



Regulator of  
Social Housing

# Value for Money metrics

Technical note guidance

May 2023



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# 1. Introduction

- 1.1 The Value for Money Standard requires registered providers to annually report on their performance against a suite of measures defined by the regulator along with their own value for money measures and targets, with which to measure economy, efficiency, and effectiveness.
- 1.2 This document sets out the detail of the regulator's VFM metrics and how these metrics are defined. It also sets out how these metrics are calculated from the 2023 Electronic Annual Accounts (EVA). Providers should also refer to the EVA guidance note which is available on our data collection website NROSH+. Providers should submit regulatory returns as soon as practicable. The latest submission date for the EVA return is six months after a provider's year end. For most of the sector this will be 30 September 2023.
- 1.3 One of the key objectives in defining a set of standard VFM metrics was to support transparency and allow providers to analyse their performance alongside that of their peers on a comparable basis. To support this objective, we have published providers' performance on the range of VFM metrics to help organisations benchmark their performance more easily and allow interested stakeholders to understand how providers perform when compared to the rest of sector – this year we have also provided a benchmarking tool which can be found on our website.
- 1.4 Small registered providers<sup>1</sup>, should refer to Annex B which sets out how the VFM metrics are calculated, using designated lines from provider's annual accounts (Financial statements).

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<sup>1</sup> Providers who own and or manage fewer than 1,000 low-cost rental accommodation and low-cost home ownership units combined (for providers in a group, units are measured at a registered group level). Such providers are termed 'small providers' for the purposes of the requirements in this document.

## 2. Reporting expectations

- 2.1 The regulator has selected the VFM metrics that work for the majority of providers. However, we acknowledge that any metric, however calculated, will inevitably be more appropriate for some providers than others, and there may be a minority of cases where reporting on a particular basis is difficult, or inappropriate, given the unusual nature of a given organisation's business or differences in accounting practice.
- 2.2 We cannot change the required VFM metrics on this basis where it works for the majority of the sector. However, where a provider's reported data is affected by a factor particular to that organisation, they should clarify this in the commentary accompanying the publication of their data.
- 2.3 It is essential that the metrics are calculated on the precise basis required. Inconsistent reporting undermines transparency to tenants and other stakeholders.
- 2.4 We will continue to seek assurance that providers make best use of their resources and of their assets and have ongoing plans in place to make improvements to the value for money in their organisations. As a part of that assurance work, we will use the Value for Money metrics to support its understanding of providers overall strategic delivery performance. Where we become aware of non-compliance with the requirements of the Value for Money Standard, we will determine the most appropriate regulatory engagement route.
- 2.5 Further detail of the regulator's approach to Value for Money regulation is set out in Regulating the Standards.

### 3. The Value for Money metrics

(Value codes<sup>2</sup>: **Negative**, Positive, **Either**)

#### Metric 1 – Reinvestment %

3.1 The Reinvestment metric looks at the investment in properties (Existing stock and New supply) as a percentage of the value of total properties held<sup>3</sup>.

##### **Measurement of VFM cost chain – efficiency**

[Development of new properties (Total housing properties)

+ Newly built properties acquired (Total housing properties)

+ Works to existing (Total housing properties)

+ Capitalised interest (Total housing properties)

+ **Schemes completed (Total housing properties)]**

##### **Divided by**<sup>4</sup>

[Tangible fixed assets: Housing properties at cost (Current period)

OR Tangible fixed assets: Housing properties at valuation (Current period)]

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<sup>2</sup> Codes indicate where values are anticipated to be entered as positive, negative or of either value in the FVA return. For some fields, the FVA return will allow users to enter a different value to that anticipated.

<sup>3</sup> This metric is not based on cashflow data given the limitations on data collected as part of the FVA return.

<sup>4</sup> Providers should use the measure agreed in their Statement of Financial Position / Balance Sheet. The figure should be *either* historic cost *or* valuation.

## Metric 2 – New supply delivered %

- 3.2 The New supply metric sets out the number of new social housing and non-social housing units that have been newly constructed (acquired or developed) in the year as a proportion of total social housing units and non-social housing units owned at period end.
- 3.3 Registered providers will report on two New supply delivered ratios:
- A. New supply delivered (Social housing units)
  - B. New supply delivered (Non-social housing units)

### Measurement of VFM cost chain – effectiveness

#### A. New supply delivered (Social housing units) %

[Total social housing units developed, or newly built units acquired in-year (owned)

(Social rent general needs housing (excluding Affordable Rent), Affordable Rent general needs housing, social rent supported housing and housing for older people (excluding Affordable Rent), Affordable Rent supported housing and housing for older people, Low-Cost Home Ownership, care homes, other social housing units, Social leasehold)]

#### *Divided by*

Total social housing units owned at period end ('social units' as defined in numerator)

### Measurement of VFM cost chain – effectiveness

#### B. New supply delivered (Non-social housing units) %

[Total non-social units developed, or newly built units acquired in-year (owned)

(Total non-social rental housing units owned, non-social leasehold units owned, New outright sale units developed or acquired)]

#### *Divided by*

[Total social and non-social housing units owned (Period end)

(Total social housing units owned, Total non-social rental housing units owned, social leasehold units owned, non-social leasehold units owned (Period end))]

## Metric 3 – Gearing %

- 3.4 The gearing metric assesses how much of the adjusted assets are made up of debt and the degree of dependence on debt finance. It is often a key indicator of a registered provider's appetite for growth.
- 3.5 **Note:** Registered providers can be restricted by lenders' covenants and therefore may not have the ability in which to increase the loan portfolio despite showing a relatively average gearing result.

### ***Measurement of VFM cost chain – efficiency***

[Short-term loans

+ Long-term loans

- Cash and cash equivalents

+ Amounts owed to group undertakings

+ Finance lease obligations]

### ***Divided by<sup>5</sup>***

[Tangible fixed assets: Housing properties at cost (Current period)

OR Tangible fixed assets: Housing properties at valuation (Current period)]

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<sup>5</sup> Providers should use the measure agreed in their Statement of Financial Position / Balance Sheet. The figure should be *either* historic cost *or* valuation.

## Metric 4 – Earnings Before Interest, Tax, Depreciation, Amortisation, Major Repairs Included (EBITDA MRI) Interest Cover %

3.6 The EBITDA MRI Interest Cover measure is a key indicator for liquidity and investment capacity. It seeks to measure the level of surplus that a registered provider generates compared to interest payable; the measure avoids any distortions stemming from the depreciation charge.

**Note: Grants related to capitalised major repairs expenditure must be excluded.**

### **Measurement of VFM cost chain – efficiency**

[Operating surplus / (deficit) (overall)]

- Gain/(loss) on disposal of fixed assets (housing properties)
- Gain/(loss) on disposal of other fixed assets
- Amortised government grant
- Government grants taken to income
- + Interest receivable
- Capitalised major repairs expenditure for period
- + Total depreciation charge for period]

### **Divided by**

[Interest capitalised

+ Interest payable and financing costs]



## Metric 5 – Headline social housing cost per unit

3.7 The Headline social housing cost per unit metric assesses the headline social housing cost per unit as defined by the regulator.

**Note: Grants related to capitalised major repairs expenditure must be excluded.**

### ***Measurement of VFM cost chain – economy***

[Management costs

+ Service charge costs

+ Routine maintenance costs

+ Planned maintenance costs

+ Major repairs expenditure

+ Lease costs

+ Capitalised major repairs expenditure for period

+ Other (social housing letting) costs

+ Charges for support services (Operating expenditure)

+ Development services (Operating expenditure)

+ Community / neighbourhood services (Operating expenditure)

+ Other social housing activities: Other (Operating expenditure)

### ***Divided by***

Total social housing units owned and/ or managed at period end<sup>6</sup>

(Social rent general needs housing (excluding Affordable Rent), Affordable Rent general needs housing, social rent supported housing and housing for older people (excluding Affordable Rent), Affordable Rent supported housing and housing for older people, Low-Cost Home Ownership, care homes, other social housing units)

<sup>6</sup> Leasehold units, which for example include Right to Buy and fully stair-cased shared ownership units where the provider retains the freehold, are excluded from the denominator of this metric

## Metric 6 – Operating margin %

- 3.8 The Operating margin demonstrates the profitability of operating assets before exceptional expenses are taken into account. Increasing margins are one way to improve the financial efficiency of a business. In assessing this ratio, it is important that consideration is given to registered providers' purpose and objectives (including their social objectives). Further consideration should also be given to specialist providers who tend to have lower margins than average.
- 3.9 Registered providers will report on two Operating margin ratios:
- A. Operating margin (social housing lettings only)
  - B. Operating margin (overall)

### **Measurement of VFM cost chain – efficiency**

Operating margin (social housing lettings only) %

Operating surplus / (deficit) from social housing lettings<sup>7</sup>

#### **Divided by**

Turnover from social housing lettings

### **Measurement of VFM cost chain – efficiency**

Operating margin (overall) %

[Operating surplus / (deficit) (overall)

- Gain/(loss) on disposal of fixed assets (housing properties)]

- Gain/(loss) on disposal of other fixed assets

#### **Divided by**

Turnover (overall)

<sup>7</sup> Gain/(loss) on disposal of fixed assets must be excluded.

## Metric 7 – Return on capital employed %

3.10 The Return on capital employed (ROCE) compares the operating surplus to total assets less current liabilities and is a common measure in the commercial sector to assess the efficient investment of capital resources. The ROCE metric supports registered providers with a wide range of capital investment programmes.

***Measurement of VFM cost chain – efficiency***

[Operating surplus / (deficit) (overall)

(including gain / (loss) on disposal of fixed assets)

+ Share of operating surplus/(deficit) in joint ventures or associates]

***Divided by***

Total assets less current liabilities

## Annex A: Reference lines to FVA 2023

Metric	FVA23 Field ( Value codes: <b>Negative</b> , Positive, <b>Either</b> )	FVA23 Part	FVA23 Line	FVA23 Column
<b>1. Reinvestment %</b>	[Development of new properties (Total housing properties)	E: Notes 1	33	7
	+ Newly built properties acquired (Total housing properties)	E: Notes 1	34	7
	+ Works to existing (Total housing properties)	E: Notes 1	35	7
	+ Capitalised interest (Total housing properties)	E: Notes 1	36	7
	+ <b>Schemes completed</b> (Total housing properties)]	E: Notes 1	37	7
	<b>Divided by</b>			
	[Tangible fixed assets: Housing properties at cost (Current period) OR Tangible fixed assets Housing properties at valuation (Current period)]	C: SOFP C: SOFP	2 3	1 1

Metric	FVA23 Field ( Value codes: <b>Negative</b> , <b>Positive</b> , <b>Either</b> )	FVA23 Part	FVA23 Line	FVA23 Column
<b>2. New supply delivered %</b>  <b>(social housing and non-social housing)</b>	<b>A. New supply delivered (Social housing units) %</b> [Total social units developed, or newly built units acquired in-year (owned)  (Social rent general needs housing (excluding Affordable rent), Affordable rent general needs housing, social rent supported housing and housing for older people (excluding Affordable rent), Affordable rent supported housing and housing for older people, Low-cost home ownership, care homes, other social housing + Social leasehold units owned)]	E: Notes 1 E: Notes 1	10 16	2 2
	<b>Divided by</b> [Total social housing units owned (Period end) + Social leasehold units owned (Period end)]	E: Notes 1 E: Notes 1	10 16	6 6
	<b>B. New supply delivered (Non-social housing units) %</b> [Total non-social housing units developed, or newly built units acquired (owned) (Total non-social rental housing units owned + Non-social leasehold units owned + New outright sale units developed or acquired)]	E: Notes 1 E: Notes 1 E: Notes 1	13 19 22	2 2 1
	<b>Divided by</b> [Total social and non-social housing units owned (Period end) Total social housing units owned (Period end) + Total non-social rental housing units owned (Period end) + Social leasehold units owned (Period end) + Non-social leasehold units owned (Period end)]	E: Notes 1 E: Notes 1 E: Notes 1 E: Notes 1	10 13 16 19	6 6 6 6

Metric	FVA23 Field ( Value codes: <b>Negative</b> , Positive, <b>Either</b> )	FVA23 Part	FVA23 Line	FVA23 Column
<b>3. Gearing %</b>	[Short-term loans + Long-term loans - Cash and cash equivalents + Amounts owed to group undertakings + Finance lease obligations]	C: SOFP	18	1
		C: SOFP	25	1
		C: SOFP	14	1
		C: SOFP	26	1
		C: SOFP	27	1
	<b>Divided by</b>			
	[Tangible fixed assets: Housing properties at cost (Current period) OR Tangible fixed assets: Housing properties at valuation (Current period)]	C: SOFP	2	1
	C: SOFP	3	1	

Metric	FVA23 Field ( Value codes: <b>Negative</b> , Positive, <b>Either</b> )	FVA23 Part	FVA23 Line	FVA23 Column
<b>4. EBITDA MRI Interest Cover %</b>	[Operating surplus/(deficit) (overall) -Gain/(loss) on disposal of fixed assets (housing properties) - Gain/(loss) on disposal of other fixed assets - Amortised government grant - Government grants taken to income + Interest receivable - Capitalised major repairs expenditure for period + Total depreciation charge for period]	B: SOCI	6	1
		B: SOCI	4	1
		B: SOCI	5	1
		D: Op Surp Note	20	5
		D: Op Surp Note	21	5
		B: SOCI	10	1
		F: Notes 2	1a	1
		F: Notes 2	2	1
	<b>Divided by</b>			
	[Interest capitalised + <b>Interest payable and financing costs</b> ]	E: Notes 1	115	1
		B: SOCI	11	1

Metric	FVA23 Field ( Value codes: <b>Negative</b> , Positive, <b>Either</b> )	FVA23 Part	FVA23 Line	FVA23 Column
<b>5. Headline social housing cost per unit</b>	[Management costs + Service charge costs + Routine maintenance costs + Planned maintenance costs + Major repairs expenditure + Lease costs + Capitalised major repairs expenditure for period + Other (social housing letting) costs + Charges for support services + Development services + Community/neighbourhood services + Other]	D: Op Surp Note	25	5
	D: Op Surp Note	26	5	
	D: Op Surp Note	27	5	
	D: Op Surp Note	28	5	
	D: Op Surp Note	29	5	
	D: Op Surp Note	31	5	
	F: Notes 2	1a	1	
	D: Op Surp Note	34	5	
	D: Op Surp Note	2	3	
	D: Op Surp Note	3	3	
	D: Op Surp Note	4	3	
<b>Divided by</b>				
Total social housing units owned and/or managed at period end	E: Notes 1	8	6	

Metric	FVA23 Field ( Value codes: <b>Negative</b> , Positive, <b>Either</b> )	FVA23 Part	FVA23 Line	FVA23 Column
6. Operating margin %	<b>A. Operating margin (social housing lettings) %</b>			
	Operating surplus/(deficit) (social housing lettings)	D: Op Surp Note	36	5
	<b>Divided by</b>			
	Turnover from social housing lettings	D: Op Surp Note	24	5
	<b>B. Operating margin (overall)%</b>			
	[Operating surplus/(deficit) (overall) - Gain/(loss) on disposal of fixed assets (housing properties)]	B: SOCI	6	1
	- Gain/(loss) on disposal of other fixed assets	B: SOCI	4	1
		B: SOCI	5	1
	<b>Divided by</b>			
	Turnover (overall)]	B: SOCI	1	1

Metric	FVA23 Field ( Value codes: <b>Negative</b> , Positive, <b>Either</b> )	FVA23 Part	FVA23 Line	FVA23 Column
7. Return on capital employed %	[Operating surplus/(deficit) (overall) (including gain/(loss) disposal fixed assets) + Share of operating surplus/(deficit) in joint ventures or associates]	B: SOCI	6	1
	<b>Divided by</b>	B: SOCI	9	1
	Total assets less current liabilities	C: SOFP	24	1



## Annex B: Guidance note on the Value for Money metrics reporting for small providers

### **(Registered providers with fewer than 1,000 units)**

This part of the guidance should be used by registered providers with a stock holding of fewer than 1,000 units, (those providers that are not required to submit an electronic copy of the annual accounts, to the regulator).

This guidance note is intended to help small providers calculate the VFM metrics from their Annual Accounts (Financial statements).

The regulator is aware that not all the VFM metrics will be applicable to every small provider given the diversity of business models across the sector. In the spirit of transparency and accountability, where the value of a VFM metric is calculated as zero, this should be reported as so.

The Value for Money Standard requires providers to report on the VFM metrics, including the two sub-metrics, within their annual accounts (Financial statements). For reporting purposes, providers should discuss and agree the format of their annual accounts with their auditor or their accountant.

<b>Key</b>	
<b>Numerator</b>	The figure(s) in an equation which is above the line
<b>Denominator</b>	The figure(s) in an equation which is below the line
<b>SORP</b>	Statement of Recommended Practice
<b>SOCI</b>	Statement of Comprehensive Income (Housing SORP)
<b>SOFP</b>	Statement of Financial Position (Housing SORP)
<b>SOFA</b>	Statement of Financial Activities (Charity SORP)
<b>BS</b>	Balance Sheet (Charity SORP)
<b>Note TOE</b>	Note: Turnover and Operating Expenditure; this note may have different names including Income and Expenditure from social housing lettings
<b>Note Creds &lt;1</b>	Note: Creditors: Amounts falling due within one year
<b>Note Creds &gt;1</b>	Note: Creditors: Amounts falling due after more than one year
<p>Note:</p> <p>Units in Management may have different names including Accommodation in Management</p> <p>Where the location of data differs between the Charity SORP and the Housing SORP, this is shown in <i>italics</i>.</p>	

Items in **Red** should be entered as negatives

Items in **Black** should be entered as positives

Items in **Blue** can be entered as either negatives or positives

## Value for Money metrics calculations

### Metric 1: Reinvestment %

+/-	Numerator/ Denominator	Line	Statutory Accounts Location	Comments
+	Numerator	Development of new properties (Total housing properties)	Note: Fixed assets	
+		Newly built properties acquired (Total housing properties)	Note: Fixed assets	
+		Works to existing (Total housing properties)	Note: Fixed assets	This should include only those works to existing properties which were capitalised (i.e. added to Fixed Assets in the Statement of Financial Position / Balance Sheet).
+		Capitalised interest (Total housing properties)	Note: Fixed assets	This is sometimes shown in the narrative beneath the Note, rather than as a line in the Note itself.
+		Schemes completed (Total housing properties)	Note: Fixed assets	The net value for this is often nil.
<b>Divided by</b>				
+	Denominator	Tangible fixed assets: Housing properties at cost (Period end)	Note: Fixed assets	These lines should be Net Book Value, which includes accumulated depreciation. Providers should use the measure agreed in their Statement of Financial Position / Balance Sheet. The figure should be <i>either</i> historic cost <i>or</i> valuation.
+		Tangible fixed assets: Housing properties at valuation (Period end)	Note: Fixed assets	

**Metric 2a: New supply (Social housing units) %**

+/-	Numerator/ Denominator	Line	Statutory Accounts Location	Comments
+	Numerator	Total social units (developed or acquired in-year)	Note: Units in Management	These lines should exclude existing properties transferred from other providers.  Where a provider develops a unit on behalf of another provider, the new units should only be reported by the provider acquiring (and owning and / or managing the unit).
+		Social leasehold units (acquired in-year)	Note: Units in Management	
<b>Divided by</b>				
+	Denominator	Total social housing units owned (Period end)	Note: Units in Management	These lines should only include properties owned by the provider.
+		Social leasehold units owned (Period end)	Note: Units in Management	

**Metric 2b: New supply (Non-social housing units) %**

+/-	Numerator/ Denominator	Line	Statutory Accounts Location	Comments
+	Numerator	Total non-social rental housing units owned (acquired in-year)	Note: Units in Management	These lines should exclude existing properties transferred from other providers.  Where a provider develops a unit on behalf of another provider, the new units should only be reported by the provider acquiring (and owning and/ or managing the unit).
+		Non-social leasehold units owned (acquired in-year)	Note: Units in Management	
+		New outright sale units (developed or acquired)	Note: Units in Management	
<b>Divided by</b>				
+	Denominator	Total social housing units owned (Period end)	Note: Units in Management	These lines should only include properties owned by the provider.
+		Total non-social rental housing units owned (Period end)	Note: Units in Management	
+		Social leasehold units owned (Period end)	Note: Units in Management	
+		Non-social leasehold units owned (Period end)	Note: Units in Management	

### Metric 3: Gearing %

The metric result for the gearing ratio may be negative where for example a registered provider has no loan agreements in place.

+/-	Numerator/ Denominator	Line	Statutory Accounts Location	Comments
+	Numerator	Short-term loans	Note: Creds <1	These lines should include “Amounts owed to related/ connected parties”.
+		Long-term loans	Note: Creds >1	
-		Cash and Cash equivalents	SOFP / BS	
+		Amounts owed to group undertakings	Note: Creds <1 and / or Note: Creds >1	
+		Finance lease obligations	Note: Creds <1 and / or Note: Creds >1	
<b>Divided by</b>				
+	Denominator	Tangible fixed assets: Housing properties at cost (Period end)	Note: Fixed assets	These lines should be Net Book Value, which includes accumulated depreciation.  Providers should use the measure agreed in their Statement of Financial Position / Balance Sheet. The figure should be <b>either</b> historic cost <b>or</b> valuation.
+		Tangible fixed assets: Housing properties at valuation (Period end)	Note: Fixed assets	

## Metric 4: EBITDA MRI Interest Cover %

+/-	Numerator/ Denominator	Line	Statutory Accounts Location	Comments
+	Numerator	Operating surplus/(deficit) (overall)	SOCI / SOFA	
-		Gain/(loss) on disposal of fixed assets (housing properties)	SOCI / SOFA	This figure should only be deducted if it is included in the Operating surplus (overall).
-		Gain/(loss) on disposal of other fixed assets	SOCI / SOFA	This figure should only be deducted if it is included in the Operating surplus (overall).
-		Amortised government grant	Note TOE	
-		Government grants taken to income	Note TOE	
+		Interest receivable	SOCI / SOFA	
-		Capitalised major repairs expenditure for period	Note: Fixed assets	
+		Total depreciation charge for period	Note: Fixed assets	This should include depreciation for all assets, not just housing properties.
<b>Divided by</b>				
+	Denominator	Interest capitalised	Note: Fixed assets	
+		Interest payable and financing costs	SOCI / SOFA	This includes the financing costs (i.e., interest payable) in respect of defined benefit pension schemes.

**Metric 5: Headline social housing cost £**

<b>+/-</b>	<b>Numerator/ Denominator</b>	<b>Line</b>	<b>Statutory Accounts Location</b>	<b>Comments</b>
+	Numerator	Management costs	Note TOE	
+		Service charge costs	Note TOE	
+		Routine maintenance costs	Note TOE	This figure should include Void repairs, if these are disclosed separately).
+		Planned maintenance costs	Note TOE	
+		Major repairs expenditure	Note TOE	
+		Lease costs	Note TOE	
+		Capitalised major repairs expenditure for period	Note: Fixed assets	
+		Other (social housing letting) costs	Note TOE	
+		Charges for support services	Note TOE	
+		Development services	Note TOE	
+		Community/neighbourhood services	Note TOE	
+		Other social housing activities: Other	Note TOE	
<b>Divided by</b>				
+	Denominator	Total social housing units owned and/or managed at period end	Note: Units in Management	This figure includes properties which are either owned by the provider or managed for others.

**Metric 6a: Operating margin (Social housing lettings) %**

+/-	Numerator/ Denominator	Line	Statutory Accounts Location	Comments
+	Numerator	Operating surplus/(deficit) (social housing lettings)	Note TOE	
<b>Divided by</b>				
+	Denominator	Turnover from social housing lettings	Note TOE	

**Metric 6b: Operating margin (Overall) %**

+/-	Numerator/ Denominator	Line	Statutory Accounts Location	Comments
+	Numerator	Operating surplus/(deficit) (overall)	SOCI / SOFA	
-		Gain/(loss) on disposal of fixed assets (housing properties)	SOCI / SOFA	This figure should only be deducted if it is included in the Operating surplus
-		Gain/(loss) on disposal of other fixed assets	SOCI / SOFA	This figure should only be deducted if it is included in the Operating surplus
<b>Divided by</b>				
+	Denominator	Turnover (overall)	SOCI / SOFA	

**Metric 7: Return on capital employed %**

+/-	Numerator/ Denominator	Line	Statutory Accounts Location	Comments
+	Numerator	Operating surplus/(deficit) (overall)	SOCI / SOFA	This should include the gain / (loss) on disposal of fixed assets.
+		Share of operating surplus/(deficit) in joint ventures or associates	SOCI / SOFA	
<b>Divided by</b>				
+	Denominator	Total assets less current liabilities	SOPF / BS	





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