gentoo

Value for Money Statement

2024-25

www.gentoogroup.com

Our Ambitions for Sunderland and the North East

Our Values

Our values are what we stand for and what we want to be known for. They are what make us, us:

- **We care about people**
- **We take accountability**
- **We shape the future**
- **We bring leadership**
- **We deliver**

Our five commitments for the next 10 years

- A housing provider that listens and sorts things out
- Helping our communities to thrive
- Embracing modern technology and data
- Achieving growth through partnerships and innovation
- A professional, caring, great place to work

Vision

To become the best provider of social homes in the country.

Core Purpose

To provide warm, safe and decent homes for our customers of today and tomorrow.

Why is delivering Value for Money important?

Operating Margin (Social Housing Lettings) **24.3%**	Operating Margin (Overall) **19.3%**	Return on capital employed **3.1%**
Gearing EBITDA MRI **45.4%**	Headline Social Housing Cost Per Unit **£4,408**	Reinvestment New Supply (Social) **7.3%**
New Supply (Non-Social) **0.5%**		

Our approach to value for money

Our approach to value for money (VfM) is about being effective in how we plan, manage and operate our business. It means spending our money wisely so we can provide warm, safe and decent homes for our customers of today and tomorrow.

Value for money is integral to the delivery of our Corporate Strategy. By spending our money wisely and being well governed, we can create more value that will enable us to know our customers, provide great homes, help communities to thrive and be a great place to work.

This means we:

- Minimise our costs without compromising on the quality of our homes and services.
- Seek to do more for less, ensuring we get the best return on our resources.
- Use our resources to achieve our strategic priorities and deliver our core purpose and vision.
- Use our resources fairly to help improve the lives of those who live in our communities.
- Use our resources with integrity and accountability, ensuring we are open and transparent.

We have established five priorities that help us manage our resources, spend our money wisely and achieve value for money in everything we do:

- We maximise social value to create more opportunities for those who live in our communities, helping them to thrive.
- We use data and information to help make the best use of our resources and ensure we spend our money wisely.
- We maximise opportunities through procurement to provide the best possible products, systems and services for our customers and colleagues, at the best possible price.
- We invest in our colleagues and how they work, so we can deliver effective and efficient services to our customers.
- We seek opportunities to partner with others, when doing so will improve the lives of our customers and their communities.

Our Board is responsible for ensuring we deliver value for money and get the best possible return from every pound we spend. Our Board considers how the financial impact of its decisions helps us deliver our core purpose, vision and priorities for our customers. Our Board monitors value for money through a range of strategic and financial measures, including those required by the Regulator of Social Housing.

VfM metrics

The tables right report the Group's performance against a suite of VfM measures defined by the Regulator of Social Housing. These measures are benchmarked against housing associations in England (both LSVT and traditional) with more than 1,000 units, which we consider offers meaningful comparison with the Group's performance (Source: Regulator of Social Housing's *"Value for money metrics and reporting – annex to the Global Accounts 2024"*). Our VfM metric performance is regularly reviewed by our Risk and Audit and Investment Committees.

Operating margin shows the profitability and efficiency of an organisation before deduction of items such as interest costs.

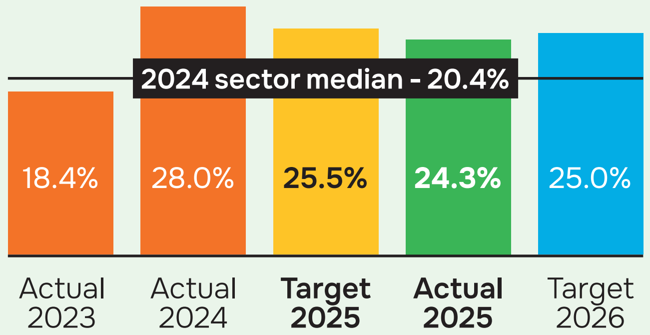
The Corporate Strategy stipulates targets of 25% and 20% for operating margin on social housing lettings and overall operating margin respectively for 2024/25. Despite improved budgetary discipline and strong core landlord performance, combined with reductions in depreciation and a capped 7.7% rent increase, the Group's operating margins have decreased during 2024/25.

This was due to the recognition of a £6.1m impairment charge for housing properties whilst a consultation is in progress as to the future of three high rise residential buildings. Excluding this impairment charge, the margins for the year would have been 28.4% and 22.8% for operating margin on social housing lettings and overall operating margin respectively.

Operating margins are expected to recover in 2026, consolidating the strong underlying performance in 2025, but will continue to be constrained by Gentoo's objectives in relation to its customers, alongside its ongoing investments in building safety and energy efficiency.

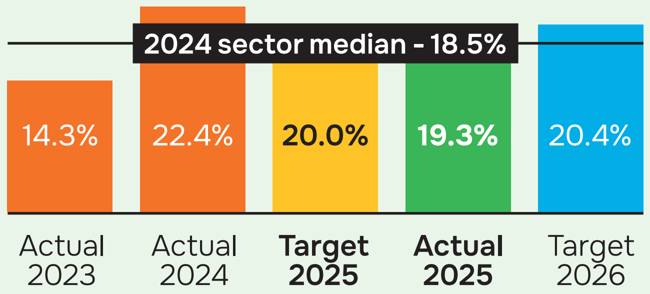
Metric

Operating margin (social housing lettings)



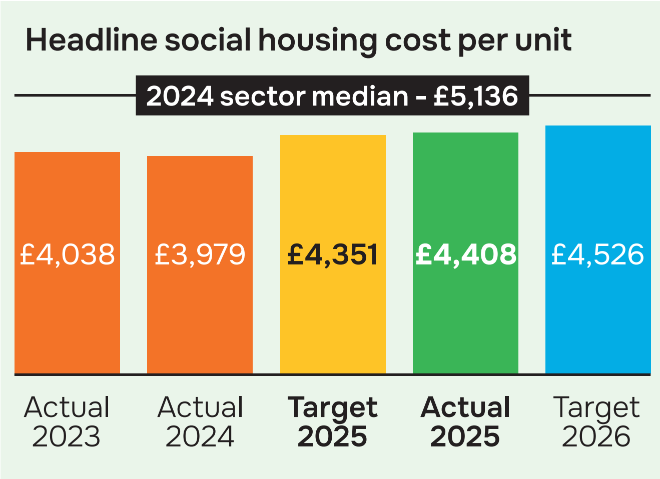
Metric

Operating margin (overall)



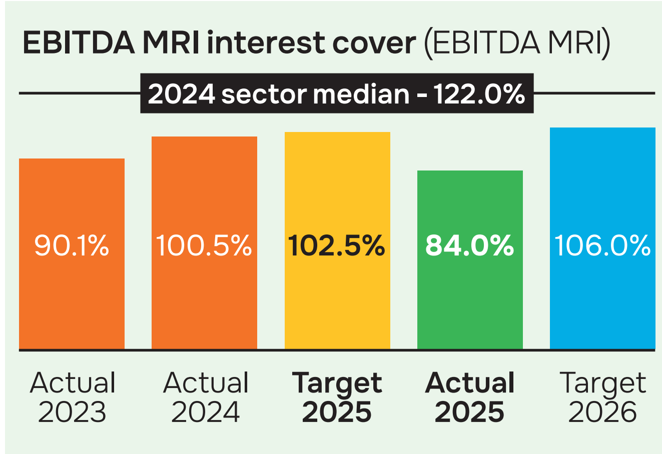
VfM metrics (continued)

The headline social housing cost per unit (SHCPU) includes management costs, routine maintenance costs, planned maintenance costs, capitalised repairs (i.e. stock investment) costs, charges for support services and other social housing costs. These costs are then divided by the number of units owned or managed.



2025 actual performance reflects continued good budgetary control and staffing savings across a number of departments, partially offset by greater than budgeted stock investment costs. Conscious of the significant regional variations in this metric, the Group obtains additional assurance on it by comparing its performance with the 2024 median for its North East peer group of £4,574.

2026's modestly increased target reflects inflationary uplifts in costs and continued planned levels of stock investment, building safety and energy efficiency programmes.



EBITDA MRI is an abbreviation for earnings before interest, tax, depreciation, amortisation, with major repairs included. It is a key indicator of liquidity and investment capacity, measuring the extent to which the Group's cash surplus exceeds its interest costs.

The Group's recent EBITDA MRI IC performance reflects the impact of increased stock investment. Reduced operating performance, further impacted by greater than budgeted stock investment costs, recognised impairments and increased major repairs capitalised in the year, have led to an actual result significantly below target. Excluding the non-recurring impairments recognised in the year, the actual 2025 EBITDA MRI IC is 105.2% as reflected in our targets. Future EBITDA MRI IC performance will continue to be impacted by ongoing stock investment and debt servicing costs.

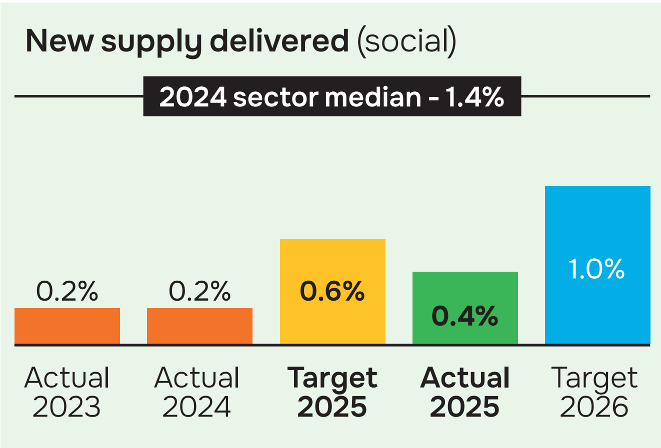
The Group's EBITDA MRI IC performance compares unfavourably to its North East peer group's 119.2% 2024 median. This reflects the Group's servicing costs on high legacy debt levels and ongoing levels of stock investment. Sustained improvement in underlying operating margins, demonstrated in the last two years, are targeted to deliver an acceptable EBITDA MRI interest cover outcome in the medium term.

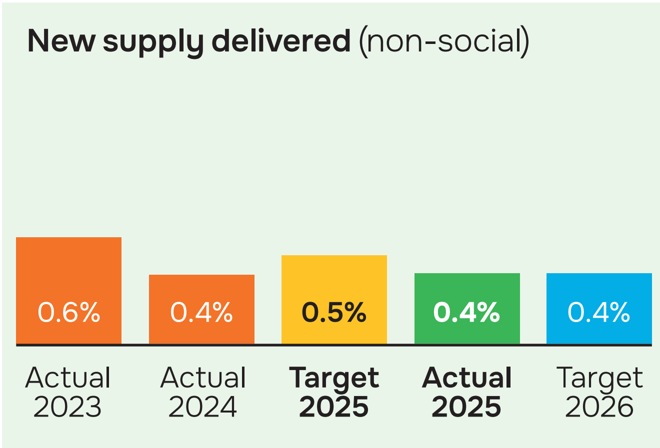
VfM metrics (continued)

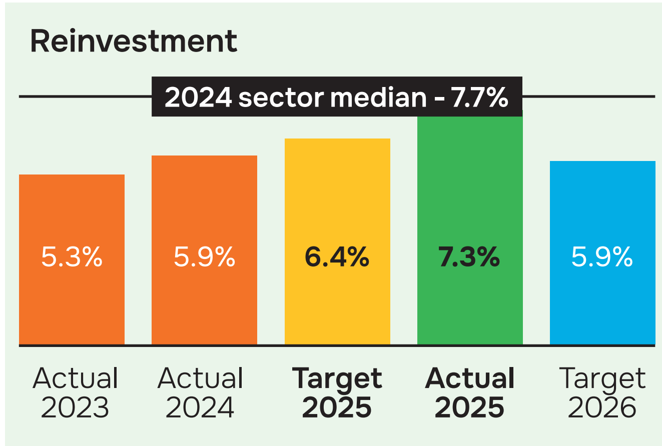
The new supply metrics show the number of new social and non-social housing units acquired or developed during the year as a percentage of total social and non-social housing units owned at the year end.

New supply delivered (social) fell below the 2024/25 target. This was due to operational delays on one of the Group's affordable development schemes. Planned completion of these, and progression of other schemes in 2025/26, explain the increase in the target figure. Overall levels of new social supply, compared to sector averages, also reflect the Group's current prioritisation of investment in existing stock.

New supply delivered (non-social) reflects the Group's housebuilding subsidiary, Gentoo Homes. The number of homes developed for the year was behind target for 2025, reflecting a continued challenging housing market although improvements were observed in the second half of the year. The 2026 target is based on 131 sales being achieved.







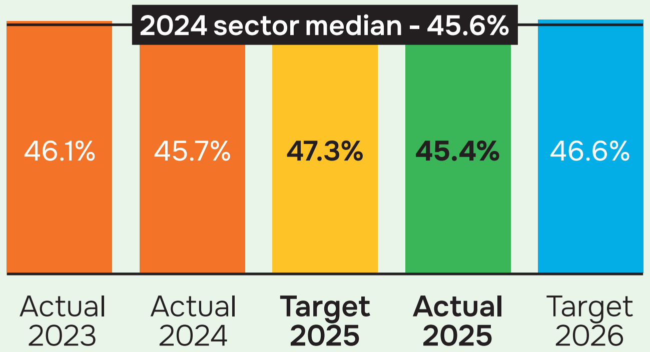
The reinvestment metric shows investment in properties (existing stock and new supply) as a percentage of the value of total properties owned.

The Group's reinvestment levels have been typically lower than the peer group due primarily to its relatively modest affordable homes programme. 2024/25's actual reinvestment levels of 7.3% are higher than target, reflecting increased capital expenditure on existing stock totalling £42m and £41m on the affordable homes programme. The 2026 target of 5.9% includes capital expenditure on existing stock of £38m and investment of £28m on the affordable homes programme.

VfM metrics (continued)

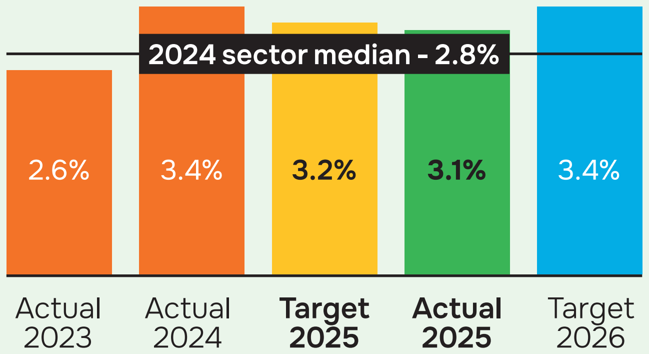
The gearing metric measures how much debt an organisation holds as a percentage of its assets, demonstrating the degree of its reliance on debt finance.

Gearing



Gearing levels are broadly in line with peers and show a favourable performance against target due to higher capital spend on new and existing properties. Net debt levels were also lower at year end compared to budget due to movements in working capital. The 2026 target reflects an increase in debt through the year, due to capital investment in new and existing homes, and reduced fixed asset disposal proceeds from Right to Buy and Right to Acquire schemes.

Return on capital employed (ROCE)



Return on capital employed compares operating surplus to total assets less current liabilities and is a measure of how efficiently an organisation's resources are invested.

ROCE has decreased from prior year and target due to reduced operating surplus performance in 2024/25 impacted by the impairments recognised in the year.

Directors' remuneration and management costs metrics

The Regulator of Social Housing's Transparency, Influence and Accountability Standard requires all Registered Providers to provide customers with accessible information about their Directors' remuneration and management costs. The following table summarises the amount paid in the year relative to the total social housing units owned and managed by the Group:

	2025	2024
Remuneration payable to highest paid Director relative to landlord size	**£6**	£6
Aggregate remuneration paid to Directors' relative to landlord size	**£32**	£24
Management costs relative to landlord size	**£4,408**	£3,979

Strategic Priorities

The Corporate Strategy 2023 to 2025 established a set of key performance metrics. There metrics are designed to demonstrate the Group's progress in delivering against the Strategy's key priorities.

Priority 1: *we know our customers*

We are committed to working with our customers to review and improve how we engage with them. We will prioritise the collection of meaningful and robust satisfaction data from our customers to test the delivery of our strategy and ensure our customers play a full role in shaping our services.

The customer satisfaction measures, right are the Group's 2024/25 results for three of the Regulator of Social Housing's Tenant Satisfaction Measures (TSMs). These results were obtained by the Group's appointed third party research organisation. Actual performance against these metrics in 2024/25 consolidated performance in the previous year but fell below the target of 90% set for each measure. Our new Corporate Strategy sets out the approach we will take to deliver against these targets.

	Target 2025	Actual 2025	Target 2026
% of customers who are satisfied with Gentoo's overall service	**90%**	**76%**	90%
% of customers who are satisfied with Gentoo's repairs service	**90%**	**78%**	90%
% of customers who are satisfied that Gentoo makes a positive contribution to their neighbourhood	**90%**	**68%**	90%
% of customers who say they agree that Gentoo treats them fairly and with respect	**90%**	**80%**	90%

Priority 2: *we provide great homes*

Our landlord health and safety compliance responsibilities are integral to our core purpose of providing safe and decent homes for our customers of today and tomorrow. We are committed to increasing the number of homes we acquire and build, with a particular focus on improving the supply of affordable homes.

The Group's actual performance on key landlord health and safety measures is strong, including improvements in the clearance of remedial actions. Good progress continues to be made in improving the energy efficiency of our customers' homes as we plan for the 2030 deadline for our stock meeting an energy performance rating of C or above.

	Actual 2024	Target 2025	Actual 2025	Target 2026
% of properties with a current Landlord Gas Safety record	100%	**100%**	**100%**	100%
% of domestic properties with a current electrical installation condition report (transition from 8-year to 5-year inspection cycle)	96.55%	**100%**	**99.99%**	100%
% of non-domestic properties with a current fire risk assessment (transition from 5-year to 3-year inspection cycle)	100%	**100%**	**100%**	100%
Number of overdue remedial actions arising from a Landlord Gas Safety Check	0	**0**	**0**	0
Number of overdue remedial actions arising from a domestic electrical installation condition report	48	**0**	**13**	0
Number of overdue actions arising from a fire risk assessment	2	**0**	**6**	0
% of homes that meet the requirements of the Decent Homes Standard	99.93%	**100%**	**99.97%**	100%
% of homes with an energy performance rating of C or above	72.99%	**75%**	**78.70%**	80%
Number of new homes acquired or built for affordable rent and shared ownership	63	**216**	**129**	266
Number of new homes sold by Gentoo Homes	112	**135**	**107**	131

Priority 3: *we help communities to thrive*

We continue to prioritise the numerous partnership we have built over the years with a range of agencies. We have increased our collaboration with other housing providers, local authorities, and other stakeholders to support the objectives of the North East Combined Authority. We will prioritise improvement in the TSMs that reflect our performance in our communities, including our customers' satisfaction with our approach to handling anti-social behaviour. We will work with our partners to reduce anti-social behaviour in our communities. We will also review our estates, open and shared spaces to ensure they meet the needs of our communities.

Strategic Priorities (continued)

Priority 4: ***we are a great place to work***

Gentoo is full of professional, caring, and hard-working people. Through a culture of collaboration, learning, and continuous improvement, we are creating a fulfilling workplace for our talented colleagues to provide exceptional services for each other and our customers. We will review our success with colleagues on maintaining our Great Place to Work accreditation.

	Target 2025	Actual 2025	Target 2026
% of colleagues who would recommend Gentoo as a great place to work	85%	79%	85%
Colleague turnover rate	10%	7.1%	10%
% of colleagues who believe Gentoo is committed to their health & safety	85%	89%	85%

Priority 5: ***we spend our money wisely***

We continue to embed a comprehensive approach to value for money through all parts of our business, with our colleagues' ownership and understanding of key metrics improving. Our Board continue to prioritise the following metrics as the key measures of our progress in improving the operating efficiency of the Group:

- Operating margin (social housing lettings)
- Operating margin (overall)
- EBITDA MRI Interest Cover

The Group's performance during the year against these metrics is set out on pages 19-21.

Priority 6: ***we are well governed***

We will continue to prioritise effective and intelligent governance, including reviewing our committee structure to ensure our customers' voice is at the heart of our decision making.

Streamlined Energy and Carbon Reporting (SECR)

There are qualifying conditions that require organisations to report their carbon emissions and energy usage. The Group is not required by legislation to include this information in its annual report. Without the intention of being the equivalent of legislatively compliant, the Group does elect to include some relevant disclosures below, given the increasing importance of the carbon reduction agenda. The methodology used to produce the Group's carbon footprint is in line with the Greenhouse Gas Protocol and follows an operational control approach to identifying what is included within the footprint.

Gentoo's carbon footprint 1 April 2024 – 31 March 2025

The Group emitted 2,585 tCO_2e (tonnes of carbon dioxide equivalent) for 2024/25 across scope 1 and 2 (2024: 2,788 tCO_2e). This includes Gentoo Homes' emissions. Adding Scope 3 business travel brings the total to 2,785 tCO_2e (2024: 2,981 tCO_2e).

An intensity ratio is used to determine the carbon emissions relative to a single common business metric and allows the Group's carbon footprint to be compared over time or with similar organisations.

For scope 1 and 2 emissions, this can be presented as 2,585 tCO_2e (2024: 2,788 tCO_2e) with an intensity ratio of 2.55 tCO_2e per total full-time equivalent employee (2024: 2.74 tCO_2e) and 13.79 tCO_2e per million £ turnover (2024: 15.69 tCO_2e).

When scope 3 emissions are included, this can be presented as 2,785 tCO_2e (2024: 2,981 tCO_2e) with an intensity ratio of 2.75 tCO_2e per total full-time equivalent employee (2024: 2.93 tCO_2e) and 14.85 tCO_2e per million £ turnover (2024: 16.78 tCO_2e).

For 1 April 2024 to 31 March 2025 the number of full-time equivalent employees was 1,012 (2024: 1,018) and turnover was £187m (2024: £178m).

Low carbon initiatives

Gentoo Group has several carbon efficiency initiatives in place including renewable energy, in the form of Solar Photo Voltaics (PVs) at the head office. These PVs provided an equivalent of 48,753 kWhs of energy towards the total demand of Gentoo Group usage (representing 0.81% of electricity consumed). This prevented 10.24 tCO_2e of carbon emissions had all the energy demands been met by the National Grid.

During this period Gentoo Group used a green tariff for all of the electricity supplied from the National Grid. This equated to 6,002,832 kWh supplied from renewable energy sources.

Electric vehicles are available for colleagues to use as pool vehicles. There were 16,375 business miles travelled in electric vehicles during this period across the whole Gentoo Group, with zero emissions. If these miles had been covered in an average car of unknown fuel type there would have been an estimated additional 1.1 tCO_2e emitted.

Environmental, Social and Governance (ESG)

The Group produced the first ESG report for 2022/23, and this was published in the Autumn of 2023. Production of the third report has already commenced, and this will be released in Autumn 2025.

We aim to be open and accountable and publish our performance on our website so our customers can understand how we are performing and hold us to account. For more information visit **www.gentoogroup.com/performance**

If you have any questions relating to anything in the report, please email **communications@gentoogroup.com**

Gentoo Group Limited is a charitable community benefit society, registration number 7302