Arawak Walton Housing Association

Value for Money Report 2020/21

Executive Summary

Arawak Walton Housing Association (AWHA) has used Housemark and the Regulator of Social Housing's (RSH) VFM metrics and 2020 Global Accounts figures to help understand and compare its performance across a range of value for money metrics and identify priorities for the future. At the time of writing 2020/21 comparative data is not available.

AWHA's headline cost per unit (cpu) of £3,375 in 2020/21 (£3,444 in 2019/20) which is £449 per property lower than our peer's median of £3,824 in 2019/20. In 2021/22 and beyond, our plans are to invest more in maintaining our properties and reduce carbon emissions which will mean that our costs per unit will increase and this is reflected in our future targets.

By working in inner-city areas with high levels of deprivation, the service we provide to our tenants is our key focus. We offer an intensive service to those who need it which we recognise will incur greater costs. In addition, the majority of our properties are pre-1919 terraced properties and as such our costs will be higher than many associations.

During the year we have reviewed our asset management strategy, focussing on establishing plans to invest in carbon reductions measures for all of our properties. Our budget for 2021/22 and our 30 year business plan include provisional figures for this investment and we plan to carry out further research in this area during 2021/22.

We recognise that we should continue to review the delivery of our maintenance and major repairs functions to ensure we are operating efficiently, and to that end we work with similar groups in the North West through the Community Housing Association's North West Group to compare prices and discuss best practice to get value for money for the Association. In the past year this group has compared responses to the Covid-19 pandemic, health and safety and also strategies to meet zero carbon targets. Despite the interruptions during the year due to Covid-19 our repairs satisfaction result for the year is 99.77% with 100% of emergency repairs being carried out on time and over 98% for all other repairs.

Section 1. Value for Money Strategy

As a specialist Black and minority ethnic (BME) housing provider, Arawak Walton's mission is to champion the provision of quality affordable homes in sustainable multi-cultural communities. We aim to redress the inequity faced by BME communities in accessing good housing, health, education, training and employment. To do this, we work in areas where BME communities predominantly live or aspire to live. We play a direct role in contributing to the success of the local economy by directly employing local staff and utilising the services of local contractors and suppliers. Over £2m of our rental stream is reinvested directly into the local economy.

We recognise that we operate in areas with high level of deprivation and the service we provide to our tenants is our key focus. We offer an intensive service to those who need it which we recognise will incur greater costs. We also aim to procure services locally which also may not be the cheapest option. Our VFM targets are informed by the work we identify in order to achieve our mission and objectives, as per below:

We benchmark our costs and performance annually and will look into any areas where we appear high cost.

Our Vision and Values delivered through our business plan

We are keen financial managers; We need financial strength and effective financial management to underpin and expand our work; we use our resources to add value and release potential.

We are open and accountable; We provide user-friendly information about our performance as a housing association.

- **Retain strong financial position with capacity to grow**
- **Achieved agreed set of performance measures**
- **Retain G1 / V1**

The Board has overall responsibility for the Association's Value for Money Strategy and each year sets annual targets in line with the approval of the Business Plan and KPIs. Value for Money is at the centre of everything we do in terms of achieving our Business Plan objectives and targets. Specific elements of our approach to value for money are:

Managing our costs and assets

- 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 property 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
- the requirement to tender certain procurements and obtain quotes for others to ensure market prices are paid, whilst maintaining our objective to work with local contractors where possible.
- we review contractor performance regularly, with a formal review undertaken every 3 years. This review includes a review of value for money of services provided.

Reviewing our services

- 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
- consideration of the value for money implications of new initiatives at Senior Management Team (SMT) and Board level
- An independent STAR survey is undertaken every 3 years to assess our customers' levels of satisfaction

Reviewing & improving our performance

- Weekly, monthly and quarterly KPIs are reported and reviewed by SMT
- A regular review of contractor's performance by officers and tenants and an annual appraisal.
- 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
- setting specific VFM projects or objectives as part of the VFM statement on an annual basis.

Section 2. Value for Money Metrics

The VFM standard, introduced from April 2018, requires that seven key metrics are measured along with other financial and non-financial KPIs selected by the Association. This allows for a rounded view of the activities of the organisation.

The table below shows our results for our VFM KPIs and compares these against our peers' data from 2019/20 (2020/21 data is not yet available). Following a four-year period of rent reductions, 2019/20 was the first year of the new rent regime, which has seen our turnover increase and an improvement in our operating margin from 24% to 25%. Whilst we are keen to keep costs as low as possible we feel that investing in our properties is key to providing good quality homes for our tenants and we have built into our future plans further investment into carbon reduction measures, scheme 21st century improvements and also further investment for roof and first safety works. This has meant that our projections for operating margin show a reduced level of around 18-20% over the next 5 years.

Our VFM future targets for the next three years are also shown, which have been taken from our 30 year financial plan and were approved by our Board.

During 2020/21 we reviewed our Housemark peer group and this continues to includes – all Traditional Registered Providers with less than 5,000 properties, based in the North (NW, NE, York & Humberside) and Midlands (East Midlands & West Midlands). These results are shown together with the peer results from the RSH's latest global accounts (see RSH's VFM report for 2020/21).

The Covid-19 pandemic has had some impact on our costs in terms of intensive cleaning at our communal schemes and costs incurred for PPE, however we have seen a reduction in our arrears and we have been able to carry on with our component replacements programmes with only minor delays. We continue to support our tenants throughout this period and beyond. Our financial business plan is prepared on a prudent basis, allowing for increases in arrears, voids and interest costs. This is to ensure effective planning and to reduce any need for stopping our acquisitions programme or scaling back our service offer.

VFM KPIs

	Detail	AWHA					HOUSEMARK PEER			RSH	Future Targets		
		Actual	Actual	12 months Actual to	12 months Target	Target Achieved?	Median	Upper Quartile	Lower Quartile	Global Accounts (1)	AWHA	AWHA	AWHA
		2018/19	2019/20	2020/21			2019/20				2021/22	2022/23	2023/24
1	Operating Margin	28%	24%	25%	20%	Yes	22%	27%	19%	24%	18%	20%	20%
2	Operating Margin (social Housing)	28%	24%	25%	20%	Yes	24%	28%	20%	20%	19%	20%	21%
3	Interest Cover (EBITDA MRI) %	296%	235%	311%	195%	Yes	212%	290%	148%	199%	131%	147%	154%
4*	New Supply Delivered %	0%	0%	0%	0%	N/a	1.78%	3.47%	1.00%	0.7%	0%	0%	0%
5	New Supply Delivered % (non-social)	0%	0%	0%	0%	N/a	0	0	0	0.0%	0%	0%	0%
6	New Supply (incl prop acquisitions)	1.3%	2.4%	1.2%	0.9%	Yes	1.78%	3.47%	1.0%	0.7%	1%	1%	1%
7**	Gearing	46%	46%	44%	45%	Yes	37%	25%	44%	35%	45%	44%	43%
8***	Reinvestment % (new & existing)	1%	1.6%	1.4%	1.7%	No	5.06%	8.48%	2.85%	5.60%	2.7%	2.6%	2.7%
9	Return on Capital Employed	4.41%	3.48%	3.80%	3.0%	Yes	2.99%	3.58%	2.64%	3.00%	2.9%	3.1%	3.2%
10	Cost Per Unit £	3,218	3,444	3,375	3,655	Yes	3,824	3,365	4,086	4,600	4,133	4,219	4,328
11	Customer Satisfaction	90%	92%	92%	>91%	Yes	88%	92%	86%	N/A	>91%	>91%	>91%
12	Ratio of resp repairs to planned maint.	94%	70%	73%	63%	No	64%	47%	100%	N/A	54%	57%	57%
13	Occupancy	99.7%	99.7%	99.9%	99%	N/A	99.3%	99.8%	98.86%	N/A	99.30%	99.20%	99.10%
14	Rent collected	100.7%	100.3%	101.87%	99.3%	Yes	100.4%	100.4%	99.7%	N/A	98.0%	98.0%	98.0%

Equal to / better than Housemark peer median
Within 10% of peer
Below / worse than peer

(1) - Taken from RSH's VFM Metrics Report - under 2500 units

* The RSH's metric only classes newbuild properties as new supply. For new supply incl prop aqcuistions see No 6.

** A considerable amount of AWHA grant (£26m) was gained via stock transfer it is shown differently in the accounts than other RP's grant. If the treatment was consistent our gearing figures would be 25%

*** If we include investment in property acquisitions our 20/21 result is 4% which is slightly below our peer median.

Section 3. Analysis of Metrics

The Association's intention is to use the RSH's global accounts alongside Housemark where possible. References within this report to peer results will be our Housemark peer group unless stated otherwise. Our Key Performance Indicators are agreed annually by Board in order to drive change in the future and are reported quarterly to Board during the year. The use of the cost per unit measures help us identify areas of focus for investigation and subsequent cost review, however we are cognisant of the impact of working in mainly high deprivation areas coupled together with our community-based approach on our costs. Where the Association's results are significantly different from the sector median these will be investigated and detailed in this report.

The analysis in this section focuses on the seven key metrics together with our own KPI's as chosen by the Board.

1) **Operating Margin (overall)**

Our 2020/21 operating margin of 25% was higher than our peers' figure of 22%. This has increased by 1% since 2019/20 largely due an increase in rental income and also some budget savings during the year. However, we have seen an increase in our day to day repairs expenditure which is expected to continue.

We want to continue investing in our properties and our investment in our properties is planned to continue with greater investment in capital works. During the year our Board has agreed to increase our property investment levels in order to invest in carbon reduction measures in order to get all our properties to an EPC minimum level of C. In addition to this we have also planned for modernisation improvements in our communal schemes in order to keep them attractive and somewhere where tenants enjoying living. Due to this additional investment our operating margin is forecast to reduce to 18% in 2020/21.

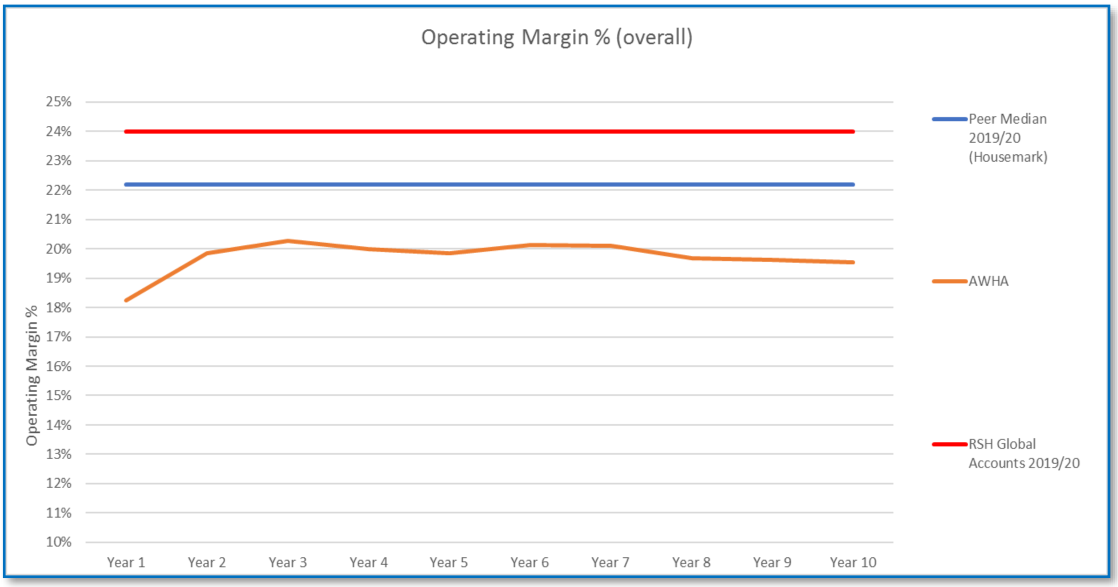
In addition to this, to ensure we attract and retain staff we regularly carry out salary benchmarking reviews. In 2019/20 a review showed that some salaries were below sector average and therefore some salary costs increased from April 2020.

Our analysis of our costs per unit is shown below in section 10.

Our key challenges for the future to ensure Value for Money will be:

- minimising cost increases, especially in key areas of expenditure such as maintenance and staff costs, possibly as a result of economic factors. The Association continues to be part of procurement groups and explores cost savings opportunities.

Our forecasts of our operating margin are shown below:



2) Operating Margin (Social Housing)

The margin in 2020/21 of 25% is above our housemark peer figure of 24% and also the RSH's global accounts figure of 20%.

As mentioned above in 1) our operating margin has improved slightly since 2019/20 but is forecast to decrease due to increases in property investment – increases in day to day repairs and significant increases in property improvements.

In January our Board reviewed our rent levels to ensure that with any increase applied, rents would still remain affordable for our tenants. Our average rent level for 2019/20 was £83.83 per week which is below the Local Housing Allowance level and also below the Living rent level (a rent level framework developed by Joseph Rowntree Foundation and the National Housing Federation which links rent levels to local incomes).

3) Interest cover

The Association's interest cover ratio of 311% compares favourably to the peer median of 212%. 30% of our loans are on variable interest rates and therefore we have seen some savings in interest charges due to the low interest rates during the year. Going forward interest cover is expected to fall due to our planned increased spend on component replacements and prudent assumptions for interest costs, although we will still be well within the minimum cover required by our funders. Our capital investment programme is smoothed over a number of years in the business plan to reduce the effects of one-off spikes in future years.

During 2020/21 we reviewed our treasury strategy to ensure that our funding position is fit for purpose, gives the best value for money and also to establish the effect on our funding position from increasing our property investment plans and carbon reduction. We have plans to consider a refinancing exercise in 2021/22 to enable us to free up security tied to a variable loan.

4) & 5) New Supply Delivered – Social and Non-Social

The Association is not currently developing new properties as the availability and affordability of land in the areas we operate is prohibitive. The Association's mission is to provide safe sustainable homes in the areas we operate in. We are keen to avoid charging high rents that would put our tenants into the poverty trap. Having achieved Investment Partner status with Homes England, we are now in a position to attract grant funding, enabling us to ensure rents are affordable for our tenants.

Although the Association is not currently developing new properties, there have been opportunities to acquire properties from different sources which has resulted in some years seeing significant growth. Our growth is reflected in the KPI below.

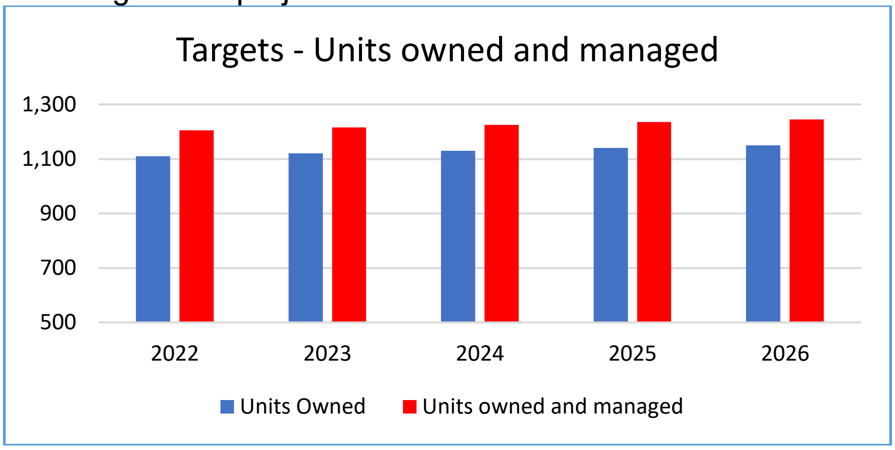
6) New Supply Delivered - Social and Non-Social - including acquisitions

This KPI is our own measure and includes properties acquired on the open market or from other registered providers, which is excluded from the RSH's VFM metrics.

In 2020/21, the Association acquired 13 properties against an annual target of 10, with 26 acquired in 2019/20. The Association has been particularly successful in acquiring properties from partner associations who were looking to divest these from their portfolio. 11 of the properties acquired this year have been let at social rent levels, which is a priority for our tenants living in areas of high deprivation.

Our long-term financial plan includes a rolling 1 year budget of £1m per year for 10 acquisitions and we will review this should further opportunities arise. Our annual target is to grow by at least 10 properties per year.

Our future units targets are projected as below:



7) Gearing

The Association has a gearing figure of 44% as per the RSH's metrics calculation. This is above the 2019/20 median figure of 37%. However, it must be noted that with FRS102, any grants received by the Association via acquisition are required to be netted off against fixed asset costs with the result that cost of assets are reduced by £26m. If these grants were added back in, the calculation would show a gearing calculation of 25% which would put the Association in the upper quartile when compared with peers.

During 2020/21 no additional borrowing was required from our existing loan with Warrington BC despite us acquiring 13 acquisitions. As at 31.3.21 we have £3.25m undrawn with this facility and this is expected to meet our requirements until 2024/25.

8) Reinvestment % (new and existing properties)

During the year we invested £515k on improving our properties in the following ways:

- We spent £151k on replacing 31 kitchens;
- We spent £125k on replacing windows and doors
- We spent £97k on roof and structural upgrades

- We spent £142k on other property improvements such as boilers and bathrooms.

Due to Covid 19 we were unfortunately unable to complete our bathroom programme and this is one of the reasons why our actual percentage of 1.4% is below our target for the year.

As in the RSH's New Supply KPIs, investment in properties that have been acquired is not included in this calculation. During 2020/21 we spent £945k in acquiring and improving properties. Had this been included in this metric, our result would have been 4% which is slightly below the median of our peer group.

Our revised 30 year financial plan incorporates our stock condition data and shows the requirement to increase our investment in this area in the next few years which will increase this percentage, as shown in our future targets. During 2020/21 we have a number of asset management projects to look at investment levels needed to meet carbon reduction targets and also reassess our roofing programme using drone technology. Our forecast over the next 5 years is that our reinvestment % will be an average of 2.7% each year – this is excluding our investment in acquisitions.

Whilst achieving a high percentage on this KPI is deemed good we are mindful that increasing investment in existing properties would also increase our headline cost per unit and therefore make us look expensive.

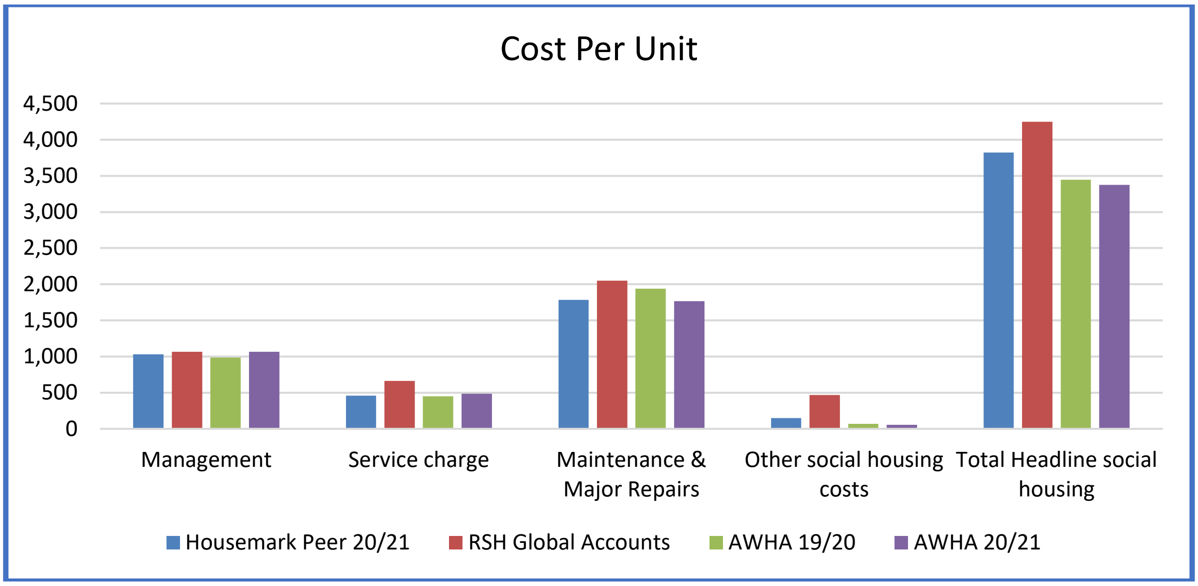
9) Return on Capital Employed (ROCE)

The Association has a Return on Capital Employed of 3.8% as measured by the RSH's metric calculation. This is above the peer median 2020 figure of 2.99% and demonstrates a good return on investment for the Association's assets compared to its peers.

Our Manchester homes were largely acquired before those in Trafford and Stockport and therefore have a lower Net Book Value, and whilst the average Manchester rent is lower than in Trafford and Stockport, the low property value results in a higher ROCE. For our submarket rent properties, rents are typically almost 50% higher than general needs rents, but these properties were acquired more recently and therefore have significantly higher net book values, resulting in a modest contribution.

10) Cost Per Unit (CPU)

The chart below shows our cost per unit (cpu) figures for 2020/21 together with our previous year and our peer unit costs for 2019/20.



The Association's headline cost per unit (CPU) for 2020/21 was £3,375 which is below our target and also less than the 2019/20 median figure of our peers £3,824. Largely due to Covid 19 we were able to make some savings on staff travel, staff and board events and also some resident events were unable to take place. We installed a new phone system which will see ongoing savings over the next few years, whilst providing enhanced features. During the year there was also some maintenance work that could not be carried out due to Covid-19 which would have increased our costs more in line with the previous year's level.

Our annual report from Housemark for 2019/20 shows that our overheads are £795 per property, with our peers at £798. Our annual report can be found here. The adaptation to working under Covid 19 restrictions has gone very well and all staff were working remotely at the start of the year with only minimal disruption to services. Our head office remains the hub of our community and we want this to continue, so whilst some agile working will take place going forward, we have no plans to reduce our office size.

During 2021 and 2022 we will be concentrating on implemented a mobile working software solution which is aimed to improve our services and eliminate duplication, whilst also making some processes paperless and keeping our data more secure. Although no costs savings are envisaged at this moment, we will review this throughout the project.

Our costs over the last few years have increased in some areas and we have plans to invest more into our properties so our business plan shows that unit costs will increase over the next few years - further details are shown below:

Management Costs	**Maintenance & Major Repairs**
Our management cpu for 2020/21 was £1,066 compared to a peer median figure of £1,032. The increase in our costs has been as a result of salary review to realign salaries to more in line with sector levels together with more overheads being allocated to this area. Overall overheads across the Association have remained at similar levels to 2019/20 but during 2020/21 more were allocated to management costs. Our vision is to improve tenant and community involvement and to retain our high levels of customer satisfaction whilst ensuring we offer a VFM service. We feel we offer a unique approach to customer service that is culturally sensitive and people centred which we believe drives high tenant satisfaction. We work in a bustling, diverse inner city with some of the poorest people in society. In addition 80% of our tenants are BME which brings extra challenges with language and cultural sensitivities. In addition they tend to have larger households that inflict greater wear and tear on the properties. Over the past few years due to welfare reform it has been necessary to increase the hours of staff members working in critical areas in order to maintain the arrears levels. The requirement to tender for services above a certain value will help to ensure that value for money is obtained for these services. All managers have been involved in systems thinking training to build continuous improvement and a culture of innovation. In the last year we have reviewed the way we handle Anti-Social Behaviour and Safeguarding and managers are empowered to change services to deliver at their optimum level. Along with the housing management service we are mindful that the association has a historic social purpose to demonstrate that a BME association can be an example for success and force for good in the community. We are committed to playing a role to champion and promote	The Association mainly works in deprived inner-city areas and consequently has a significant percentage of pre-1930's terraced stock which incur higher levels of maintenance. Our costs for 2020/21 were £1,767 per unit and were lower than the 2019/20 Housemark median of £1,784 and the RSH average of £2,051. There was one component replacement project that could not be fully completed during the year and therefore our spend in the area has been less than planned. Works will be carried forward to 2021/22. Our mission to accommodate diversity means that additional costs are incurred such as the provision of wet rooms in some properties plus burglar alarms in each property. These initiatives contribute around £30k to the cost base of the Association each year. During the year a strategic decision was made during to use our voids in a more targeted manner in order to resolve current tenant housing issues, thus reducing the pressure on housing services and improve the service to our tenants. As a result it has meant that unreported repairs are identified at the changeover stage and together with standard safety checks this has meant increased costs of around £17k. Overall our average relet costs for the year were £1.7k per relet, which compares favourably to our peers figure of £2k. Our investment in updating and replacing property components (eg kitchens & bathrooms) is driven by stock data intelligence and is also reviewed each year to ensure that replacements only occur when they need to. Our property requirements are expected to increase over the next few years and whilst we recognise that this will increase our cost per unit and reduce our surpluses we feel that investing in our properties is key to providing good quality homes for our tenants. In 2020/21 we introduced a fencing programme, which some other RPs to save costs have chosen not to do. We believe that this will help to continue to make our neighbourhoods attractive and reduce resident dissatisfaction.

multi-cultural sustainable neighbourhoods. To do this we participate in events and community group and contribute to local events and have a close and meaningful relationship with several local charities. As well as providing a housing management service to a local refugee accommodation charity. Withdrawing from these activities might enable a slight reduction in costs however we believe this work contributes more to building a healthy and harmonious community and that is priceless. **Our future plans:** In 2021 we began our mobile working project to allow better access to our systems whilst being out and about in our neighbourhoods. We believe this will make our housing staff more efficient. The first areas that we will be implementing are: • digitalising our support plans • digitalising our health and safety checks at our communal schemes • digitalising our tenancy sign up process • reporting a repair whilst off-site; We have changed our structure to allow managers to take more responsibility for higher level strategic tasks to free the Operations Director to oversee the critical projects in the Asset Management Strategy. We have aligned a number of budgets to enable a planned approach to be taken in the upgrade of communal blocks of flats.	The Association maintains its position of selecting local contractors as part of its social purpose in terms of reinvesting in the local economy and value for money is always obtained for every contract. The Association is part of procurement groups and Community Housing NW Association group and regularly compare prices to ensure we are getting the best prices in the market. Quotes for all repairs over £500 are received to ensure we are getting good value for money from our contractors. All of our maintenance programmes are tendered to ensure we are getting the best price we can. **Our future plans:** - Our key challenges for the future to ensure Value for Money will be to deliver the responsive repairs service at the sector median. The Association will work towards increasing the level of planned works in the year as this could lead to greater efficiencies and cost savings in day to day repairs. However, we are cognisant of the diverse needs of our tenants and the potential impact on their cultural and religious needs in terms of some of our responsive works - We will continue to tender all maintenance contracts over £15k; - We will review the cost/benefit of our electrical re-wiring programme; - We will review our climate change strategy to look at investing carbon reduction measures.
Services Our service costs per unit of £487 were slightly higher than the 2019/20 peer median of £459. Whilst are costs have been lower in previous years we have seen some increases in communal cleaning and energy prices. During the year we incurred additional costs for cleaning due to Covid-19 of £31k due to increased cleaning We will continue to review costs and re-tender contracts on an annual programme to ensure we are getting the best value for money services for our tenants.	**Other Costs** Our other costs per unit are significantly below our peers with a cpu of £55 against a peer of £150. Our costs relate to supporting people charges and the management costs for the properties we manage on behalf of The Boaz Trust.

11) Customer satisfaction

One of our strategic aims is to continue to provide high quality and accessible services to customers by ensuring that services meet the needs of people who use them or are affected by them. In 2019/20 we instructed an independent company to carry out a STAR survey and the results gave us a 92% satisfaction rating the highest we have ever achieved despite a reduction in income for 4 years.

We continue to carry out satisfaction surveys on a weekly basis for all day to day repairs and our rates continue to be above 99%.

We are assisted in our review work by our Tenants Quality Panel, who during the year have assisted us in reviewing our Complaints Policy and Procedure, in light of the Housing Ombudsman's new Code. This has resulted in an update to the Complaints section on our website to make it easier for tenants to understand and utilise the Complaints process. It has also provided us with reassurance that our Policies and Procedures are in line with the Ombudsman's Code and the needs of our tenants.

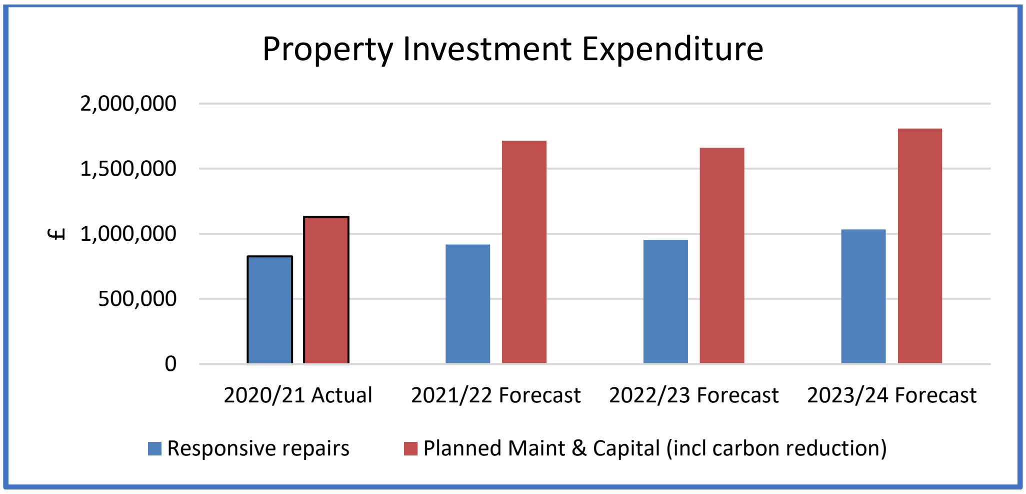
12) Ratio of Responsive Repairs to Planned Maintenance

This measure looks at the ratio of expenditure on responsive repairs as a percentage of total planned maintenance expenditure (incl major repairs and capital major repairs expenditure). We reviewed the categorisation of costs during 2019/20 and have reallocated more costs to planned works – as a result our percentage reduced in that year. During 2020/21 we incurred increases in responsive repairs and this together with some reduced expenditure on component replacements has meant that our ratio has increased more than expected and we have not met our target.

Our decision to utilise mutual exchanges and transfers in order to address tenancy or ASB issues has meant that the relet repair costs have increased, as more repairs are being picked up during the process. We plan to carry on with our approach as we have already seen the positive impact it has had on tenants so far.

Whilst we currently have a higher ratio than our peers our plans to increase investment in carbon reduction measures and scheme 21st century improvements mean that our forecasts for this ratio are around 54%-57% over the next 3 years, which will place us in the upper quartile of our peers.

Over the next few years our plans are to increase our planned programmes whilst maintaining similar levels of responsive repairs which will reduce our percentage of responsive to planned. The graph below shows our investment levels for 2020/21 and the next three years.



13) Occupancy

Our occupancy levels continue to be high at 99.9% for 2020/21. This is as a result of the relatively low turnover of our customer base plus also quick turnarounds from our contractors to complete the works on a property when it becomes vacant. The Association currently has a waiting list for properties which is shows a very high demand for all types of properties in our areas. The impact of Covid-19 at the start during the year has meant that there has been a slight increase in the number of voids but this is well within our target – our budget and business plan has been compiled using prudent numbers for this area.

14) Rent Collected

The amount of rent collected in the year has exceeded 100% for the fifth year in a row, resulting in rent due being collected plus an element of arrears which has exceeded our target. During 2020/21 we have seen our arrears levels reduce from 2.7% at the start of the year to 2.5%. This is due to the continued proactive work by the Association's housing staff who assist our residents with any money concerns and work with them to ensure that they are receiving their full entitlement to any necessary benefits due which has been particularly key during the pandemic. Our approach to growth – by acquiring properties, the majority of which are at social rent has hopefully helped tenants by keeping rents affordable.

Our budget and business plan assumptions are set prudently and already assume an increase in arrears, however we will keep a watchful eye on this area.

Section 4. Social Value

The Association has continued to provide support to community groups in the local area often working with disadvantaged people. As mentioned earlier in this report one of our aims is to work with utilise the services of local contractors and suppliers.

Some examples of social added value are shown below:

- During the year we worked with other Social Landlords working in an area of Manchester that witnessed a shocking double murder at an illegal gathering. With the other associations we agreed an action plan to respond to the incident and to encourage positive developments in the area. We established a community fund to support local groups that worked particularly with young people.

- We worked with another organisation to put on an event to encourage small businesses from the BME community to improve their business practices. Through the event we developed a relationship with a small cleaning and multi trade business who have become a regular contractor for the association.

- Our electrical contractor is continuing to grow & develop their business with the Association. After winning a 3 year contract with us they have recently taken on more locally based staff and purchasing materials from local suppliers.

- Our component replacement programme and especially the replacement of boilers have positive benefits for our tenants. Their improved energy efficiency reduces household heating bills and fuel poverty.

- During the course of the year we have continued to work closely with the Boaz Trust, a local charity with a national profile which provides support to refugees and asylum seekers, to provide tenancy management and repairs services at marginal cost to the Trust. AWHA manages 75 properties on behalf of Boaz.

- This year we have entered into negotiation with a local developer and a support provider to help create a 30 bed homeless hostel in the centre of Manchester. The City Council have stated that this is a key tool in their drive to end homelessness in the City.

Section 5. 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 contribute to the purchase of additional homes. This will include homes acquired from partner associations plus properties acquired through the Manchester City Council Homelessness initiative.

Section 6. Conclusion

The Association has performed well against the VFM targets set for the year. Rent collection continues to exceed 100% and we have also increased the number of homes in ownership during the year by 1%, by acquiring an additional 13 homes for letting to applicants on our waiting list.

We have continued to use Housemark's sector scorecard analysis together with the RSH's Global Accounts to measure performance against peers in order to further understand the costs of the Association and drive through efficiencies.

Our focus on investing in properties, including carbon reduction measures will mean that our costs will increase and this is reflected in our future VFM targets. However a key part of our mission and vision is to provide quality homes and an excellent service.

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