Vantage Business Solutions

Social Housing Financial State of the Sector

FY16/17

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

October 2017

yourvantage.co.uk

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, Executive Director of Corporate Resources, Midland Heart

This report was written by Tony Bryan, Anne Seddon and Matthew Wright of Vantage.

Introduction

Welcome to the First Look Financial State of the Sector FY16/17 presented by Vantage and the Performance Improvement Club, the first sector led report of its kind.

This report was produced in response to a demand for timely insight and analysis of the Global Accounts data. At a time of unprecedented change in the sector, with a strong focus on delivering Value for Money as well as new homes, this report provides invaluable strategic intelligence.

In 2015, Vantage developed an online financial comparison tool in order to provide early access to the Global Accounts data to help drive improvement in the sector. The tool has enabled us to analyse the sectors performance across many different financial metrics, including 5 of the 7 HCA Value for Money metrics. The Vantage Global Accounts Plus tool is an essential product that members of the Vantage Performance Improvement Club receive each year, and is also available on a stand-alone subscription basis.

It enables housing providers to compare their individual performance against all the Top 200 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.

Our analysis is based on the consolidated group financial statements of the Top 132 Registered Housing Providers (RPs) for the year ended 31st March 2017.

We have collated the Top 200 RPs financial accounts, but for the purposes of an accurate comparison year on year for FY15/16 we reference the data for the Top 132.

The Top 132 RPs contained within this report accounts for 84% of the total turnover of the sector, equating to just under £17 billion. Similarly, stock represents 84.9% as a proportion of the HCA social units owned and managed (2,330,734 out of 2,744,785 Total HCA Dataset 240 RPs.) Our full global accounts 16/17 dataset, including the Top 200 RPs, accounts for approximately 95% of the HCA Global Accounts Data.

We have presented a small sample of headline results, and 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 www.yourvantage.co.uk or call 0151 342 5989.

Analysis of Financial Performance

Executive Summary

In the first of a four year rent reduction, the sector has largely strengthened its financial position. It is still too early to assess the ongoing impact of this, but there does appear to be renewed confidence across the sector, especially as the political tide turns in its favour.

Over the past few weeks we have seen positive announcements from the government including the new post 2020 rent settlement and the proposed LHA cap removal. However, many challenges remain including the continued roll out of universal credit and Brexit.

Whilst rents have fallen by 1.3%, turnover has remained relatively stable, helped in some way by a small reduction in void losses. Operating margins have risen sharply, thanks in part to a significant increase in asset sales together with the sector achieving cost savings across many of its operating costs. A number of the savings made relate to a reduction in staffing numbers (almost 4,000 fewer staff) and overall employment costs.

Investment in new homes has come down in 16/17 from 15/16 levels, perhaps reflecting the uncertainty felt by many with the rent reduction. Investment has been increasingly funded by cash generated from operating activities including the sales of fixed assets. This has become a key source of funding for new homes.
It is important that underlying business performance remains transparent and is not masked by sale proceeds.

Overall repairs and maintenance costs have come down, but this is largely due to a reduction in capitalised component spend. Whilst consolidation in the sector has realised some efficiencies, size, as expected, is not yet delivering any serious economies of scale.

There is plenty of room for the sector to make large savings in this area, estimated in excess of £448 million per annum and indeed it will need to achieve this, given the huge pressures it faces on compliance post Grenfell.

Income collection has improved with small reductions in arrears being achieved during the year despite the introduction of Universal Credit in a number of local authority areas. As the roll out gathers pace, the sector will face a steep challenge to further improve cash collection.

In summary, financial viability remains strong in the sector. Real cost savings have been achieved, sale of assets have boosted margins and organisations are not dependant on asset sales to keep them viable. However, I am certain there are still further significant efficiencies to be achieved across the sector. There is now a genuine movement in the sector to work together with Government to increase housing supply and deliver efficiency savings. Following the recent positive political announcements, let's make the next year one in which housing providers really show their true potential.

I hope you find this report insightful,

Kind regards,

Tony Bryan
Chief Executive, Vantage Business Solutions

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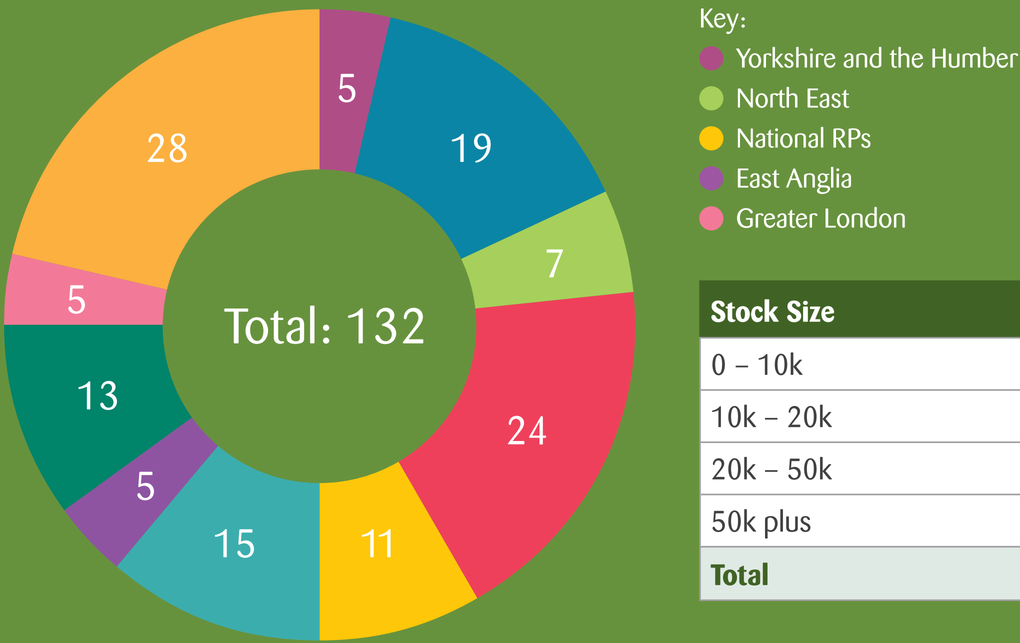
What our sample represents:

Top 132
Registered Social Housing Providers

2,330,734
Social Housing Units Owned and Managed

84.9%
of the Sector

Number of RPs:



Stock Size	No. of RPs
0 – 10k	50
10k – 20k	44
20k – 50k	30
50k plus	8
Total	**132**

In Brief: Our Headline Analysis

- **£16.69** billion Total Turnover.
- **£5.55** billion Operating Surplus, an increase of **15.6%**.
- **£12.56** billion Social Housing Turnover, margin of **35%**.
- General Needs represented **77.2%** of Social Housing Lettings.
- Number of Staff Members fell by **3,979** to **99,417** FTE.
- Employment Costs reached **£3.37** billion, down **6.6%** on last year.
- Average Debt was up **3.4%** to **£57.75** billion.
- Headline Social Housing Cost per Unit was **£3,514**.

Analysis of Financial Performance

Turnover

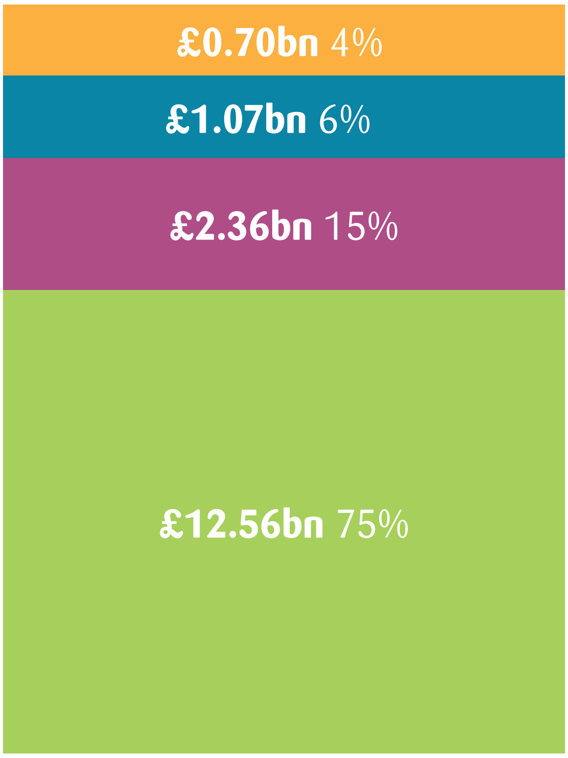
£16.69bn
Total Turnover

Turnover for FY16/17 was £16.69 billion, a small decrease of 0.11% in comparison to £16.71 billion in 2015/16.

FY16/17 was the first of the four year rent reduction programme. Turnover has remained relatively flat, which is no surprise given rents have fallen by 1.3% but this was levelled out somewhat by a small reduction in void losses.

The chart below shows Social Housing Lettings turnover was £12.56 billion (75%), and the split between social and non-social housing was 86% and 14% respectively.

Overall Turnover Split FY16/17 (£16.69 billion)



Key:
- Social Housing Turnover
- Other Social Housing Turnover
- First Tranche Sales
- Other Non-Social Housing Turnover

Breakdown of Turnover by Stock Size:

36% of total turnover is from organisations which have between 20,000 and 50,000 units.

27% of total turnover is from organisations with 50,000 plus units.

24% of turnover is from organisations with between 10,000 and 20,000 units.

13% of total turnover is from organisations with less than 10,000 units.

Breakdown of Turnover by Region:

G15	**£4.5bn (27%)**
National Organisations	**£3.6bn (22%)**
Midlands	**£1.8bn (11%)**
North West	**£1.8bn (11%)**
South West	**£1.4bn (8%)**
Other Regions	**£3.5bn (21%)**

National and G15 organisations accounted for almost half of the sector turnover (49%), in part due to high asset sales and higher rent per week in London.

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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
£16.69 billion

75%
Core Social Housing

25%
Non Core Income

Turnover by Segment: Core Social Housing

77.2% General Needs

14% Care and Support

4.7% Low Cost Home Ownership

1% Temporary Housing

3.1% Other

The G15 had the lowest proportion of General Needs turnover at 71.2%, an increase from 65.5% previous year. The greatest was 92% in the North East, which increased from 88% in 2015/16.

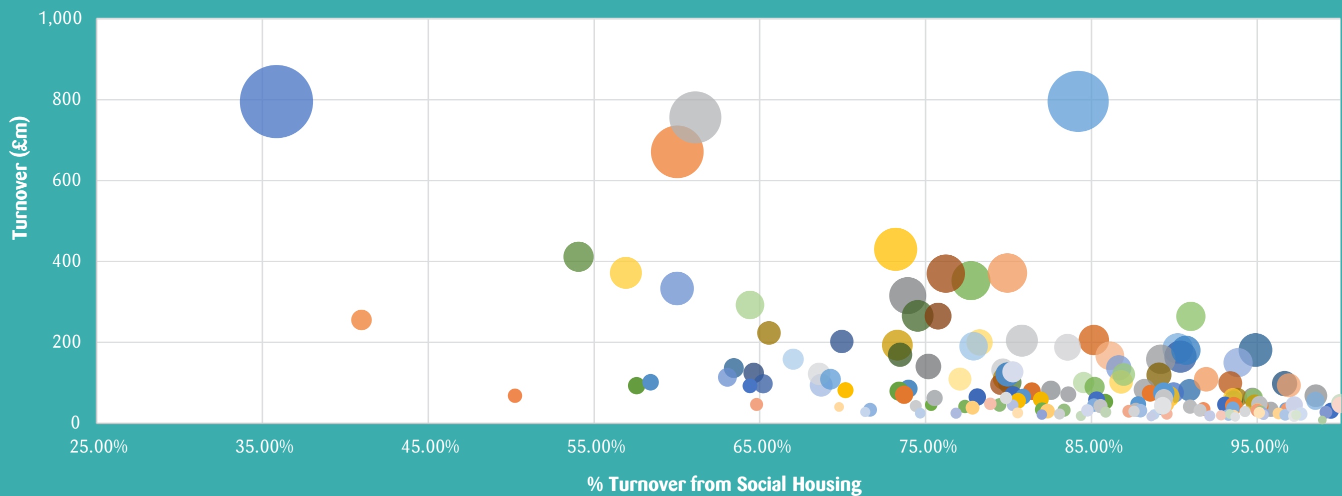
The proportion of Care and Support turnover as a percentage of total Social Housing Lettings turnover ranged from 7.1% in the North East (11% in 2015/16), to 22.9% for organisations in the Midlands (15% in 2015/16).

All regions, except for Yorkshire and the Humber saw an increase in Care and Support turnover, with an overall increase from £1.16 billion to £1.76 billion, despite ongoing financial pressures in this segment.

The regions with the largest proportion of Low Cost Home Ownership turnover are in London (10.6%) and G15 (8.8%).

Out of the 132 RPs there are only 16 who provide a Temporary Housing service. For 13 of these, Temporary Housing represents less than 10% of their overall turnover. The G15 has the greatest proportion of Temporary Housing turnover at 3.6%.

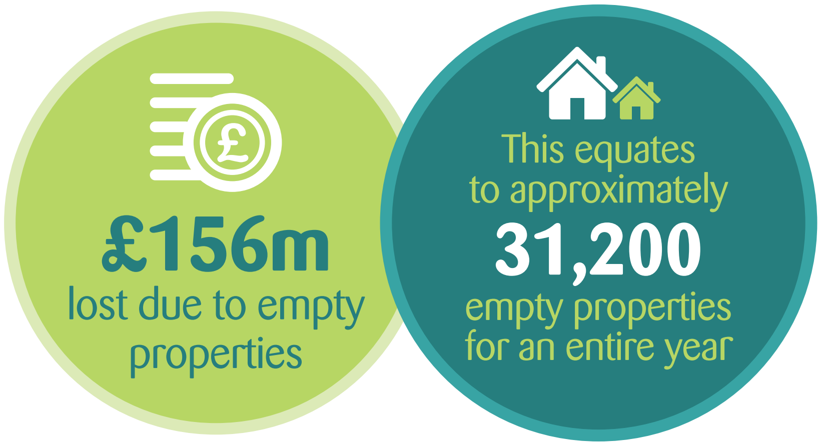
RP's Turnover from Social Housing



The chart above shows how some larger RPs tend to have a smaller proportion of Social Housing Turnover as a proportion of total turnover. The bubbles represent the stock size of the organisation and the data sample is the Top 200 RPs for 16/17.

Analysis of Financial Performance

Turnover



Void Losses

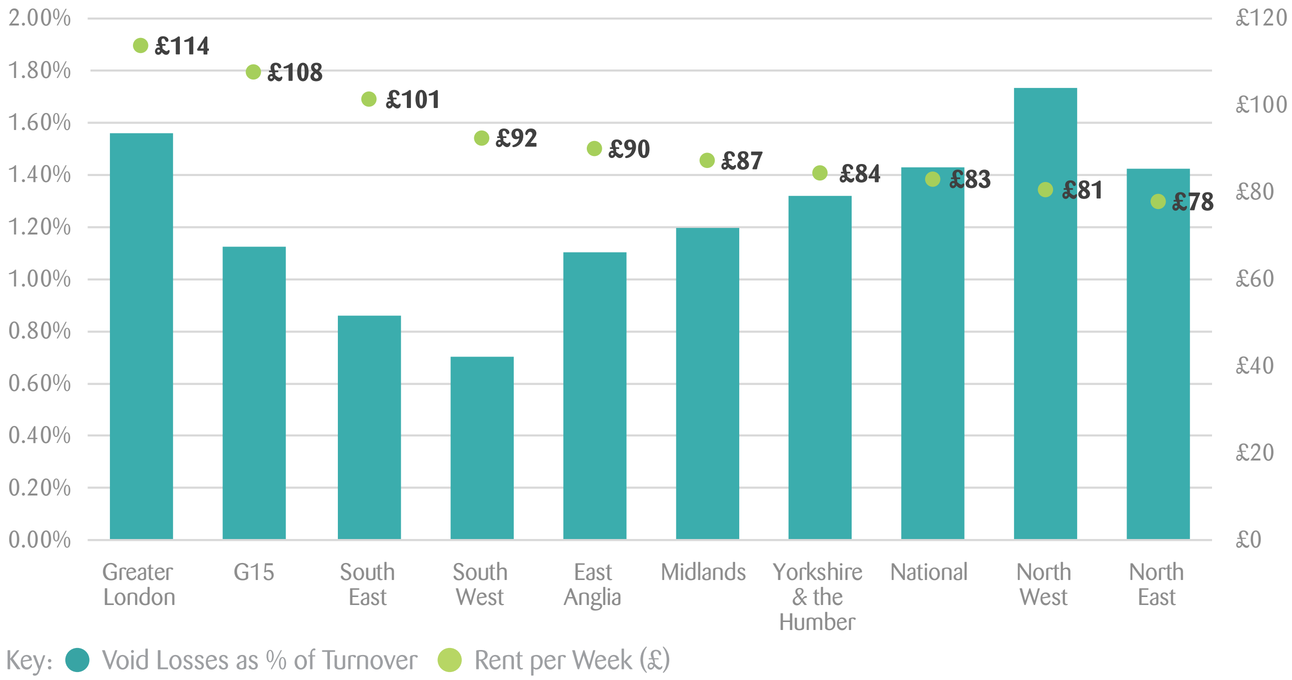
In 2016/17, £156 million was lost due to properties being empty compared to £169 million in 2015/16. This equates to £67 per unit, a reduction in relation to 2015/16 which was £72 per unit.

For 2016/17 the loss equates to approximately 31,200 empty homes for an entire year. This could also be illustrated as 1,622,400 homes empty for one week per year at an average rent of £5,000 pa.

Generally, occupancy rates quoted throughout the sector are above 99%, however, this only accounts for properties which are ready and available to let. 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 £156 million worth of lost opportunity in 2016/17, and this is an ongoing occurrence.

At a time when more than ever it is paramount to provide more homes and organisations are facing increasing challenges in terms of financial capacity, perhaps a review should be undertaken by organisations in pursuit of making the most of at least some of their empty properties.

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 potentially indicate the volume of empty properties. For example, the North West 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 Surplus

We have analysed operating surplus for FY16/17 and compared to FY15/16. Our analysis shows the overall operating surplus was £5.55bn for FY16/17, a 15.6% increase on FY15/16. All housing providers recorded an operating surplus.

15.6%
increase for FY16/17

The table below shows for Social Housing Lettings the surplus was £4.45 billion in FY16/17, an increase of 8% on FY15/16, which was £4.13 billion. Overall the sector has achieved improved operating margins despite a 1% rent reduction.

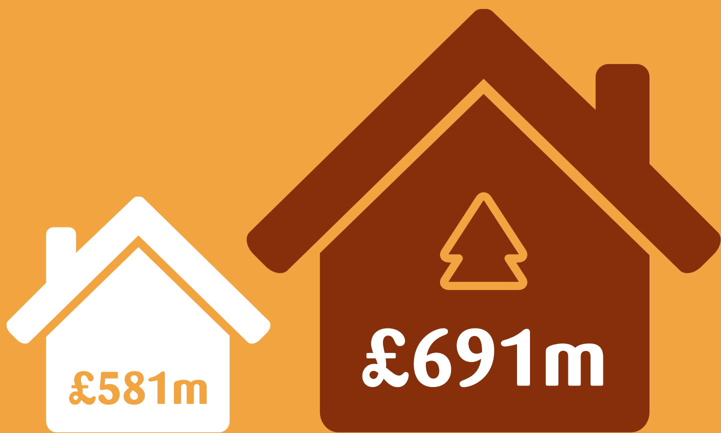
Total Operating Surplus	FY2016/17			FY2015/16		
	Turnover (£m)	Operating Surplus (£m)	Operating Surplus %	Turnover (£m)	Operating Surplus (£m)	Operating Surplus %
Social Housing Lettings	12,577	4,457	35.44%	12,398	4,126	33.28%
Other Social Housing Activities (Inc. First Tranche Sales)	1,772	347	19.58%	1,887	197	10.44%
Non-Social Housing Activities	2,334	431	18.47%	2,416	487	20.16%

The sector made a surplus of **£347m** for other social housing activities.

£349m was earned from first tranche sales, with the remaining turnover of £703m in other social housing activities making a deficit of approximately £2m.

In addition there were significant surpluses earned on sale of fixed assets. Some organisations included these surpluses within the operating surplus, others showed it below the operating surplus line, effectively making comparisons very difficult.

The main element of non-social housing activities was development for outright sale, and in this category, 26 organisations have made losses.



In total the surplus on sales of fixed assets was £691m, an increase in relation to the previous year of £581m.

Analysis of Financial Performance

Operating Surplus

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.

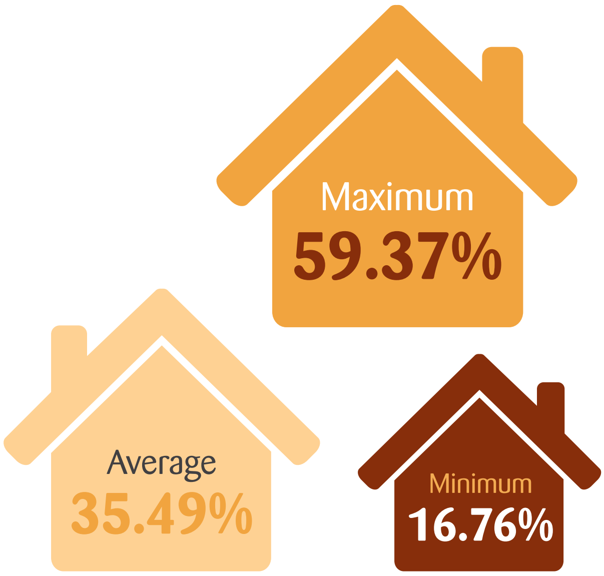
For social housing lettings, the greatest proportion of margin was earned from general needs (£3.6bn). The region with the greatest margin percentage was the South East (43.7%), with East Anglia closely behind achieving 42.4%. The region with the lowest margin percentage was the North West with 30.6%, however this was an improvement in relation to the previous year of 29.4%.

		Operating Margin Social Housing Lettings	
	Section	16/17	15/16
General Needs	% All (£m)	**37.55%** **£3,641**	38.04% £3,394
Care & Support	% All (£m)	**20.86%** **£366**	31.39% £364
LCHO	% All (£m)	**52.60%** **£308**	64.70% £267
Temporary Housing	% All (£m)	**6.66%** **£8**	17.60% £21

For Care and Support, the average margin was 21%, falling ten percent from last year, despite increased turnover.

This reflects the high financial pressures many providers are experiencing which has resulted in some carefully managed divestment. LCHO showed a similar trend, with a margin reduction from 65% in FY15/16 to 53% in FY16/17.

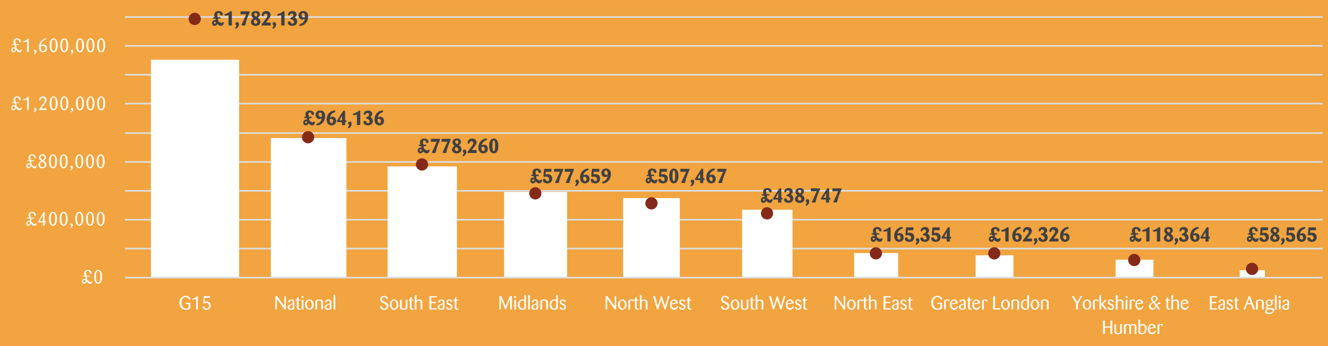
The minimum, maximum and average operating margin on Social Housing Lettings was as follows:



Temporary Housing is a small proportion of turnover and earns the lowest margins. The region with the highest margin percentage was the North West, however this region has a very small proportion of its turnover (less than 1%) as an activity.

The Midlands also has a small portion of its turnover arising from Temporary Housing and made a deficit of 21.7%, and likewise the South West region made a deficit of 16.4%.

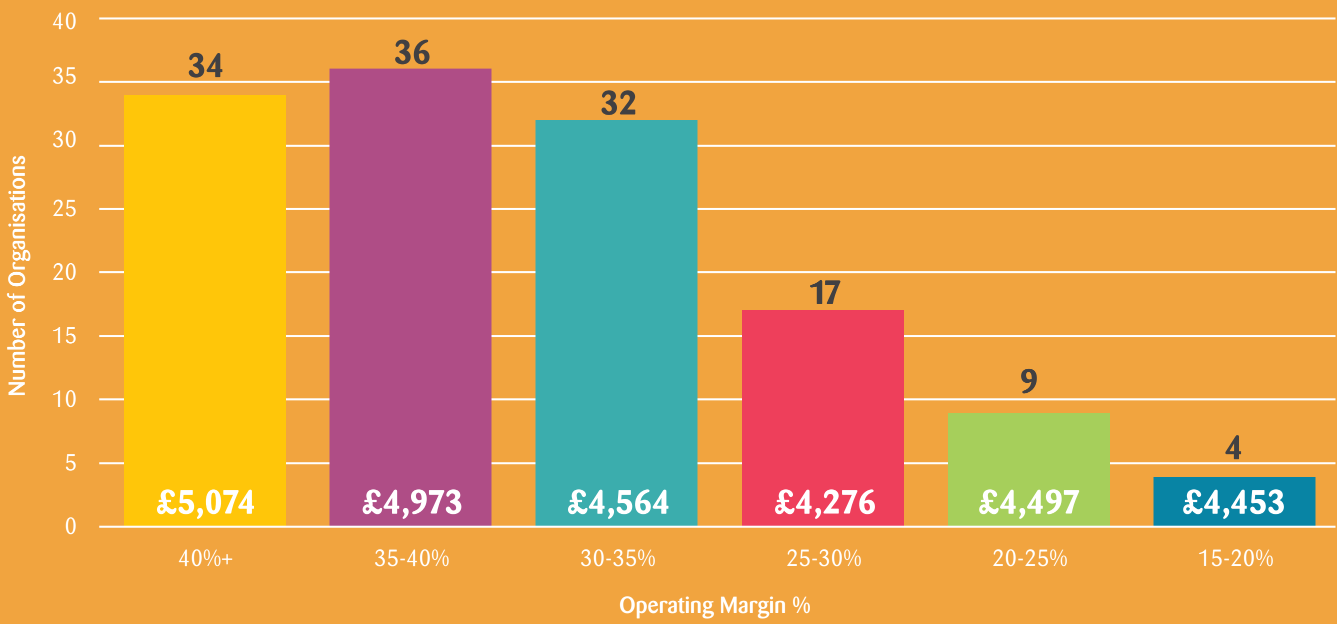
Adjusted Operating Surplus (£)



Key: Surplus Exc Asset Sales, Depreciation and Amortisation, Capitalised Components; Annual Surplus

The bar chart above shows surplus adjusted regionally to exclude the impact of asset sales, depreciation, impairment and capitalisation of major repair costs. These adjusted surplus figures more closely represent the underlying profitability of each housing provider and following this adjustment, 4 organisations produced a deficit. Overall for the sector the adjusted surplus was £5.343 billion in relation to an operating surplus of £5.553 billion. If we exclude the G15, generally the adjusted surplus was higher than the operating surplus. However, the converse was true for the G15 who recorded an adjusted operating surplus of £1.503 billion, against an operating surplus of £1.782 billion. The G15 operating surplus was 32% of the total for the sector, however their surplus on asset sales were 52% of the total surplus on asset sales of the sector.

Number of Organisations within Social Housing 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.

The correlation coefficient of rent per annum and overall operating margin is strongly positive at 0.74. Organisations with margins higher than 40% had an average rent per year of £5,074 per property, while those between 15-20% received on average £4,453 rent per year per property.

Analysis of Financial Performance

Operating Costs

Management costs reduced by **7.3%**

We have analysed operating costs for FY16/17 and compared to FY15/16. Our analysis covers management costs, repairs and maintenance and headline social housing cost per unit.

Management Costs

Management costs reduced from £2.33 billion to £2.16 billion in 2016/17, a reduction of 7.3%.

A major proportion of management costs is employment costs. Employment costs fell by 6.6% between 2015/16 and 2016/17 from £3.61 billion to £3.37 billion. This appears to be partly as a result of restructuring exercises being triggered by the 1% rent reduction as the number of employees fell by 3.85% from 103,396 to 99,417.

The cost per FTE fell by 2.76% from £34,900 to £33,942, possibly an indication of high earners being included in the reduction of employees and therefore having a significant impact on the resulting cost per FTE.

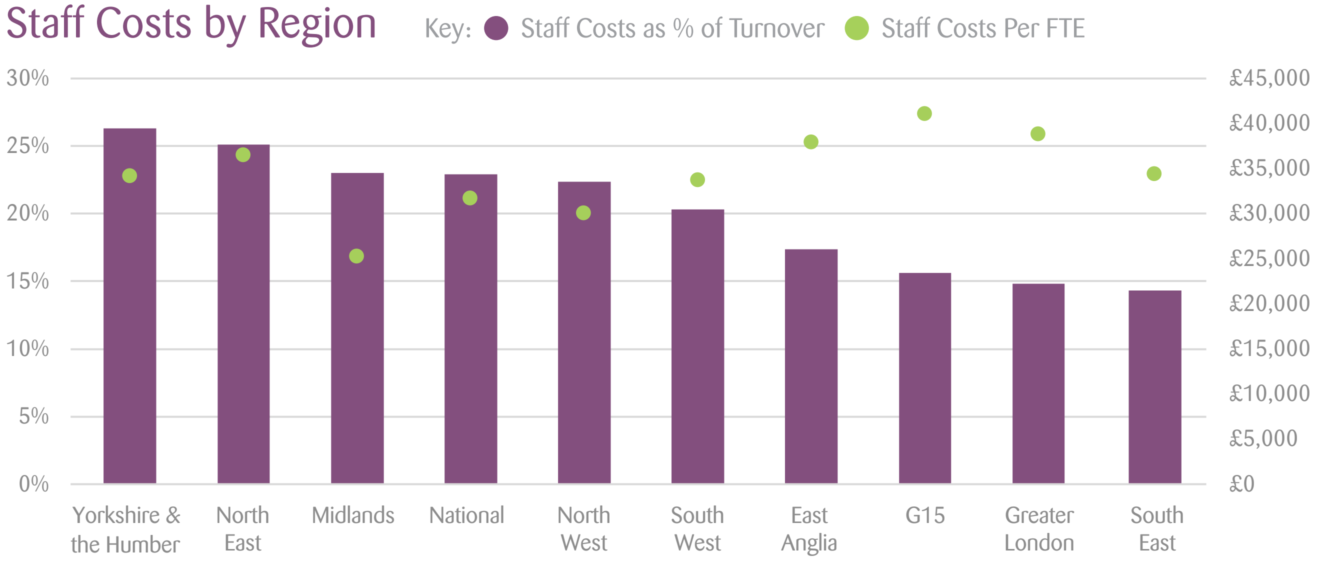
In 2015/16 many organisations had to take a large charge in relation to the Social Housing Pension Scheme past service deficit which has helped the margins in 2016/17 look improved in relation to the previous year.

In addition, there was an increase in employer contribution rates in 2016/17 for those continuing with defined benefit arrangements. However, there were many organisations that have significantly reduced their contribution rates by switching to defined contribution schemes.

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

As anticipated the highest staff costs per FTE were in the G15, Greater London, East Anglia and surprisingly the North East. The G15 and Greater London have higher rents and greater diversification, leading to increased turnover and therefore the lowest staff cost levels as a % of turnover. In the North East specifically, with relatively lower rents, coupled with high staff costs per FTE, they have the second highest proportion of staff costs in relation to turnover.

Staff Costs by Region



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Repairs and Maintenance Costs

Overall Repairs and Maintenance Costs (including capitalised costs) were £4.01 billion in FY16/17 compared to £4.31 billion in FY15/16, a 7% reduction.

Overall Repairs and Maintenance
£4.01 billion
in FY16/17

Capitalised components spend was £1.56 billion in FY15/16 compared to £1.31 billion in FY16/17, a 16.14% reduction.

Given the nature and profile of capital programmes, it is difficult to draw any definitive conclusions in increases or decreases in spend over the period of two years. What we have seen from our detailed cost studies in early 2017 is that many housing providers are still paying excessive cost rates per unit across areas including heating, windows, kitchens and bathrooms. For example, potential savings amounted to more than 22% on heating systems, 18% on bathrooms and 21% on kitchens.

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 £2.71 billion in FY16/17 compared to £2.75 billion in FY15/16.

Total Repairs and Maintenance Costs:

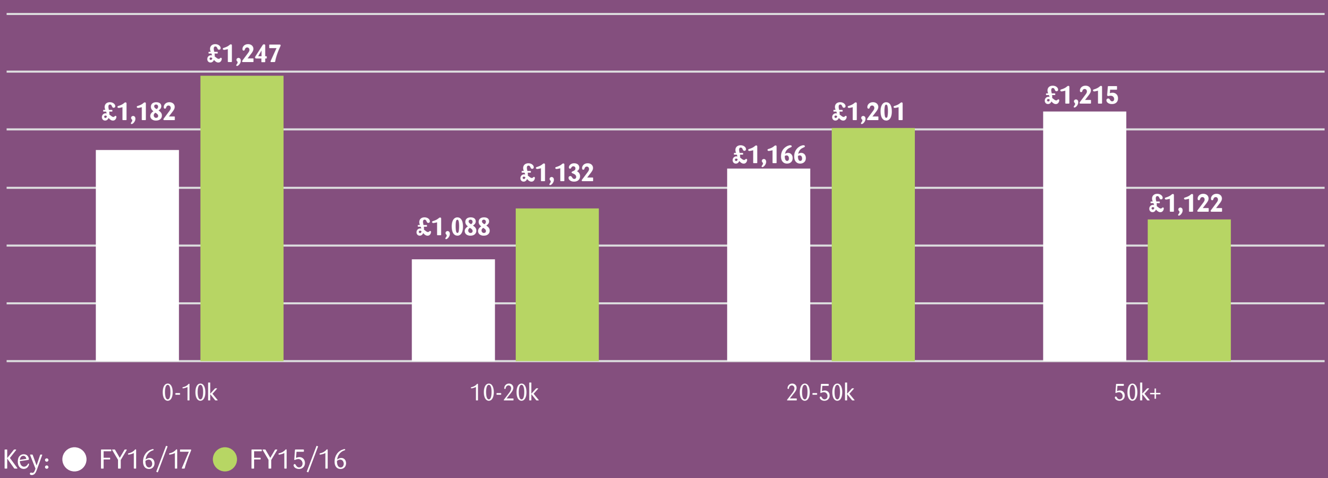
Routine Maintenance
- **Total FY16/17 £1.613 billion**
- Total FY15/16 £1.646 billion

Planned Maintenance
- **Total FY16/17 £709 million**
- Total FY15/16 £670 million

Major Works
- **Total FY16/17 £382 million**
- Total FY15/16 £436 million

If we analyse the movement in spend in overall maintenance costs by stock size, we can see that larger organisations do not benefit from economies of scale, and consolidation and mergers have not yet achieved efficiencies. For example, as illustrated in the table below, those larger organisations with 50k units and above, have an average cost per unit of £1,215 compared to those organisations between 10k and 50k units who are between £1,088 and £1,166 per unit.

Total R&M per Unit by Stock Size



Analysis of Financial Performance

Operating Costs

Routine Maintenance

Routine costs per unit fell from £700 per unit in 15/16 to £692 per unit in 16/17, a 1.18% reduction. Whilst this reduction could be seen as good performance in light of CPI increases and the rising prices charged by external contractors, there is still much room for improvement. There was a large variance between a minimum spend per unit of £181 and a maximum of £1,242 with 62 RPs above the average of £692.

The majority of housing providers are still not managing the big cost drivers such as productivity and demand and many are still not getting Value for Money from their external contractors and their procurement practices.

For example, using a target cost of £500 per unit that has been achieved by parts of the sector, if we were to apply this across each RP in the Top 132 data, this would yield annual savings of £448m per annum.

Notwithstanding the fact that RPs do not always classify the different aspects of their maintenance costs on the same basis, 87% of housing providers were above this target figure.

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 North East at £799 per unit.

Routine Maintenance Cost per Unit (£)

Key: Routine Maintenance FY16/17 (£) Routine Maintenance FY15/16 (£)

Planned Maintenance

Planned maintenance costs per unit increased between the years from £285 to £304 per unit, a 6.67% increase. Potentially, this is reflective of the increased need for RPs to ensure full compliance across those vital service areas.

We expect FY17/18 spend levels to rise more sharply to accommodate an increase in fire safety costs. Compliance is of paramount importance whilst being efficient and commercially minded.

Major Repairs

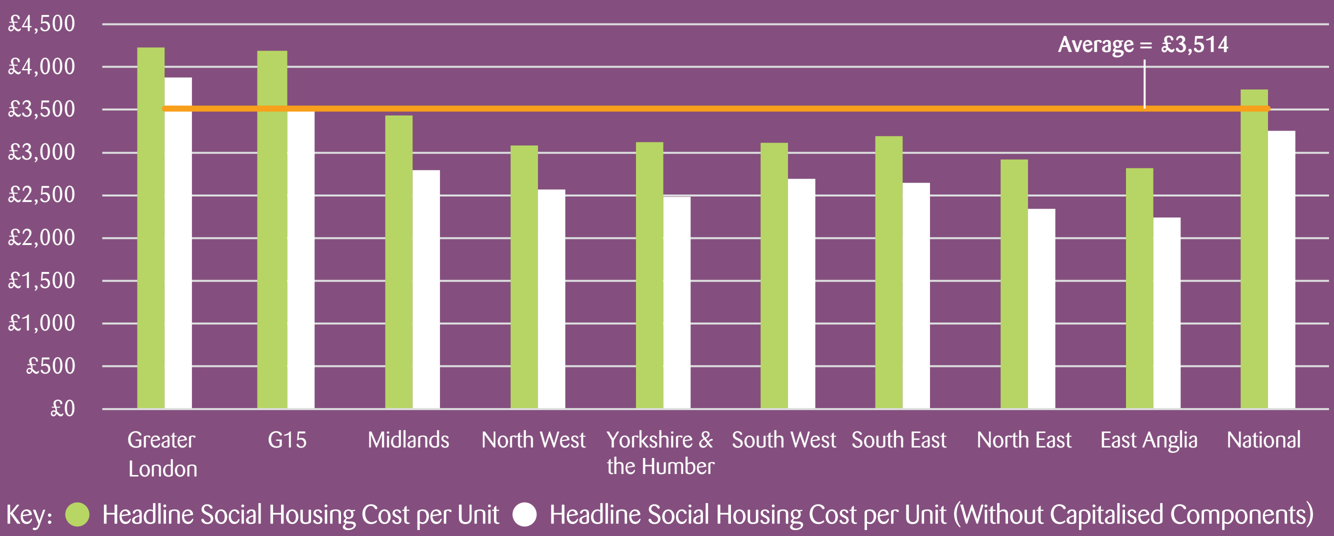
Major repairs costs reduced from £185 in FY15/16 to £164 per unit in FY16/17, a drop of 11.4%.
The change in major repairs spend is likely to be attributed to a reduction in the volume of major repairs work carried out by the sector as a result of the 1% rent reduction, rather than an efficiency saving. Major repairs could be viewed as an easier target for reduction given the level of discretionary spend in this category.

Headline Social Housing Cost per Unit

We have analysed the Headline Social Housing Cost (HSHC) per Unit for 2016/17 and our analysis shows the average was £3,514. There were variations with the lowest individual organisation having a HSHC per unit of £1,013 and the most expensive organisation having a HSHC per unit of £5,920.

The HCA average across the sector in 2015/16 was £3,959 (HCA Global Accounts), so this year's results appear to be encouraging.

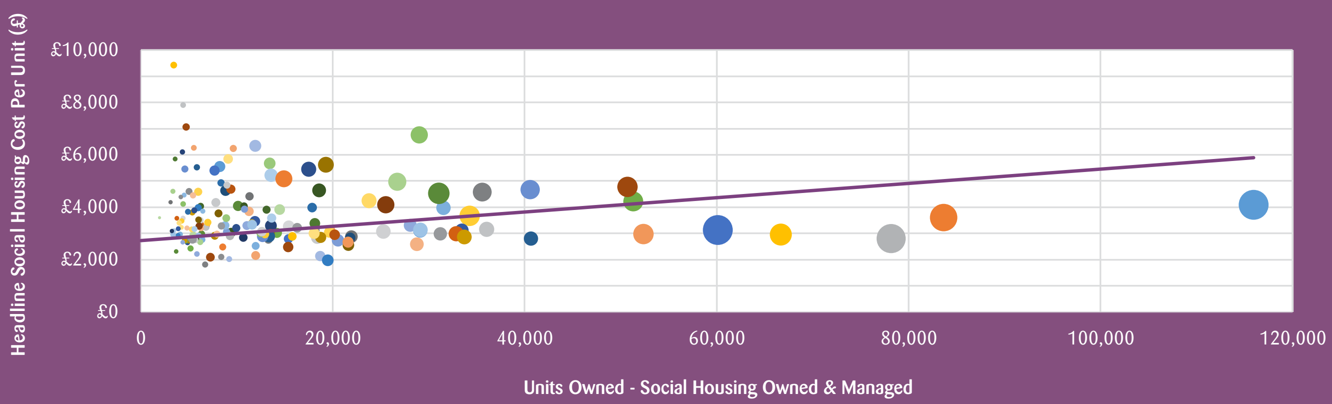
There are large regional differences across the sector with East Anglia having the lowest at £2,921 per unit, and Greater London the highest at £4,227 per unit.



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

- Management costs fell by **7.3%**
- Employment costs fell by **6.5%**
- Past service pension deficit **significant charge in 15/16**, not repeated in 16/17
- Capitalised components fell by **16.2%**

Stock size Vs Social Housing Cost Per Unit

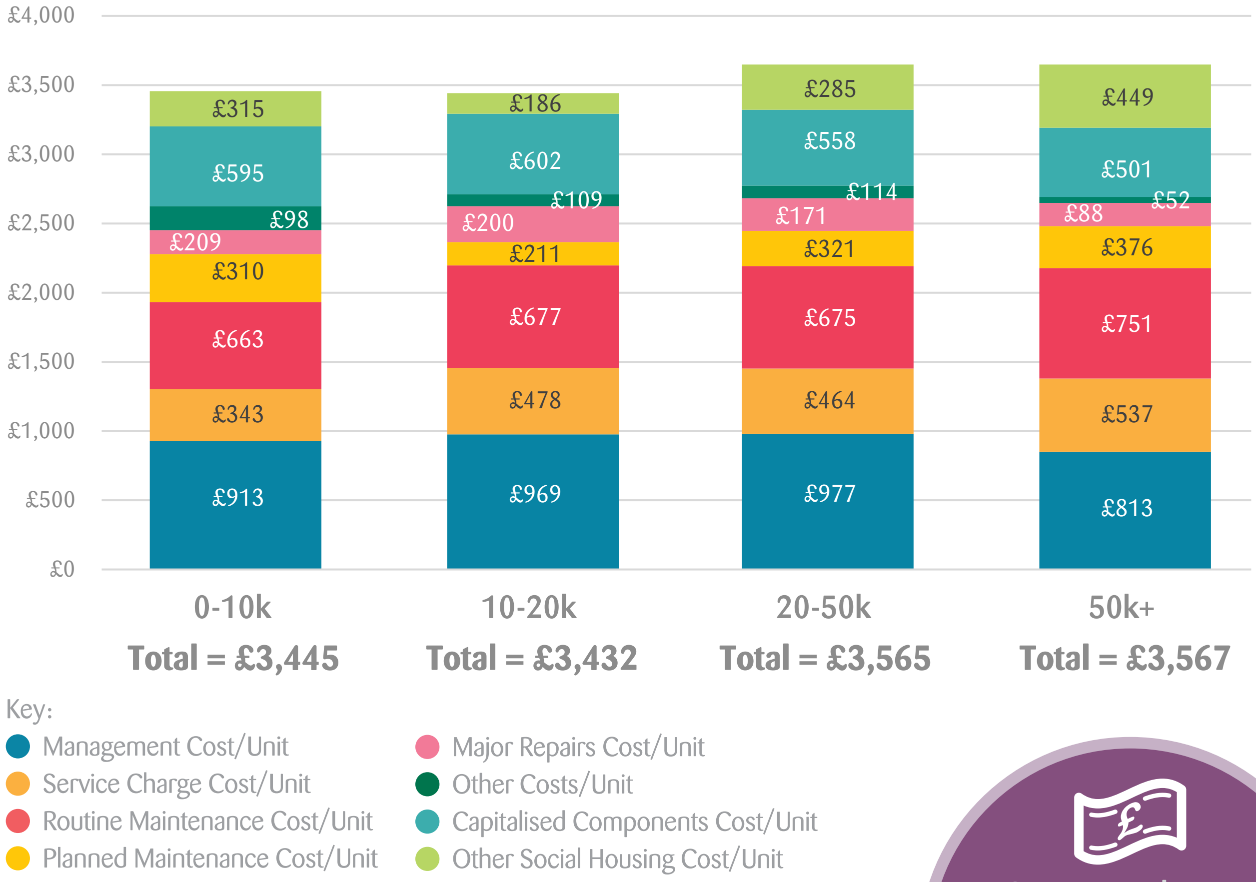


The bubble chart above shows how HSHC per unit increases with size of organisation. The bubbles represent the stock size of the organisation and the data sample is the Top 200 RPs for 16/17.

Analysis of Financial Performance

Operating Costs

Headline Social Housing Cost per Unit Breakdown by Stock Size



The bar chart above shows the different cost elements within the HSHC per unit by organisational size.

The larger organisations have higher headline social housing costs, despite expected economies of scale. However, many of these larger organisations may have increased margin to cover these additional costs. Management costs are significantly lower for the largest organisations at £813 per unit, although organisations with stock sizes between 20-50k have the highest management costs. For the very largest organisations, both routine and planned maintenance costs per unit were the highest by approximately 10% and 15% respectively than the next largest category.

Other Social Housing costs per unit is much larger in the 50k plus stock category. This is likely to reflect far greater diversification with potentially additional margin earned. Smaller stock organisations may not have access to the wider resources and expertise to enable them to diversify into income generating activity.

Service Charge costs increased slightly from 2015/16 from £1.03 billion to £1.09 billion, and in both years there was a similar deficit of 9.8% of income.

Expenditure on major repairs was significantly less for 50k+ organisations, almost half the value for 20-50k organisations at £88 per unit and they have also spent less on capitalised components per unit.

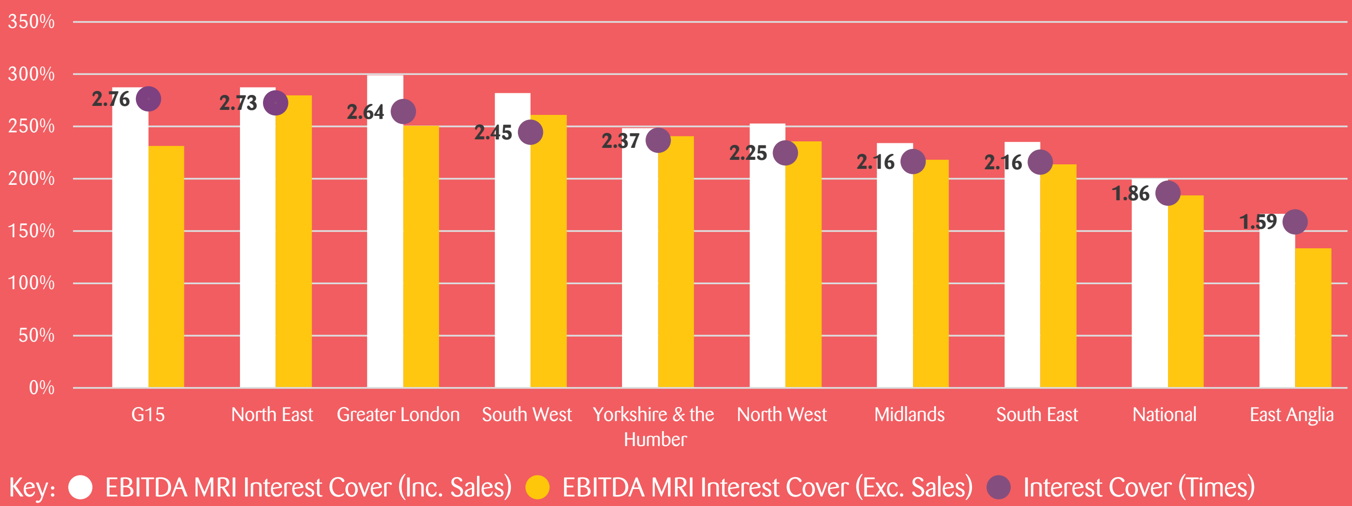
Analysis of Financial Performance

Financial Health & Viability

This section covers our analysis on financial health and viability across the sector. We analysed EBITDA, return on capital employed, gearing, cash, loans and arrears management.

EBITDA MRI % Interest Cover

EBITDA MRI interest cover is favoured by financial stakeholders and the Regulator as a key indicator, and takes account of depreciation and capitalised major repairs. This is a good indicator on the level of financial headroom to pay interest payments. Interest cover is simply operating surplus before interest and is expressed as a percentage of interest payable. This is a broad indicator of a housing provider's capacity.



The bar chart above illustrates the differences in EBITDA with and without sales, and we have also shown interest cover as an overlay. It also shows the figures by region and shows the relationship between interest cover and EBITDA.

These figures for the overall sector are as follows:

222% EBITDA MRI (exc. Sales)

251% EBITDA MRI (inc. Sales)

231% Interest Cover

All three figures were up on last year by 25.19%, 24.83% and 18.77% respectively. A major component of this is operating surplus which as mentioned has increased by 15.6%, and interest payable has come down by 2.55%.

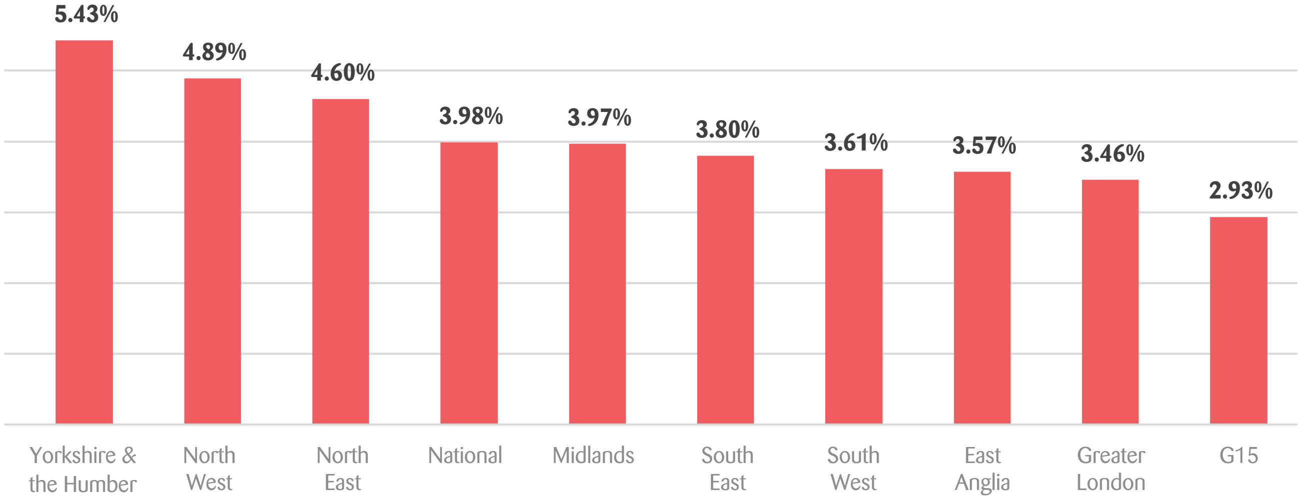
However, when analysing the figures in detail and attempting to draw conclusions, we found that a number of organisations report surplus on sale of fixed assets below the operating surplus line, while others report it above.

Analysis of Financial Performance

Financial Health & Viability

Return on Capital Employed (ROCE)

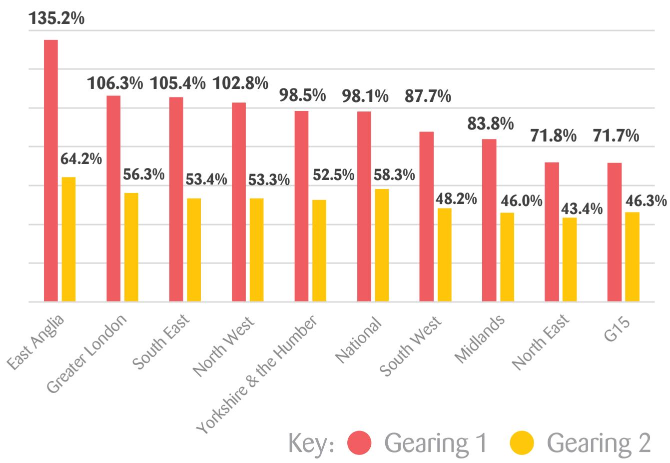
ROCE is a measure of financial return, and is generally used to compare the efficiency of how capital is used throughout the sector. The bar chart below shows the results on a regional basis; however, it is important to note that each region will have a variety of different organisations. For example, a combination of traditional and stock transfer housing providers.



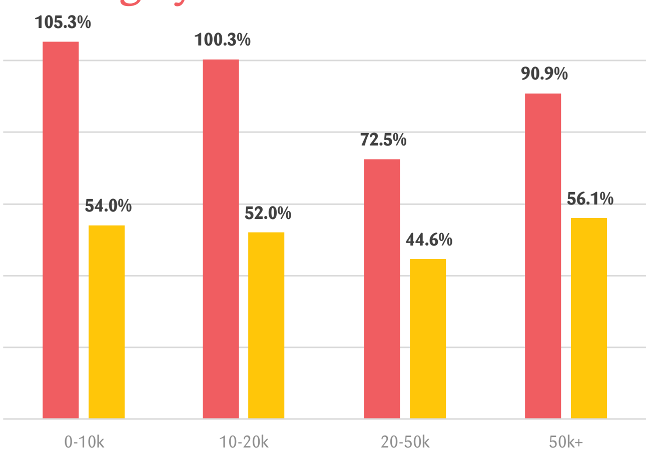
NB. Return on Capital Employed = (Operating Surplus/deficit – Surplus on Disposals) / (Fixed Assets + Current Assets – Current Liabilities)

Overall gearing has gone up from 79.2% in 15/6 to 86.55% in 16/17 for the Gearing 1 ratio and down from 58.12% in 15/16 to 50.4% in 16/17 for the Gearing 2 ratio.

Gearing by Region



Gearing by Size



- Gearing 1 is loans at the end of FY16/17 divided by Social Housing Grants plus Capital & Reserves.
- Gearing 2 is Loans at the end of FY16/17 divided by Fixed Housing Assets.

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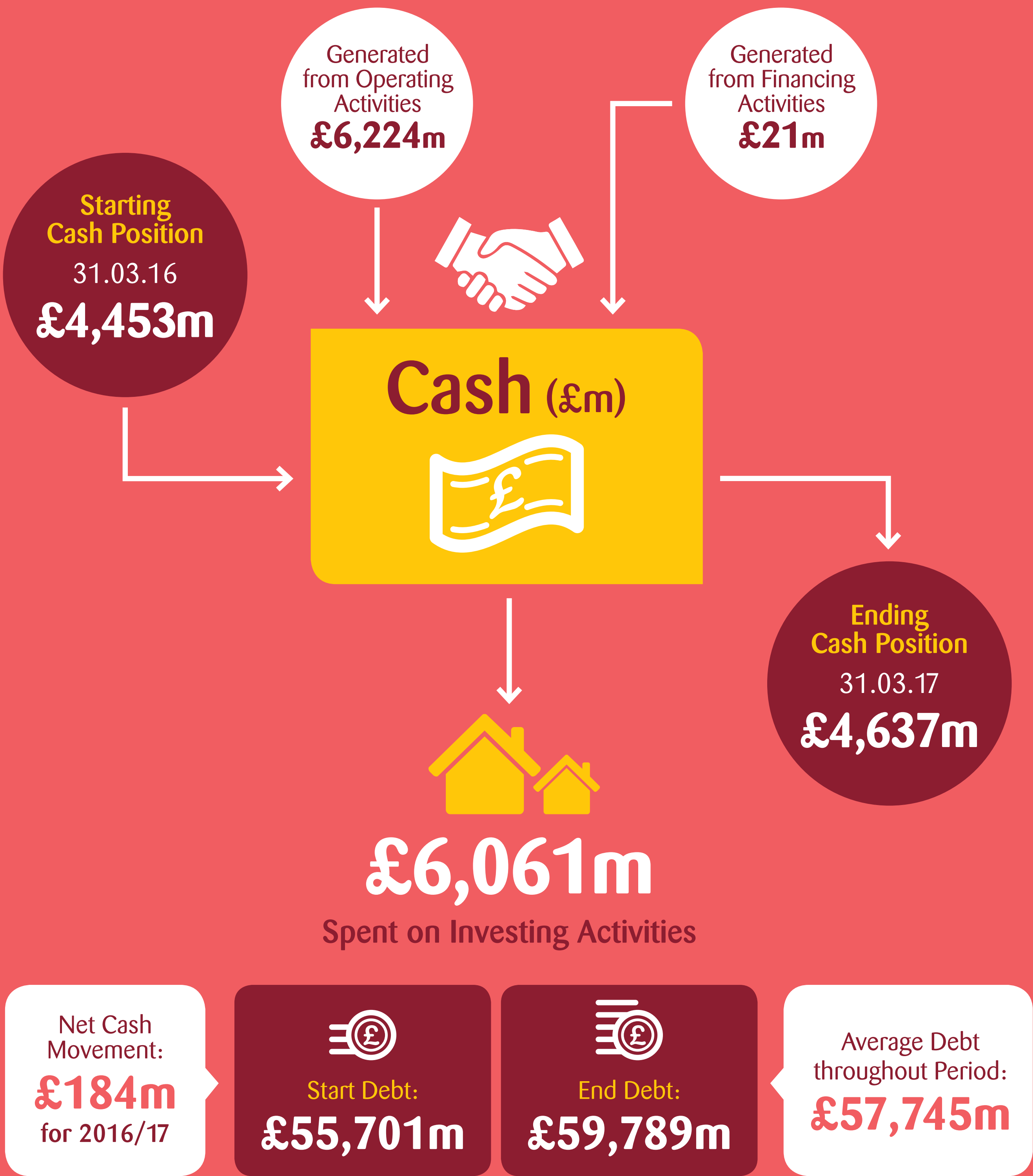
Cashflow and Loans

This chart shows how cash is generated across the sector and where it is being invested. A very small proportion has been generated from net financing activities and investment in both current and new homes has been generated mainly from operating activities.



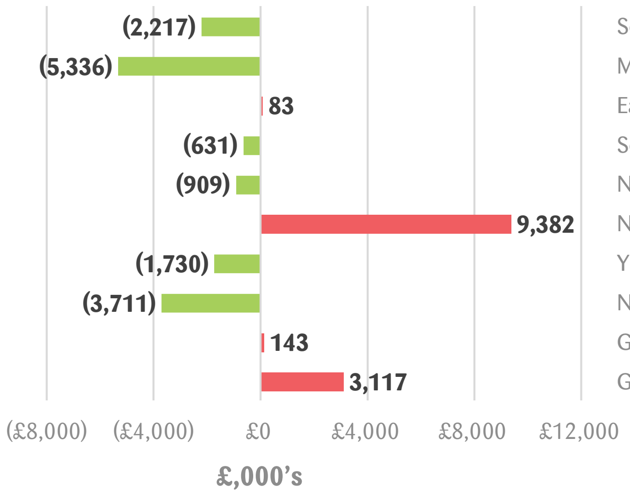
Analysis of Financial Performance

Financial Health & Viability

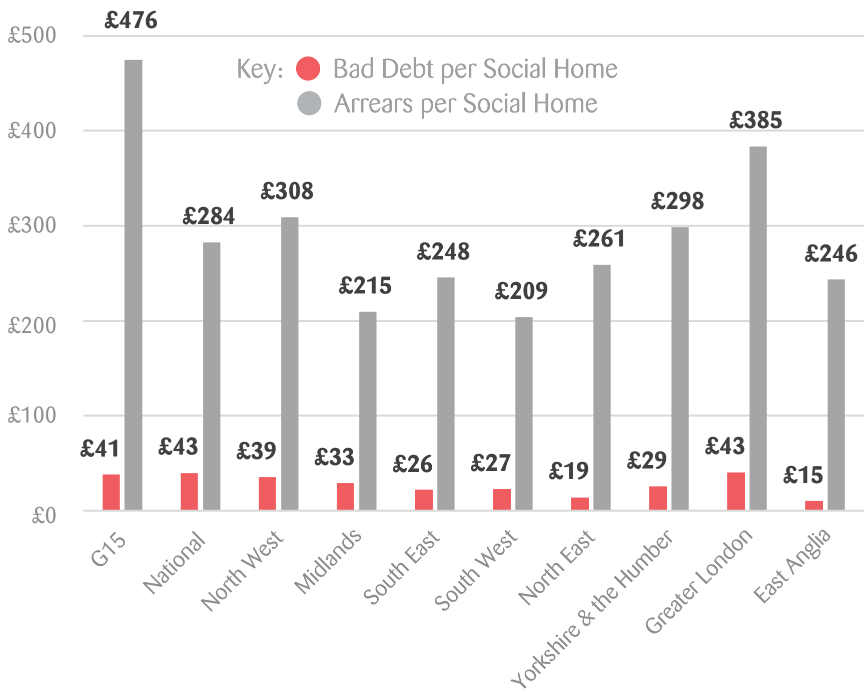
Movement in Arrears

Overall, total arrears for rent and service charges improved from £723.6m to £721.8m. However, there were regional variations which are indicated below. The biggest improvement was in the Midlands, where arrears reduced by £5.3m. The greatest increases in arrears were for the G15 and National organisations with £3.1m and £9.4m respectively.

Movement in Arrears: FY15/16 to 16/17



Bad Debts & Arrears per Social Home



Rent and service charge arrears improved by

0.25%

The overall bad debts written off across the sector was

£82.5 million

which amounts to a value per social home of £35.

Arrears across the sector amounted to

£722 million

equating to a value per social home of £309.

The bar chart (bottom left) shows a regional perspective of bad debts and 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 be other reasons for this.

With the accelerated roll out of Universal Credit from October 2017, the Vantage Performance Improvement club will be closely monitoring its impact on arrears.

Vantage Business Solutions

FY16/17

Leading Organisations

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

Key Metric	Region with the best performing RP in FY16/17
Social Housing Operating Margin (%)	**North East**
Staff Costs as % of Turnover	**South East**
Overall Operating Margin (%)	**East Anglia**
First Tranche Sales Operating Margin (%)	**G15**
Headline Social Housing Cost per Unit	**North East**
Management Cost per Unit	**South West**
Service Charge Cost per Unit	**North East**
Maintenance Cost per Unit	**South East**
Major Repairs Cost per Unit	**East Anglia**
Other Social Housing Cost per Unit	**G15**
Routine Maintenance per Social Home	**South East**
Planned Maintenance per Social Home	**Greater London**
Major Repairs Expenditure per Social Home	**Greater London**
Bad Debts per Social Home	**South East**
Void Loss' per Social Home	**South West**
Gearing 1	**South West**
Gearing 2	**South West**
Interest Cover	**North East**
EBITDA MRI (inc. Sales)	**North West**
EBITDA MRI (exc. Sales)	**North East**
Return on Capital Employed	**North East**

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 HCA requirements
- ✓ Demonstrate financial payback

To find out more about the Vantage Performance Improvement Club:

visit **yourvantage.co.uk**

Did you know?

Organisations achieve on average less than 60% of their savings targets.

We've helped RPs to **save over 25%** off their R&M expenditure on average.

Vantage are the leaders in cost reduction and efficiency in social housing, specialising in repairs and maintenance and asset management. We work with our clients to deliver change programmes that achieve large sustainable cost reductions whilst helping them to improve service delivery.

We do this by getting under the hood of the business through our forensic approach, and not by following a blueprint or making generic recommendations. Whether you're looking to set up an in-house repairs service, transform your existing service, maximise the value you get from your external contractors, or just review your options, we can help. Our focus is on helping make changes that will stick, leading to cost savings year after year and long-term improvements.

Clients come to us because they know we will provide the insights and guidance they need to move forward with confidence and we are different because we guarantee to help improve your performance.

We are so confident that we can achieve savings and transform your organisation that we offer payment by results. Break the cycle of endless reviews with no impact.

Vantage Business Solutions

"This financial analysis report enables Accent to get a snapshot of the health of the sector. The Global Accounts Plus tool allows us to quickly benchmark our financial performance against the sector as a whole and individual comparable entities; helping to inform our value for money agenda. It represents a step change in benchmarking."

Gail Teasdale, Executive Director - Finance and Corporate Services, Accent Group

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