Financial Update – Winter 2023

Given the challenging external conditions, ClwydAlyn has performed well during 23/24.

We maintain strong liquidity, ending 22/23 with cash balances of £22m and a further £16m in grant received during the first week of April. Alongside this we received £20m in May from a deferred bond sale with a further £20m received in November. We also have an undrawn £25m RCF. Strong cashflow has also meant we have generated significant income from deposits as interest rates increased.

Our turnover is budgeted at just over £58m and our operating margin is currently 20% with forecast operating surplus slightly lower than budgeted for at £10.5m. Arrears have risen over the past year, and we have invested resources in employing early intervention officers to provide targeted support. Voids remain higher than anticipated, partly driven by older properties being returned requiring higher than normal works. However, we have seen an improvement in our care schemes as void levels return to their pre-pandemic levels. We have continued to access Welsh Government funding to bring some long-term voids back into use.

In November we were awarded £2m grant in-year towards decarbonisation costs. This is in addition to the £1.7m we received last year, and we expect this funding to be repeated next year. In November the Welsh Government published its new Welsh Housing Quality Standard, which all housing associations will be required to adopt. While there are some challenges in the new standard, there were no surprises and decarbonisation is at the heart of it.

We do not build properties to sell and rely on a relatively small amount (£1m per year) of income from disposal of surplus properties and staircasing of shared ownership. Despite increasing interest rates there is still reasonable interest from residents in staircasing and we are on target to reach our budget.

We are continuing to invest in fire safety works across our complex buildings. One extra care scheme and one care home have had approximately £2m spent on improvements and these have been funded by grant from the Welsh Government. In addition, we had a programme to replace £1m of fire doors across our properties and this has now completed. Unlike in England, sprinklers have been mandatory on all new builds including houses since 2016 so a large proportion of our stock has these fitted.

Our development plan had slowed significantly during Covid and began to pick up pace during last year and we have around 450 properties currently on site. We expect around 150 new homes to be handed over during this financial year. Wales still has a very supportive grant regime for new build, with grant typically 60% of any scheme. WG also launched a scheme to contribute to any additional costs incurred due to high inflation. All new homes built by us are to EPC A standard.

One contractor went into administration at the end of the previous financial year who had been due to deliver 177 homes for us. These contracts are currently being re-let. Two local companies have won the tenders, and we are finalising the contracts. Welsh Government has agreed to support any additional costs with increased grant.

Approximately 60% of ClwydAlyn's income is derived from government sources – housing benefit, supporting people grant, council-funded care home placements and other contracts, which while being constrained by budget pressures in councils are low risk once awarded. The strain on Council budgets has meant that we have had to work hard with them to ensure that they are able to pay reasonable rates for both supported living and care.

This leaves 40% paid by tenants directly to the company. Of this, 15% is paid by residents in care and extra care schemes and 25% from general needs. Given the increasing pressures we are seeing on residents, we are offering support and advice to ensure they can manage their rents and access benefits and other financial support.

The current economic turmoil has significantly impacted on costs for the business during the year with pay, materials and food all increasing. Our insurance cover was retendered and saw a significant increase; however, this was covered by our corporate contingency budget. This contingency was also used to cover the costs of Storm Babet where we experienced flooding to around 20 of our properties. Our electricity contract was retendered in December and the new rates are approximately 30% lower than the existing contract. The vast majority of this is passed on to tenants through service charge reductions.

In partnership with another housing association, our board also agreed to set up a new joint venture company – Onnen – which will deliver part of our decarbonisation retrofit works. It will directly deliver some works but is also expected to work with the local SMEs and supply chains to grow the local market and capacity to deliver these works on behalf of both housing associations. It started trading earlier in the year and is on course to deliver against its approved business plan.

During 2022/23 we were approached by a small housing charity to transfer their portfolio of 12 houses to us. This was agreed and the transfer completed in September. The transfer value of the houses was just under £1m.

Despite the pressures on our budget, the current year-end forecast is that we will only be £700k below our budgeted operating surplus of £11.2m. Our net surplus will be £1m higher than budget due to the small stock transfer being at a £500k higher value than expected and the additional interest income from cash deposits.

In November the Welsh Government announced that housing associations could raise rents for 24/25 by up to 6.7%. This matched the September CPI inflation and was broadly in line with expectations. This means that while 2024/25 will be challenging, it is within the scope of existing planning scenarios.

We retained our ‘A Stable’ credit rating with Standard and Poor’s after their review in July 23. Our Moody’s rating was reviewed in October 23 and remained at A3. However, we were pleased that Moody’s improved our outlook from ‘negative’ to ‘stable’.

In September a number of long-serving board members stood down. We appointed a new chair of the board – Cris McGuiness – who is currently the Chief Financial Officer for Riverside Housing. We also appointed a new Chair of Assurance – Rob Morton – who until recently was the Director of Resources at Honeycomb Housing Group and has recently taken up a new position with Norwood, a Supported Living Charity, as the Director of Finance. A further 3 appointments were made to the board with backgrounds in Programme Management, Procurement, and Equality, Diversity and Inclusion. In addition, we appointed a cyber security specialist to our Assurance Committee and an asset and property specialist to our Property Committee.