Value for money

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

- Setting objectives and targets
- Monitoring performance and results
- Approving the use of resources through the budget and business plan.

We generate value through delivering services to our customers, maintaining quality homes, building new homes, and supporting thriving communities by being increasingly efficient.

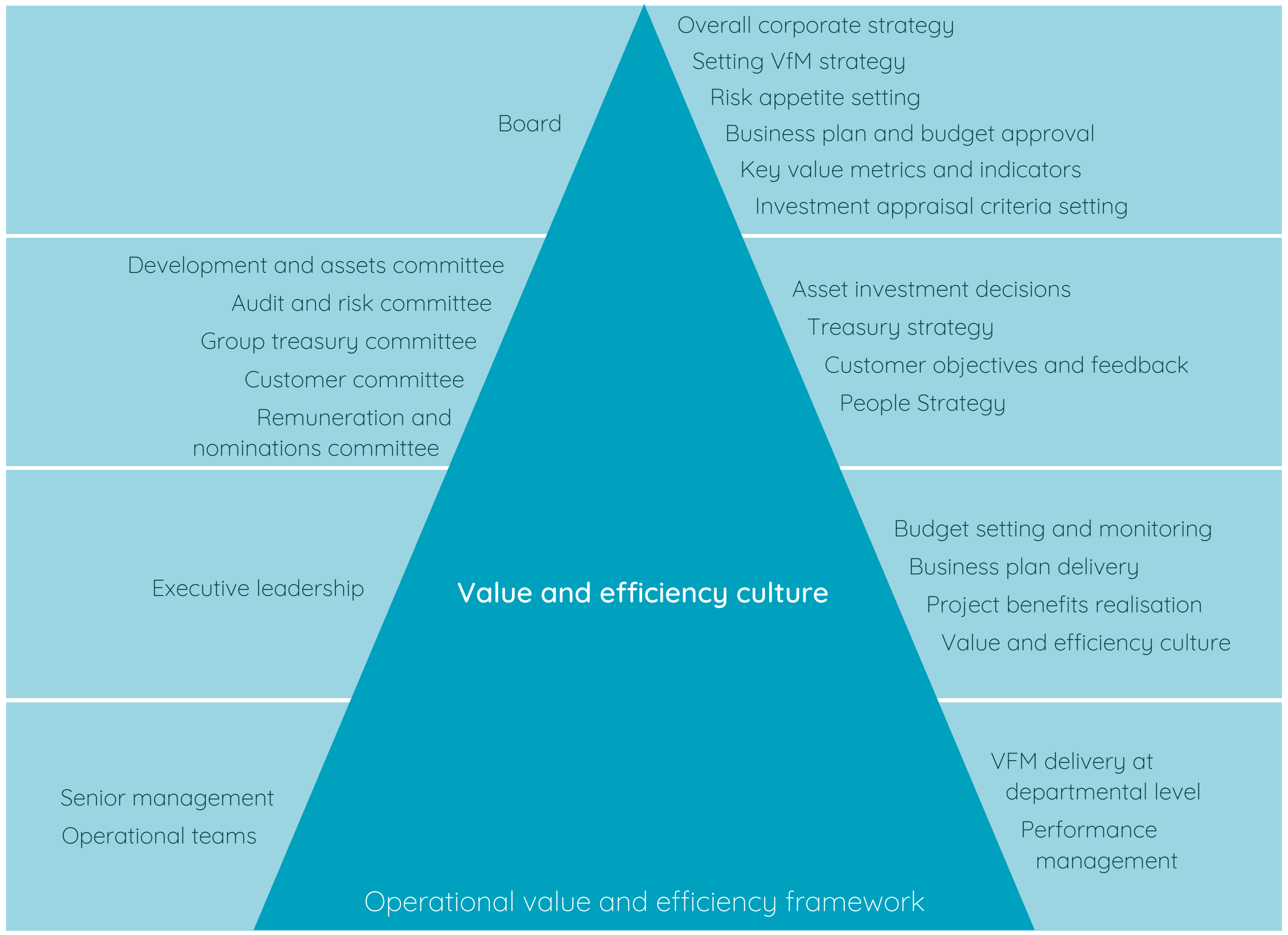
In support of this, we have four interdependent goals:

- 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 our financial capability.

bpha Board meeting

After consideration of the core VfM 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. Throughout the year the organisation maintained tight control of costs, invested in improvements to service delivery and existing stock, as well as delivering new homes.

Strategic objectives value for money



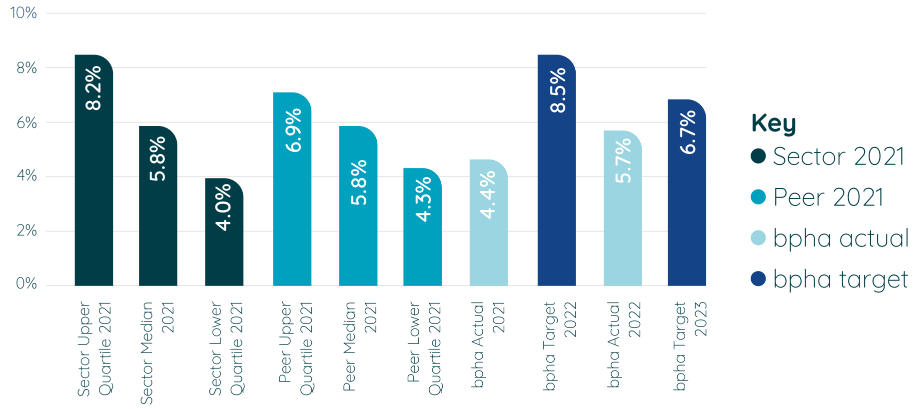
We have continued to achieve a strong performance across a range of indicators. All measures outlined below have been benchmarked against a comparable group of 15 housing associations (peer group) in terms of size and geography, alongside the national averages. This comparison is based on the most recent available information published by the Regulator of Social Housing for the year ending 31 March 2021.

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.

Value for money metrics

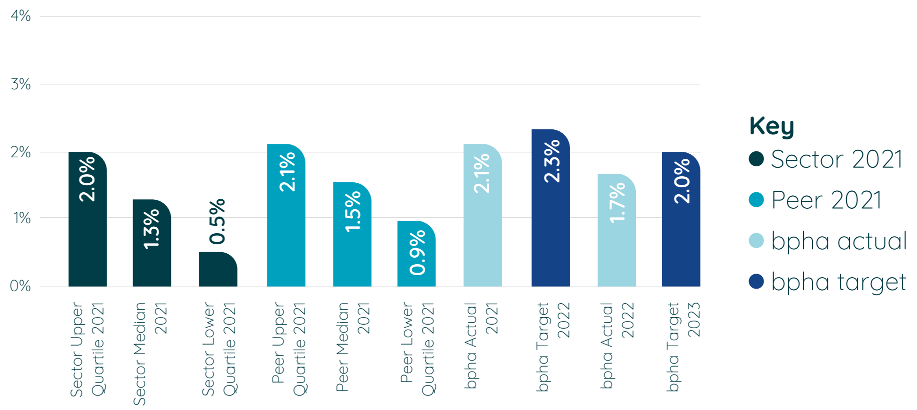
Reinvestment %

Reinvestment % measures our investment in the acquisition and development of new properties plus our investment in maintaining existing properties as a proportion of the total value of our housing properties. Last year due to lockdown restrictions hampering spend on new stock and capital repairs to existing stock, our reinvestment performance fell to 4.4%, just above the bottom quartile for our peer group. This year has seen improved performance at 5.7%. However, investment in new and existing stock remains behind target due to labour and materials shortages and general market conditions.



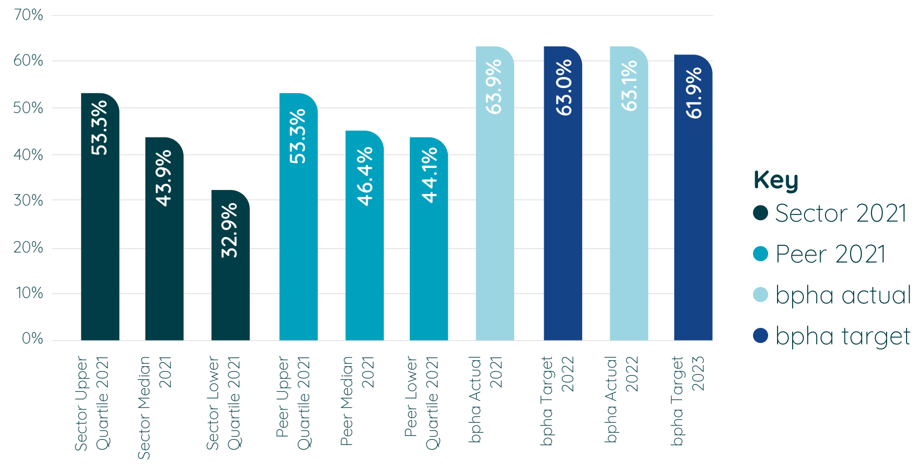
New home supply (social) %

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 307 affordable homes built or acquired which is 59 less than last year, due to labour and materials shortages causing delays which have meant we have missed our target. Even so, the delivery of 1.7% new social home supply this year is above our peer group and sector median performance.



Gearing %

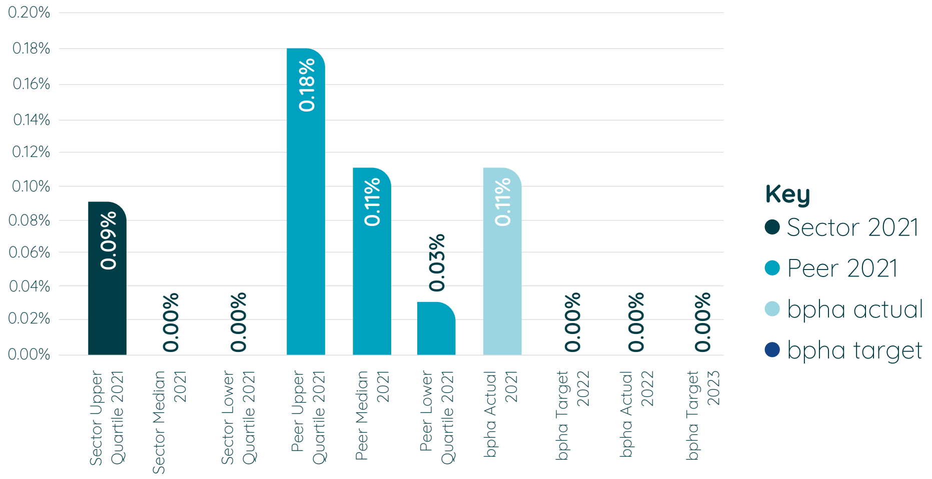
Our level of gearing, measured as the proportion of debt to the book value of housing, shows that we are making use of our assets to raise funds for investment while maintaining a sustainable level of debt. This reflects our objectives of investing in both new and existing homes, and we expect this to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



bpha homes under construction

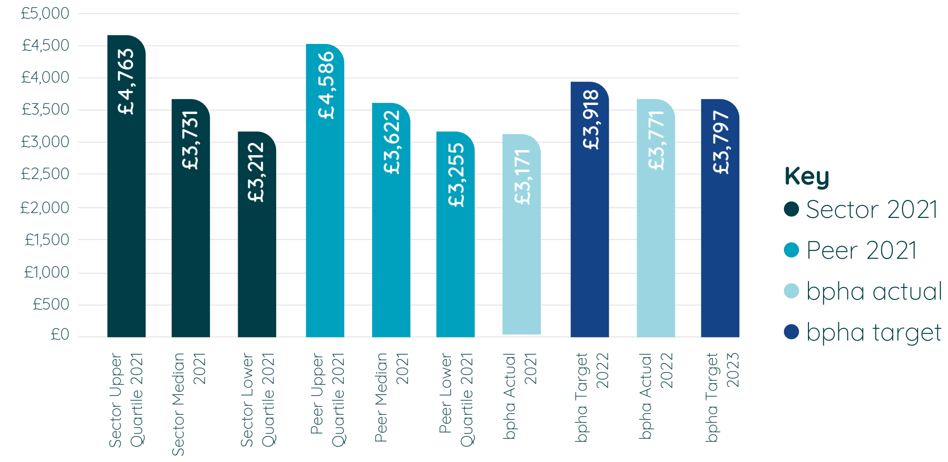
New home supply (non-social) %

In line with our strategy, we are now developing housing for sale and have several schemes which are being developed by Bushmead Homes (our housebuilding subsidiary). Currently these schemes are at the build stage, and we are not expecting handovers to commence until the financial year ending 31 March 2024.



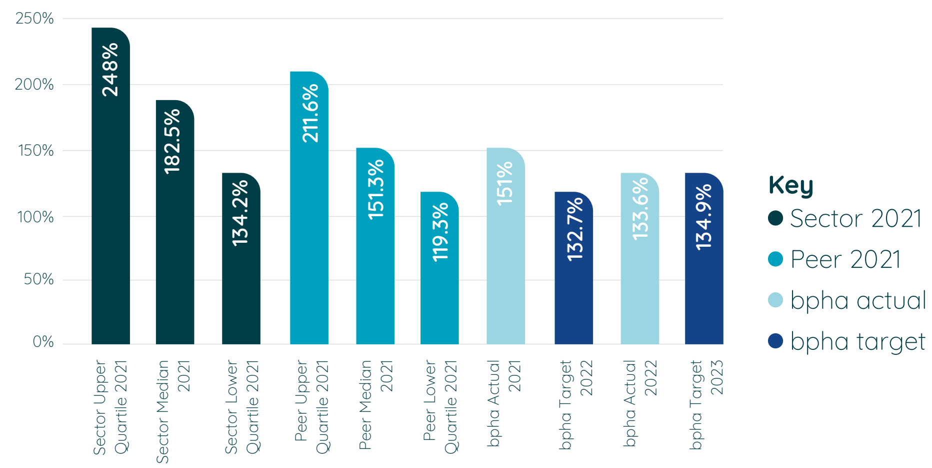
Headline social housing cost per unit £

Our headline social housing cost per unit has increased compared to the prior year by £600 to £3,771. This change has been driven by increased repairs and maintenance spend compared to the prior year when activity was reduced due to the pandemic. Our performance remains in line with both the sector and peer group median but is slightly lower than our target for the year.



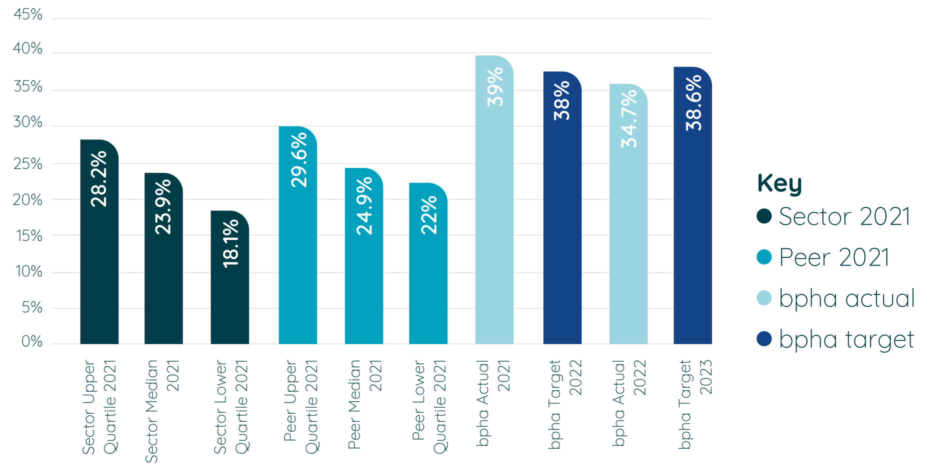
EBITDA MRI interest rate cover %

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. Our performance is between the median and lower quartile compared to our peers and is just below the lower quartile compared to the sector. This performance reflects our long-term track record of delivering new homes supported by higher gearing. Our performance is worse than the prior year, but better than our target.



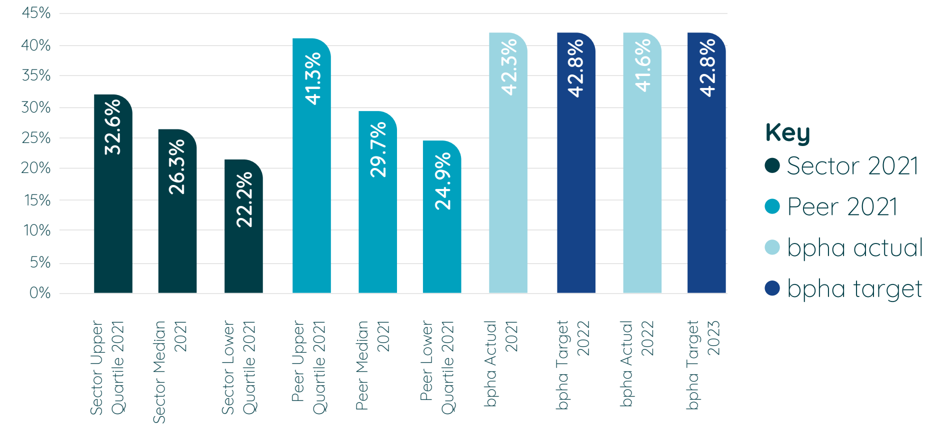
Operating margin (overall) %

Our overall operating margin remains consistently high but is below our target due to lower margins in our Shared Ownership Sales. This performance remains comfortably above 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 always aim to ensure that our cost controls free funds for greater investment in new and existing homes.



Operating margin (SHL) %

The margin on our social housing lettings remains broadly consistent with the prior year and with our target and is above the top quartile against the sector and our peer group.



ROCE %

Our return on capital employed is better than the top quartile for our close peers and for the sector, reflecting our control of costs and the effective use of our existing assets to generate funds for reinvestment. Our performance is better than both prior year and target.