITDA MRI is a measure of cashflow and this shows that our earnings continue to exceed our interest charges by a margin, considerably exceeding our funding covenants. We remain above the lower quartile compared both with our close peers and nationally, reflecting bpha's long term track record of delivering new homes supported by higher gearing.

### Operating margin (SHL) %



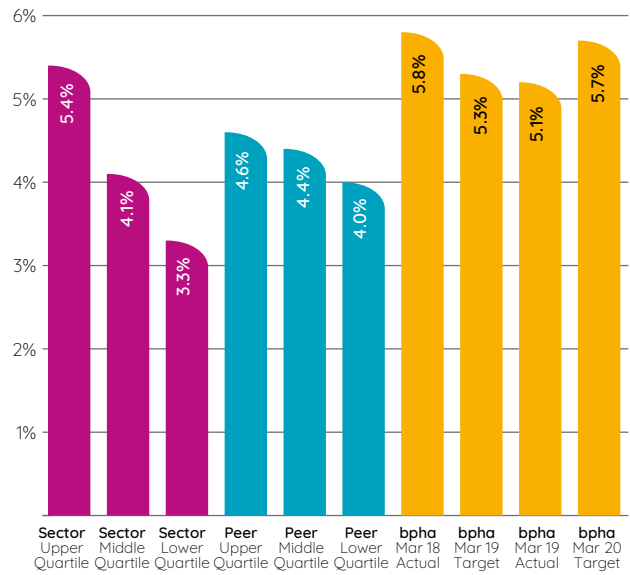
The margin on our social housing lettings remains consistent and is in the top quartile against the sector and the middle quartile against the peer group. The projections for next year show a very similar margin (40.1%) as the current year.

## Operating margin (Overall) %



Our overall operating margin has grown in the year, and remains comfortably higher than top 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. Our target for 2019/20 is 39.5% reflecting increased operating costs as a result of a planned investment in people and technology leading to a slight reduction in margins.

## ROCE %

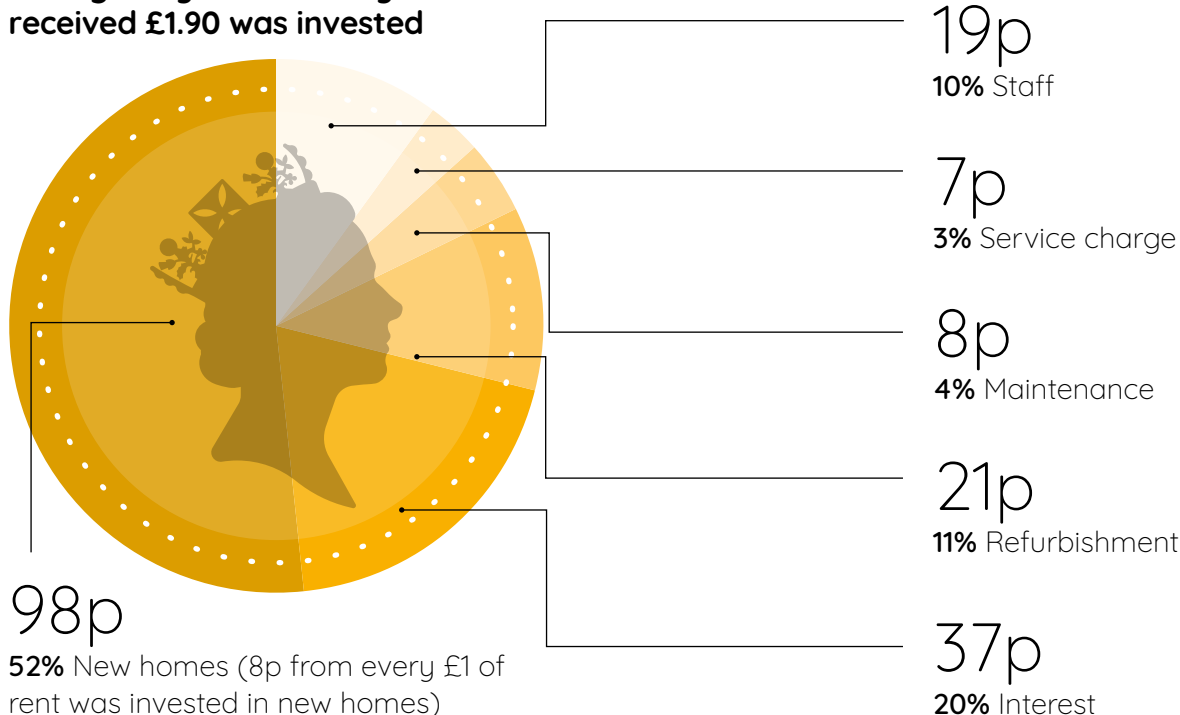


Our return on capital employed exceeds top quartile for our close peers and is just below top quartile nationally, reflecting our control of costs and the effective use of our existing assets to generate funds for reinvestment.



bpha's main source of income is from social and affordable rents. The following analysis highlights an investment of £1.90 for every £1 of rent received.

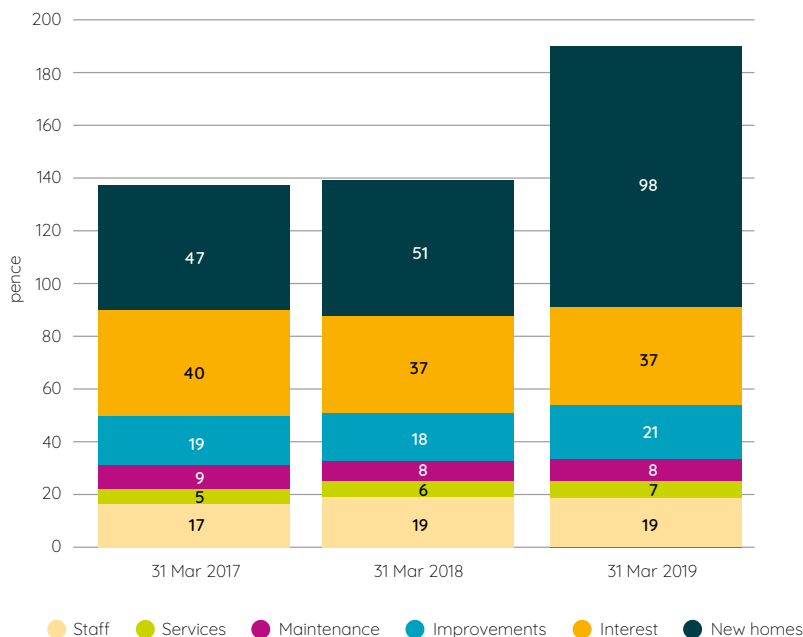
**During the year for every £1 of rent received £1.90 was invested**



Staff represents costs associated to management and supporting overheads. Service charge, maintenance and refurbishment are services associated to the continued investment to maintain our homes safe and fit for purpose. The combined investment in these services was 36p, being 18% of the total investment. Interest cost of 37p reflects the cost of funding associated to our borrowings. Investment

in new affordable homes amounted to 98p, however, only 8p of rent money was used to fund development of new affordable homes, the balance of 90p was funded by new borrowings and profits generated from sale of homes.

**Money invested in pence for every £1 of rent received**



## Measuring our customer satisfaction

An understanding of our customers and their experiences of being a bpha resident is essential to help us continue to improve our services and their delivery.

To enable us to measure our customer satisfaction we have carried out an annual customer satisfaction survey using Housemark's STAR (Survey of Tenants and Residents). However, in 2018/19, recognising that there were some new, very good alternatives to the STAR approach, we carried out a thorough review of this survey method.

The review recognised some of the limitations of STAR including: the lack of benchmarking available against other housing organisations and that feedback was not necessarily reflecting our most recent performance. It was agreed by our Executive Leadership Team that we would move to the UKCSI Business Benchmarking Survey. This survey is carried out on our behalf by The Institute of Customer Service.

The UKCSI Business Benchmarking Survey contacts residents that have contacted us within the previous quarter and invites them to feedback on the service they experienced. This survey also enables us to

be measured against both national and public sector data, including a 'Your Housing Association' benchmark. The survey covers key topics including Net Promoter Score, Right First Time, Customer Effort and Customer Service Index Score.

In addition to this, to ensure our data is as current as possible, our bpha Insights Team carry out three, quarterly in-house surveys called 'TouchPoint'. These are short, bespoke surveys on topics identified as organisational priorities. The TouchPoint surveys also include an overall satisfaction question to enable us to track our performance throughout the year.

TouchPoint surveys are carried out in quarters one, two and three, and Business Benchmarking takes place in quarter four. TouchPoint surveys are due to start in May 2019.

The table below shows the Customer Satisfaction scores for Business Benchmarking, which was carried out in February 2019.

	Measure	General Needs	Shared Ownership	Retirement Living	Overall
Business Benchmarking UKCSI score	1 to 100	66.7	57.6	66.0	65.8
Business Benchmarking VFM	1 to 10	7.4	5.7	7.1	7.2

As this new survey method was introduced in February 2019, there is not yet a full year of data available, however we recognise that there is room for improvement illustrated in these initial scores.

Therefore, action plans to address the issues highlighted are in development and their progress will be monitored closely.