



# Financial *Strategy*

2020 - 2023

A Social Business Investing in People and Communities

# INTRODUCTION

The 2017-2020 Financial Strategy focussed on a target operating margin of 23% and also included a target of £500,000 cashable value for money savings. Since the formulation of that strategy BCHG has increased investment in its housing properties, people and ICT. We have a strong desire to remain independent and continue to provide homes which are safe and high quality services, delivered by qualified and proficient colleagues, using systems that are modern and fit for purpose.

With this in mind our Financial Strategy for 2020-2023 focuses more emphasis on outputs and outcomes which are aligned to the achievement of our overall strategic objectives. Services will be delivered effectively, economically and efficiently in order to achieve Value for Money across the business.





# STRATEGIC *Objectives*

This Financial Strategy supports delivery of the Strategic Plan 2020-2023 and the following strategic objectives:

1.

**HEARING THE CUSTOMER VOICE**

2.

**HOUSING AND CARE SERVICES WE'RE PROUD OF**

3.

**SHAPING SOCIETY THROUGH COMMUNITIES**

4.

**INVESTING IN HOMES AND PEOPLE**

5.

**GREAT DAYS AT WORK**

6.

**LEARNING, CHANGING, IMPROVING**

# AIMS AND *Objectives*

- For services to generate returns and outcomes that are commensurate with their objectives, whilst at all times delivering value for money for the business and our customers
- To ensure the long term financial viability of the business and safeguard assets
- To support the delivery of the Strategic Plan objectives through investment, resourcing and liquidity management

# HOW WILL WE ACHIEVE OUR *Aims and Objectives*

**1.**

**For services to generate returns and outcomes that are commensurate with their objectives, whilst at all times delivering Value for Money for the business and our customers.**

- Financial performance monitored monthly and Management Accounts reported to Board quarterly as a minimum
- Value for Money KPIs established for all areas of the business and measured against
- RSH Value for Money metrics measured and analysed annually
- Refinancing of BCHG loan portfolio to generate savings in interest payments and/or simplify portfolio structure
- Ensure our Rents and Service Charges remain affordable for customers
- Collective approach to Procurement to establish preferred suppliers and achieve economies of scale
- Performance benchmarked against our Peers and reported annually, together with targeted areas for improvement in the year ahead

**2.**

**To ensure the long term financial viability of the business and safeguard assets.**

- Annual refresh of the Financial Plan and assumptions used
- Vigorous Stress Testing to understand impact on loan covenants, golden rules and liquidity
- Monitoring and reporting of ongoing compliance with loan covenants
- No reliance upon sales to generate income
- Maintain the assets and liabilities register
- New development schemes financially appraised prior to approval
- Asset investment programme informed by stock condition information held in PIMSS
- Regulatory returns submitted in an accurate and timely manner
- Ensure strong internal controls and financial regulations in place

### 3.

To support the delivery of the Strategic Plan objectives through investment, resourcing and liquidity management.

- Resources aligned to priorities and objectives through annual budget setting process
- Security of new funding to resource future development programme and investment in our assets
- Pay Policy reviewed periodically to ensure we pay in line with market median
- Continued investment in new technology as part of our Transformation Programme
- Daily cashflow management and loan drawdowns as required to facilitate the payment of employees, suppliers and development contractors



# VALUE FOR MONEY METRICS - WHERE ARE WE NOW...

*and the Future*

RSH Value for Money Metrics	Current Position			2020/21 Forecast	2021/22 Forecast	2022/23 Forecast
	2018/19		2019/20 Forecast			
	Sector Median	BCHG Actual				
Reinvestment	n/a	3.9%	2.7%	8.7%	9.2%	6.9%
New supply delivered						
Social Housing	n/a	4.1%	0.9%	2.5%	2.0%	3.8%
Non social housing	n/a	0.0%	0.0%	0.0%	0.0%	0.0%
Gearing	42.9%	35.6%	34.2%	36.1%	37.5%	38%
EBITDA MRI	182.3%	181%	271%	277%	286%	262%
Headline social housing cost per unit	£3,695	£5,197	£5,918	£6,253	£6,260	£6,272
Adjusted headline social housing cost per unit	n/a	£2,944	£3,243	£3,584	£3,599	£3,688
Operating Margin						
Social housing lettings	29.2%	37.3%	33.9%	30.2%	31.8%	33%
Overall	25.8%	11.5%	18.7%	17.1%	19%	20.6%
Return on capital employed	3.8%	1.9%	2.8%	2.4%	2.7%	2.8%

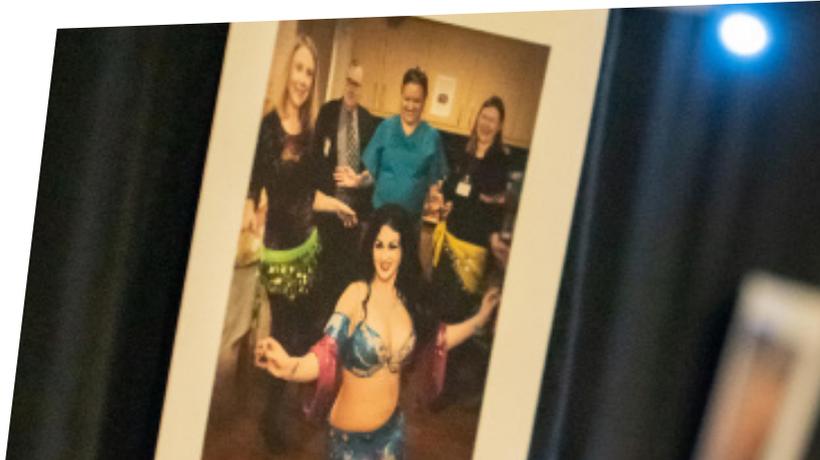
Plans to increase the BCHG development programme result in increased levels of reinvestment as well as the new supply delivered in terms of social housing. The additional borrowing requirement to support this growth can be seen in the higher gearing ratio. EBITDA MRI remains strong throughout at a level significantly above the sector median, the slight decrease in year 3 is a consequence of the cost of financing the higher levels of debt required to fund the increased development and investment.

It is difficult to compare BCHG's headline cost per unit as we know that it will inevitably be comparably high due to the high level of expenditure included for our residential care and supported living services. Quite how much our metric is skewed by this is unclear, however this is the reason why we include an additional 'adjusted' metric which excludes these services; this then puts us below the median.

Our adjusted metric forecasts an increase in the cost per unit for 2019/20 of around £300 with a further increase in the region of £400 in 2020/21 after which it is forecast to stabilise. This is reflective of increased maintenance expenditure and investment in health and safety, including works identified through fire risk assessments. There are also additional resources included for stock condition surveys and new positions within our Housing Operations team. As more new homes are developed the cost per unit is reduced as the base over which central overheads can be recovered increases.

Our Operating Margin for Social Housing Lettings remains strong and above the sector median. This measure has declined over recent years mainly as a consequence of the annual rent reductions but also reflective of the ongoing investment in our housing assets. This measure is forecast to increase again over the 3 years as rents begin to increase.

The BCHG overall margin is low when compared to the sector overall. Our diverse activities such as Residential Care, Homeforce and Social Business significantly increase our turnover. This has the impact of weakening the operating margin however these services contribute to the achievement of our strategic objectives through the outcomes and returns that are generated.



# BCHG VALUE FOR MONEY

## *Measures*

Our Strategic Objectives will be delivered whilst achieving Value for Money which can be measured through a number of indicators.

### HEARING THE CUSTOMER VOICE

- Net Promoter Score Housing (65%)
- Customer Satisfaction New Bradley Hall (85%)
- Customer Satisfaction Gower Gardens (85%)

### HOUSING AND CARE SERVICES WE'RE PROUD OF

- CQC Rating (Outstanding)
- Total Gross Current Arrears (4%)
- Void Loss Cumulative (1.3%)
- Occupancy (No. of Residents) (58)

### SHAPING SOCIETY THROUGH COMMUNITIES

- Number of People Supported (5,000)
- Energy Efficiency for Homes (Rating of C)

## **INVESTING IN HOMES AND PEOPLE**

- Percentage of properties gas safe certified (100%)
- Percentage of planned works completed to programme (100%)
- Scheduled repairs completed on time (90%)

## **GREAT DAYS AT WORK**

- Sickness – Avg no. of days lost (9.5 days)
- Staff turnover (20%)

## **LEARNING, CHANGING, IMPROVING**

- Tenants using Customer Portal (50%)
- Hours delivered by Learning Academy (700 hours)
- Co2 emissions (Reduce by 10%)







[www.bchg.co.uk](http://www.bchg.co.uk)

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