Vantage

Social Housing Financial State of the Sector

FY17/18

Presenting the definitive headline financial results from the Vantage Global Accounts Plus analysis

October 2018

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Contents

"This report and the Global Accounts Plus tool developed by Vantage gives the Midland Heart Board bang up to date benchmarking information. We use this to target and drive cost and service improvement which directly feeds in to our plans. A really invaluable resource that we wouldn't be without."

Glenn Harris MBE, Chief Executive, Midland Heart

This report was written by Tony Bryan, Anne Seddon, Jane Cryer and Aaron Magee of Vantage.

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Introduction

Welcome to our second annual Financial State of the Sector FY17/18 report - presented by Vantage and the Performance Improvement Club, the only sector led report of its kind.

This report was produced in response to a demand for more timely and insightful analysis of the sector's financial performance and of the Global Accounts data.

At a time of unprecedented change in the sector, with a strong focus on delivering Value for Money (VfM) as well as new homes, this report provides invaluable strategic intelligence at a glance.

Since we introduced our online financial comparison tool Global Accounts Plus in 2015, it has become the leading on-line tool for housing providers to help them understand their financial performance against their peers and across the sector as a whole. The RSH Value for Money metrics have now also been incorporated into the analysis - within the comprehensive dashboard for Housing Providers for both FY16/17 and FY17/18.

It enables housing providers to compare their individual performance against all the Top 150 RPs or against a subset that is more relevant to them. This is useful not just for demonstrating Value for Money but also to support Merger and Acquisition discussions with boards.

This tool is an essential product that members of the Vantage Performance Improvement Club receive each year.

This year our analysis is based on the published financial statements of 125* Registered Housing Providers (RPs) for the year ended 31st March 2018.

Each year we collate the Top 150 RPs financial accounts, but for the purposes of a "like for like" comparison year on year for FY16/17, we reference the data for the Top 125.

The 125 RPs contained within this report accounts for 85.3% of the total turnover of the sector, equating to just over £17bn. Similarly, stock represents 84% as a proportion of the RSH social units owned and managed dataset (2,318,675 out of 2,761,387 Total RSH Dataset). Our full global accounts 17/18 dataset, including the Top 150 RPs, accounts for over 90% of the Regulators Global Accounts Data.

We have presented a small sample of the headline results within this report, and on request can provide access to our full dataset covering all aspects of financial and operational performance.

We hope you find this report insightful and informative and if you would like to find out more about any aspect of the financial performance of the sector, the Performance Improvement Club, or Global Accounts *Plus*, please contact us via yourvantage.co.uk or call 0151 342 5989 or 07968 623122

** At the time of production of the report 25 accounts from the Top 150 had not been published on-line by RPs.*

Analysis of Financial Performance

Executive Summary

In the second of a four year rent reduction, the sector has largely maintained last year's improved financial position. This is mainly due to growth in units and improvements in margins from other social housing activities. As the political tide has turned in it's favour, the sector can look forward with renewed confidence to face the future challenges, in terms of the growth expectations of central government and the introduction of new VfM metrics and future league tables.

In the last month we have seen positive announcements and support from the government for Housing Providers, including the Prime Minister speaking for the first time ever at a Social Housing Event. The sector's financial strength and capacity leaves it well placed to deliver against the expectation for more new homes and its other major challenges.

The regulator has rolled out its VfM metrics as the primary mechanism to check and challenge providers following the end of self-assessments. For many providers this will require a different discipline and a more private sector type approach to performance measurement and resource allocation.

The sector has invested a higher percentage of capital in the provision of new homes this year, than the previous year, showing a clear strategic focus on growth in new supply. Whilst this is positive news, there are no metrics as yet from the Regulator (nor within many providers) to measure VfM across development costs. Our experience tells us that many RPs could achieve reductions in the cost of new homes, not withstanding the supply side cost, inflationary pressures and the strong commercial position of the house builders.

Despite the further rent reduction, total turnover has increased year on year by just over £1bn, predominantly from social housing lettings, together with a modest increase in turnover from non-social housing activities. Void losses increased to £148m.

Overall operating margin went up to £5.47bn, an increase of 2.3% from last year. Although there was a small increase in social housing lettings margin of £90m, overall % margin dropped by 2.9% to 34.5%. Other social housing activities showed an increase in margin whilst margin on non-social housing activities dropped .

Operating costs increased across most areas of spend. Employment costs rose sharply by 11.6% to £3.59bn whilst overall R&M costs increased by 5.9% to £4.02bn.

After much consolidation in the sector in the last few years, notwithstanding the costs of restructuring, there is little sign of further large efficiencies and economies being achieved in any of the major cost areas during the last twelve months.

Arrears increased by £15.78m in the year, however in proportion to turnover they have reduced from 5.81% to 5.65% despite the continuing roll out of universal credit.

In summary, financial viability remains strong in the sector. However, I am certain there are still further significant efficiencies and economies to be achieved, across all R&M capital and revenue investment categories, within management costs and especially in the development of new homes. The impacts of Brexit, the next Social Housing Pensions Scheme review and future LIBOR changes are yet to be assessed. Following the recent positive political announcements, let's make the next year one in which housing providers rise to the challenge.

I hope you find this report insightful.

Kind regards,

Tony Bryan Chief Executive, Vantage

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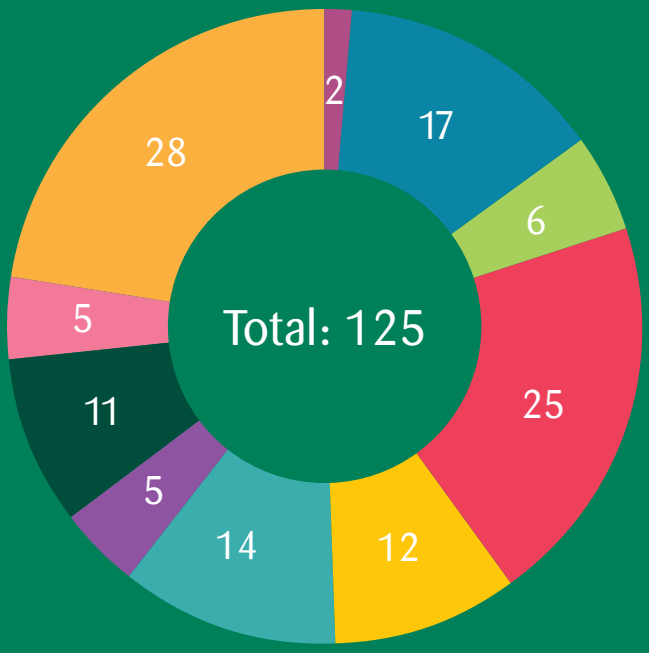
What our sample represents:

Top 125
Registered Social Housing Providers

2,318,675
Social Housing Units Owned and Managed

85.3%
of Sector Turnover

Number of RPs:



Key:
- Yorkshire and the Humber
- Midlands
- North East
- North West
- National RPs
- South West
- East Anglia
- G15
- Greater London
- South East

Stock Size	No. of RPs
0 – 10k	47
10k – 20k	35
20k – 50k	34
50k +	9
Total	**125**

In Brief: Our Headline Analysis

- **£17.06bn** Total Turnover.
- **£5.47bn** Operating Margin, an increase of **2.3%**.
- **£12.56bn** Social Housing Turnover, margin of **34.5%**.
- General Needs represented **77.7%** of Social Housing Lettings.
- Number of Staff Members increased by **4,009** to **98,885** FTE.
- Employment Costs reached **£3.59bn**, up **11.6%** on last year.
- Average Debt was up **11.5%** to **£62.50bn**.
- Headline Social Housing Cost per Unit was **£3,674**.

Analysis of Financial Performance

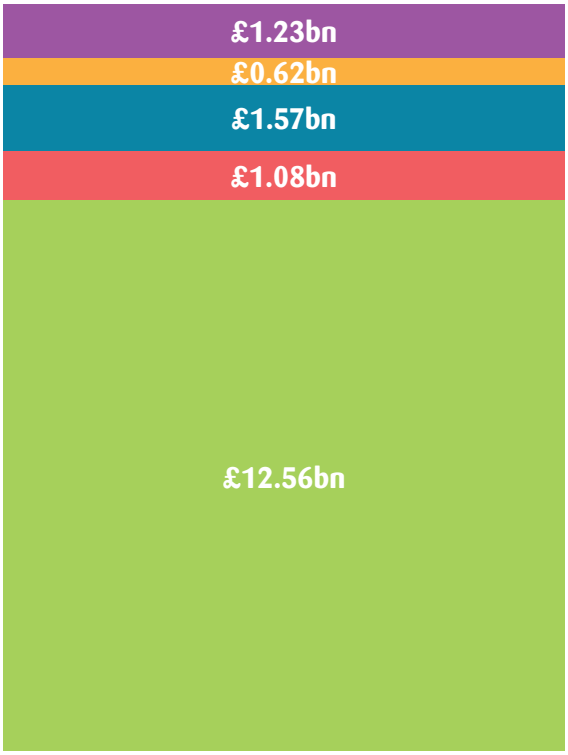
Turnover

Turnover for FY17/18 was £17.06bn, an increase of 6% in comparison to £16.04bn in 2016/17.

FY17/18 was the second of the four year rent reduction programme. Turnover has increased. This is mainly due to the growth in units and other social housing activities.

The chart below shows Social Housing Lettings turnover was £12.56bn (73.6%), and the split between social and non-social housing was 83.6% and 16.4% respectively.

Overall Turnover Split FY17/18 (£17.06bn)



Key:
- Social Housing Lettings - T/O
- SO 1st Tranche Sales - T/O
- Development for Sale - T/O
- Other Social Housing - T/O
- Other Non-Social Housing - T/O

Breakdown of Turnover by Stock Size:

39.3% of total turnover is from organisations which have between 20,000 and 50,000 units.

31.6% of total turnover is from organisations with 50,000 plus units.

17% of turnover is from organisations with between 10,000 and 20,000 units.

12.1% of total turnover is from organisations with less than 10,000 units.

Breakdown of Turnover by Region:

G15	**£4.74bn (27.8%)**
National Organisations	**£3.96bn (23.2%)**
South West	**£2.14bn (12.5%)**
North West	**£1.82bn (10.7%)**
Midlands	**£1.59bn (9.3%)**
Other Regions	**£2.81bn (16.5%)**

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Social Housing Lettings

Social Housing Lettings made up 75% of the total turnover and is broken down as follows:

Total Turnover
£17.06bn

FY16/17: £16.04bn

73.6%
Core Social Housing
FY16/17: 74.5%

26.4%
Non Core Income
FY16/17: 25.5%

Turnover by Segment: Core Social Housing

77.7%
General Needs
FY16/17: 77.2%

14%
Care and Support
FY16/17: 14.1%

5.2%
Low Cost Home Ownership
FY16/17: 4.8%

1%
Temporary Housing
FY16/17: 1.1%

2.1%
Other
FY16/17: 2.8%

Greater London had the lowest proportion of General Needs turnover at 68.9%, a decrease from 72.5% in the previous year. The greatest was 89.2% in the North East and Yorkshire & the Humber, which was the same as 2016/17.

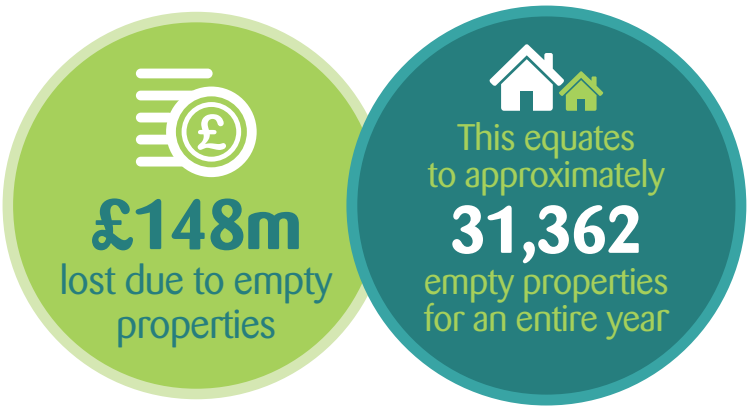
The proportion of Care and Support turnover as a percentage of total Social Housing Lettings turnover ranged from 8.6% in the South East (9% in 2016/17), to 25.2% for organisations in the Midlands (24.2% in 2016/17).

The regions with the largest proportion of Low Cost Home Ownership turnover are in London (11.4%) and G15 (9.5%).

Five regions saw an increase in Care and Support turnover. Whilst five saw a decrease, with an overall turnover of £1.78bn

Out of the 125 RPs there are only 11 who provide a Temporary Housing service. For 8 of these organisations, Temporary Housing represents less than 5% of their social housing lettings turnover. Regionally G15 and Greater London have the greatest proportion of Temporary Housing turnover at 3%.

Turnover



Void Losses

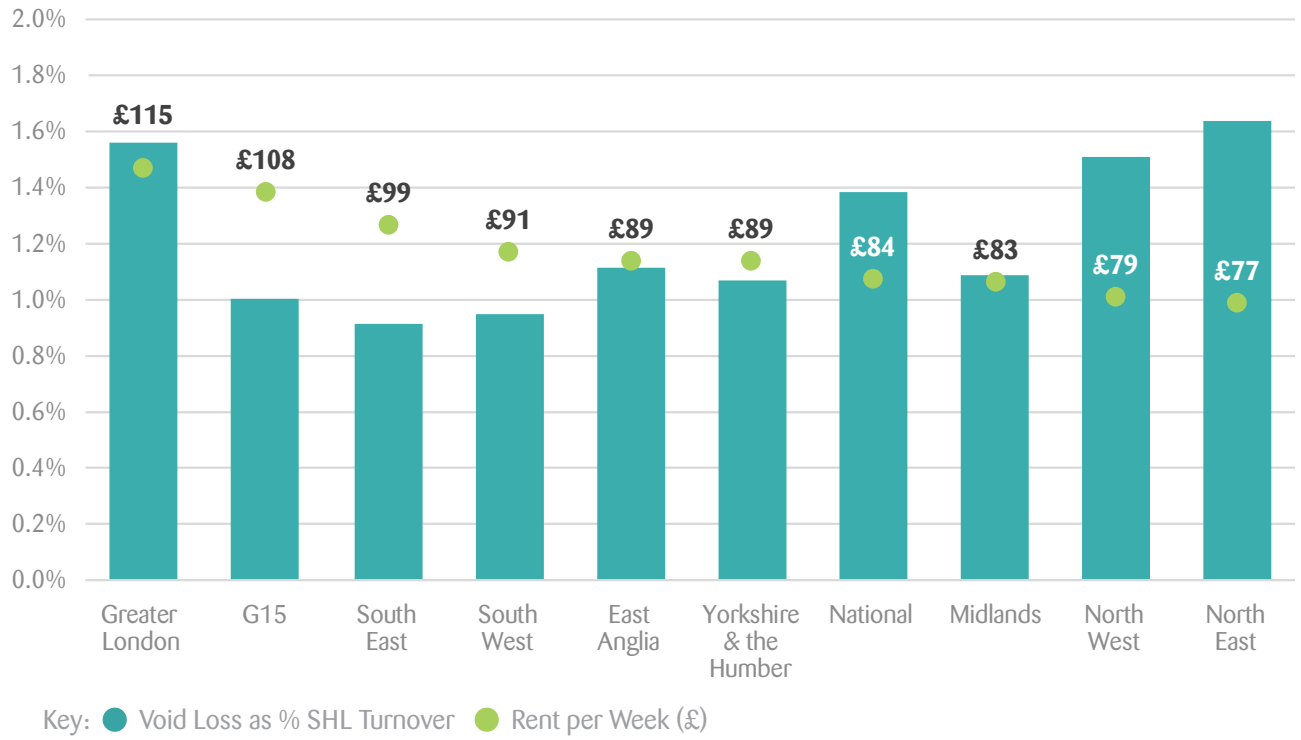
In 2017/18, £148 million was lost due to properties being empty compared to £145 million in 2016/17. This equates to £63.89 per unit, a reduction in relation to 2016/17 which was £66.04 per unit. This is predominantly due to an increase in units.

For 2017/18 the loss equates to approximately 31,362 empty homes for an entire year. This could also be illustrated as 1,630,840 homes empty for one week per year at an average rent of £4,723 pa.

The turnaround time on many properties has improved and is measured in terms of days rather than weeks. The level of voids is disguised somewhat by the properties which are not available to let. Accepting that there are valid reasons for this, there was nevertheless £148 million worth of lost opportunity in 2017/18 and this is an ongoing occurrence.

At a time when there is greater pressure to provide more new homes, and organisations are facing increasing challenge and scrutiny (in terms of their financial capacity and performance), it is likely that more proactive and innovative asset management and neighbourhood interventions will be required.

Void Losses by Region as % of Social Housing Lettings Turnover



The bar chart above shows void loss by region as a percentage of Social Housing Lettings turnover. In addition, we have shown the corresponding (average) rent per week for each region to assess the approximate volume of empty properties. For example, the North East has a relatively low rent per week but the largest percentage of void loss in relation to its turnover, which perhaps indicates the extent of the number of empty properties in this region.

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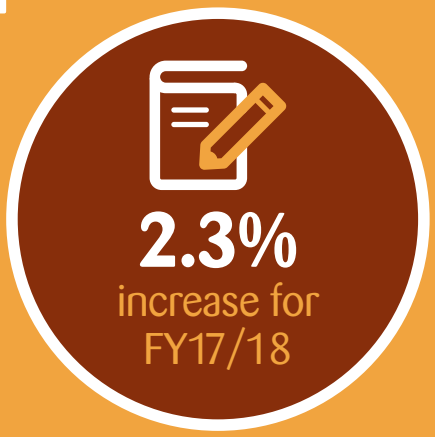
Analysis of Financial Performance

Operating Margin

We have analysed operating margin for FY17/18 and compared to FY16/17. Our analysis shows the overall operating margin was £5.47bn for FY17/18, a 2.3% increase on FY16/17, at £5.34bn.



The table below shows for Social Housing Lettings the margin was £4.33bn in FY17/18, an increase of 2.1% on FY16/17, which was £4.24bn. Overall the sector has achieved improved operating margins due to the increase in units despite a 1% rent reduction.

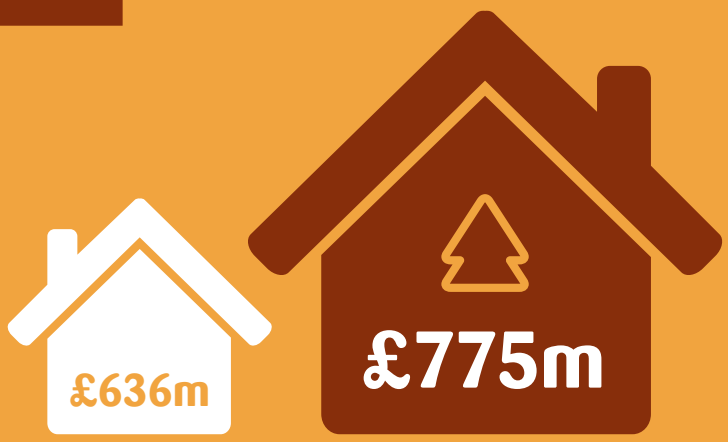
Total Operating Surplus	FY2017/18			FY2016/17			FY2015/16		
	Turnover (£m)	Operating Margin (£m)	Operating Margin %	Turnover (£m)	Operating Margin (£m)	Operating Margin %	Turnover (£m)	Operating Margin (£m)	Operating Margin %
Social Housing Lettings	12,556	4,327	34.5%	11,943	4,237	35.5%	11,773	3,922	33.3%
Other Social Housing Activities (Inc. First Tranche Sales)	1,707	635	37.2%	1,733	360	20.8%	1,845	204	11.1%
Non-Social Housing Activities	2,794	510	18.2%	2,339	749	32.0%	2,421	524	21.7%

The sector made an operating margin of **£635m** for other social housing activities.

£314m was earned from first tranche sales, with the remaining margin of £321m in other social housing activities.

In addition, there were significant margins earned on sale of fixed assets. Some organisations included these margins within the operating margin, others showed it below the operating margin line.

The main element of non-social housing activities was development for outright sale. In this category there was £1.6bn of turnover from sales with a 20% operating margin.



In total the margin on sales of fixed assets was £775m, an increase in relation to the previous year of £636m.

Analysis of Financial Performance

Operating Margin

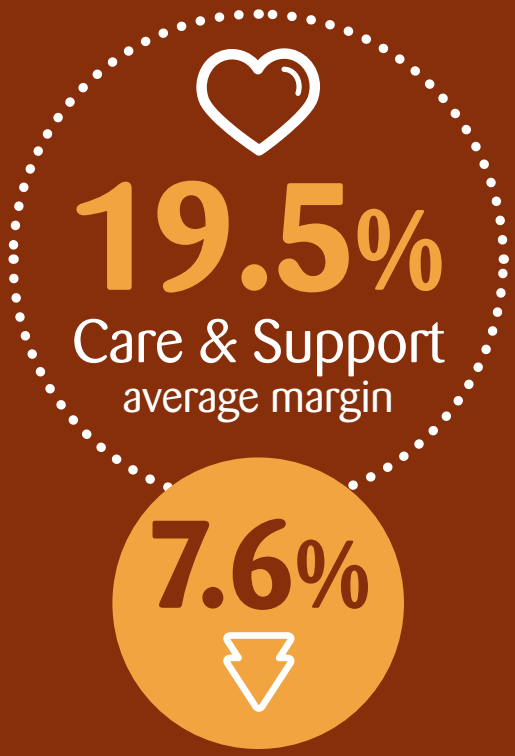
Social Housing Lettings

The table on the right is an analysis of the main elements of operating margin on social housing lettings, with a breakdown by business segment and comparison year on year.

For social housing lettings, the greatest proportion of margin was earned from general needs (£3.5bn). The region with the greatest margin percentage was the South East (40.6%), with National closely behind achieving 38.3%. The region with the lowest margin percentage was Greater London with 26.7%.

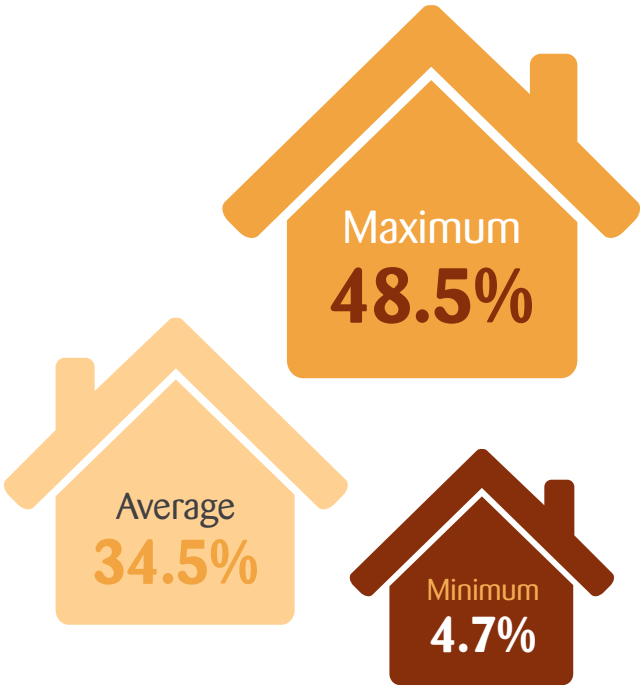
		Operating Margin Social Housing Lettings		
	Section	**17/18**	16/17	15/16
General Needs	%	**35.9%**	37.4%	37.8%
	All (£m)	**£3,499**	£3,436	£3,203
Care & Support	%	**19.5%**	21.1%	31.7%
	All (£m)	**£342**	£354	£352
LCHO	%	**53.5%**	53.4%	65.7%
	All (£m)	**£347**	£308	£267
Temporary Housing	%	**8.6%**	6.3%	16.7%
	All (£m)	**£11**	£8	£21

For Care and Support, the average margin was 19.5%, falling 7.6% from last year, despite increased turnover.



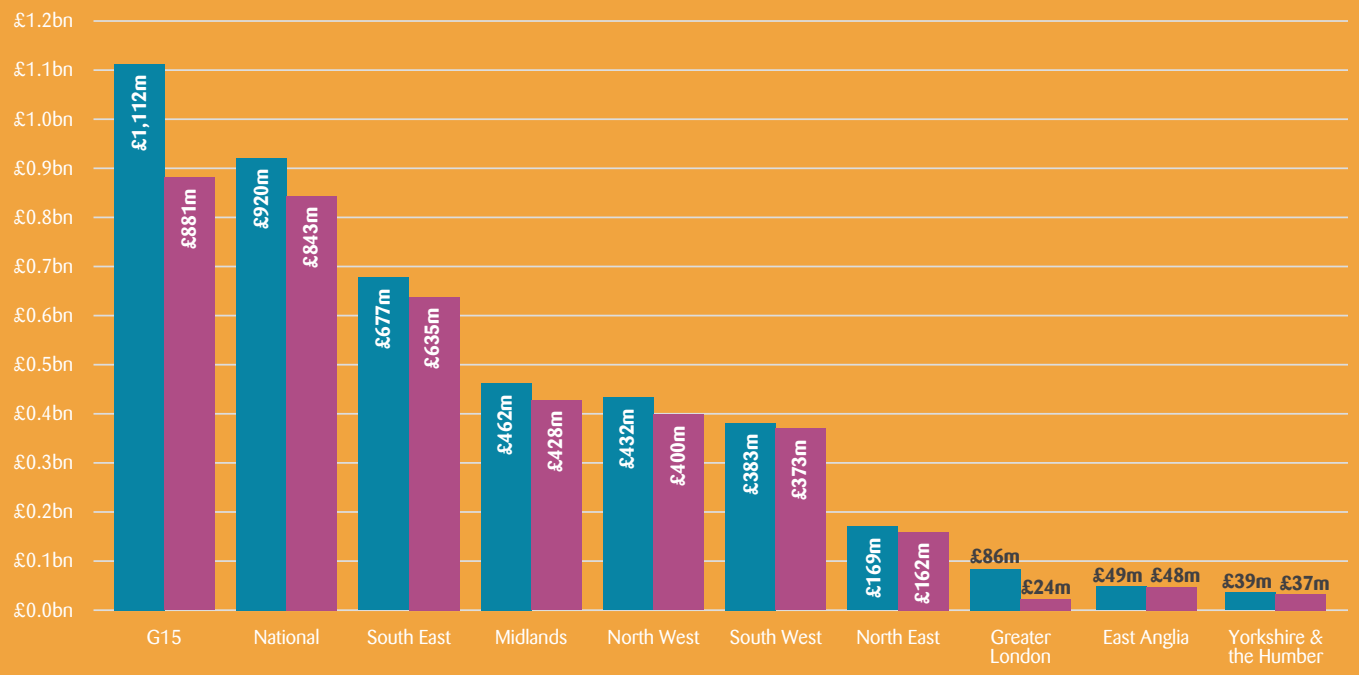
This reflects the continuing pressure on providers, resulting in some carefully managed divestment. Following the decrease in margin in 16/17 for LCHO the operating margin appears to have stabilised.

The minimum, maximum and average operating margin on Social Housing Lettings was as follows



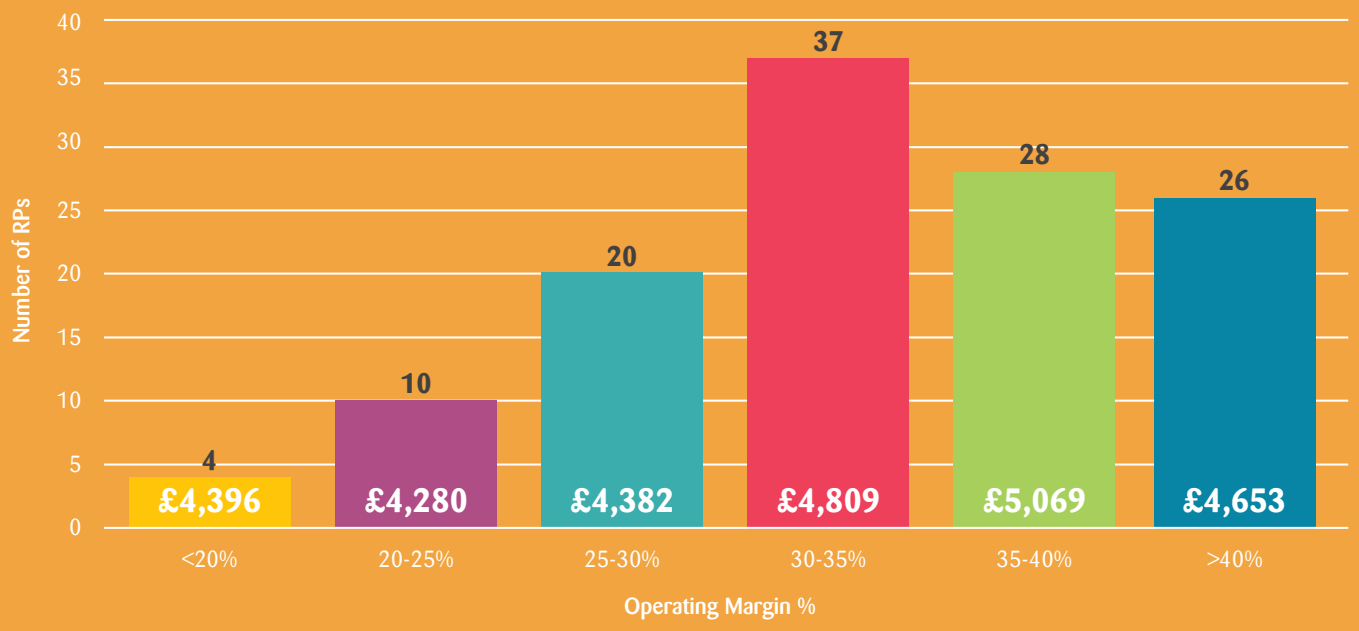
Temporary Housing is a small proportion of turnover and earns the lowest margins. The regions with the highest levels of temporary housing were Greater London and G15, with margins of 5.2% and 8.7% respectively.

Adjusted Social Housing Lettings Margin



The bar chart above shows margin adjusted regionally to exclude the impact of asset sales. Both G15 and National show the largest differential in margin when adjusted by excluding margin on asset sales.

Number of Organisations within Social Housing Lettings Operating Margin Categories (with Rent per Annum overlaid)



The bar chart above is an analysis of the number of RPs within each range of operating margin level. We have shown the average rent per annum to look for correlation between those earning higher margins and charging higher rents. Organisations with margins higher than 40% had an average rent per year of £4,653 per property, whilst those <20% received on average £4,396 rent per year per property.

Analysis of Financial Performance

Operating Costs

We have analysed operating costs for FY17/18 and compared to FY16/17. Our analysis covers management costs, repairs and maintenance and headline social housing cost per unit.

Management Costs

Management costs increased from £2.02bn to £2.22bn in 2017/18, an increase of 10%.

A major proportion of management costs is employment costs. Employment costs rose by 11.6% between 2016/17 and 2017/18 from £3.22bn to £3.59bn. The number of additional employees does not correlate to the total salary increase.
This can be attributed to a change in workforce salary profiles and restructuring costs. The number of employees rose by 4.2% from 94,876 to 98,885.

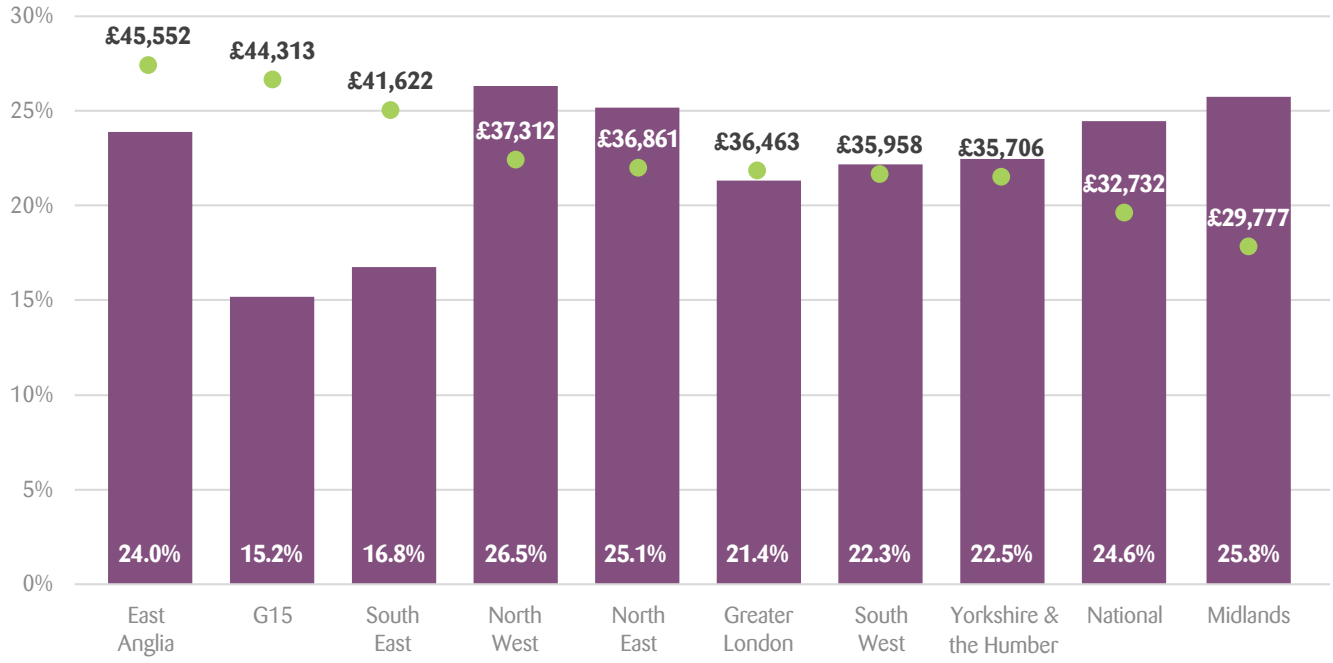
The highest staff costs per FTE were in the G15, East Anglia and the South East. The G15 and South East have higher rents and greater diversification, leading to increased turnover and therefore the lowest staff cost levels as a % of turnover.

The cost per FTE increased by 7.1% from £33,901 to £36,303.

The bar chart below shows staff cost per region by FTE and as percentage of turnover.

Staff Costs by Region

Key: ● Staff Costs as % of Turnover ● Staff Costs per FTE



Repairs and Maintenance Costs

Overall Repairs and Maintenance Costs (including capitalised costs) were £4.02bn in FY17/18 compared to £3.80bn in FY16/17, a 5.9% increase.

Overall Repairs and Maintenance
£4.02bn
in FY17/18

Capitalised components spend was £1.27bn in FY17/18 compared to £1.19bn in FY16/17, a 6.6% increase.

Given the nature and profile of capital programmes, it is difficult to draw any definitive conclusions in increases or decreases in spend over the two-year period. Our cost studies have shown great differentials between providers' costs with many still paying excessive rates per unit across areas including heating, windows, kitchens and bathrooms. Working with providers we are achieving savings of upwards of 15% in many areas of spend.

If we exclude capitalised costs, we are getting closer to understanding the true maintenance operating costs. The overall maintenance costs excluding capital component costs are £2.75bn in FY17/18 compared to £2.60bn in FY16/17.

Total Repairs and Maintenance Costs:

Routine Maintenance

- Total FY17/18 £1,633m
- Total FY16/17 £1,546m
- Total FY15/16 £1,578m

Planned Maintenance

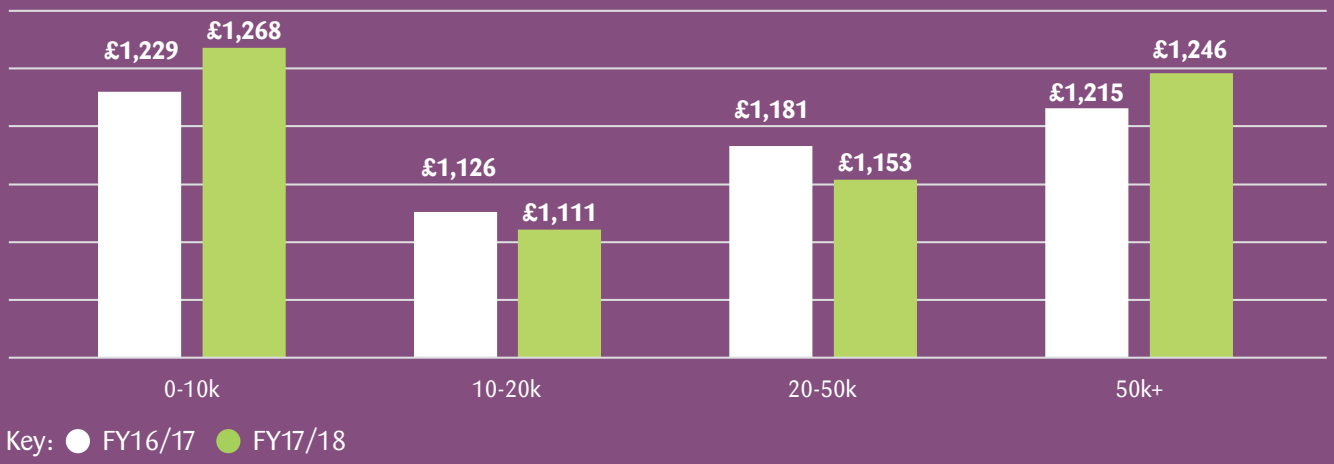
- Total FY17/18 £732m
- Total FY16/17 £684m
- Total FY15/16 £647m

Major Works

- Total FY17/18 £383m
- Total FY16/17 £373m
- Total FY15/16 £426m

If we analyse the movement in spend in maintenance costs by stock size (shown below), we can see the trend continues in that the larger organisations' costs per unit remains higher than the mid-size organisations. The mid-size cost per unit has reduced year on year for many organisations between 10k and 50k units. For example a large RPs average unit cost is only marginally lower than for organisations under 10k units.

Total R&M per Unit by Stock Size (excluding Capitalised Components)



Analysis of Financial Performance

Operating Costs

Routine Maintenance

Routine costs per unit rose from £667 in 16/17 to £704 per unit in 17/18, a 5.6% increase. The largest increase was the G15 from £796 to £820. There was also a large variance between a minimum spend per unit of £222 and a maximum of £1,158, with 53 RPs above the average of £704.

Whilst there has been an increase in RPs insourcing their repairs, which should have reduced their costs per unit, it appears that the benefits of this have been offset by price increases from contractors, with many RPs still not getting to grips commercially with their suppliers.

Our experience also shows that repair demand, one of the biggest value drivers, is not being effectively managed by most providers.

For example, if we apply our target costs across each RP in the Top 125 data, this would yield multi million pound savings per annum.

Notwithstanding the fact that RPs do not always classify the different aspects of their maintenance costs on the same basis, over 80% of housing providers were above our expected range and target figures.

The bar chart below shows the average routine maintenance cost per social home across all regions. The South East cost per unit is the lowest in the sector. The highest cost per unit is in the G15 and Greater London at £820 per unit.

Routine Maintenance Cost per Unit (£)

Key: ● Routine Maintenance FY16/17 (£) ● Routine Maintenance FY17/18 (£)

Planned Maintenance

Planned maintenance costs per unit increased between the years from £295 to £316 per unit, a 6.9% increase. This is likely reflective of increased activity by RPs in compliance and rising prices. Overall spend increased by £47.51m.

Given the increased focus on strategic asset management it is unclear when the full financial benefits of this will be realised.

Major Repairs

Major repairs costs increased by 2.5% from £161 in FY16/17 to £165 per unit in FY17/18. Overall spend increased by £10.02m. This follows a large decrease in the previous year spend of £63.17m.

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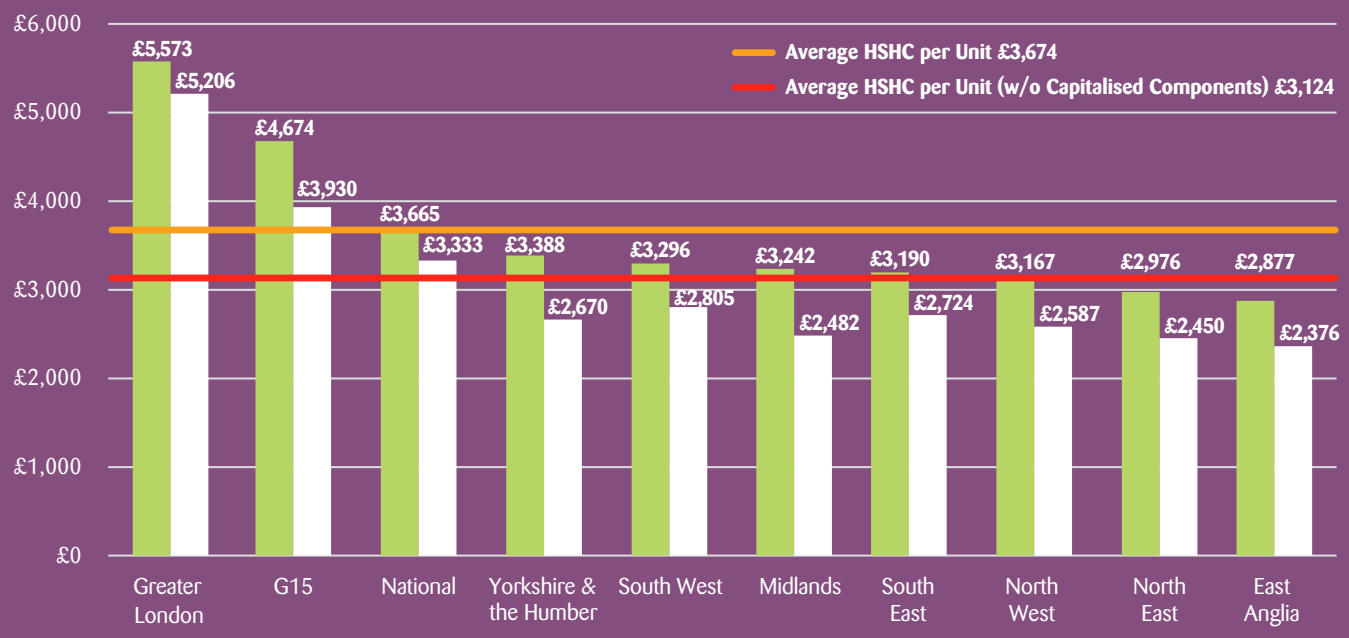
Headline Social Housing Cost per Unit

We have analysed the Headline Social Housing Cost (HSHC) per unit for 2017/18 and our analysis shows the average was £3,674. There were huge variations between providers with the lowest individual organisation having a HSHC per unit of £1,761 and the most expensive organisation having a HSHC per unit of £7,727.

The RSH average across the sector in 2016/17 was £3651, (RSH Global Accounts), therefore this year's results appear to be comparable at a headline level.

There are also large regional differences across the sector with East Anglia having the lowest at £2,877 per unit, and Greater London the highest at £5,573 per unit.



Key: Headline Social Housing Cost per Unit
Headline Social Housing Cost per Unit (Without Capitalised Components)

There are several potential contributory factors of significance that may explain the increase between the years including:

Capitalised components increased by **6.6%**

Management costs increased by **10%**

Employment costs increased by **11.6%**

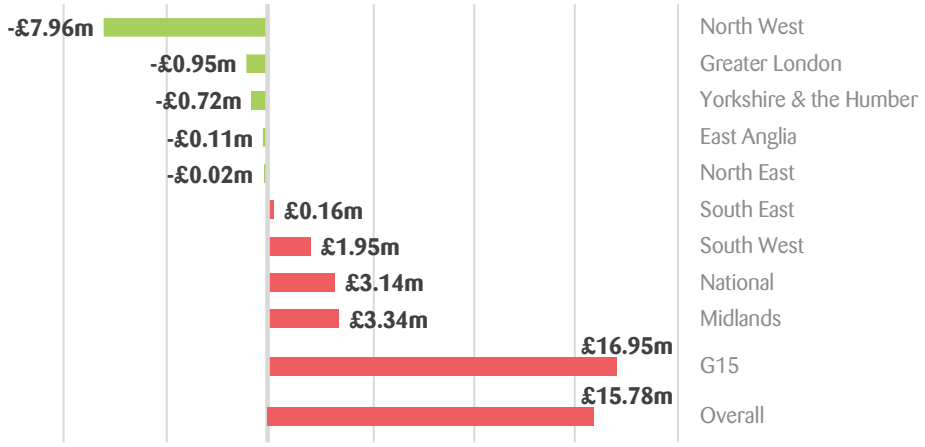
Analysis of Financial Performance

Financial Health & Viability

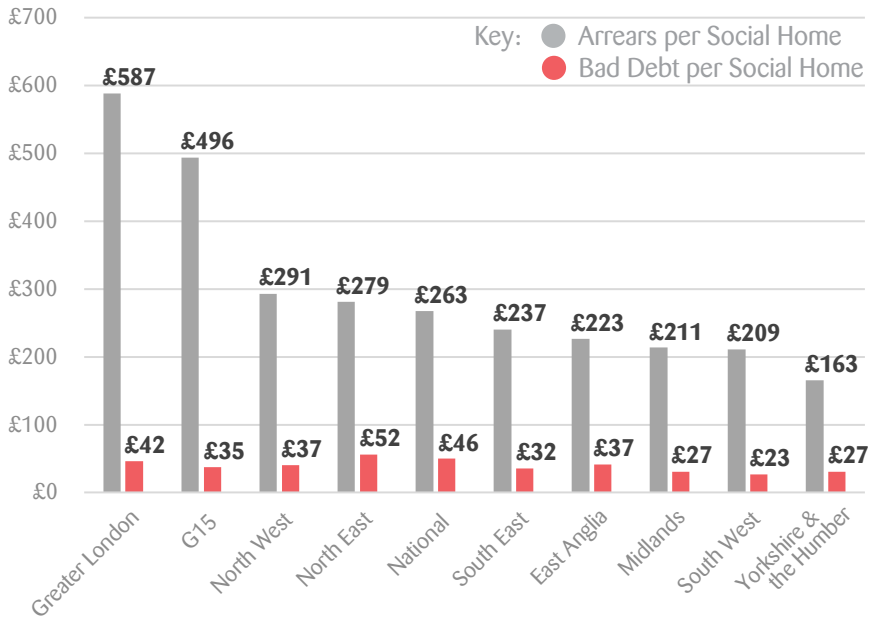
Movement in Gross Arrears

Overall, total arrears for rent and service charges increased by £15.78m in the year, however proportionally in relation to turnover they have reduced from 5.81% to 5.65%, despite the continuing roll out of universal credit. There were large regional variations which are indicated below. The region with the largest increase was the G15, which was mainly due to a sharp increase in one provider's level of arrears. In most cases organisations have adequate provision and 47.1% of total gross arrears at year end was covered in this way.

Movement in Gross Arrears: FY16/17 to 17/18



Bad Debts & Gross Arrears per Social Home



Rent and service charge arrears increased by **2.3%**

The overall bad debt impact on I&E across the sector was **£84 million** which amounts to a value per social home of £36.32.

Arrears across the sector amounted to **£710 million** equating to a value per social home of £306.18.

The bar chart (bottom left) shows a regional perspective of bad debts and gross arrears.

There are significant variations across regions. We noted that the highest arrears per social home was found where rents were expected to be highest, but there will also be other reasons for this.

With the continued roll out of Universal Credit, the Vantage Performance Improvement Club will be closely monitoring its impact on arrears.

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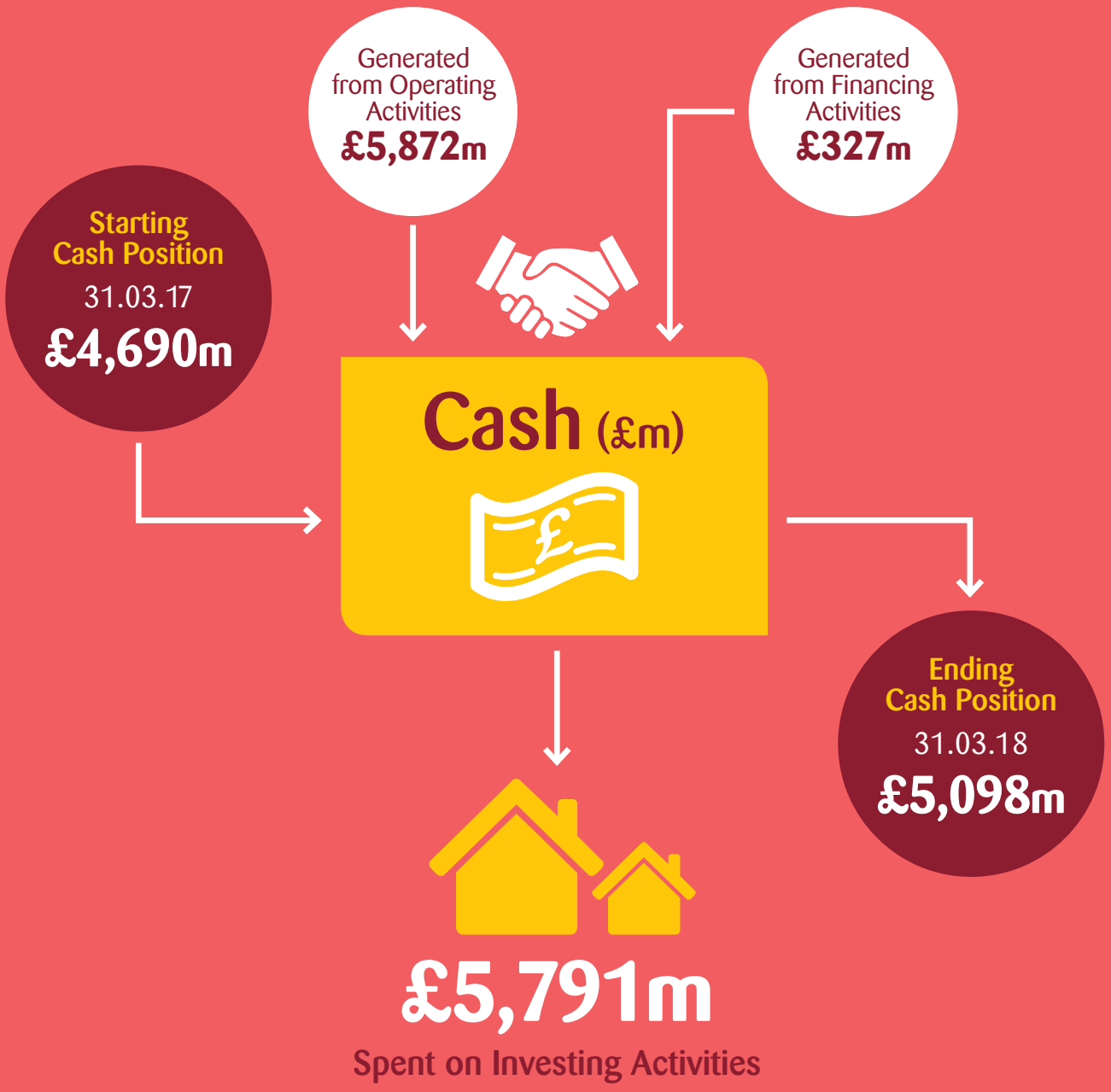
Cashflow and Loans

This chart shows how cash is generated across the sector and where it is being invested.



Net Cash Movement:
£408m
for 2017/18

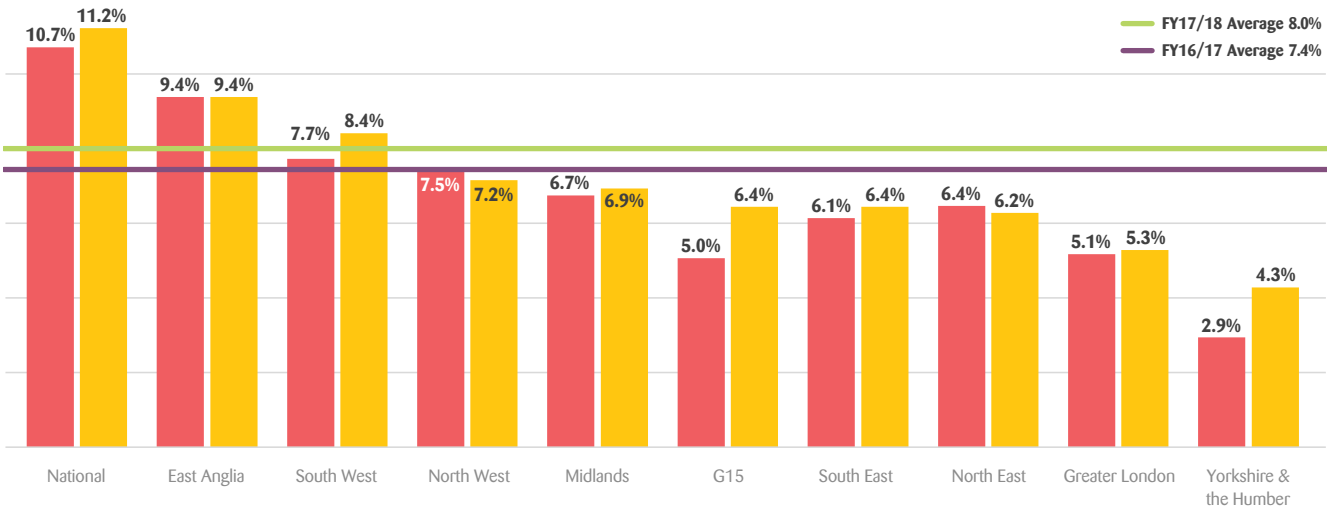
Start Debt:
£61,589m

End Debt:
£63,408m

Average Debt throughout Period:
£62,498m

Regulator's VfM Metrics

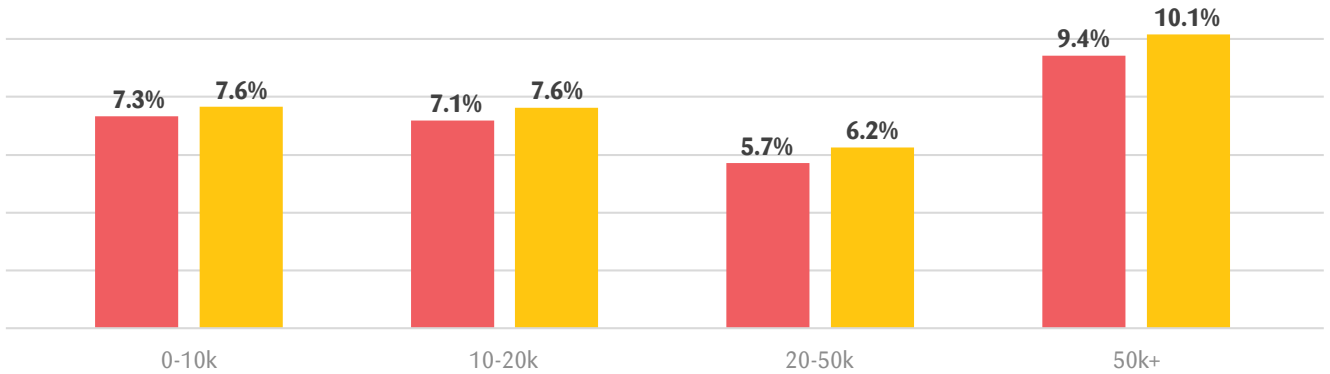
Reinvestment %



Key: 16/17 17/18

The reinvestment metric demonstrates investment in new and existing stock as a percentage of the value of properties held. RPs with stock of more than 50,000 have reinvested at a significantly higher rate than other RPs, and there has been greater reinvestment in the south of the country compared to the North.

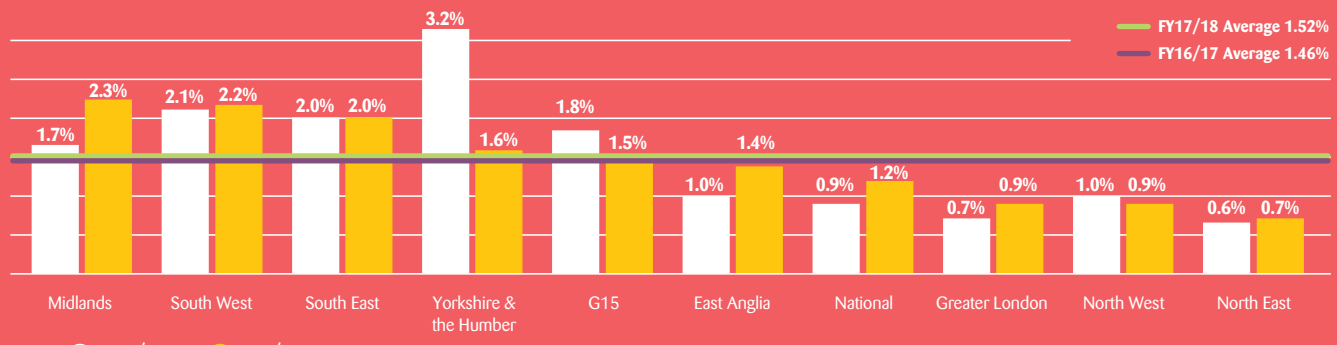
Across all regions and across all sizes of provider, the reinvestment percentage has remained broadly comparable or has increased year on year, with most regions operating within the 5-7% range. The median level of performance across the sector sample is around 8%. In terms of overall performance the largest associations and groups with a national presence have continued to perform very well and at best in sector levels.



Key: 16/17 17/18

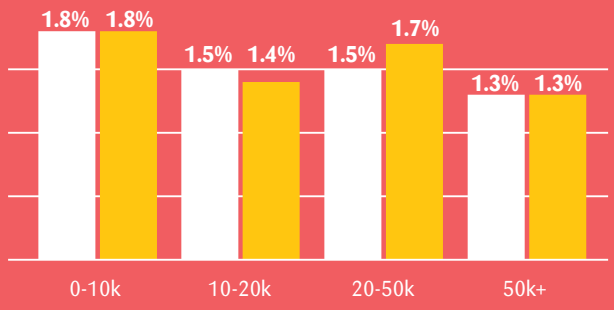
Vantage

New Supply Delivered % (Social Housing)



Key: ● 16/17 ● 17/18

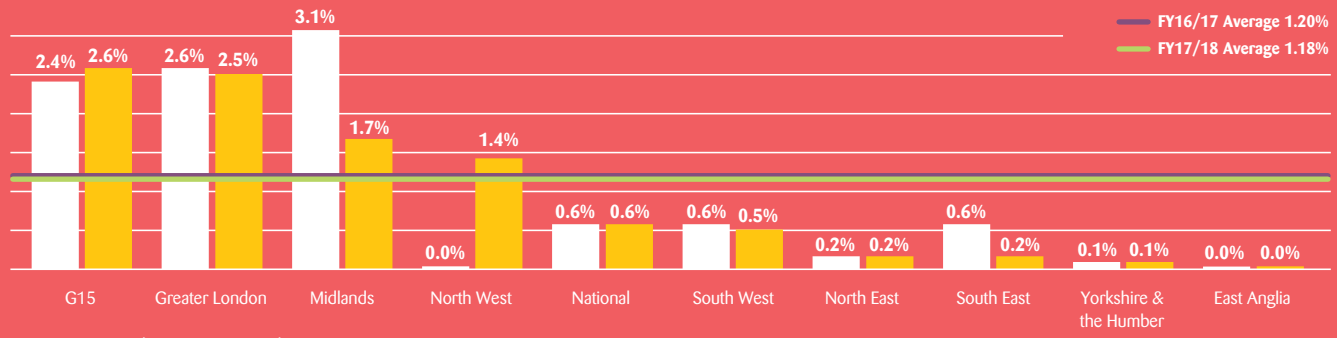
The new supply metrics set out the number of new social housing units that have been acquired or developed in the year as a proportion of the units owned at the end of the year. The greatest increase in new supply was in the Midlands (2.3%), followed by South West (2.2%). The lowest percentage increase was in the North East region. The larger organisations had a lower percentage of new supply, however they still account for a significant proportion of the additional new homes supplied during the last twelve months. The smaller organisations up to 10k achieved the highest percentage. This may be due to some RPs in this category making a step change in their development activity which is then measured against a smaller stock base.



Key: ● 16/17 ● 17/18

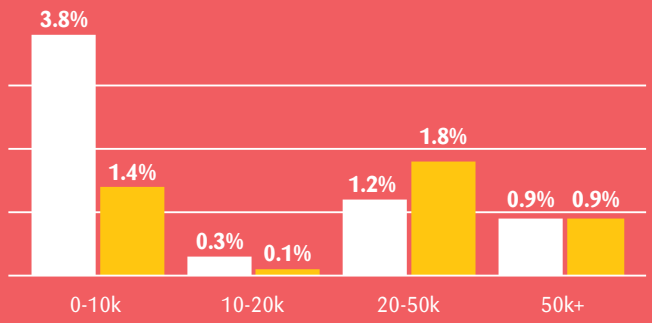
41,810 New Units Built or Acquired in 17/18

New Supply Delivered % (Non-Social Housing)



Key: ● 16/17 ● 17/18

The new supply metrics set out the number of new non-social housing units that have been acquired or developed in the year as a proportion of the units owned at the end of the year. There has been a small reduction in the percentage of non-social housing units delivered this year, as RPs continue to focus on their new social and affordable housing supply. The table also demonstrates the volatility of a measure like this for small RPs, which at first glance looks like a significant decrease, however, in reality this was due to a small number of RPs delivering significantly more last year than this year in this category. The key takeaway in this category is that far fewer providers participate at scale in the delivery of non-social housing units, when compared with mainstream provision of social and affordable housing. Most investment can be seen in the G15, Greater London, the Midlands and the North West.

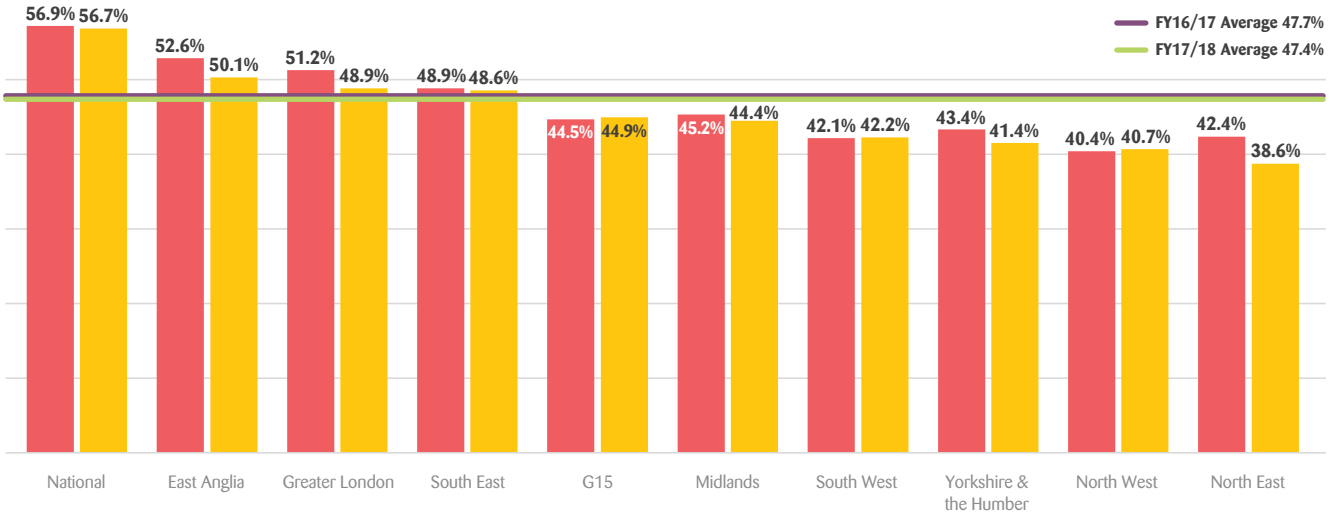


Key: ● 16/17 ● 17/18

Analysis of Financial Performance

Regulator's VfM Metrics

Gearing



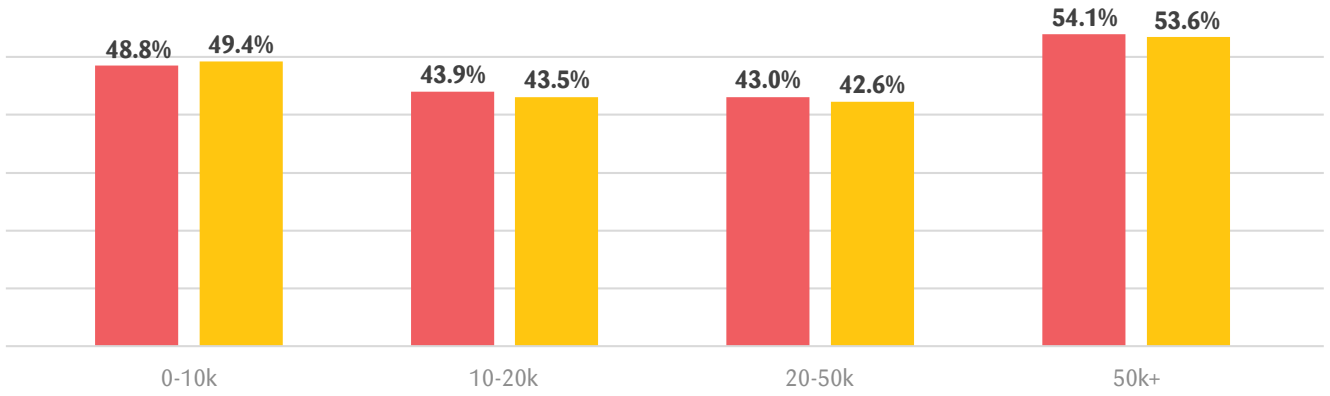
Key: 16/17 17/18

The gearing ratio assesses the degree of dependence on debt finance.

Gearing rates have remained steady this year with very little change. This reflects what many RPs are telling us, with a number of providers pursuing more measured capital investment programmes due to ongoing concerns including the housing market post Brexit and, changing building and compliance regulations.

In size terms the levels of gearing broadly correlate with the reinvestment % figures, that is, those doing more in % investment terms seem to be the more highly geared. The exception seems to be the smaller associations in the sub 10k category who have higher current and historic levels of gearing than their counterparts in the 10-50k unit categories.

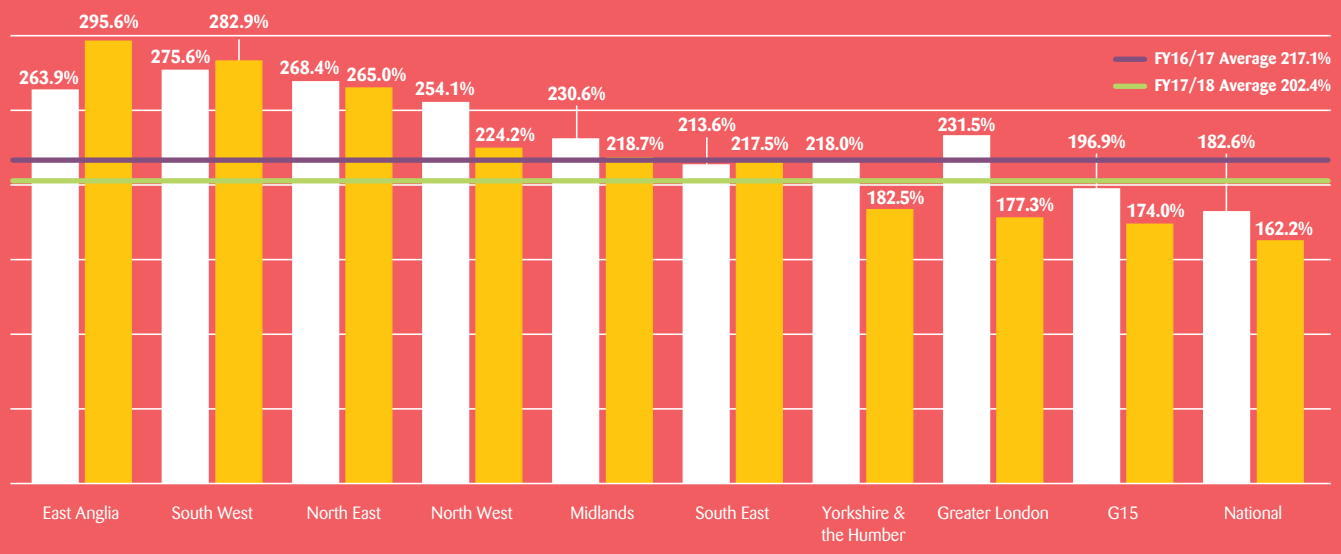
Overall across the 0-50k size ranges and across all regions (with the exception of East Anglia and the National Providers) gearing is running at sub 50% which suggests that there is significant balance sheet capacity to do more.



Key: 16/17 17/18

Vantage

EBITDA MRI Interest Cover %

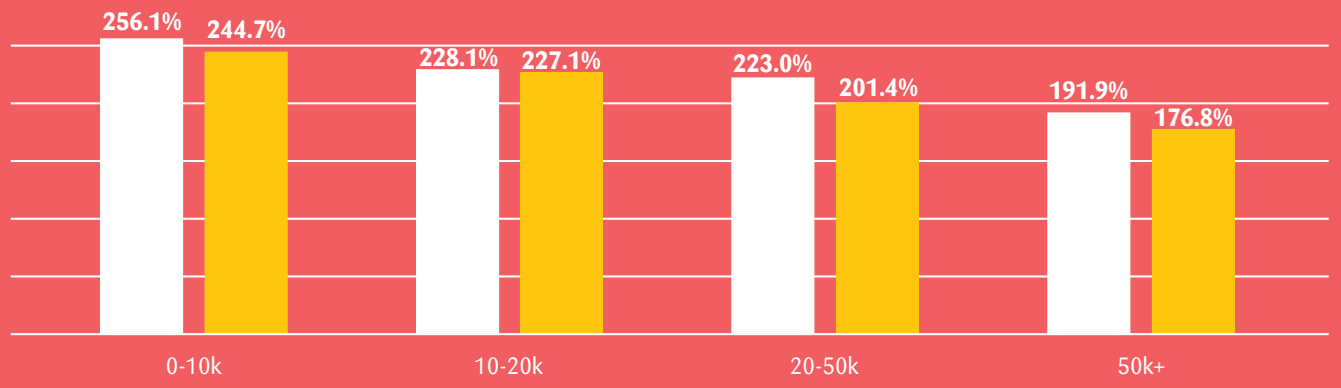


Key: 16/17 17/18

EBITDA MRI is an abbreviation for earnings before interest, tax, depreciation and amortisation with major repairs included. It is a measure of liquidity and investment capacity. It also seeks to measure the level of surplus generated compared to interest payable.

There has been a general drop in EBITDA throughout the sector and again we are seeing some major regional variations.

The 50k+ size bracket has proportionately the least capacity to do more in terms of capital investment and new supply when EBITDA is viewed together with levels of gearing.

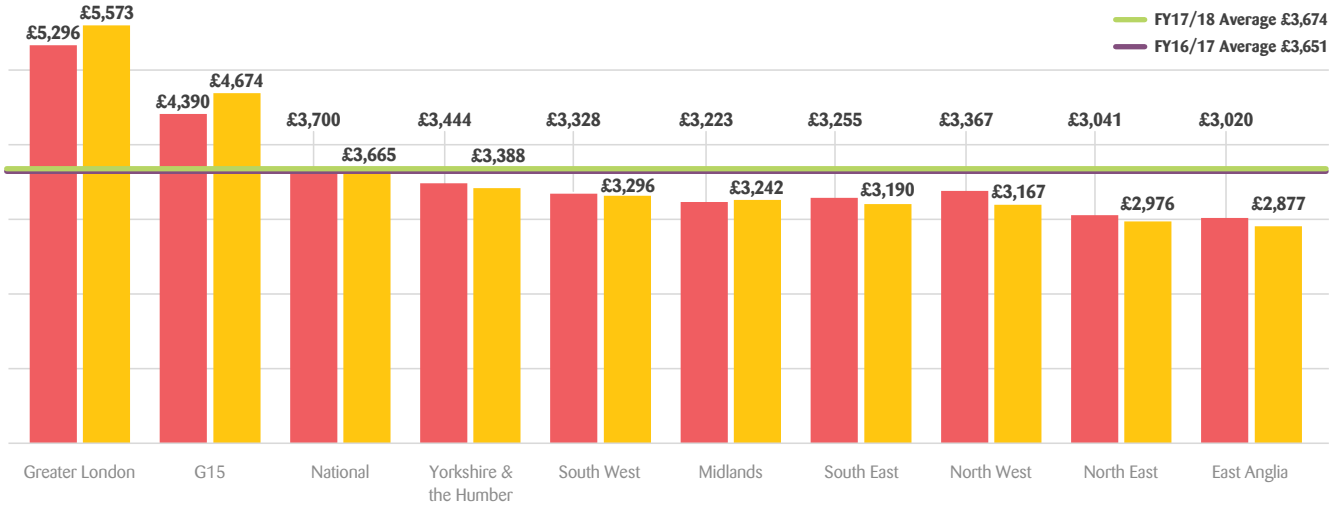


Key: 16/17 17/18

Analysis of Financial Performance

Regulator's VfM Metrics

Headline Social Housing Cost per Unit

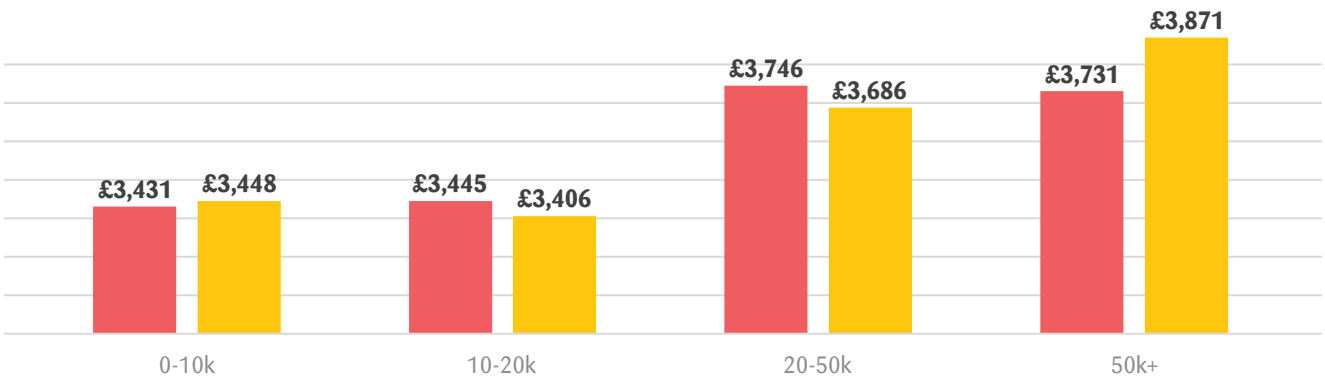


Key: 16/17 17/18

The headline social housing cost per unit includes management costs, routine maintenance, planned maintenance, capitalised and revenue major repairs costs, service costs, charges for support services and neighbourhood services. These costs are then divided by the number of units owned and/or managed. As you would expect the cost per unit in the Greater London area continues to be significantly higher than the overall average, with East Anglia and the North East having the lowest costs per unit.

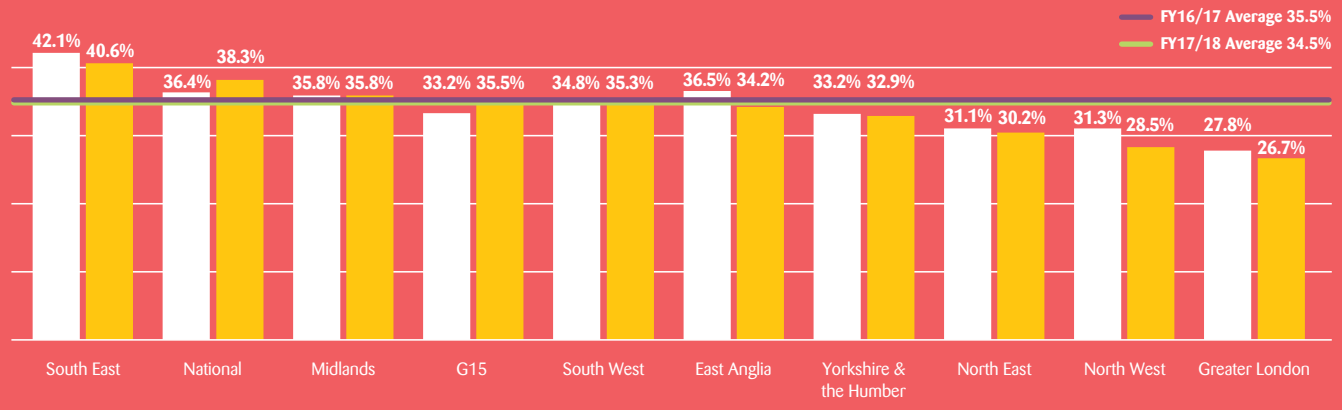
When you consider this by stock size, RPs with greater than 20,000 units continue to incur higher costs per unit than the smaller RPs. However, some of these larger organisations will have additional turnover and margin to cover these higher costs.

Similar to EBITDA small seems good with respect to cost and efficiency. There are also some counter intuitive numbers in the regions – with Yorkshire being higher than the SE for example.



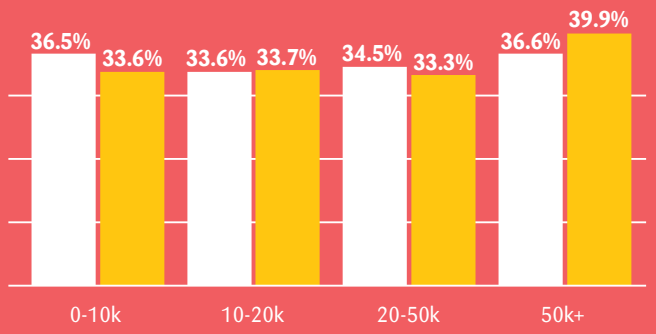
Key: 16/17 17/18

Operating Margin % (Social Housing)



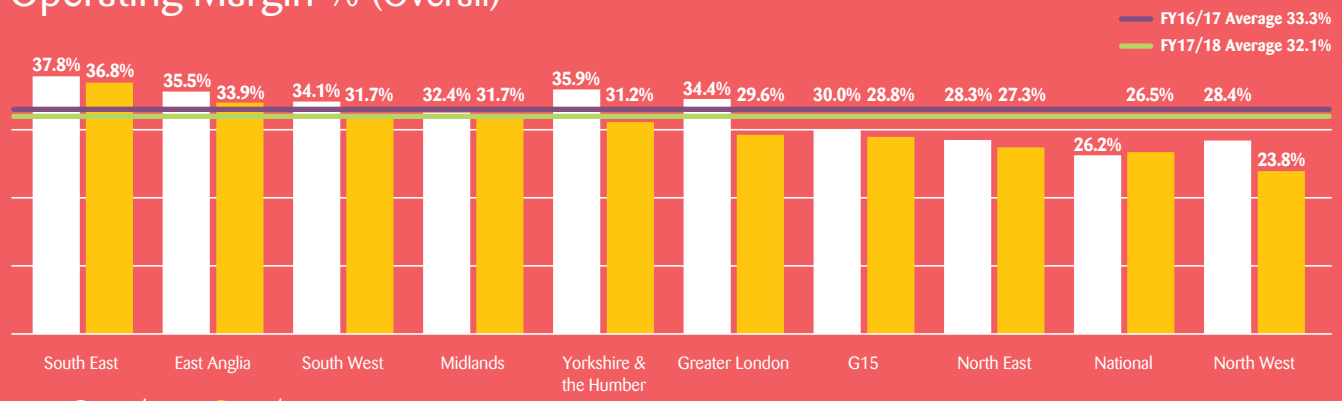
Key: 16/17 17/18

Operating margin (SHL) demonstrates the profitability of an organisation's social housing function. Again, the largest RPs are delivering the highest margins and there has been a near 10% (from 36.6% to 39.9%) increase in their margins this year. At the opposite end of the scale the margins generated by the smaller RPs have fallen by 10%. Overall the margin has reduced from 35.5% in 16/17 to 34.5% in 17/18.



Key: 16/17 17/18

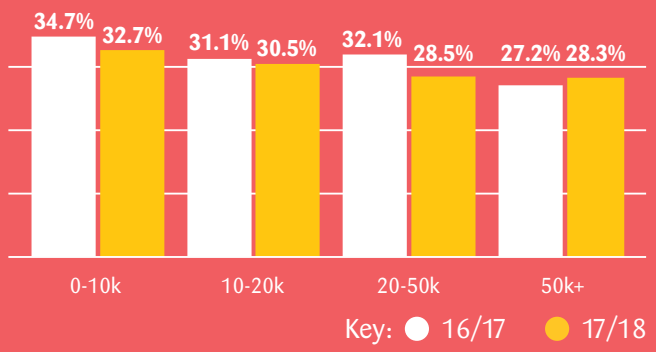
Operating Margin % (Overall)



Key: 16/17 17/18

Operating margin (overall) demonstrates the total gross profitability of an organisation before costs, such as interest payable and taxation, are taken into account.

The overall operating margins are showing the opposite effect to those observed within social housing alone. We are seeing the benefit of being a smaller RP whereby margins, although dropping, are above 31% compared to the largest RPs whose margin is around 28%.



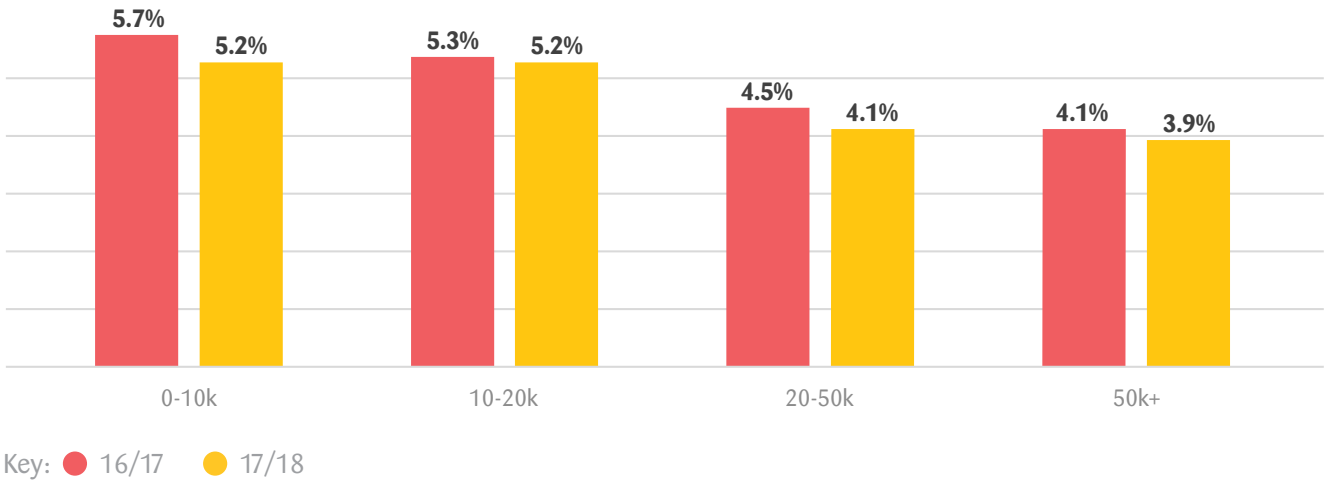
Key: 16/17 17/18

Overall the margin has reduced from 33.3% in 16/17 to 32.1% in 17/18. However, it is the larger RPs that undertake most of the outright sales and shared ownership activities. These often have margins well below 30% and bring down their average overall margins.

Regulator's VfM Metrics

Return on Capital Employed %

Return on capital employed (ROCE) compares the operating surplus to total assets less current liabilities and is a measure to assess the efficient investment of capital resources. For this metric we are seeing significant regional variances ranging from 6% in the North East and Greater London down to less than 4% in Yorkshire and Humber and the G15. Again, the smaller RPs are showing a higher return than the larger RPs, but all are showing a reduction compared to previous years.



Vantage

FY17/18 and 16/17

Leading Organisations

We found the best performing RPs in the following regions...

RSH Metrics	16/17	17/18
Reinvestment %	National	South West
New Supply Delivered % (Social Housing Units)	South West	South West
New Supply Delivered % (Non-Social Housing Units)	Midlands	Midlands
Gearing %	Midlands	North West
EBITDA Interest Cover	South West	North West
Headline Social Housing Cost per Unit	North East	South East
Operating Margin % (Social Housing)	South East	Midlands
Operating Margin % (Overall)	Greater London	South East
Return on Capital Employed (ROCE)	North East	North East

Other Metrics	16/17	17/18
Staff Costs as % of Turnover	North West	North West
First Tranche Sales Operating Margin %	North West	Greater London
Management Cost per Unit	Midlands	Yorkshire & the Humber
Service Charge Cost per Unit	North West	North West
Maintenance Cost per Unit	South East	South East
Major Repairs Cost per Unit	North East	National
Other Social Housing Cost per Unit	National	G15
Routine Maintenance per Social Home	South East	South East
Planned Maintenance per Social Home	National	National
Major Repairs Expenditure per Social Home	National	National
Bad Debts per Social Home	South East	South West
Void Loss per Social Home	South West	North West

the Performance Improvement Club for Housing Providers

The Vantage PI Club was established to drive performance improvement through sharing business intelligence.

Thank you to the members of the club for commissioning this report.

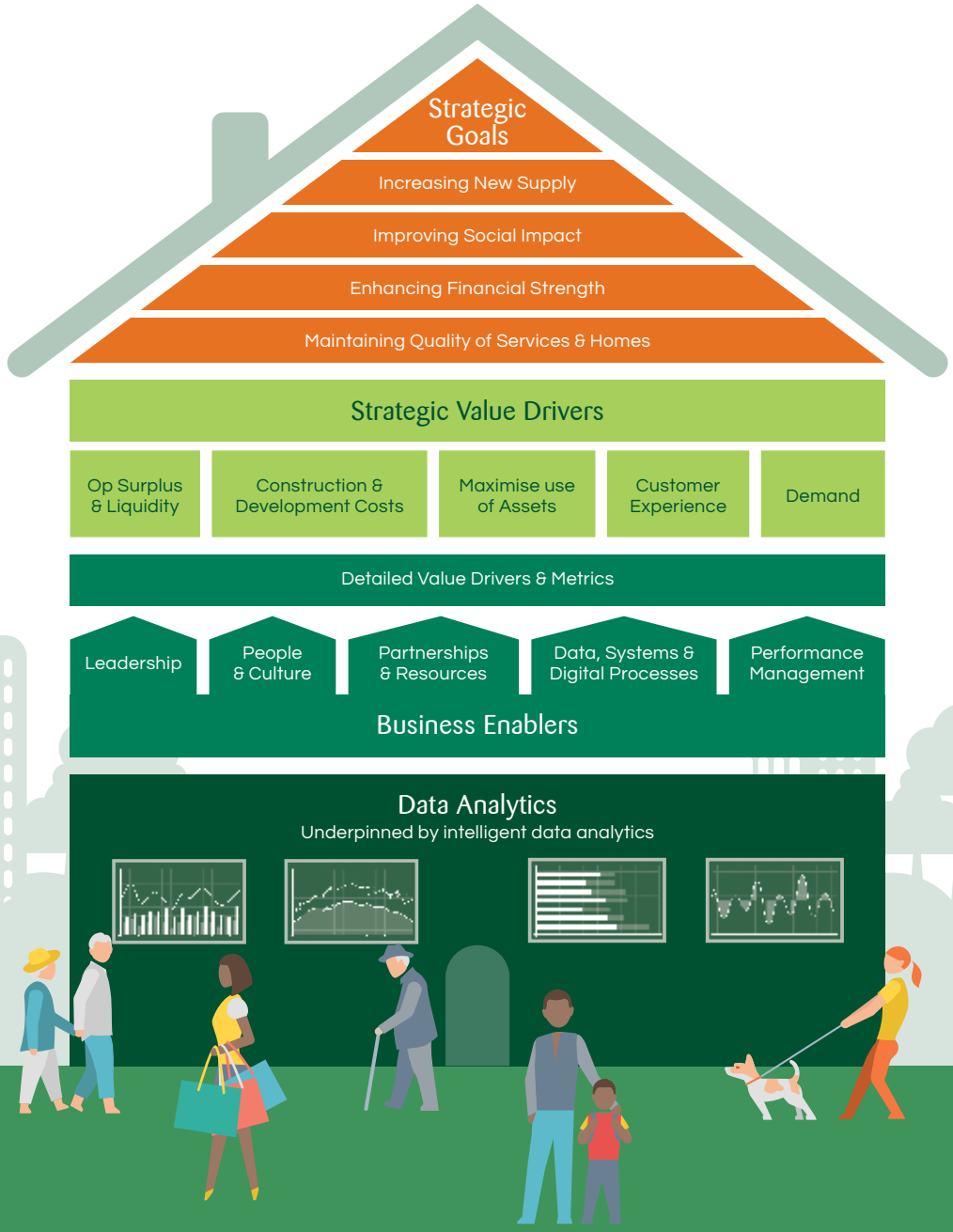
Our aims are simple...

- ✓ Bring together like minded Finance Directors
- ✓ Share relevant and fresh performance information
- ✓ Achieve genuine performance improvement
- ✓ Provide peer learning and access to experts
- ✓ Deliver and exceed Regulator requirements
- ✓ Demonstrate financial payback

To find out more about the Vantage Performance Improvement Club:

Visit www.pi-club.com

Our Social Housing Strategic Roadmap



We have helped RPs to save over **25% pa** and boost their operating margins

Vantage are leaders in strategic performance improvement in social housing, specialising in repairs and maintenance, asset management and development. We work with our clients to help them achieve their strategic goals.

Working collaboratively with executive teams, we really get under the hood of a business to understand their value drivers and barriers to change. Using our analytical insight, we work with providers to implement change in those areas that really matter, helping them to enhance the customer experience and grow in financial strength. This allows clients to deliver their strategic goals, improving existing homes and building new ones.

We use leading edge tools and techniques, often seen in other sectors and industries. This approach helps providers understand the 'art of the possible' and provides a clear roadmap to help them get there.

Our focus is on helping make changes that will stick, leading to sustainable financial improvements. Break the cycle of endless reviews with no impact.

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Vantage

"We use this report to gain timely insight into the sector's financial direction of travel. We can compare the global metrics to our own financial results and plans to help our Board understand how our performance aligns with our strategic goals. This is an important element of our value for money narrative."

Simon Hatchman, Finance Director, PA Housing

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