Value for Money report 2018

Each year, we aim to provide stakeholders with information around Value for Money (VfM) and in accordance with the Regulatory Standard. We understand the importance of getting best value from everything we do, in order to continue to meet our strategic objectives, deliver excellent services for customers and continue to address the housing needs of the diverse communities of Bradford.
Incorporated within our business strategy, and integral to it, is our approach to VfM:

What this means in practice is we strive to always deliver the service that meet our customers' needs, at an appropriate cost and to a good standard, and utilise our money and other resources to achieve the best possible outcomes for our customers and communities.

VfM Standard Metrics

In April 2018 a new Value for Money Standard was introduced by the Regulator, which places more onus on Boards for defining and measuring VfM, and allows for a more bespoke approach to VfM depending on each organisation's individual needs.
To provide the Regulator with a strategic overview of economy, efficiency and effectiveness across the sector, the new Standard includes a suite of metrics against which all organisations will be measured. Some of these are taken from the Sector Scorecard which was included in last year's report. The table below illustrates our performance against each of the VfM metrics for the last three years:

Measure	2019	2018	2017	Comments
Metric 1 – Reinvestment *Efficiency*	0.5%	1.0%	0.6%	In early 2017 we took the decision to stop all development activity, following the regulatory downgrade and due to limited financial capacity. We are currently exploring opportunities to create financial capacity and recommence growth. Anticipate increase in 2019/20 (Social Housing only).
Metric 2A – New Supply Delivered (Social Housing) *Effectiveness*	0.0%	0.1%	2.4%	
Metric 2B – New Supply Delivered (Non-Social Housing) *Effectiveness*	0.0%	0.0%	0.0%	
Metric 3 – Gearing *Efficiency*	40.8%	40.2%	40.4%	This demonstrates that there is capacity within our asset base to support growth, once the issue of high debt servicing costs is addressed. 2019 reflects updated treatment of cash held as security.
Metric 4 – EBITDA MRI Interest Cover *Efficiency*	1.5	1.3	1.6	The Treasury Policy approved in December 2017 sets a 1.3 EBITDA-MRI requirement. Due to the high interest costs currently being paid, there is little capacity within this ratio.
Metric 5 – Headline Social Housing Cost per Unit *Economy*	£2,800	£3,091	£2,573	This CPU benchmarks favourably against the sector average, small RPs and BME RPs. Our CPU has decreased in 2018/19 due to reduction in legal & professional costs linked to governance work and savings in staffing costs due to restructure and reduced reliance on temporary staff.

Measure	2019	2018	2017	Comments
Metric 6A – Operating Margin (Social Housing Lettings) *Efficiency*	37.1%	37.0%	41.4%	We have consistently achieved operating margins in excess of 30%, the informal expectation across the sector. This demonstrates we are operating our day-to-day activities efficiently.
Metric 6B – Operating Margin (Overall) *Efficiency*	38.0%	37.9%	42.9%	The SH margin and overall margin are similar, as we focus predominantly on core social housing provision and ensuring this is highly efficient.

Sector scorecard

In addition to measuring the metrics set out in the VfM Standard, we also continue to adopt the Sector Scorecard, which has now been formally implemented and is co-ordinated through the National Housing Federation. There is some duplication across the Scorecard and the VfM Standard; the table below therefore profiles performance information against those metrics which do not feature above:

Measure	2019	2018	2017	Comments
A: Business Health				
1. Operating Margin	See above			The Operating Margin remains high and benchmarks favourably.
2. Increase / Decrease in Operating Margin	0.1%	-5.0%	6.8%	
3. EBITDA-MRI (as a % of interest)	See above			
6. Gearing	333.9%	356.7%	381.6%	This is different to the VfM Standard, as it measures debt as a % equity rather than fixed assets. Gearing results demonstrate capacity to support growth.
Net Debt £000	*45,516*	*47,119*	*47,390*	
Equity £000	*13,633*	*13,211*	*12,562*	
B: Development Capacity				
N/A – although there are measures within the VfM Standard, as MHA is not currently undertaking development the scorecard metrics have not been included				
C: Outcomes Delivered				
7. % Customers satisfied that rent provides VfM	99.7%	100%	99.7%	Based on independent survey results we are confident the vast majority of tenants believe their rent (incl service charges) provides value for money.
8. Measures £s invested in new homes for every £ generated from operating activities. We are not currently developing therefore historic figures are not included.				
9. Measures £s invested in communities for every £ generated from operating activities. We do not currently report this separately to operating activity. As we commence delivery of our Community Investment Strategy during 2019/20, we will consider whether to disaggregate this.				
D: Effective Asset Management				
10. Return on Capital Employed	2.9%	2.7%	3.0%	MHA's ROCE is at a healthy level and has remained consistent over the last three years.
11. Occupancy	99.9%	99.9%	99.8%	MHA's occupancy rate remains very healthy and benchmarks very favourably. At 31 March 2019 we had only one unlet property, which was unavailable to let due to ongoing police action at the property.

Measure	2019	2018	2017	Comments
12. Ratio of responsive maintenance to planned maintenance spend	65.2%	51.0%	99.4%	The ratio in 2016/17 is skewed by a one-year decision to defer planned painting works; although responsive maintenance reduced in absolute terms (see measure 13d) the proportion increased. The ratio for the other two years was positive, with a relatively high proportion of planned works.
E: Operating Efficiencies				
13. Cost per unit split by:				
a) Headline Social Housing Cost per Unit	See above			
b) Management Cost per Unit	£1,262.83	£1,360.39	£1,278.32	Costs increased in 2017/18, linked to one-off expenditure associated with addressing governance issues. Issues have now been addressed and savings delivered, which take the CPU back into line with 2016/17 costs.
c) Service Charge Cost per Unit	£178.50	£177.05	£135.66	Costs in 2016/17 were net of historic erroneous charges which were refunded in-year. Costs in 2018/19 are based on actual service delivery costs which are recovered from relevant customers and are consistent with the previous year.
d) Maintenance Cost per Unit	£905.13	£834.15	£706.29	Maintenance costs have increased in 2018/19 due to planned works, mainly due to acceleration of electrical testing to implement a 5-year cycle of testing. Responsive maintenance costs per unit have remained consistent through effective procurement and management.
Maintenance CPU – Responsive Only	*£529.16*	*£519.94*	*£575.52*	
Maintenance CPU – Planned Only	*£375.97*	*£314.21*	*£130.77*	
e) Major Repairs Cost per Unit	£435.70	£705.39	£488.25	Major works are undertaken each year in line with the Stock Condition Survey and will naturally fluctuate depending on the nature and volume of works required.
f) Other Social Housing Costs Cost per Unit	£18.27	£35.69	£4.20	These costs are not significant.
14. Rent Collected	100.0%	100.0%	100.2%	Rent collection has remained at 100%+ despite the increasing difficulties faced by many of our customers. This benchmarks favourably with the sector. We are seeing a very slight decline year-on-year as more customers move to UC and will continue to monitor closely during 2019/20 as full digital UC rollout continues in Bradford.

Measure	2019	2018	2017	Comments
15. Overheads as a % Adjusted Turnover	Not measured			

Non-Financial Performance

It is recognised that VfM cannot be measured through financial metrics alone; the previous sections provide information around our performance in respect of delivering excellent customer services.

In March 2018 the Board approved the new Corporate Strategy 2018-21, setting out the strategic priorities for the next three years. For 2018/19, we introduced a performance management framework clearly aligned to the delivery of these objectives, and which demonstrates how we are achieving our corporate aims. The results for 2018/19 are reported in the above 'Achieving Targets' section.

Performance against action plan and plans for the future

The table below summarises performance against the 2018/19 VfM action plan and intended actions for 2019/20:

2018/19 Action Plan	2018/19 Delivery	Delivered	2019/20 Action Plan
1. Following re-procurement of gas servicing and gas repairs service, complete roll-out of 3-star contract	Contract now fully implemented and operating effectively	●	1. Assess impact of 3-star contract to ensure savings achieved
2. Continue to seek opportunities for cost savings through proactive procurement.	Maintenance contracts awarded through competitive tender process. Increased frequency of pre-inspection to ensure all works commissioned are in accordance with our repairs standard and are MHA's responsibility. Renegotiation of gas and electricity contracts, securing highly competitive standing charges and unit costs compared to market average. Re-procurement of insurance contract through an intermediary to ensure competitive pricing.	●	2. Continue to utilise competitive tendering and seek opportunities for savings in respect of maintenance spend.
3. Develop unit NPV measurement tool	Currently in development, not yet implemented. To roll forward to 2019/20.	●	3. Develop unit NPV measurement tool.

2018/19 Action Plan	2018/19 Delivery	Delivered	2019/20 Action Plan
4. Continue to manage management costs effectively; aim to reduce costs in 2018/19 as items will not reoccur (subject to proactive decisions in-year to utilise capacity)	Management costs in respect of legal & professional fees significantly reduced in 2018/19, as works associated with addressing governance issues completed. Cost-neutral staffing restructure completed which aligns structures to delivery of corporate priorities, delivering more for the same expenditure. Allocation of £60k capacity in forthcoming year for Community Investment.	●	4. Continue to manage management & overhead costs in line with approved budgets; seek opportunities for further savings in-year.
5. Develop a new Performance Management Framework which is aligned to the Corporate Strategy, and demonstrates that resources are being utilised effectively in furtherance of the agreed strategic priorities.	New performance framework approved and results reported throughout 2018/19. Clear 'golden thread' back to Corporate Plan strategic priorities of Independence, Core Business, More Than Housing and Growth.	●	5. Develop performance framework 2019/20 aligned to revised strategic priorities following Board review.
6. Explore alternative models for growth, other than developing new homes, whilst ensuring the independence, values and mission of MHA are not diminished.	Different models for growth explored with Board, including bringing empty homes back into use, S106 purchase, open market purchase and refurb, stock rationalisation with other RPs. Board appetite for different opportunities gauged and discussed during Board Away Day.	●	6. Develop Growth Strategy, defining the volume and types of growth activity to be delivered over the next 5 years. 7. Develop and deliver Funding Strategy to facilitate investment in growth activities.
New actions for 2019/20			
8. Develop mechanisms for reporting the value for money / social value generation through Community Investment work.			
9. Ensure value for money is achieved through procurement in relation to IT Strategy.			