Value for Money Self Assessment

2015-16

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Executive Summary

Arawak Walton Housing Association (AWHA) has used the HCA's global accounts and the recently published headline cost per unit to assess its current VFM position in comparison to the sector as a whole.

AWHA's management costs compared favourably with the HCA global accounts average in 2014-15 (4.9% below) and with the new HCA headline cost per unit (2015-16 actuals were 1.6% below).

As a relatively small Association, we recognise that a "lumpy" component and planned works replacement cycle does not provide a consistent comparison with larger mainstream associations, for which the impact of major works is likely to have less impact on costs from year to year. Maintenance costs were higher in both 2014-15 (5.5% above global accounts average) and in 2015-16 (18% above) mainly due to major works spend. We have however budgeted for this to fall to less than 5% above average in 2016-17. As we grow, the impact of major works should increasingly even out and allow a better comparison with other Associations.

Over the course of the last year, we have increased the number of homes we own by 1.7%, (17 homes) and we have achieved this without new grant.

Our operational performance has improved against our void loss and current and former tenant arrears measures, and against most other KPIs, our performance has either stayed the same or showed a marginal reduction. A change in the definition of voids makes direct year on year comparison difficult.

1. Introduction and background

Arawak Walton was born out of the black and minority ethnic communities initially in Manchester needing to have access to decent, affordable good quality homes which for a number of reasons, not least due to discrimination, were not being made accessible by mainstream organisations. Our mission has not changed. The Association has spent 25 years working in inner city, multicultural areas where good quality homes were and continue to be scarce and where the communities face high levels of deprivation. We work in entry areas where inward migration is on the increase. Over 68% of our 2015/16 lettings were to BME tenants and we tailor our services to meet the needs of diverse BME communities. As well as providing access to housing we also provide employment and training opportunities. Our strategy is to procure from the local community where possible and help alleviate levels of deprivation in areas where we work through reinvesting in the local economy.

Working in areas with high levels of deprivation can and often does result in higher management costs, but our management costs demonstrate our ability to do this at a lower cost than many associations providing generic services. Our repairs costs include the provision of alarms, security lighting and other features in our properties to maximise the security of our tenants, who suffer from discrimination and racist behaviour. In addition, the provision of showers, quasi wet rooms, larger kitchen storage and mixer taps are examples of how we address the religious and cultural needs of our diverse customer base.

Our success relies on providing a personal and holistic service that is valued by our customers and stakeholders at a cost-effective offer.

2. The Arawak Walton Delivery Model

Key to the generation of value by the Association is our focus on our two core products: general needs and sheltered housing. This allows us to operate within streamlined processes and procedures whilst providing a responsive service to our diverse tenants.

The delivery of services is achieved by having a well trained and qualified core staff team, supported by external advisors most of whom have had a long relationship with the Association and understand both our mission and vision and our aspirations. This enables us to access skills and expertise in a flexible manner without the need to retain an expensive staff infrastructure.

As a smaller housing Association, we work in partnership with others when this is to our mutual benefit. Procurement good practice is shared amongst the members of the North West Community Housing Associations Group. Much of our growth has been achieved by working closely with other housing associations.

The relative simplicity of our delivery model enables us to minimise staffing and other overheads borne by the Association, which is reflected in our comparative costs.

3. How did we perform against our plans?

In last year's VFM Statement we set out a number of plans for the period 2015-2017. We identified 10 activities in the Statement. The announcement of the four year rent cut in the 2015 Emergency budget, together with the slower than anticipated rollout of Universal Credit, led to changes in the prioritisation of some of these plans, but also saw the introduction of other measures, such as the end of the Association's subsidised social rent development programme, the introduction of a four year cost of living pay freeze for staff and major changes to our asset management strategy, which helped ensure the Association maintained its future covenant compliance.

The plans outlined in our last statement are shown below in italics, and the progress to their achievement in shown in normal type immediately after.

Overall

- *review additional opportunities to benchmark cost and quality measures with other Associations, and use this information to help prioritise future VFM activity.* We have contributed to the development of cost reporting to our suite of KPIs measured by our peer members of the Community Housing Association Group (North West). We will work within the HCA Unit Cost framework to supplement this cost comparison work in future.

- *work to increase customer satisfaction measures and measure these using a number of methods including a triennial STAR survey (2015).* The STAR survey shows consistently improving performance across almost all of the ten measures. The survey indicates these are within the first and second quartiles (Housemark STAR report, 2013/14).

- *deliver our Continuous Improvement Programme activity to help control our cost base, ensure processes are streamlined and efficient and continue to meet the needs of our customers.* We made significant progress in delivering the programme and supplemented this with a series of cost saving initiatives following the Interim Budget approved by our Board in July.

Assets

- *continue to develop our understanding of the property assets on which our business is based together with our analytical tools to inform our asset management strategy and stock profiling and integrate the property element of the Asset and Liability register in this process.* We have linked the information from our Asset and Liability Register with our property contribution model and have begun the process of stock profiling, as detailed in the section relating to Assets and the Provision of Homes.

Operations

- *drive an ambitious programme of improvement to reduce current tenant arrears by 2% (£100,000).* Our rent arrears fell by £26k (almost 10%) over the year. Significantly more work will be required to achieve our target over the 2016-17 financial year.

- *invest in the delivery of our ICT Strategy which will help operational staff better meet the needs of our customers in a cost-effective way into the future.* The rent cut announcement delayed the recruitment of staff resources to deliver this until the second half of the year. Delivery of the strategy has begun with improvements planned in our use of technology and in the opportunities for our tenants to access some of our services online.

- develop a plan to ensure the costs of the direct payment of tenants, as the result of welfare reform, are controlled and minimised. We are developing our experience of securing Alternative Payment Arrangements and working with the DWP to minimise financial loss.

Procurement

- develop a Procurement Plan to optimise value for money and specifically to help maintain the Association's core costs within the increase in CPI. Our overarching procurement plan is to operate within the 2015/16 expenditure budget over the course of the next four years, despite growing by 40 properties. Procurement plans are set out in the Asset Management Strategy.

Treasury

- continue to fix loans at current favourable rates of interest where this is appropriate. We fixed £700k of loans for 9 years at an average rate of 3.65%, less than our current weighted average cost of capital.

- appoint a treasury advisor to help ensure the next funding round gives the Association the best possible funding deal. The Rent Cut announcement significantly changed our development plans. Our Board will review growth options in the middle of 2016/17 and we will review the need for future funding and treasury support as part of this process.

4.Value for Money Strategy

The Board has overall responsibility for the Association's value for money strategy. The Board places operational responsibility for ensuring value for money on individual managers. The Finance Director has reporting responsibility for value for money issues in the Association.

The Association regards continuous improvement as a key element of its Value for Money approach. An annual programme of service reviews is designed to address current priorities as well as ensure most areas of the Association's activities are reviewed on a periodic basis. Service reviews ensure that the needs of the Association's customers are effectively and efficiently met and that value for money principles are enshrined in their design.

Specific elements of our approach to value for money are:

- an annual review of our customer profile in terms of housing and geographical location aspirations to ensure it delivers housing opportunities where our customers want to live
- a thorough budgeting and business planning process
- an annually updated Asset Management Strategy which sets out our plans for sustaining and enhancing the value of our asset base
- a feasibility model that incorporates not only funding but also housing management and long term maintenance issues to ensure the financial soundness of potential new development acquisitions
- a Treasury Strategy and Annual Treasury Plan which maps out treasury activities for the coming year, balancing value for money and mitigating risks to the Association
- consideration of the value for money implications of new initiatives at Senior Management Team (SMT) and Board level
- the requirement to tender certain procurements and obtain quotes for others to ensure market prices are paid
- attendance at a range of procurement, value for money and function specific best practice events, sharing good practice and contributing to some of our procurement efficiencies
- participation in formal and informal benchmarking activities to identify areas where our performance does not meet that of our peers
- our business plan recognises that following the introduction of the proposed new rent regime from the 2015/16 financial year it will become imperative to manage our routine activities within the Consumer Price Index measure of inflation which will require a sustained focus on efficiency to achieve value for money
- setting specific VFM projects or objectives as part of the VFM statement on an annual basis.

Key elements of our process for monitoring Value for Money are:

- annual scrutiny by the Board of the Business Plan and Budget
- a quarterly review by the Board of the Association's financial performance through the management accounts
- a quarterly review by Board of key operational and other performance through the balanced scorecard
- a monthly review of key areas of financial performance against budget by the senior management team
- a monthly review of key operational performance indicators by senior management team
- review of the "ease" of allocations and lettings in new areas of operation
- Tenant Quality Panel (TQP) review of the appropriateness of services provided
- assessment of potential development opportunities by senior management team
- reporting on potential acquisitions at each meeting of Board
- annual strategic review sessions for SMT, Board and staff to ensure the Association's mission and vision remain relevant and that both are delivered in the most appropriate way
- consideration by Board of the annual Value for Money statement
- a review of progress against Value for Money objectives at each meeting of Audit Committee

Our approach to VFM has enabled us to grow without new social housing grant over the course of the last half decade. We have achieved this by working in partnership with housing providers through their stock rationalisation plans in areas in which we want to grow, by acquiring properties from the open market to be let at social and sub market rent and by being able to secure highly competitive funding deals. The age profile of our stock means that our asset management strategy identifies the need for investment in existing homes over the course of the next few years. We recognise and have estimated the additional costs of collecting rents from tenants who don't have experience of paying us directly, as Universal Credit is rolled out. Sustaining VFM practices will be crucial in enabling us to achieve these objectives.

Achieving our value for money objectives enables us to:

- sustain our ongoing investment in the homes we own to ensure they remain desirable to the communities we serve and have a long term future
- acquire or develop new properties in or close to our current areas of operation in order to help meet the needs of some of the thousands of people aspiring to live in the areas in which we operate

Assessing value for money involves balancing the needs of our current tenants against the needs of potential future tenants. An integral part of the Association's Value for Money strategy is that resourcing the needs of existing tenants will be met before resources will be made available for potential future tenants.

5. Assets and the Provision of Homes

The table below shows the increase in the number of homes managed by the Association over the course of the last six years.

	2012	2013	2014	2015	2016
Properties in Management	947	953	1004	1008	1025
Increase		0.6%	5.4%	0.4%	1.7%

Table 1. Properties in Management, 2010-2016

Over the course of the last five years, the Association has grown by 78 homes, representing 8% growth. The Association owns 983 of these homes. The remainder are managed for others.

The table below shows that the growth has resulted in a slight increase in the average cost per property together with a slight reduction in Social Housing Grant per property. The Association has grown with no new social housing grant since 2006, although the Association has taken transfer of properties with grant from other associations, and has recycled grant on sold properties. Growth has been achieved through taking transfer of properties from other housing associations. Many of these properties would have been sold on the open market had they not been bought by the Association, so the Association has retained these in the sector for social housing purposes. In addition, our partner associations will have used the receipts from the sale of properties to Arawak Walton HA to help fund their provision of new build affordable homes.

	2016	**2015**	**2014**	**2013**	**2012**
£ per property	55,072	53,989	53,486	52,290	51,261
SHG per property	31,428	31,666	31,763	32,948	32,601
Grant rate	57%	59%	59%	63%	64%
Debt per unit	14,183	15,246	14,484	14,110	14,309
Equity Per property	9,461	7,077	7,238	5,232	4,351

Table 2. Cost, Grant, Debt and Equity Per Property, 2012-2016

At the start of the financial year, the Association saw modest growth of new homes for letting at social rent using internal subsidy to fund these acquisitions. The Rent Reduction provisions of the July 2015 Emergency Budget meant that this approach becomes unsustainable in future years. Therefore the Association's future growth plans are based on the acquisition of properties, mainly from the open market, for letting at a sub-market rent. This approach will help us meet the considerable need for quality and affordable housing for the communities we serve, whilst both sweating our assets and ensuring our long term sustainability and delivering on our commitments to our lenders and other stakeholders. We recognise that the difficulty in letting new properties at sub market rent levels may create a potential affordability issue for our customers.

The Association has undertaken an initial analysis to review the costs and income of each property in management over the next 30 years to arrive at the net present value of each property and the annual contribution (to overheads and financing costs). The analysis has been undertaken at a segmented level separately identifying General Needs properties from Sheltered Housing properties.

The analysis shows the following:

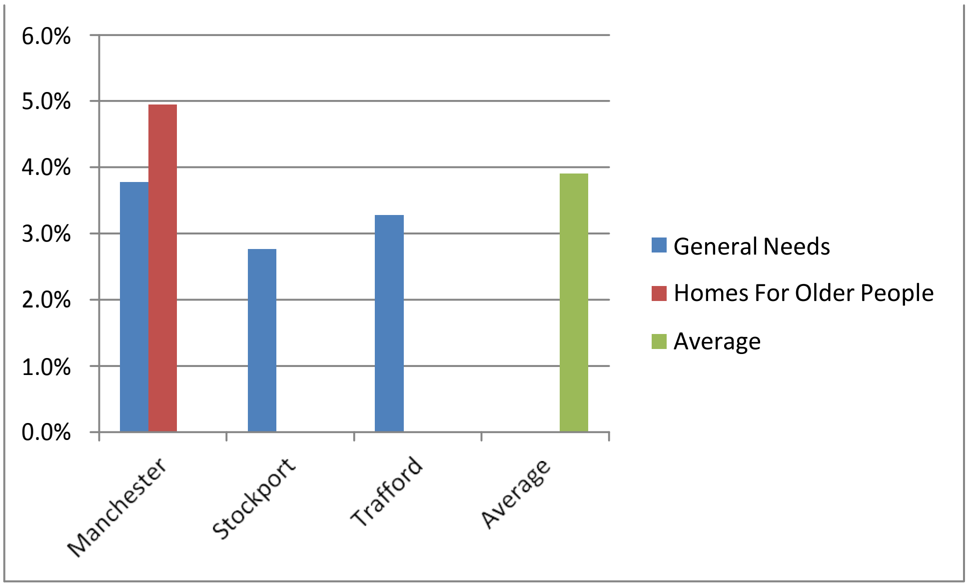

Table 3. Gross Yield by property type and local authority

The analysis shows the gross yield (rent as a percentage of valuation) of our general needs and sheltered properties. Sheltered properties have a low valuation in comparison to general needs properties. The rent charged on sheltered properties is lower than the rent charged on our general needs properties but because of the low market valuation the yield stays high. General needs properties in Stockport and Trafford have the lowest gross yield due to their high valuations.

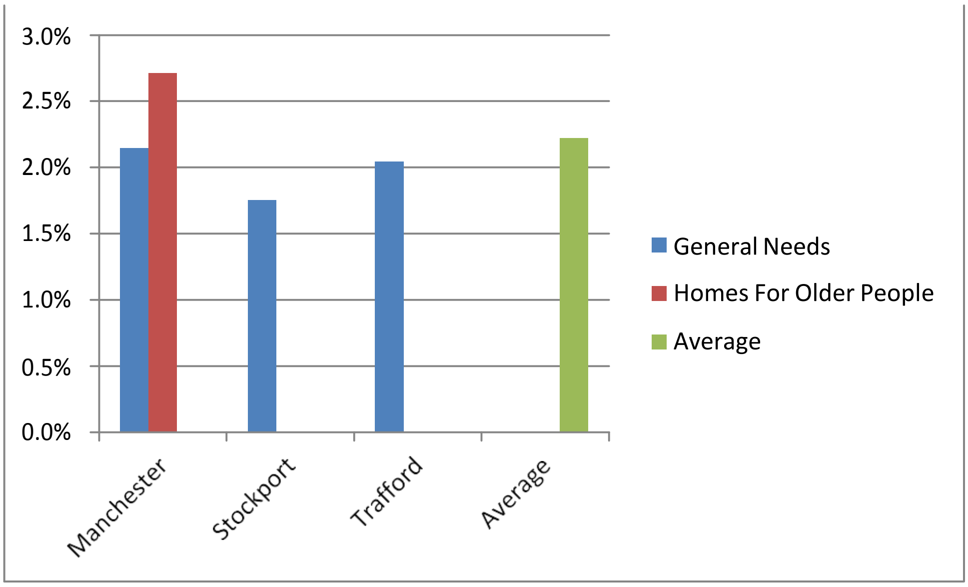

Table 4. Net Yield by property type and local authority

The analysis shows the net yield (rent less direct costs divided by valuation) of sheltered and general needs properties. Properties in Trafford and Stockport generally contribute more than properties in Manchester, due to higher rents being charged and lower maintenance costs than properties in Manchester. The valuations of the properties are significantly higher than properties in Manchester.

The acquisitions made over the course of the last few years, without social housing grant, have been of the higher yielding Sheltered properties, or lower valuation General Needs street properties in Manchester.

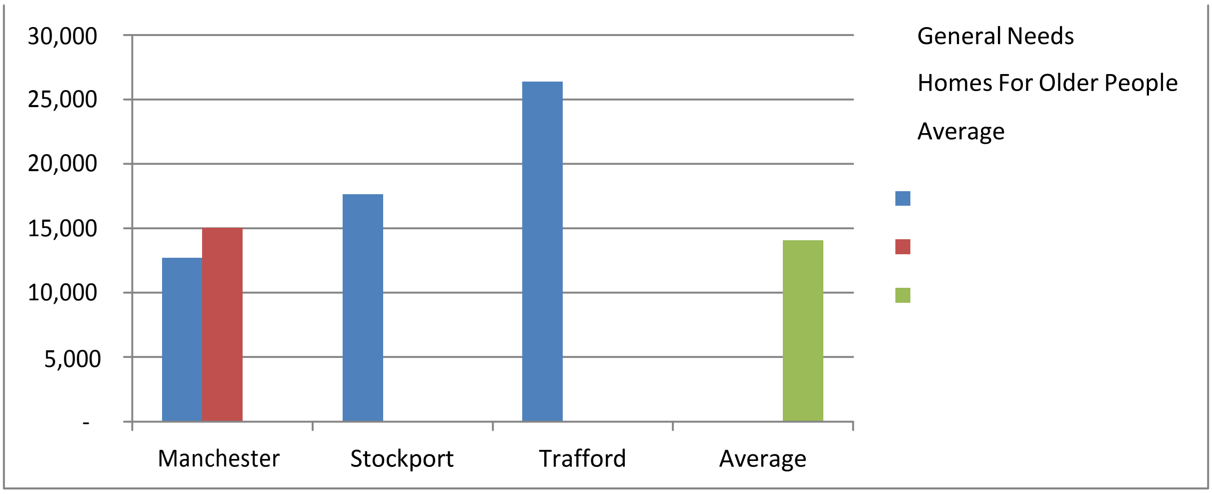

Table 5. 30 Year Average Contribution per property, in £s, by local authority and type

The analysis shows that the average contribution per property is largely driven by the level of rents, with lower rent Sheltered properties generating the lowest average contribution and higher rent properties in Stockport and Trafford generating the highest.

At an Association-wide level, the contribution is expressed as the margin between income and costs and the table below shows the gross margin over the last few years.

	2016	2015	2014	2013	2012
AWHA					
Turnover	5,361	5,103	4,461	4,262	4,082
Adjusted T'over	5,019	4,765	4,123	4,262	4,082
Operating Costs	3,502	3,416	3,103	2,754	2,574
Surplus	1,517	1,349	1,020	1,508	1,508
%age	30%	28%	25%	35%	37%
Global Accounts		28%	26%	25%	23%

Table 6. AWHA Gross Margin, 2010-2016
(2016 figures calculated on SORP 2014 basis)
Adjusted Turnover deducts Rent Restructuring Grant

Changes in accounting practices have had an impact on the margin, but the Association's gross margin compares favourably with those of larger Traditional housing associations in the Global Accounts. A key challenge for the Association going forward will be to sustain this level of margin – which enables us to fund borrowing costs and acquire new homes – in the face of the Rent Reduction and the implementation of Welfare Reform.

6. Asset Management Strategy

The condition of the stock is measured through a database that flags up when a component reaches the end of its predicted life cycle. However, many variables contribute to the actual life span of a component. We are therefore taking a more dynamic approach to replacements that can allow for failing components to be replaced earlier (and thus not wasting money on regular patching up works) and components to be replaced later where they are in good condition. This is achieved by surveying components on an annual basis as an adjunct to annual gas safety inspections.

The Association regards considered investment in its stock as crucial to ensuring the long term marketability of its homes.

In acknowledgement of the amount of resources taken with completing multiple tender exercises every year the strategy allows for one value for money exercise (formal tender) to be completed in a twelve month period for each component type. As each tranche of components is then released the price will be negotiated if the negotiated price is the same or less than the tendered price for the works to be awarded.

The Association also recognises that there are savings to be made by having purchasing agreements directly with suppliers and awarding works to contractors on a "Fit Only" basis. This avoids paying the margin that the contractor includes for supplying the parts.

Our use of small local contractors sometimes results in VAT savings as well as competitive rates because of their local presence and low overheads.

Rewires are becoming a feature of the programme from 2022 onwards however the Association is taking a relatively long replacement cycle of 30 years. Undertaking a rewire at a property involves considerable disruption to the tenants and the Association is therefore taking the opportunity to rewire the property when it becomes void if the wiring is 23 or more years old.

Towards the end of the financial year, the Association entered into a partnership agreement with a large local housing association to undertake responsive repairs on our behalf. We are currently evaluating the success of this trial – in terms of its cost and quality.

The Association entered into another partnership with a housing support organisation to survey properties being considered for acquisition and also potentially to manage programmes of investment works to either new or existing properties. This will supplement the work of our in house staff at competitive cost.

7. Operations

In 2014/15, AWHA's management costs were £52,000 less expensive than the average of other traditional housing associations. Maintenance costs were £69 per unit higher than the Global Accounts average, but the Association incurred £74k of investment expenditure in two sheltered schemes in the year, and adjusting for this expenditure would result in the Association's maintenance cost per unit being slightly below the Global Accounts average.

		Global	AWHA		Diff	Saving
Management		1,034	983		51	51,180
Maintenance		1,240	1,309		(69)	(69,265)

Table 7. Management and Maintenance Costs, AWHA v Global Accounts 2015

The trend in management and maintenance costs, per unit, over the course of the last five years is shown in the table below. Due to the size of the Association and our growth profile, component replacements and major planned investment programmes have a significant effect on our maintenance spend, making single year comparisons difficult.

price per unit	2016	2015	2014	2013	2012
Management	822	983	916	872	839
Maintenance	1463	1,309	1,211	1,064	1,029
Bad Debt	25	74	79	97	83

Table 8. AWHA Management and Maintenance Costs, 2012-2015

(2016 figures calculated on SORP 2014 basis)

The increase in management costs between 2014/15 and 2010/11 was only 12%, slightly in excess of the retail price index inflation increase of 9.7%. Accounting changes make the 2016 figure difficult to compare with previous years but the increase in part reflects the age profile of our stock and our expectation is that our maintenance costs will increasingly be comparable to those of other traditional housing Associations in the future as our stock ages.

During the finalisation of this year's VFM Statement, the HCA published the information regarding its Unit Cost Model. As we owned fewer than 1,000 units at the time, we were not included in the HCA's exercise. We do, however, welcome the exercise as a step towards a more consistent sector-wide approach to VFM measurement and we have used the HCA's methodology to determine our own comparative costs and to further analyse our cost structure.

The table below shows our cost per unit (cpu) figures for 2014-15 together with the HCA's headline CPU for the same year, alongside the figures for 2015-16 and the budget for 2016-17.

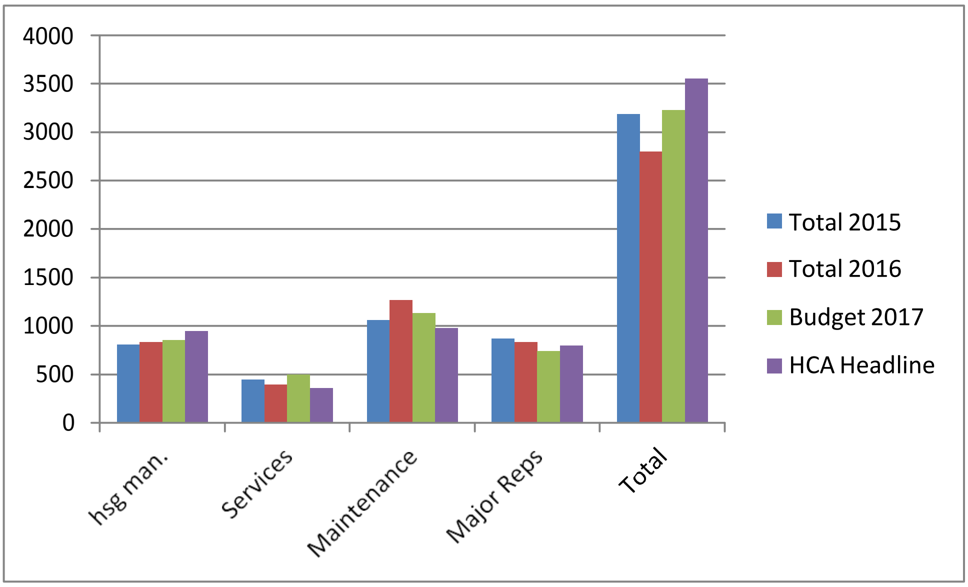

Table 9. Cost per unit, 2015 to 2017, with HCA Headline

These show that the Association performs well against the total headline social housing costs of £3,550. Equivalent costs in 2015-16 were £3,185. Also the housing management cost per unit was £807 against the HCA headline figure of £950. The cost per unit of Services is, of course, not directly comparable between housing providers. Our own c.p.u. is partly reflective of 15% of our stock being sheltered accommodation where a range of services are integral to our delivery model. Our combined asset costs (maintenance plus major repairs) were higher than the HCA headline in both 2015 and 2016, but in part this reflects one off planned investment programmes which fell in those years. The combined budget cost for 2017 (£1,874) is close to the 2015 headline figure (£1,780).

Later sections detail how we intend to manage and reduce these costs in future years. Key to understanding the opportunities to manage these costs, is the analysis of the cost structure of each of these major expenditure items.
This is analysed below:

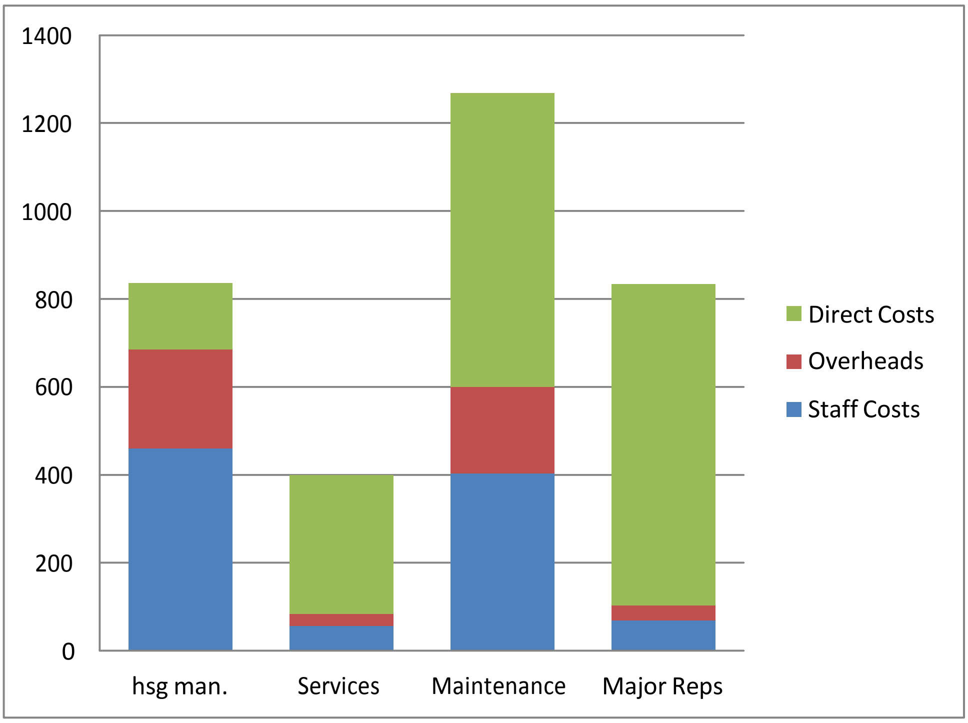

Table 10. Cost Structure of Major Expenditure Items, 2015-16

The cost structure analysis show that the most important determinant of management costs is staff costs, with overheads and direct costs being a much smaller proportion of the costs. Services and asset management expenditure are dominated by direct costs, with staff costs a significant proportion of maintenance costs. This analysis will help focus our future work to manage and reduce costs.

We utilise our financial strength to invest in capital works to our properties and also to fund the acquisition of new affordable homes in the communities in which we work. During 2015/16 we completed an investment programme of £1.45m in acquiring and refurbishing new properties, including final works to a 40 home sheltered scheme. We invested £633k in the replacement of 350 components in line with our long term strategy.

At the end of 2015-16, £32.2m had been invested by the government in Social Housing Grant in the Association. In 2015-16 this generated a saving for taxpayers and tenants of £2.4m as a result of our rents being lower than in the private sector. Of that saving, approximately £935k will go directly to tenants and £1,487k will go to the taxpayer as a result of lower housing benefit payments. This equates to an annual return on the SHG investment to the taxpayer of 4.6%. This saving is shown by each of the local authority areas in which we work in the table below, comparing our rents with the Local Housing Allowance (LHA) maximum, and the number of tenants paid by housing benefit:

	LHA	Rent	Difference	Homes	HB	Tenant Saving	HB Saving	Total Saving
Manchester	128.85	84.81	44.04	917	582	767,161	1,332,800	2,099,961
Trafford	158.52	92.30	66.22	81	42	134,301	144,631	278,932
Stockport	147.58	101.97	45.61	18	4	33,206	9,487	42,693
Totals						934,668	1,486,918	2,421,586

Table 11. Savings to Taxpayer and Tenants of SHG-Funded Rent Subsidy, 2015-16

During the course of the year, the staff and management of the Association focused closely on opportunities to reduce costs and identified a range of cost reduction measures, many of which were taken forward. Some superfluous procedures were eliminated (e.g. the production and filing of paper copies of bulk documents from our operational database), some new methods of undertaking core work were also introduced (e.g. sending bulk mailings as computer files to a specialist mail distributor to despatch on our behalf and at a significantly lower cost), we also put significant effort into securing the email addresses of our tenants to enable us to communicate with them more speedily and cheaply than by post. This range of initiatives is expected to save £25,000 over the course of a full year, of which £16,000 reflects cash savings and £9,000 savings in staff time.

In the summer, we introduced the ability to take rent payments by debit and credit card directly, rather than by using an intermediary. As at the end of the financial year, we had received over £100,000 through this payment route.

8. Key Performance Indicators

At the end of the financial year, we conducted a STAR survey into tenant satisfaction, the results of which are shown below:

Key Service Area		% satisfied	Quartile Position	
Overall satisfaction with services provided by landlord		90	1	
Satisfaction with overall quality of home		89	1	
satisfaction with repairs and maintenance		89	1	
satisfacton with value for money of rent		87	1	
satisfaction with area as a place to live		86	2	

Table 12. STAR survey results, 2016.

The figures are part of a trend of broadly increasing customer satisfaction with the services provided by the Association, the quality of the homes we provide and the areas in which we operate, over the course of the last ten years. This is shown in the table below:

Percentage Satisfaction with:		**2016**	**2012**	**2010**	**2006**
overall services provided		90	91	87	80
general condition of home		90	84	82	n/a
quality of home		89	85	82	n/a
repairs and maintenance		89	90	83	80
value for money of rent		87	75	69	n/a
area as a place to live		86	83	80	71
community		85	82	82	n/a
taking resident views into account		82	78	74	n/a
outcome of last contact		78	77	74	n/a
opportunities to take part in management and decision making		72	73	71	65

Table 13. Ten Years STAR survey satisfaction measures.

We have compared other elements of our performance against that of other North Western Associations which are members of Housemark.

	Measure	Direction of Travel	2015/16 Arawak Walton	2015/16 Quartile	2014/15 Arawak Walton	2014/15 Quartile	2013/14 Arawak Walton	2013/14 Quartile
Ave time taken to answer inbound phone calls	seconds	B	4	1	4.5	1	4.1	1
% void losses - GN	%age	B	0.59	2	0.84	2	0.74	3
Ave re-let time - GN	days	W	34.5	4	24	2	28	3
Ave re-let time - HfOP	days	W	49.5	3	16	2	30	3
Ave days lost due to sickness absence	days	B	9	3	10.9	3	7	3
% of lettings to BME households	%age	W	68	1	71	1	68	1
% rent collected - GN & HfOP	%age	W	100.5	2	100.8	1	98.4	3
Current tenant arrears - GN & HfOP	%age	B	4.6	3	5	3	5.93	4
Former tenant arrears - GN & HfOP	%age	B	1.5	4	1.8	4	1.31	3
% Rent written off - GN & HfOP	%age	W	0.6	3	0.57	3	0.62	4
Satisfaction - listens to views and acts	%age	B	82	3				
Percentage of tenants satisfied with repairs and maintenance based on repairs completion advice	%age	W	95	4	97	3	95	2
% repairs completed within target time	%age	W	98	3	98	2	99	2
% emergency repairs completed within target	%age	W	99	3	100	3	100	3
% urgent repairs completed within target	%age	W	98	3	98	2	98	2
% routine repairs completed within target	%age	W	97	3	98	2	99	2
Number of responsive repairs completed in the period	number		5422		5501		4968	
% dwellings with a valid gas safety cert	%age		100	1	100	1	100	1

Direction of Travel B= better then previous year, W= worse than previous year
Data as at 10th June 2016

Table 14. AWHA Operational performance and Quartile Ranking 2012-2015

The table shows AWHA's performance for the last three years together with the Housemark North West actuals for the period. The Quartile column indicates the performance quartile AWHA is located in, i.e. quartile 1 shows that AWHA's performance was in the top 25% of the Housemark sample. Our performance figures are not currently externally validated by Housemark.

We make customer service a top priority at the Association and we are delighted that we are top quartile for the speed we answer tenants enquiries. We are aware that many associations have allowed the speed of response to telephone queries fall in recent years to force customers to "Channel Shift" to digital platforms and this has been discussed at all levels of the Association. We believe however that contact with people is a key part of our customer service offering and will continue to provide high quality timely responses over the telephone and at reception. This is not just in recognition in the value we place in interacting with our customers but also in recognition of the specialist nature of the Association that houses and attracts a majority of people from BME communities and increasingly houses the elderly who are likely to require more support than people more familiar with the English language and technology.

We are pleased that we have managed to reduce the amount of money lost during voids periods and remain in the second quartile. The actual relet time has increased and this is partially due to the adoption of the new Housemark definition that ceases to discount major works and notice periods in the process. It also reflects the age of the stock that requires more work at voids stage and also the challenge of working in run down neighbourhoods where properties require more works. In addition the increase in the re-let time in Older Persons Housing reflects taking on the challenge of redeveloping failing sheltered schemes and bringing them up to a high standard. We are endeavouring to improve the re-let time by implementing a new element of our operational database that can track all actions relating to re-letting to identify delays in the process.

The current tenants' arrears have moved from the bottom to the third quartile and is a continuing focus of our work. In the past 12 months we have embedded changes in the way we work which is more focussed on the targeting of problem cases and extended the number of staff involved in rent arrears to ensure a consistent level of service delivery. We will continue to improve this performance in 2016/17.

Residents' satisfaction with the repairs service has remained constant across the last 3 years which is encouraging considering that we attempted to move tenants away from postal forms in 2015/16 and towards email and on-line responses. This led to a decrease in feed back that has been supplemented with telephone surveys. We are however presently researching the service with a view to change how we deliver this to tenants and particularly how we can move the quality assurance of works and contractors' performance closer to the front line.

The Association introduced a four year cost of living pay freeze for all staff commencing in 2016. This will help us contain costs in the future and will save approximately £80,000 in inflationary increases.

The Association has not explored the potential of Social Return on Investment approaches, partly because the application of the methodology is in its infancy in the social housing sector and partly because of the resource demands the use of this approach would require. This will be kept under constant review, especially as the methodology develops and becomes more widespread in the sector.

9. Procurement

As we work in some of the most deprived areas of Manchester, Trafford and Stockport and our procurements fall below OJEU thresholds, one of our objectives is to support local businesses and local employment. To that end we try to use local contractors to undertake repairs to our properties. During 2015/16, 94% of our repairs, by cost, were undertaken by north west based contractors. This retained almost £1.5m in the local economy.

Over the course of the 2015/16 financial year the Association has:

Continued to secure cost savings in the procurement and installation of components such as boilers by negotiating directly with suppliers. The average cost of a boiler installation has fallen by 15% over the course of the last four years, saving £41,000 in the 2015/16 financial year. The average cost of a bathroom installation over the same period has fallen by 29%, saving £48,000 in the 2015/16 financial year.

Our boiler replacements programme also saved our tenants an estimated £141,000 in fuel costs in 2015/16 and over the course of the last six years has saved them almost half a million pounds. In addition it has reduced carbon dioxide emissions from our properties by 1.37 million kilograms.

Likewise, the cost of bathroom installations has fallen by 29% since 2013 as the result of re-specifying the range we fit, whilst maintaining quality and also benefitting from competitive deals from new contractors. In 2015/16 this saving equated to £48,000.

The cost of individual kitchen installations has increased by 15%. In response to customer feedback the Association increased the specification of the kitchens it installs. These are expected to both better meet the needs of our customers and also to be more durable and have a longer lifespan resulting in an overall reduction in costs over a 30 year period.

The costs of window replacements have increased primarily because we have amended the specification to include the replacement of front and back doors with solid and secure UPVC doors. These are more durable than wooden doors, require less maintenance and do not incur cyclical painting costs.

Our process of tendering has ensured that our contractors continue to offer good prices for their work.

Our membership of the North West Community Housing Association's Asset Manager's Group enabled us to reduce the cost of asbestos surveys from £220 to £120 per survey.

10.Treasury

By fixing loans at favourable rates of interest for numbers of years, during 2015/16 we fixed a further £700k of loans (over 5% of our loan book) at an average rate of 3.65%.

The table below shows the changes in our loans and cost of capital over the course of the last five years. The average cost of capital has fallen by 140 basis points during that period, representing interest savings amounting to £199,000 during 2015/16. The average cost of capital for traditional housing associations in the 2014/15 Global Accounts was 5.6%, showing that the AWHA's size has not had an adverse effect on the finance deals it has been able to secure. The interest rate difference equates to a saving in 2015/16 of £229,000. The Association's cost of capital has consistently been below the traditional's average over the course of the last three years.

	2016	**2015**	**2014**	**2013**	**2012**
Average Loan £000s	14,226	14,755	13,995	13,499	13,367
Interest £000s	581	599	646	683	729
Cost of capital	4.1%	4.1%	4.6%	5.1%	5.5%
Global Accounts		5.6%	5.2%	5.1%	4.9%

Table 15. Loans, Interest and Cost of Capital, 2012-2016

The table below shows changes in our gearing ratio over the course of the last five years. It shows that our gearing remains significantly below our covenant of 55% and that the Association retains significant borrowing capacity which it can utilise to meet the future demand for homes.

	2016	**2015**	**2014**	**2013**	**2012**
Gearing	36%	38%	38%	36%	38%

Table 16. Gearing Ratio 2010-2016

11. What are our plans for the future?

Most of the activities identified in Section 3 of this assessment remain relevant for the 2016/17 financial year, and we will continue to deliver them to support our delivery of value for money.

Other specific plans for the year are:

Overall

- the introduction of a four year pay freeze for staff from April 2016 to help contain cost and save circa £80k of inflationary pay increases.

- generate efficiencies which will enable us to deal with the increased workload arising from Welfare Reform without any significant increase in staff costs.

-Address those areas in which our KPI performance is below average.

-Significantly enhance our understanding of our comparative costs by joining the Housemark benchmarking service.

Assets

- acquire at least ten additional properties per year for letting at below market rent for waiting list applicants

- implement our new asset management strategy which targets our finite resources

- review the delivery of the asset management function to ensure it is efficient and continues to deliver our requirements

- utilise the proceeds of the new Right to Buy to provide more homes for waiting list applicants and target our acquisitions in areas offering the best value for money

Operations

- undertake a major redesign of our website which will make some of our services more accessible to tenants who opt for digital service delivery

12. How will we use value for money gains?

Value for money gains which generate a cash saving will be used to reduce the cost of borrowing to develop new homes and continue our programme of investment in existing homes.

During the course of the transition to the new Welfare reform regime, it is expected that significant additional resource will be required to collect and process rents. VFM gains will also be used to fund this work. Time savings generated by the delivery of the ICT strategy will be crucial in this regard.

We will continue our support for the local economy by using local contractors where possible.

13. Summary of Value Generation 2015/16

The table below shows the value generated by the different activities detailed in the text of the assessment, together with the immediate recipient of the benefit. The savings attributed to AWHA are recycled to help achieve the Association's objectives.

Item	**AWHA**	**Tenants**	**Taxpayer**	**Total**
£000s				
Rent Subsidy (SHG)		935	1,487	2,422
Interest Savings	198			198
Delivery Model	51			51
Boiler Programme	41			41
Bathroom Programme	48			48
Overhead Efficiencies	25			25
Total	**364**	**935**	**1,487**	**2,785**

Table 17. Summary of Value Generation 2015/16

14. Conclusion

Arawak Walton Housing Association complies with the requirements of the Value for Money standard.

A copy of this statement is available on the Association's website at www.arawakwalton.com