



Value for Money Report 2023/24

Value for Money Report 2023/24

Arawak Walton Housing Association (the Association) has used Housemark and the Regulator of Social Housing's (RSH) VFM metrics and 2023 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 2023/24 comparative data is not available.

Our achievements during the year include:

- ❖ Tenant Satisfaction measures survey completed with 85.3% satisfaction score
- ❖ Prioritising staff resources to carry out 650 property inspections and tenancy visits to enhance our knowledge of property conditions and tenants needs
- ❖ A review of our customer facing teams, resulting in additional staff posts in order to enhance our customer experience and increase our engagement to be implemented in 2024/25
- ❖ Completing fire safety works in homes achieving compliance and promoting safety at home
- ❖ Taking a commercial approach to performance management

The Association's headline cost per unit (cpu) of £4,598 in 2023/24 (£4,179 in 2022/23) which is £210 per property higher than our peer's median of £4,388 in 2022/23. As reported in 2023, that our plans are to invest more in maintaining our properties, which has meant our costs have increased and this is reflected in our figures this year.

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, a large proportion 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 fire safety measures and investment in compartmentation works, fire doors, component replacements. Our 30 year business plan includes estimated costs of around £120k for further fire safety measures over the next year and continue to include provisional figures for investment in carbon reduction of £2 million.

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.

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 £2.5m of our rental stream is reinvested directly into the local economy. Our contractor development policy and community sponsorship programme demonstrate our commitment to the areas in which we work.

Our VFM targets are informed by the work we identify in order to achieve our mission and objectives, as per below:

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.

Our aims are to:

- **Retain our strong financial position with capacity to grow**
- **Achieve our 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

- 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 their diversity, housing and geographical location aspirations to ensure it delivers housing opportunities where our customers want to live, informing our growth strategy;
- consideration of the value for money implications of new initiatives at Senior Management Team (SMT) and Board level
- An independent tenant satisfaction survey is undertaken annually 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

Section 2. Value for Money Metrics

The Regulator's VFM standard 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 and targets for our VFM KPIs and compares these against our peers' data from 2022/23 (2023/24 peer data is not yet available). Whilst we are keen to keep costs as low as possible but know that investing in our properties is key to providing good quality homes for our tenants. We have built into our future plans further investment into enhanced fire safety measures and carbon reduction works, scheme 21st century improvements.

During 2023/24 we reviewed our Housemark peer group and this continues to include - 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 2022/23](#)).

The rising cost of maintenance costs has continued to be felt during 2023/24 and we expect increased demand for property repairs to continue as we continue with our programme of property inspections and tenancy visits.

VFM KPIs													
		AWHA					HOUSEMARK PEER			RSH	Future Targets		
		ACTUAL	ACTUAL	ACTUAL	TARGET	Target Achieved?	Median	Upper Quartile	Lower Quartile	Global Accounts (1)	AWHA	AWHA	AWHA
		21/22	22/23	23/24			22/23				24/25	25/26	26/27
1	Operating Margin	20%	21%	15%	17%	No	17%	22%	12%	17%	18%	18%	18%
2	Operating Margin (social Housing)	20%	21%	15%	17%	No	18%	22%	12%	19%	19%	19%	19%
3	Interest Cover (EBITDA MRI) %	227%	183%	133%	139%	No	159%	226.0%	135.0%	171%	133%	127%	129%
4*	New Supply Delivered %	0%	0%	0%	0%	N/a	0.70%	1.8%	0.2%	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%	0%
6	New Supply (incl prop acquisitions)	0.1%	0.6%	0.6%	0.0%	Yes	n/a	n/a	n/a	n/a	0%	0%	0%
7**	Gearing	41%	42%	43%	43%	Yes	31%	19%	43%	33%	43%	43%	42%
8	Reinvestment % (new & existing)	2.2%	3%	2%	2%	Yes	5%	6%	3%	3.7%	2.7%	2.8%	3.0%
9	Return on Capital Employed	3.5%	3.3%	2.6%	2.9%	No	2.5%	3.0%	2.1%	2.1%	3.2%	3.3%	3.3%
10	Cost Per Unit	3,969	4,179	4,598	4,471	No	4,388	3,905	5,351	5,720	4,916	5,027	5,120
11	Customer Satisfaction	92%	93%	85%	>91%	No	85%	91%	80%	N/A	>91%	>91%	>91%
12	Ratio of resp repairs to planned maint.	69%	60%	91%	80%	No	74%	56%	97%	N/A	71%	70%	69%
13	Occupancy GN	100.0%	99.9%	99.5%	99.2%	Yes	99.8%	99.9%	99.6%	N/A	>99%	>99%	>99%
14	Rent collected GN	100.1%	97.8%	98.2%	98.9%	No	96.5%	97.5%	96.1%	N/A	>99%	>99%	>99%

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

Equal to / better than peer medium

Within 10% of peer

Below / worse than peer medium

* The RSH's metric only classes newbuild properties as new supply. For new supply incl prop acquisitions see No 6, which shows AWHA above peer %

** 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%

Section 3. Analysis of Metrics

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 2023/24 operating margin of 15% was lower than our target of 17%, which is largely due to the impact of one-off costs relating to fire safety works and staff changes, together with an increase in our responsive repairs. Without these one-off costs our margin would have been 17.7% and above our target. We were able to achieve savings on voids losses, bad debts and some overhead costs. Investment in fire safety measures will also impact in 2024/25 with our final year of compartmentation works and this, together with increased focus on customer service, will mean our operating margin will be around 16.6% in 2024/25, and between 17% - 19% in the following four years.

Whilst building safety is our utmost priority, the Association continues to plan 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.

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:

- Continue to ensure all properties are safe and warm and damp, mould and condensation is dealt with appropriately and effectively;
- Keeping rent levels as low as possible whilst ensuring that the association has sufficient funds to provide a quality service to tenants;
- Implementing a carbon reduction programme that is affordable and is what our tenants want.
- Continuing to grow without compromising the need for investment in our existing properties.

2) Operating Margin (Social Housing)

The margin in 2023/24 of 15% is below our housemark peer figure of 17% and also the RSH's global accounts figure of 17% (peer results relate to 2022/23).

As mentioned above in 1) our operating margin was lower than our target for the year due to the investment in fire safety measures and staffing costs.

3) Interest cover

The Association's interest cover ratio of 133% is below the peer median of 159%. Our investment in capital improvements to properties together with an increase in interest costs has meant a reduction in our interest cover. Around 36% of our loans are on variable interest rates and whilst we have benefited in the past from low interest rates, during 2023/24 we have seen interest costs increase as the Bank of England base rates have increased. Our stock condition data shows that increased investment in our properties is required in the future as properties age, this together with a short-term projection of rising interest costs has meant our future projections show interest rate cover continuing to around similar levels although rising to 189% by year 10 of our plan (2033/34).

Whilst it currently might not be the best time to increase our proportion of fixed rate loans we will consider this as part of our treasury management strategy.

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

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 2023/24 we have been able to acquire 7 properties (0.6%). Whilst our target is to continue growing, this is not reflected in the business plan as it will require new funding. In 2024/25 we undertake a review of the value for money of acquiring during the current climate of high interest rates.

7) Gearing

The Association has a gearing figure of 43% as per the RSH's metrics calculation. This is above the 2022/23 median figure of 31%. 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 near to the upper quartile when compared with peers.

As at 31.3.24 we have £1m undrawn loan facility and this is expected to meet our requirements until January 2026. Our plans are to borrow a further £4.3m during 2024/25 to enable us to grow further and invest in carbon reduction.

8) Reinvestment % (new and existing properties)

During the year we were close to our target of 2.0% and invested 1.9% (£719k) on improving our properties in the following ways:

- We spent £309k replacing 45 kitchens;
- We spent £125k replacing windows and doors (incl fire safety upgrades)
- We spent £42k upgrading a communal scheme;
- We spent £243k on other property improvements such as boilers and roofs;

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. Our forecast over the next 5 years is that our reinvestment % will be an average of 2.7% each year (c£1m pa).

9) Return on Capital Employed (ROCE)

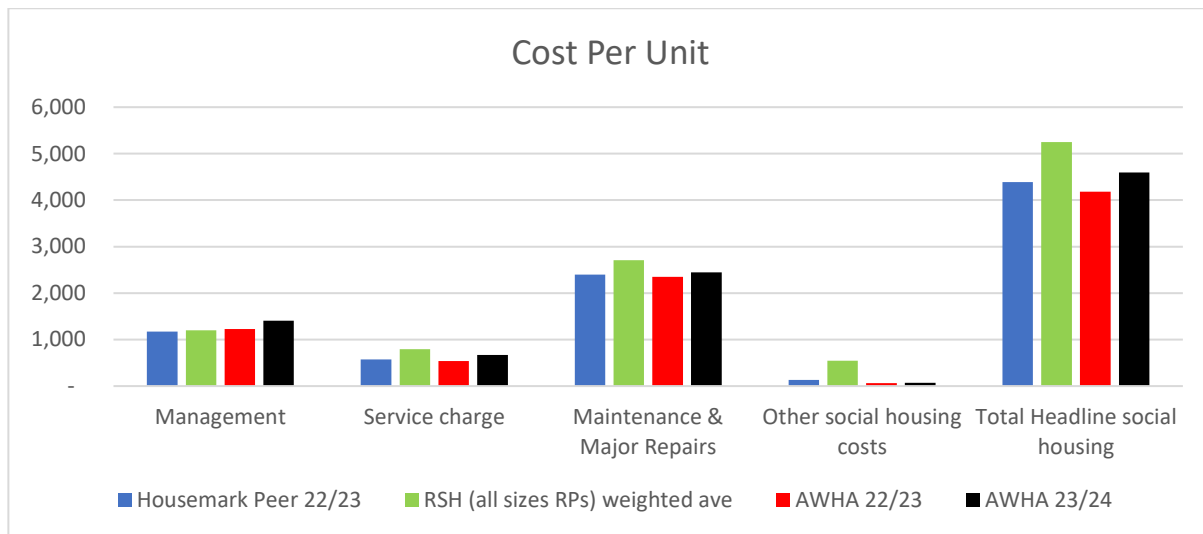
The Association has a Return on Capital Employed of 2.6% as measured by the RSH's metric calculation. This is above the peer median 22/23 figure of 2.5% and demonstrates a good return on investment for the Association's assets compared to its peers.

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.

Our long term financial plan shows that ROCE will increase to 3.5% by 2025/26 and 3.8% by year 10 (2033/34).

10) Cost Per Unit (CPU)

The chart below shows our cost per unit (cpu) figures for 2023/24 together with our previous year and our peer unit costs for 2022/23.



The Association's headline cost per unit (CPU) for 2023/24 was £4,598 which is above our target and also our Housemark peer figure for 2022/23 median figure of our peers £4,388, but under the Global accounts (RSH) figure of £5,720.

One-off costs relating to fire safety measures and staffing, together with increased repair costs have meant that our costs were around £200k more than planned, some of which was offset by savings in other areas. However, investment in these areas are a key focus for the Association.

During 2023/24 we:

- Maintained our repairs contractor portfolio, to ensure we meet the repair needs of our tenants, this has enabled us to control the costs on larger repairs by requesting estimates from multiple contractors.
- Provided in-house staff training on repairs diagnosis to ensure that we optimise the completion of first-time fixes.
- Through continuous improvement we have redesigned services to meet the needs of our customers. Examples include:
 - Focusing staffing resources on our busiest days for telephony call handling
 - Training staff to offer generic service to customers so we can cover holidays and absences effectively with minimal impact to service delivery.
- Automated our arrears processes.
- Renewed the British Gas void contract with the best rates possible for our void properties / long term empty properties minimising utility costs, speeding up our void process, and offering utility connections to new tenants.
- Continued to outsourced asbestos re-inspections at a negotiated price which allows us to focus on other priority areas of compliance and asset activity.

- Continued to use T100, an IT module that holds compliance, asset and health and safety data offering a more efficient recording, servicing, and reporting mechanism to manage our work.
- In collaboration with other community housing associations in the north west (CHANW) we joined forces to recruit a Policy Officer to enable a more affordable solution to policy updates and keeping up to date with legislative changes.

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. **Our future plans around Value for Money are:**

<p>Management Costs</p> <p>Our future plans:-</p> <ul style="list-style-type: none"> - Review our current IT systems and processes, to ensure they are fit for purpose and enable the most effective way of working; - Review our income, lettings and repairs processes to ensure we are working efficiently and effectively; - Continue to develop our Health and Safety system to ensure we are proactive and remain compliant - Aim to evaluate our training and recruitment processes in 2024 to ensure they are fit for purpose; - Review our Health and Wellbeing policy. - Maintain community sponsorship activity as planned to facilitate a targeted approach to donations using an Asset Based Community Development model supporting communities with health & wellbeing, food, furniture and finances. 	<p>Maintenance & Major Repairs</p> <p>Our future plans:</p> <ul style="list-style-type: none"> - We will continue to tender all maintenance contracts over £15k; - We will review our climate change strategy to look at investing carbon reduction measures. - We will continue to invest in fire safety enhancements for all our communal schemes (aim to complete 24/25) <p>Continue to prioritise working on initiatives to tackle Damp Mould and Condensation at source such as prioritising planned improvement works which improve the thermal efficiency of properties and associated initiatives eg dehumidifiers, tumble dryers with an aim of saving on mould wash works etc longer term.</p>
<p>Services</p> <p>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.</p> <p>During 2023/24 our electricity contract was re-tendered using an utility consultant to seek the best price for us and our tenants.</p>	<p>Other Costs</p> <p>Our costs relate to supporting people charges and the management costs for the properties we manage on behalf of The Boaz Trust. We will continue to review our costs in this area.</p>

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 2023/34 an independent survey gave us an 85.3% satisfaction rating, which has placed us in the top quartile when compared to our peer associations.

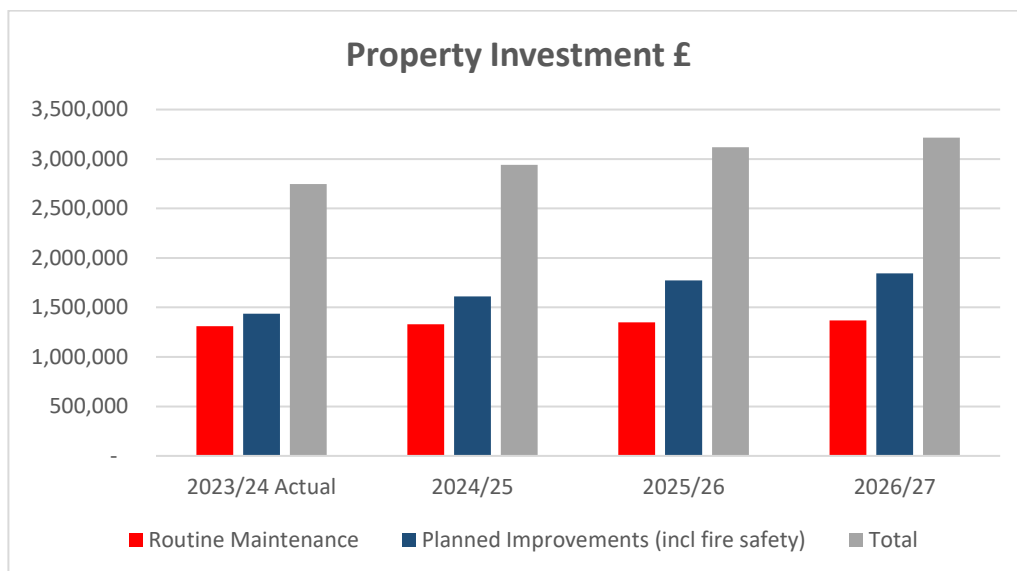
We continue to carry out satisfaction surveys on a weekly basis for all day to day repairs and our satisfaction rate for repairs is 94%.

We are assisted in our review work by our Tenants Quality Panel, who during the year have assisted us in carrying out a comprehensive review of our Damp & Mould approach to managing properties, complaints policy reviews, and discussions on engaging interested tenants to help shape our future product offer.

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 improvements expenditure).

Over the next few years our plans are to increase our planned programmes whilst maintaining similar levels of responsive repairs. The graph below shows our investment levels for 2023/24 and the next three years. We plan to invest £400k in carbon reduction works over the next five years, commencing in 2025.



Our occupancy levels continue to be high at 99.5% for 2023/24. This is as a result of the relatively low turnover of our customer base. We have experience longer void times due to contractor availability but we are pleased our occupancy levels are well above our

peers. The Association currently has a waiting list for properties which shows a very high demand for all types of properties in our areas.

13) Rent Collected

The amount of rent collected in the year has fallen below our target of 98.9%, with a figure of 98.2%.

Our current tenant arrears have increased during the year, starting from 2.36% in April, increasing to 2.78%. We understand the pressures that tenants are under following cost of living increases and rent increases that have been applied during the year. We have continued the proactive work to assist our tenants 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 as part of its business planning is committed to playing a wider role in the community than just housing people.

Some examples of social added value are shown below:

- The association brings its expertise and resource to support neighbourhood organisations working locally to build a more collaborative, solution focused approach to things that matter to tenants, for example parking, substance misuse and its connection to Anti-Social Behaviour, highways and safe play areas for families.
- Community sponsorship - during the course of the year we have worked closely with over 20 local support groups who in turn support our tenants. The association has made donations of £43k to various community groups to help them lever valuable additional resources.
- Access to space & activities- Our sheltered housing schemes continue to open their doors to local residents and the wider community by including them in a programme of enrichment activity throughout the year. This includes religious festival celebrations, parties, music events and entertainment. Our schemes also act as community meeting spaces allowing for intergenerational activity to take place and providing a valuable community hub.

Section 5. How will we use Value for Money gains?

Value for money gains which generate a cash saving will be used to reinvest back into our properties, reduce the cost of borrowing and will contribute to the purchase of additional homes.

Section 6. Conclusion

The Association has performed well during the year despite some one-off costs which have impacted our financial position. Rent collection continues to remain strong and our excellent tenant satisfaction score place is in the top quartile of our peer associations.

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 future focus is to continue investing in properties, including fire safety works and 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.