VALUE FOR MONEY REPORT

2024/25

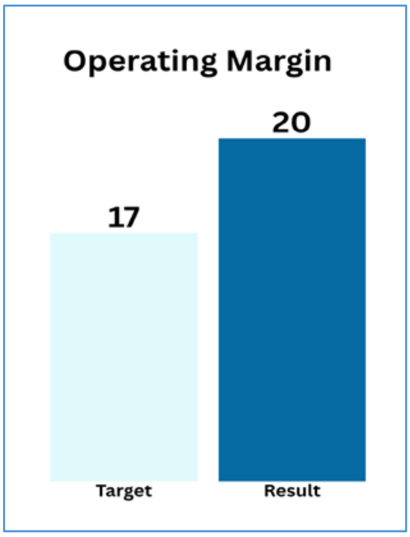
ARAWAK WALTON
HOUSING ASSOCIATION

Value for Money Report 2024/25

Executive Summary

Arawak Walton Housing Association (AWHA) has used Housemark and the Regulator of Social Housing's (RSH) VFM metrics and 2024 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 2024/25 comparative data is not available.

AWHA's headline cost per unit (cpu) for 2024/25 was £4,970 (£4,598 in 2023/24) which is £212 per property lower than our peer's median of £5,182 in 2023/24. This exceeded our target for the year due to increased investment in responsive repairs and capital improvements.



Despite an increase in our headline costs, our operating margin improved during the year with an end of year result of 20%.

Our approach to VFM is cross-cutting and part of everything we do and has been made more important during the past few years with the impact of increasing costs against the aim to keep rents affordable for our tenants. One of our main priorities during the year has been embedding our new operations teams structure in order to enhance our tenant offer, engaging with tenant and community groups and focussing on learning from tenant feedback;

Our achievements during the year include:

- Tenant Satisfaction measures survey completed with 84% overall satisfaction score
- Prioritising staff resources to carry out 276 home visits to enhance our knowledge of property conditions and tenants needs;
- Began working with two new contractors for our repairs service in order to improve our service;
- Scrutinised our void relet process with an aim to reduce the time taken to relet our properties;
- Retendered our electrical testing programme which will achieve efficiency savings for 25/26
- Saved £46k on office and central overheads, such as PR & marketing and room hire;
- Increased our focus on tenant and community engagement through the employment of a Tenant Engagement Officer
- Maintained our Customer Service Excellence accreditation
- Extended our tenant support and wellbeing offer through the introduction of Life and Progress

1. Our Value for Money Approach

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 are committed to actively supporting the local economy by employing local personnel and engaging the services of regional contractors and suppliers whenever possible.

Over £3m 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 strong regulatory compliance**

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

- Zero-based budgeting, including assessment of priority areas
- Annual review of asset management strategy
- Annual treasury strategy review
- Mid-year Board review of costs to enable flexible allocation of resources
- Robust procurement process to ensure best price and quality

Reviewing our services

- annual review of our customer profile.
- annual independent tenant satisfaction survey
- Service contracts and contractor performance reviews
- Complaints & tenant quality panels
- EDI strategy and action plan

Monitoring & improving our performance

- Weekly, monthly and quarterly KPI reporting.
- Regular reviews of contractor's performance
- Benchmarking with peer associations
- Membership of a number of groups & partnerships to enable sharing of best practice and partnership working & cost sharing;

2. Value for Money Metrics

The Association measures 14 key VFM performance indicators which are monitored by Board every quarter.

The table below shows our results and targets for our VFM KPIs and compares these against our peers' data from 2023/24 (2024/25 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.

No	Detail	PEER (latest available)		AWHA Previous Yr Actual	AWHA			VFM TARGETS				
		RSH Global Accounts (under 2.5k units)	Housemark Peer Median		Target	Actual	Target Achieved ?	Year 1	Year 2	Year 3	Year 4	Year 5
		2023/24			2024/25			25/26	26/27	27/28	28/29	29/30
1	Operating Margin (overall)	17%	16%	15%	17%	20%	Yes	18%	19%	20%	21%	22%
2	Operating Margin (social Housing)	20%	16%	15%	17%	20%	Yes	18%	19%	20%	21%	22%
3	Interest Cover (EBITDA MRI) %	194%	146%	133%	133%	136%	Yes	134%	136%	139%	139%	144%
*4	New Supply Delivered %	0.9%	0.9%	0%	0%	0%	N/a	0%	0%	0%	1%	1%
5	New Supply Delivered % (non-social)	0.0%	0%	0%	0%	0%	n/a	0%	0%	0%	0%	0%
6	New Supply (incl prop acquisitions)**	0.9%	n/a	0.6%	0.0%	0.0%	n/a	0%	0%	0%	1%	1%
***7	Gearing	32%	34%	43%	43%	42%	Yes	41%	41%	41%	42%	45%
8	Reinvestment % (new & existing)	4.7%	5%	2.0%	2.2%	2.6%	Yes	2.4%	2.6%	4.9%	7.1%	8.8%
9	Return on Capital Employed	2.4%	2.6%	2.6%	3.01%	4.11%	Yes	3.3%	3.6%	3.9%	4.0%	4.1%
10	Cost Per Unit	£4,960	£5,182	£4,598	£4,919	£4,970	No	£5,078	£5,324	£5,502	£5,662	£5,755
11	Customer Satisfaction	n/a	79.6%	85%	>91%	84%	No	>84%	>84%	>84%	>84%	>84%
12	Ratio of DTD to planned maint.	n/a	n/a	91%	82%	86%	No	77%	73%	71%	67%	65%
13	Occupancy GN	n/a	n/a	99.5%	>99%	100.0%	Yes	>99%	>99%	>99%	>99%	>99%
14	Rent collected GN	n/a	100.90%	98.2%	>99%	99.9%	Yes	>101%	>101%	>101%	>101%	>101%

Notes

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

** Growth targets to be reviewing during 2025/26.

*** A significant part of AWHA grant (£26m) was gained via stock transfer, which is shown differently in the accounts compared to other HA's grant. If the treatment was consistent our gearing figures would be around 25%.

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

Our peer data

Our Housemark peer group includes all 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 RSH's peer results selected for all English providers under 2,500 properties from the RSH's latest global accounts (see RSH's VFM reports for 2023/24).

3. Summary of Performance

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

KPI 1 - Operating Margin (overall): 20%

Our 2024/25 operating margin of 20% is higher than our target, largely due to savings achieved on staffing, overhead costs and property depreciation.

Savings achieved on staffing were largely due to the phased implementation of the new operations team structure and interim arrangements in place during the year for the vacant CEO position. We were also able to achieve savings on void rent loss, legal advice, PR & marketing and consultancy costs.

Savings achieved were able to offset an increase in our maintenance costs – specifically relating to responsive repairs and void relet costs. 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;
- Continuing to grow without compromising the need for investment in our existing properties.

KPI 2 - Operating Margin (social housing): 20%

The majority of the Association's activities relate to social housing therefore our result for this is the same as KPI 1, above.

KPI 3 – Interest Cover: 136%

The Association's interest cover ratio of 136%, whilst above our target, is below the peer median of 146%.
Our investment in capital improvements to properties together with an increase in interest costs has meant a reduction in our interest cover.
Our plans to continue investing in our properties show that this metric is forecast to remain at similar levels.
Around 36% of our loans are on variable interest rates and whilst we have benefited in the past from low interest rates, the ongoing relatively high rates have continued during 2024/25, Whilst our Board has appetite to increase our fixed proportion, some of our loans do not currently allow this and it is planned to revisit our treasury position during 2025/26.

KPIs 4, 5 & 6 New Supply

During 2024/25 our strategy to grow was put on hold whilst we secure new funding. This new funding was secured during the year with Triodos which included £2 million for growth opportunities.

During the year the Board agreed to commit to a further 5 properties for 2025/26 to be acquired as part of a collaboration agreement with Manchester City Council aimed at supplying much needed housing for larger families. Unfortunately, this project has been put on hold.

Our growth strategy is planned to be reviewed during 2025/26 with a view of exploring opportunities for new housing supply, by way of partnership or section 106 arrangements.

KPI 7 Gearing: 42%

The Association has a gearing figure of 42% as per the RSH's metrics calculation. This is above the 2023/24 median figure of 34%. 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 31.3.25 we have £0.5m undrawn loan facility which is expected to meet our requirements until January 2027. During 2024/25 new funding of £4.3m was secured with Triodos Bank, which is expected to be utilised for growth and property investment from 26/27 onwards.

KPI 8 Reinvestment 2.6%

During the year we exceeded our target of 2.0% and invested 2.6% (£990k) on improving our properties in the following ways:

- We spent £229k replacing 42 kitchens;
- We spent £313k replacing windows and doors
- We spent £175k upgrading boilers
- We spent £273k on other property improvements such as roofs & bathrooms;

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. This together with investment in growth will mean our over the next 5 years is that our reinvestment % will be an average of 5.2%.

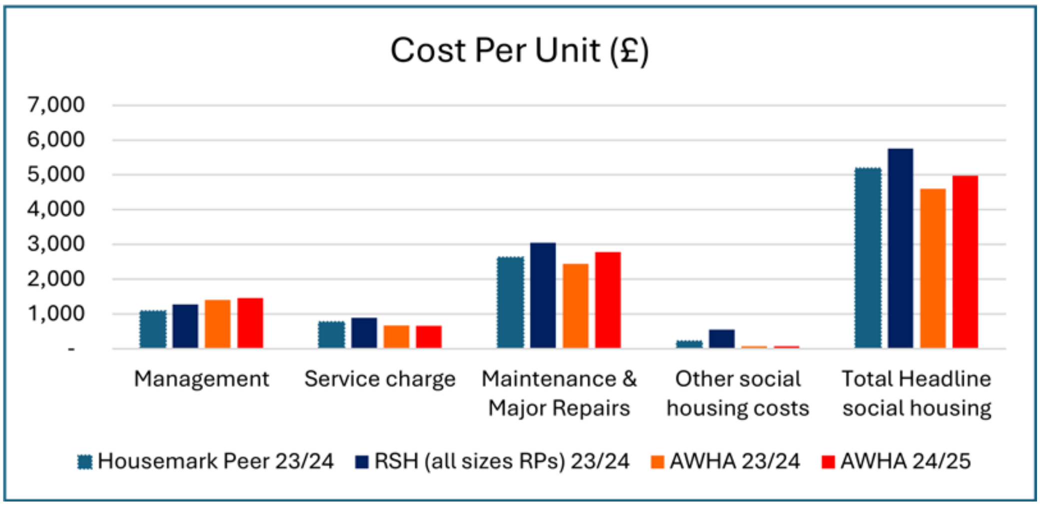
KPI 9 Return on Capital Employed (ROCE) : 4.11%

Our ROCE result for 24/25 of 4.11% is above our target of 3% and above our peer median, of 2.6& demonstrating a good return on investment for the Association's assets compared to its peers.

Our long term financial plan shows that ROCE will reduce slightly in the short term, returning to 4% by year 5 (2029/30).

KPI 10 Cost Per Unit : £4,970

The chart below shows our cost per unit (cpu) figures for 2024/25 together with our previous year and our peer unit costs for 2023/24. Our costs were higher than planned largely due to increased investment in property improvements.



During the year we:

- Focussed on embedding our new operations teams structure in order to enhance our tenant offer, engaging with tenant and community groups and focussing on learning from tenant feedback;
- Tendered all contracts over £20k in order to seek the best price and quality;
- Review our managed property portfolio & agreed on changes which will make savings during 25/26;
- Began working with two new contractors for our repairs service in order to improve our service;
- Scrutinised our void relet process with an aim to reduce the time taken to relet our properties;
- Retendered our electrical testing programme which will achieve efficiency savings
- Saved £46k on office and central overheads, such as PR & marketing and room hire;
- Continue to work with other community housing associations (CHP). We share a Policy Officer to enable a more affordable solution to policy updates and keeping up to date with legislative changes.

Our future priorities are :

- Completion of our 100% on stock condition survey in order to drive our investment plans;
- Assess investment requirements to reach EPC for all our properties and consider how best to procure these;
- Review our Growth Strategy with an aim to grow by c 10 properties per year, prioritising new supply where possible;
- Set a new 3 year IT Strategy, focusing on improving digital access for tenants and more efficient processes for services we provide;
- Explore future funding sources and developing a treasury strategy which to focus on financial capacity to grow and invest further

KPI 11 Customer Satisfaction - 84% - Tenants Satisfaction Measure (TSM)

Our latest TSM overall customer satisfaction result is 84% for 2024, despite a slight fall since 2023, we continue to perform better than our peers and the national average.

The full results of our Tenant Satisfaction Survey can be found on our website - see here.

Our plans to improve performance are:

- Continue to embed and consolidate our new operating model
- Review our Tenant Involvement and Community Engagement Strategies and offer
- Increase tenant engagement and scrutiny through our Complaints Learning Forum Tenant Quality Panel and Tenant Experience Committee

KPI 12 Ratio of Responsive Repairs to Planned Maintenance: 86%

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).

During the year our spend on responsive repairs and relet costs increased higher than expected, which has meant not reaching our target. Our plans for 2025/26 are to look at our responsive repairs costs and carry out a VFM assessment of our contractors. Any cost efficiencies made will be invested into planned maintenance.

Our forecasted expenditure on maintenance and property investment over the next 5 years is £17.3m.

KPI 13 Occupancy ; 100%

Our occupancy levels continue to be high with 100% for 2024/25. This is as a result of the relatively low turnover of our customer base. We have experienced 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 is shows a very high demand for all types of properties in our areas.

KPI 14 Rent Collection: 99.9%

The amount of rent collected in the year has increased in the year to 99.9%.

We have seen current tenant arrears increase during the year and directed additional resources to income collection. We continue 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 past few years of the cost of living crisis.

4. Social Value

The Association 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 directly sponsored 12 local support groups who in turn support our tenants. The association has made direct donations of £6374 to support these community groups and associated initiatives to help them deliver events and services and lever in 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 directly funded enrichment activity throughout the year. This includes religious festival celebrations, cultural awareness and celebratory events, parties and international theme days. All activities were open to all members of the community, were well attended and helped to reduce isolation and promote and improve healthier outcomes.

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 with an operating margin of 20% which has exceeded our target of 17%. We have made efficiency savings of around £46k relating to back office costs and have reviewed our void relet process which is hoped will bring VFM savings during 2025/26 and beyond. Our tenant satisfaction score of 84% continues to place us 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 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.