Appendix 1 – Extract from 2021/22 Financial Statements – Value for money (VfM)

The Regulator of Social Housing (RSH) required that as a Registered Provider we include seven key financial metrics in this report. These are set out below. Derby Homes as an ALMO RP will look a little different in terms of results against 'standard' RPs as our business model is fundamentally different as we are mostly a manager (of Council housing) and therefore do not operate a standard RP landlord business model.

Metric 1 – Reinvestment %
Good = higher

	£m
+ Development of new properties	0.661
+ Newly built properties acquired	-
+ Works to existing properties	-
+ Capitalised interest	-
+ Schemes completed	-
Total	**0.661**
Divided by	
+Tangible fixed assets: Housing properties at cost	7.776
+Tangible fixed assets: Housing properties at valuation	-
Total	**7.776**
Result	**8.5%**

This is a measure of capital investment in existing and new homes against the existing asset base value. During the year the housing stock increased by 10, to 117 reflecting investments in properties linked to specific initiatives.

Metric 2a: New Supply (Social Housing Units) %
Good = higher

	Units
+ Total social units developed or acquired in year	10
+ Social leasehold units acquired in year	0
Total	**10**
Divided by	
+ Total social housing units owned	111
+ Social leasehold units owned	0
Total	**111**
Result	**9%**

This year, Derby City Council has continued to have a need to invest its Right to Buy receipts quickly in order to retain them under the time period on their use. As a result, Derby Homes has not been investing in 'standard' social housing directly but has bought eleven properties and disposed of one (back to the Council). The acquisitions are linked to a "move on accommodation" project with a local charity - Padley and projects with the Council for introductory tenancies for children leaving care and unaccompanied asylum seekers.

Value for money (VfM) cont.

Metric 2b: New Supply (Non - Social Housing Units) %

	Units
+ Total non - social units owned (acquired in year)	0
+ Non – social leasehold units owned (acquired in year)	0
+ New outright sale units developed or acquired	0
Total	**0**
Divided by	
+ Total social housing units owned	111
+ Total non-social rental housing units owned	5
+ Social leasehold units owned	0
+ Non-social leasehold units owned	0
Total	**116**
Result	**0%**

Metric 3 – Gearing % Good = lower

	£m
+ Short term loans	0.061
+ Long term loans	2.797
- Cash & cash equivalents	(10.593)
+ Amounts owed to group undertakings	1.326
+ Finance lease obligations	-
Total	**(6.409)**
Divided by	
+ Tangible fixed assets: Housing properties at cost	8.218
+ Tangible fixed assets: Housing properties at valuation	-
Total	**8.218**
Result	-78%

This is a measure that looks odd as the company is currently at a stage of its General Reserve plans, where cash holdings are high. The General Reserve (and consequently cash) will reduce as General Reserve investment plans are realised. There will remain capacity for further borrowing of the need arises, but in the short-term new properties will initially be financed through cash, saving on loan interest costs.

Value for money (VfM) cont.

Metric 4 – Earnings before interest, tax, depreciation, amortisation, major repairs (EBITDA) Interest Cover % Good = higher

	£m	£m exc LGPS
+ Operating (deficit)	(5.784)	(0.490)
-Gain / (loss) on disposal of fixed assets	(0.010)	(0.010)
-Amortised grants	0.032	0.032
-Government grants taken to income	-	-
+ Interest receivable	-	-
-Capitalised major repairs expenditure for the period	-	-
+ Total depreciation charge for period	0.356	0.356
Total	**(5.406)**	**(0.112)**
Divided by		
+ Interest capitalised	-	-
+ Interest payable and financing costs	0.154	0.154
Total	**0.154**	**0.154**
Result	**-3,510%**	**-73%**

This result is another that looks strange as it includes all the operating deficit (derived mainly from management and maintenance of Council housing), plus pension adjustments against the interest payable on loans on a small number of homes. Excluding the volatile pension fund adjustments strengthens the ratio and is more representative of the underlying position. The annual level of loan interest in budgeted for in the company's underlying balance budget plans.

Metric 5 – headline social housing cost per unit
Good = lower

Management costs
+service charge costs
+planned maintenance costs
+capitalised major repairs expenditure
+development services
+ other social housing activities
+routine maintenance costs
+major repairs expenditure
+other costs of social housing letting
+community /neighbourhood services
+ other charges for support services

= all housing costs

For Derby Homes, this is calculated by deducting the "Activities other than Social Housing" costs of £6.148m and depreciation of £0.356m from total Operating Costs of £53.684m = £47.180m.

Divided by

Total social housing units owned or managed= 13,465

Result = £3,503 (RP median £3,830 2019/20)
It indicates that our overall costs are £3,503 per property (or £67 a week). It should be noted that some costs are excluded from our costs (e.g., some major works on Council housing where costs are directly incurred by the Council and not through Derby Homes).

Value for money (VfM) cont.

Metric 6a – Operating Margin (social housing lettings) %
Good = higher

	£m
+ Operating surplus (social housing lettings)	144
Divided by	
+ Turnover from social housing lettings	538
Result	27%

Metric 6b: Operating Margin (Overall) %

	£m	**Exc LGPS £m**
+ Operating (deficit)	(5.784)	(0.490)
- Gain / (loss) on disposal of fixed assets (housing)	(0.010)	(0.010)
Total	(5.794)	(0.500)
Divided by		
Turnover (overall)	47.900	47.900
Result	-12.1%	-1.0%

Measure A shows that the Board is now making a significant but normal level of operational surplus on its own properties – this is partly due to the nature of low repair costs in the early years but also because this measure excludes the cost of borrowing. If that is included the position is a breakeven as expected and planned.

Measure B shows the overall formal operational deficit inclusive of additional pension fund charges for the year – an alternative measure excluding those is also shown and indicates a more reasonable assessment of the current position. The comparator here does not work as Derby Homes is mainly a managing agent for the Council stock and works at a very low margin on that work rather than at a 'standard' 25% or so for 'normal' RP lettings.

Metric 7: Return on Capital Employed (ROCE)

	£m	Exc LGPS £m
Operating (deficit)	(5.784)	(0.490)
Share of operating surplus / (deficit) in joint ventures or associates	-	-
Total	**(5.784)**	**(0.490)**
Divided by		
Total assets less current liabilities	26.999	26.999
Result	-21.4%	-1.81%

ROCE also makes little sense for our business model where our income stems mainly from management of the Council's properties rather than our own.