

STEVE BIKO HOUSING ASSOCIATION LIMITED

Report of the Board of Management For the year ended 31 March 2023

9. Value for money

Our context and purpose

Steve Biko Housing Association (SBHA) was formed by Liverpool's Black and Ethnic Minority (BME) community as a direct result of race discrimination in Liverpool's social housing allocations policy. Registered under the Regulators BME strategy to provide quality homes for those in need.

Our Vision "Homes and Communities without Racism" and Mission "To respect our heritage by delivering quality homes and building vibrant multi-cultural communities" sets out clearly the focus of our work.

Providing value for money

As a small BME Housing Association achieving Value for Money has been central to the way we work. The Board and staff team believe that being efficient and effective is crucial to our success in delivering quality services to our tenants. We are committed to ensuring that we are making the best use of our resources and that our business planning and performance monitoring systems and efficiency mind set aid us in our desire for continuous improvement and to ensure we maximise the efficiency and quality of our services and asset base.

We have been in a contractual relationship with HMS contractor, part of the Torus Group, since 2017. HMS provide us with a comprehensive repairs and maintenance service, as well as delivering our communal housekeeping services such as cleaning, gardening and window cleaning.

The partnership with HMS has enabled us to improve our systems, and recording information, including moving to a fully computerised gas servicing system and our routine repairs target of 21 days being met within 17 days.

The recent rent cap, inflation and resulting cost of living increases has impacted upon our financial performance. Through our close relationship with HMS, we were able to negotiate with them a price increase that was less than our contractual commitment and in line with the Government rent increase cap for social housing.

During the year the Association has continued working with BYA Architects alongside Liverpool City Council Building Control Service to undertake fire safety upgrade programme. The fire safety works comprised enhancements to homes which were already fire safety compliant and have been our priority programme for the Association with significant investment being made to bring all the buildings up to current building safety standards which goes beyond our legal requirements. The programme of works will be completed by summer 2023.

The Association has for many years fixed costs in respect of utilities. Most of our fixed pricing contracts came to an end, and we have negotiated new utility fix costs even in this extremely challenging environment where energy prices are rising steeply. Options and deals are limited but we were able to fix prices for the benefit of our tenants.

The Association also worked with third party organisations, such as Liverpool City Council, to target grants that were available for tenants to help with energy costs. We secured circa £25k for our tenants to help them with pressures on their personal finances.

We continue to explore options available to try to limit future price increases over the short to medium term.

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During the year, the Association arranged fixed interest rates on 63% of the long term borrowings, which is consistent with the Treasury Policy. The Association also arranged a reduction in the loan margin with an existing lender and signed a new 25 year loan facility with Charity Bank.

We also set out to build on our youth employability programme to develop and deliver employment and training programmes for our customers and wider community members to enable them to improve their skills and capacity therefore increasing their employability. We submitted a joint bid for this work alongside the Women's Organisation and we have been successful in securing European Union funding. We have recruited both a new project coordinator and administrator to deliver this project.

We have:

- Completed six years of the repairs and maintenance service delivered by HMS, the savings in repair and maintenance of circa £20k per annum. We have extended for a further 2 years until March 2024. We are currently undertaking a value for money exercise in respect of HMS contract with RAND Associates the outcome of which will be reported to Board.
- Completed a 5-year cycle for electrical testing programme for all properties.
- Completed annual planned maintenance programme for replacement of windows.
- Completed the development of 1 Croxteth Grove bringing a further 2 new units into management.

All Registered Providers are now required to report their performance against social housing metrics annually in their financial statements.

The regulator published an updated Value for Money Metrics - Technical note guidance issued in May 2023. The note includes the value for money metrics that providers must report on as part of their Annual Accounts reporting and explains how to calculate the metrics.

Our performance against these new metrics is highlighted in the table below:

Business Health & Efficiency & Regulator for Social Housing Metrics

| Performance | Indicator | Metrics No | SBHAGN / Support 2020/21 | SBHAGN / Support 2021/22 | SBHAGN /Support 2022/23 | NWPeer Group Average 2022/23 | SBHAGN / Support Forecast 2023/24 |
|------------------------|---|------------|--------------------------|--------------------------|-------------------------|------------------------------|-----------------------------------|
| No. of Units | | | 275 | 279 | 281 | 345 | 281 |
| Business Health | Total Operating Margin | 6 | 17.27% | 15.43% | 12.57% | 20.19% | 18.4% |
| | Social Housing Operating Margin | 6 | 16.12% | 14.76% | 11.25% | 20.01% | 17.12% |
| | EBITDA MRI (as a% of interest) | 4 | 251.66% | 116.1% | -592.7% | 66.6% | 84.8% |
| Efficiency | Gearing | 3 | 23.07% | 22.94% | 28.03% | -4.98% | 29.27% |
| Efficiency | Reinvestment % investment in properties (existing stock and new supply as % of the value of total properties. | 1 | 1.31% | 4.48% | 8.29% | 6.82% | 1.44% |

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| Performance | Indicator | Metrics No | SBHAGN / Support 2020/21 | SBHAGN / Support 2021/22 | SBHAGN / Support 2022/23 | NWPeer Group Average 2022/23 | SBHAGN / Support Forecast 2023/24 |
|--|--|------------|--------------------------|--------------------------|--------------------------|------------------------------|-----------------------------------|
| Operating efficiencies | Headline Social housing costs per unit. | 5 | £3,557 | £4,514 | £8,400 | £5,546 | £4,667 |
| | Rent Collected as % of rent owed (excluding arrears b/f) | | 99.80% | 98.30% | 97.6% | 98.8% | 100% |
| <i>Efficiency</i> | Overheads as a % of adjusted turnover | | 11.14% | 8.75% | 12.02% | 16.55% | 11.42% |
| Effective Asset Management | Return on Capital employed % compares the overall operating surplus to total assets less current liabilities | 7 | 1.80% | 1.63% | 1.32% | 1.81% | 2.11% |
| <i>Efficiency</i> | General Needs Occupancy | | 97.7% | 97.00% | 96.6% | 98.64% | 98% |
| | Ratio of responsive repairs to planned spend | | 1.49 | 0.71 | 0.70 | 0.48 | 0.79 |
| Development Capacity & Supply | Units Developed | | 0 | 4 | 2 | 1.26 | 0 |
| <i>Effectiveness</i> | Units Developed as a % of units owned | 2 | 0% | 1.43% | 0.71% | 0.36% | 0% |
| Outcomes Delivered | Customers satisfied their rent provides value for money *2011 survey results *2015 survey results | | 81% | 81% | 81% | 90% | 81% |
| | £ invested for every£ generated in new housing units | | £0 | £105.85 | £25.42 | £0 | £0 |
| | £ invested for every£ generated in communities | | £0.0134 | £0.0140 | £0.0142 | £0 | £0.016 |
| Local Targets | BME Lettings Target set at 45% based on demographics of area. | | 83.30% | 87.50% | 100% | 91% | 80% |

SBHA has had a decrease in operating margins in 2022/23 largely due to increased management costs, service costs and housing property depreciation.

The increase in Social Housing costs per unit and reduction in EBITDA MRI in 2022/23 is due to the completion of fire safety works in all of our blocks of flats including older persons accommodation.

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9. Value for money [Continued]

The NW benchmarking peer group average includes those members with less than 500 units:

| Provider | No. Units | Provider | No. Units |
|-----------------|-----------|-----------------|-----------|
| Crosby Homes HA | 433 | People First HA | 275 |
| Family HA | 393 | Steve Biko HA | 281 |

Benchmarking

SBHA is part of the Acuity NW Benchmarking Group that oversees the collection of data. This report uses the data taken from NW Acuity Benchmarking Group. The annual datasets for the year have been made available by Acuity.

Business health

The Association's operating margin currently stands at 12.57%. SBHA has 281 properties. Our Business Plan shows a modest period of growth at 4 to 6 units per year to enable us to reduce our costs per unit. This development expenditure will be funded by the secured loan facilities and social housing grant.

Operating Efficiencies

The Association's headline social housing cost per unit was £8,400 in 2023. This reflects the investment of fire safety upgrade works. In the ensuing year the forecast cost per unit will decrease to £4,667 as our fire safety programme of works is completed. The Association provides an intensive housing management service delivering services in very challenging neighbourhoods. Our size exacerbates the higher base cost per unit. The Association's growth strategy together with efficiencies we plan to see a reduction in our headline social housing costs per unit from 2025/26 onwards.

One of the results of our intensive housing management service is achieving close to circa 100% rent collection rates (subject to timing) at a time when the pandemic, changes to legislation and welfare reform is having a major impact upon our tenants and the communities in which we work. Liverpool is ranked 3rd in the indices of multiple deprivation. Princes Park Ward where the majority of our homes are situated is 8th most deprived within the city. 69 % of the population of Princes Park ward are from a non white background.

Effective Asset Management

Return on capital employed for the year was in the region of 1.32%. We anticipate that this figure will increase as the Association's growth strategy of developing 4 to 6 units per year is realised. The Association's long term business plan includes 24 units over the next five years.

Occupancy levels at Steve Biko Housing Association were 96.6%. We have held a number of management voids, to facilitate the need to move tenants from their homes whilst fire safety works were being undertaken. We have also experienced a number of older persons properties that were void for longer than we would have expected. We have now entered into discussions with Liverpool City Council and NHS to see if there is a partnership that we can enter into to help with bed blocking issues. Initial discussions have proved very positive.

Ratio of responsive repairs expenditure to planned spend is 70%. This has fallen as intended and reflects the return of stock reinvestment during the year.

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Development Capacity & Supply

Our gearing levels, as measured by the RSH VFM Metric 3, have increased from 22.94% to 28.03%. This reflects the loan facility which has been utilised during the course of the year, and our efforts to concentrate on completing fire safety improvement works. It is our intention to have a small development programme over the course of the next 4 years, increasing stock holding by 24 units as per our development strategy.

Tenant Satisfaction Survey

Our last full STAR Survey was undertaken in 2018. Customer Satisfaction by tenants that their rent provided value for money was at 81%. We will undertake a new tenant satisfaction survey during 2023, ensuring we capture the new tenant satisfaction measures.

We currently spend 1.42p in each £ on tenant participation and community regeneration activities this expenditure enables the Association to deliver against its vision and mission.

SBHA has a target of achieving 45% of our lettings to BME people. This target was set to reflect the 45% BME population in Princes Park and Picton wards, the main wards in which we operate. Information from the 2021 census is starting to feed through, and we will review our targets in light of census information. In recent years we have consistently achieved rates in excess of 80% of our lets to BME people.