



Value for Money 2023

“Our aim is to deliver measurable benefits to all and demonstrate that our skills and resources are being used effectively and efficiently.”



David Hall
Director of Finance

OUR APPROACH

Our Value for Money (VfM) Strategy balances financial health with the vision of making a difference for all residents and stakeholders.

As a social purpose business, our aim is to deliver measurable benefits to all and demonstrate that our skills and resources are being used effectively and efficiently. However, the pursuit of efficiency is not simply an exercise in cost cutting – financial health complements and reinforces Orwell’s social purpose of making a difference, which runs through the Strategic Plan and is fundamental to Orwell.

We take a balanced approach to Value for Money across the whole business that supports our fundamental social purpose and strategic intent of Orwell, enabling us to deliver on our strategic outcomes whilst maintaining good cost management. This integrated approach recognises both social and financial value and balances the existing and future needs of Orwell’s residents with the wider social value delivered, such as meeting future housing need and managing environmental impact.

VFM FRAMEWORK

The vision of Orwell with regard to VfM is holistic and customer-centred, delivering quality housing and support and care services, working with stakeholders to put the ethos of “Together we make a difference” at the centre of everything that is done, in a way that is:

- ▲ Innovative
- ▲ Cost effective
- ▲ Maximises the return on investments

VfM is focused around delivering Orwell’s Strategic Plan and is reliant upon meeting the VfM objectives included in that plan. The VfM Framework provides the structures, roles and responsibilities, as well as a description of the processes that will allow Orwell to adhere to its VfM objectives.



VALUE FOR MONEY PERFORMANCE

To demonstrate delivery of Value for Money, this report measures performance against the Regulator of Social Housing's (RSH) mandatory VfM Metrics, Sector Scorecard metrics and our own bespoke metrics.

A significant proportion of Orwell's activities are within the care and support activities, they represent approximately 20% of the properties owned and managed but employ approximately 66% of Orwell's total employee team. These services are a fundamental element of our strategic priorities. The Board is committed to these activities and recognises that they offer significantly greater social value outcomes for the individuals and families that we support than financial value alone. The Board also recognises that the delivery of these has an impact of the overall financial performance that Orwell achieves when compared to peers. The Board is committed to continuing to support and develop these services and strives to ensure they are delivered in a manner that optimises the overall value provided.

As part of performance measuring, benchmark comparisons were carried out against the median score of a specially selected group of peers, comparable to Orwell, and regional and national groups. For all peer and comparison groups, metric scores are sourced from 31 March 2023 audited financial statements filed with the Regulator for Social Housing for the global accounts and VFM monitoring for 2023, being the most up to date information available at the time of publication.

Further performance measuring looks at actual performance for 2017 to 2023, compared to target performance for 2019 to 2023. Additionally, a look-forward 2024 target is also included.

The reporting demonstrates that there has been a widespread decline in performance in VFM metrics over recent periods, this has been seen in reduced operating margins, increased costs per unit of operation and reduced interest cover. This has been a result of the economic challenges experienced by all providers within the sector and indeed across other operating sectors, with increasing operating costs, increasing interest rates and reducing headroom. All providers including Orwell are required to work harder with less, in order to achieve our outcomes.

PEER GROUP

Orwell is a community-focused housing association, owning and managing approximately 4,000 homes in rural East of England and the biggest provider of support and care in Suffolk. This means that our offer is not typical of the sector and, as a result, performance may look very different, for example, from that of a much larger housing association operating exclusively in a built-up metropolitan area.

We select a peer group of organisations that are similar, medium-sized organisations, with a significant proportion of their activity made up of care and support and sheltered housing for older people (HfOP). We have placed less emphasis on the geography and therefore a number of the peer group members are not based in the East of England. We have separately benchmarked against the East of England as a pool and the UK overall median values. This table shows the details of the peer group for the year ended in 2023.

Organisation	Units Owned/ Managed (Social stock)	Turnover (£,000)	% Stock in East of Eng- land	% Supported Owned/Managed	% Stock HfOP
Orwell Housing	4,066	£43,393	100%	8%	12%
Honeycomb Housing Group	3,106	£19,284	N/A – West Mids based	4.7%	14.1%
Leeds Federated Housing	4,452	£28,007	N/A – Yorks & Humber based (100%)	4.7%	5.7%
Origin Housing	6,164	£63,827	22%	4.6%	7.2%
The Cambridge Housing Society	3,066	£30,922	100%	6.2%	7.0%
Trident Housing Association	3,158	£24,688	N/A – Midlands based	18.3%	14.1%
Tuntum Housing	1,571	£10,282	N/A –Midland based	6.4%	5.9%
Warrington Housing	1,298	£7,697	N/A – North West based (100%)	5.5%	12.1%
Westward Housing	7,276	£43,964	N/A – South West (100%)	4.6%	9.0%

STRATEGIC PLAN 2021-2024 OBJECTIVES

	Actual	Actual	Target	Actual	Target
Year ending	Dec-21	Dec-22	Dec-23	Dec-23	Dec-24
Objective 1 - Put our customers, our communities, and our people at the heart of our organisation					
Decrease in average cost per responsive repair compared to prior year (combined with achieving satisfaction target)	Inc 6.4%	3.2%	Inc 7.9%	11%	Replaced
Our 2023 target was set with a predicted increase of 7.9% but the final average repair cost was an 11% increase. The reason for the variance against target is down to inflationary increases on labour and materials in the property sector.					
For 2024 the target reflects a new baseline average cost and a target of market trends of -1% against inflation.					
Change in average cost per responsive repair compared to prior year (combined with achieving satisfaction target)	New	New	New	New	1% less than CPI
Total business void loss %	2.1%	2.2%	2.0%	2.9%	2.2%
Performance is above target due to length of time taken on voids works and limited capacity leading to higher rent loss. Addition of 2 additional operatives and a review of voids and repairs procedures with a view to improving efficiencies.					
Objective 2 - Be ambitious and invest in our communities and people. Be a great organisation and be somewhere people are proud to work and live					
Care and Support Agency cost as a percentage of Care and Support income	11.1%	11.1%	8.0%	9.6%	3.2%
Recruitment and retention remains a challenge in the social & health care sector although performance has improved due to national salary increases and improved local management of staffing requirements.					
Total training expenditure as a % of salary cost	2.1%	1.4%	2.2%	1.1%	2.2%
Priority was focussed on mandatory training requirements until April 2023, reducing overall spend incurred.					
Selling development services to e2 partners and others - actual surplus in year	£140K	£29K	£8K	£36k	£9K
Income for the year was boosted through managing grant funded programmes for partners, although generally this element of Orwell's partnership work has reduced.					

	Actual	Actual	Target	Actual	Target
Year ending	Dec-21	Dec-22	Dec-23	Dec-23	Dec-24
Objective 3 - Know our customers and provide a service driven by their voice					
% of ORS repairs booked via self-service solutions	1%	1%	5%	1%	5%
We did not actively promote the self-service app to our customers in the year, which reflects the lower outturn - our approach will change moving forward and we have therefore maintained the 5% target.					
Social value - number of people in supported housing for who step-down/move-on accommodation is provided for by Orwell	5	5	10	5	Replaced
We are pleased to have maintained move on opportunities for 5 of our people leaving supported housing and look to build on this.					
Social Value – Number of people moving from temp accommodation to permanent accommodation provided by Orwell	New	New	New	New	50
Tenancy Sustainment - the % number of people accessing the service where outcome is a tenancy sustained	83.5%	89.0%	85.0%	100.0%	90.0%
We are pleased to achieve target on this and to continue to support customers in need. We have introduced ‘welcome workshops’ offered for all new customers, with a view to teaching life skills required to maintain their tenancy.					

Objective 4 - Improve our efficiency, effectiveness and sustainability.					
Increase in contribution from Care and Support Services per customer compared to prior year	Redn 3.6%	Redn 1.7%	1.0%	1.0%	0.03%
Orwell’s customer base has increased by 19% from 2021/22 the income from council contracts did not rise at the same rate as costs. Specifically national living wage increased by 9.8% whereas contracts rose by between 5% and 7%.					
% decrease in Social Housing Lettings salary cost per unit of stock compared to prior year (whilst maintaining customer satisfaction)	Inc 11.0%	Inc 2.3%	6.0%	Inc 5.3%	Replaced
The increase resulted from filling vacant roles within the team to address priorities and ensuring that we can maintain high level of customer satisfaction. We are reviewing how better to measure this going forward.					
Unify the Property and Estates team and then use the dynamic scheduling system to improve % productive time to target levels as shown.	51.6%	58.3%	62%	61.0%	70.0%
Although slightly below target we have seen steady improvement in this area. The unification of the repairs and estates teams has seen an improvement in the productive time in these areas and we have set again an increased target in this area based on our performance to date.					

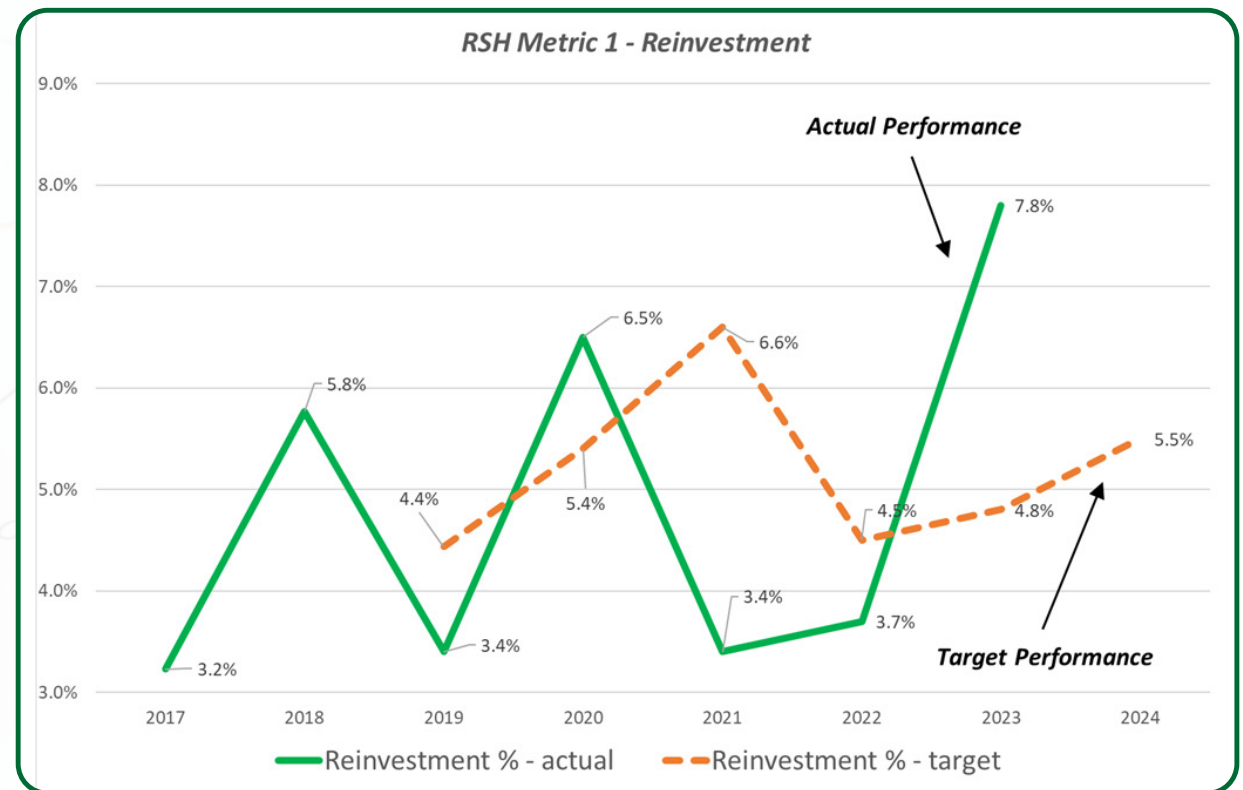
STANDARD METRICS

REINVESTMENT %

This metric reflects investment in properties (capital spend on existing stock and on new stock developed or bought) as a percentage of the value of total properties held.

Orwell Housing	Peer group	East of England	UK
7.8%	5.5%	7.1%	6.6%

Orwell, has seen an increase in reinvestment to 7.8% compared to last year's performance of 3.7%. Capital spend on existing stock is on a par with peer group. However, spend on new stock has benefited from an opportunity to acquire an additional portfolio from a developer.

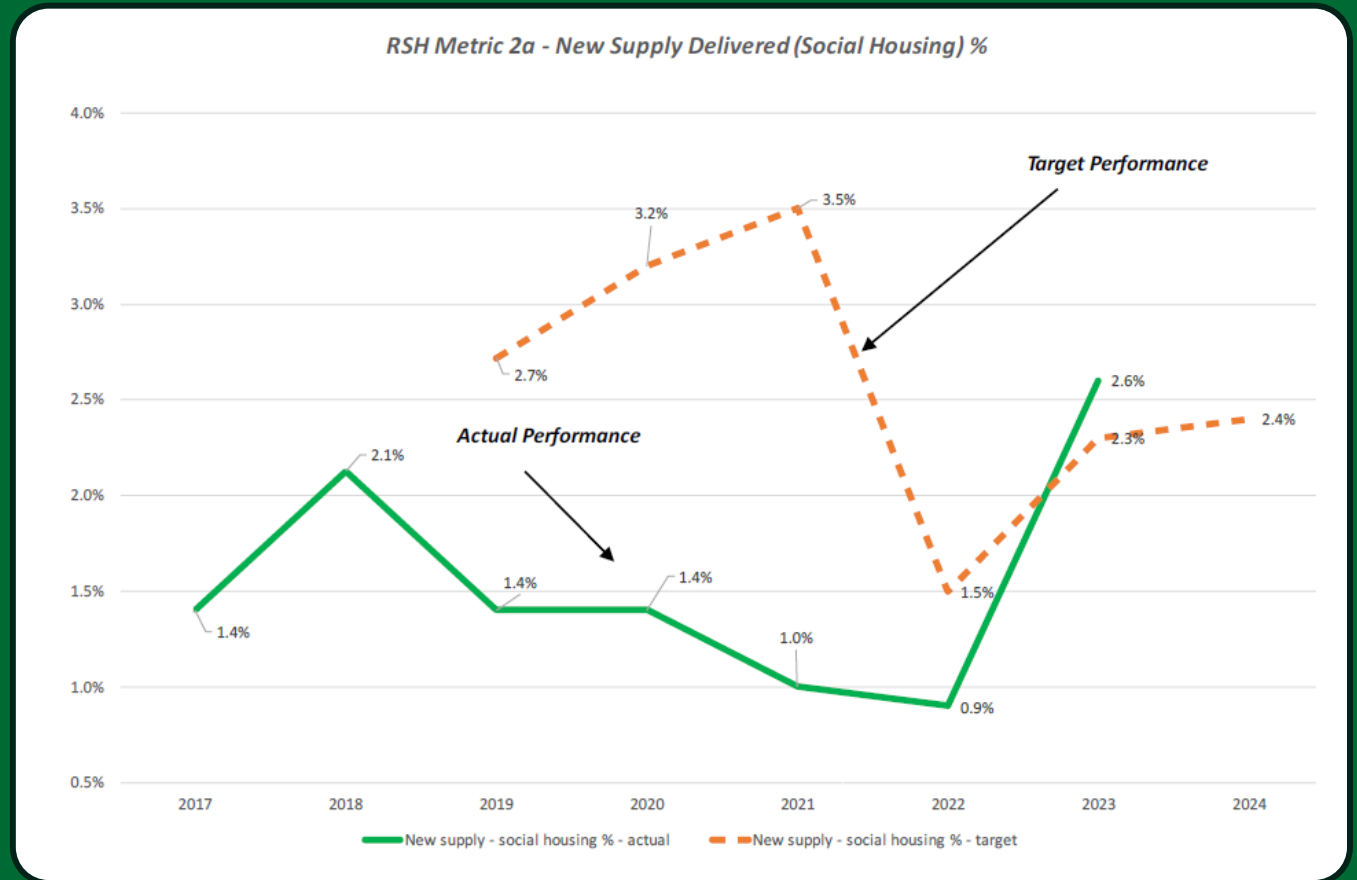


NEW SUPPLY DELIVERED (SOCIAL HOUSING) %

This metric reports on the number of new social housing homes that have been acquired or developed during the year as a proportion of total social housing homes owned at period end.

Orwell Housing	Peer group	East of England	UK
2.6%	1.4%	2.2%	1.3%

Orwell, with new supply delivered of 2.6% has seen an increase compared to last year's performance of 0.9%. In terms of units, this represented an increase to 104 new homes completed in the period. The increase arose from an opportunity to acquire an additional portfolio of new build homes from an existing development partner partly for shared ownership sale. The long term target is 100 new homes per year.



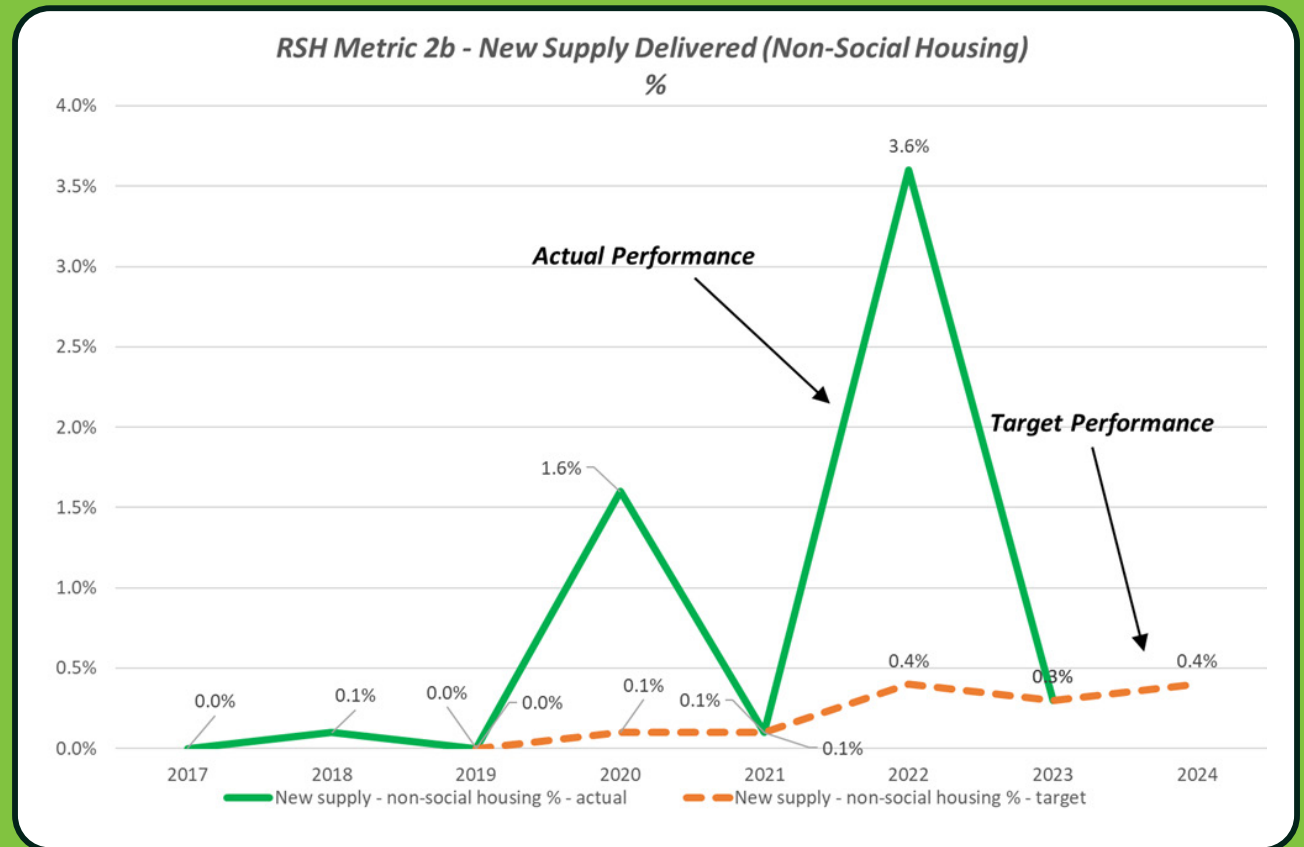
NEW SUPPLY DELIVERED (NON-SOCIAL HOUSING) %

This metric reports on the number of new non-social homes that have been acquired or developed during the year as a proportion of total social housing homes owned at period end.

Orwell Housing	Peer group	East of England	UK
0.30%	0.01%	0.2%	0.01%

Orwell has completed the planned delivery of 13 new homes for this year.

The target performance reflects the steady programme of development of homes for sale by the trading subsidiary Orwell Homes Limited.



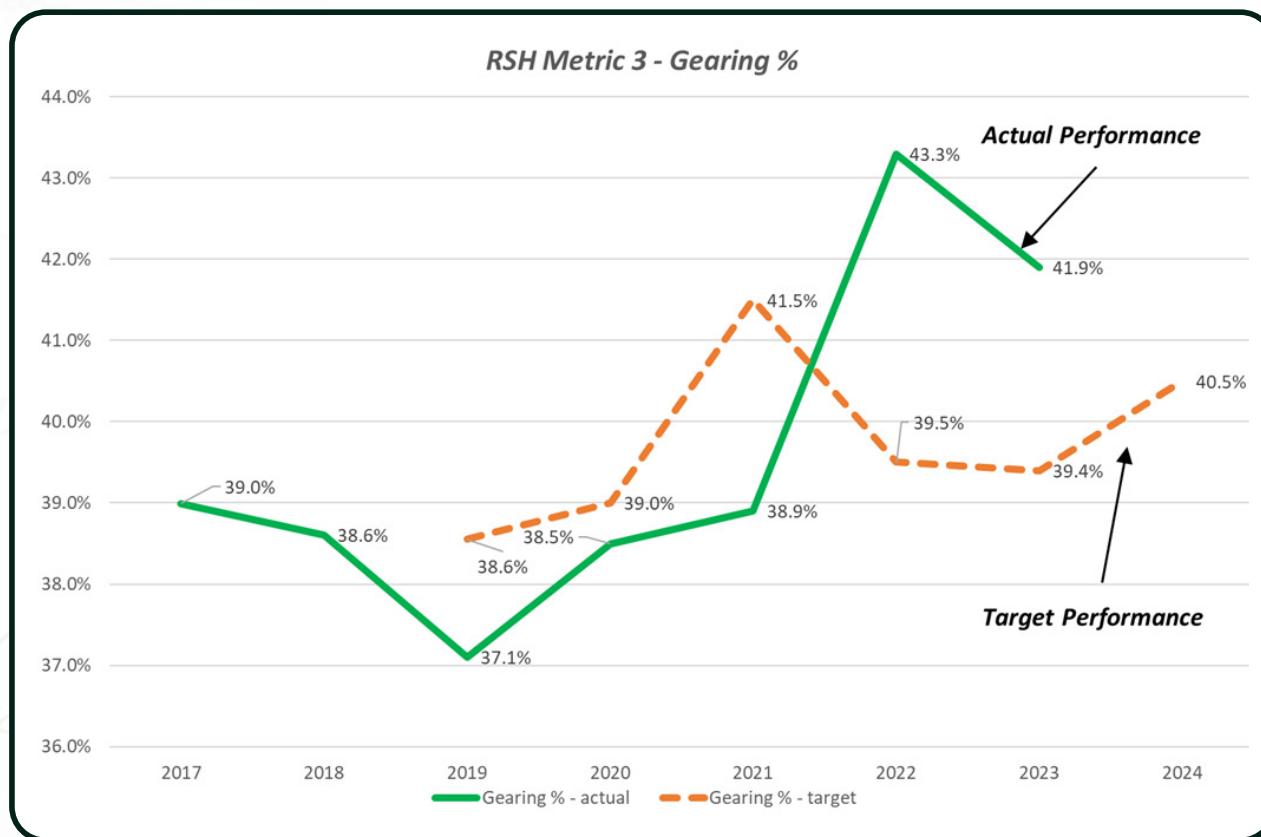
GEARING %

This metric assesses how much of the adjusted assets are funded by debt and the degree of dependence on debt finance. It is often a key indicator of a housing association's appetite for growth.

Orwell Housing	Peer group	East of England	UK
41.9%	40.4%	54.3%	45.5%

Orwell's gearing ratio at 41.9% compares favourably with peer group and the other comparators. It has moved above the target following the arrangement of new bond finance in 2022 which was used to repay some existing debt in 2023, restoring the ratio to a more comparable level.

The favourable level of overall gearing will provide headroom to support the funding required to continue the build programme and deliver Net Zero Carbon works.



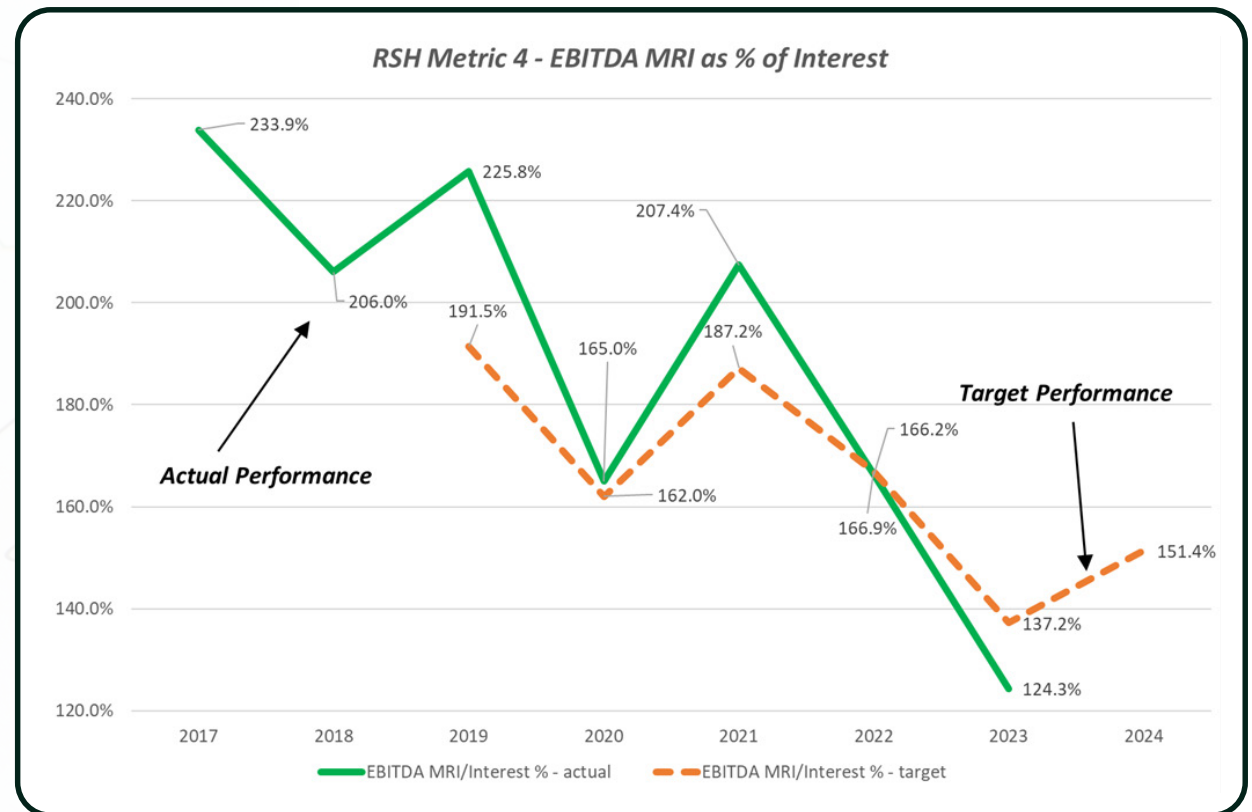
EARNINGS BEFORE INTEREST, TAX, DEPRECIATION, AMORTISATION, MAJOR REPAIRS INCLUDED (EBITDA MRI) AS % OF INTEREST %

This metric is a key indicator of liquidity and investment capacity. It seeks to measure the level of surplus a registered provider generates to meet interest payments (the measure avoids any distortions stemming from non-cash depreciation charges).

Orwell Housing	Peer group	East of England	UK
124.3%	146.6%	139.9%	124.4%

Orwell's EBITDA at 124.3% has fallen significantly over the last two periods. This has arisen from a combination of factors, primarily market driven increases in operating spend on maintenance, utilities and agency staffing for care and support activities. This has been combined with significant increases in variable interest costs in the same period.

Looking ahead steps have been taken to mitigate the expenditure pressures and with favourable interest forecast the measure is forecast to recover through 2024 and beyond.

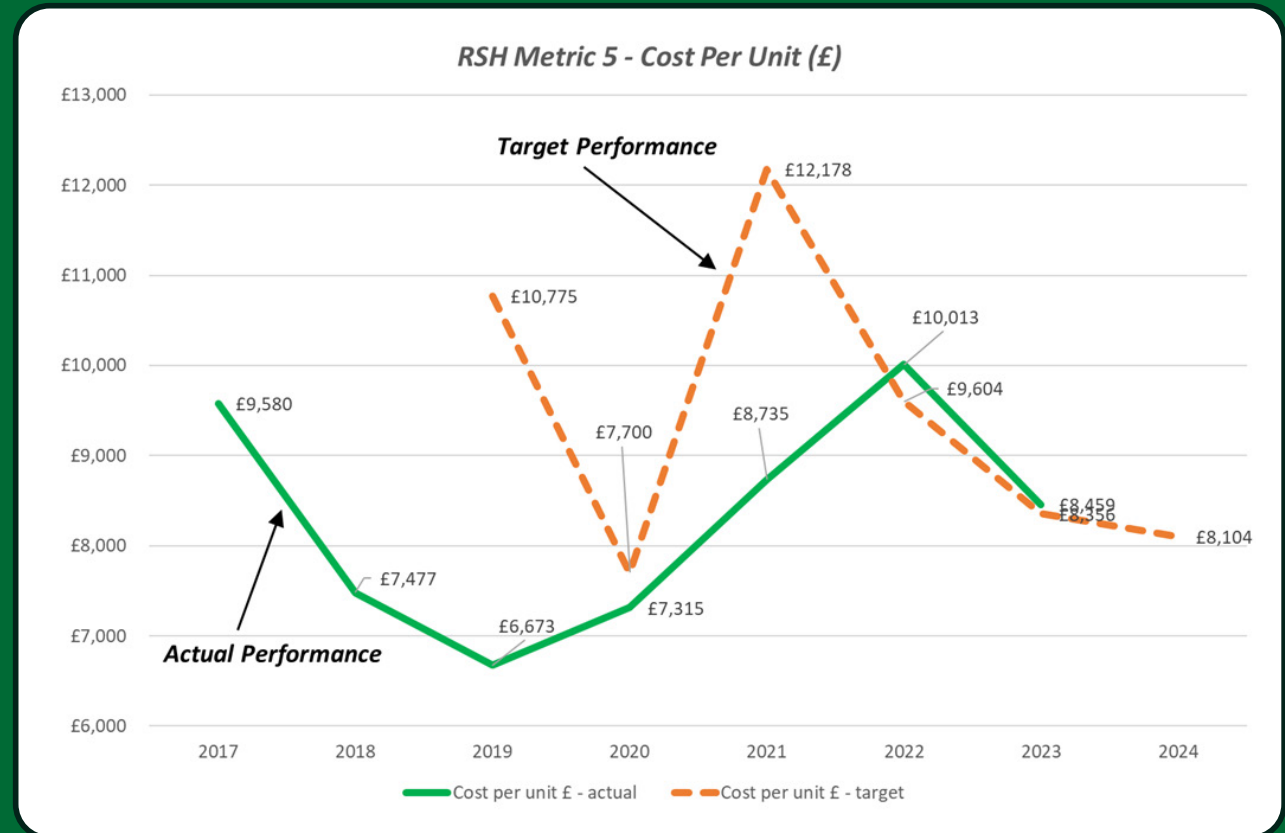


HEADLINE SOCIAL HOUSING COST PER UNIT (£)

This metric assesses the headline social housing cost per unit as defined by the RSH.

Orwell Housing	Peer group	East of England	UK
£8,459	£4,568	£4,350	£4,568

Calculation of this metric includes both support and care activities and also provision of development services (e²). Inclusion of these elements makes meaningful comparison very difficult as it makes Orwell's figures higher than they would otherwise be. A more reflective measure of cost per unit performance is included within this report under metric 8.



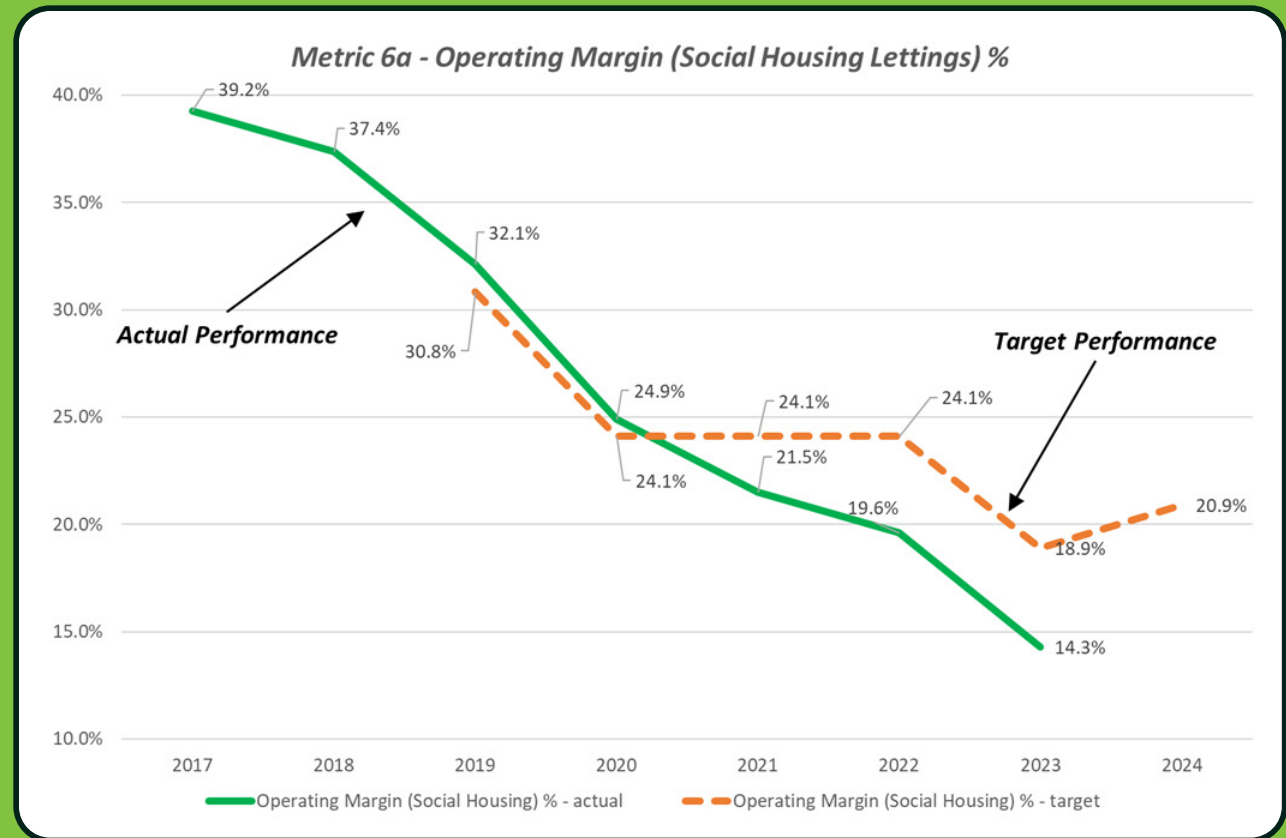
OPERATING MARGIN (SOCIAL HOUSING LETTINGS) %

This metric demonstrates the profitability of Social Housing operating assets before exceptional expenses are taken into account, excludes both care and support activities and also provision of development services (e²), thereby providing more meaningful comparison.

Orwell Housing	Peer group	East of England	UK
14.3%	20.5%	24.9%	19.9%

Orwell, with a performance of 14.3% has fallen short of the target for the year and this performance reflects ongoing challenges presented by the current economic circumstances. Increases in utility costs have been a major factor in this period and in addition material cost pressures and direct labour shortages have impacted upon responsive repairs expenditure.

The target has been set at a level of performance reflecting challenging ongoing economic conditions, improved control over utility and service costs, and with a rent increase of 7% effective for January 2024.

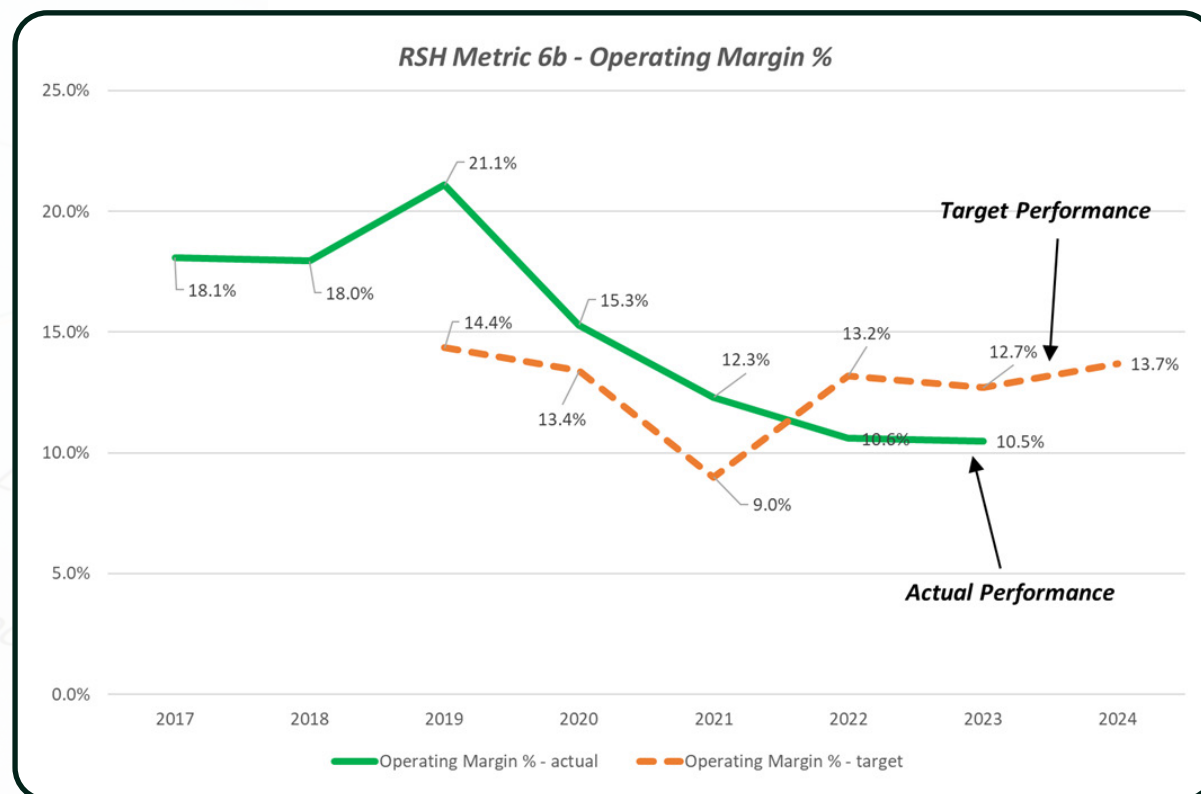


OPERATING MARGIN %

This metric demonstrates the profitability of operating assets before exceptional expenses are taken into account and includes both care and support activities and also provision of development services (e²). Inclusion of these elements makes meaningful comparison very difficult and the metric above, 6a - Operating Margin (Social Housing Lettings) %, excludes these elements from the calculation and thereby provides more meaningful comparison.

Orwell Housing	Peer group	East of England	UK
10.5%	19.8%	24.4%	18.8%

Calculation of this metric includes both support and care activities and also provision of development services (e²). Inclusion of these elements makes meaningful comparison very difficult as it makes Orwell's figures lower than they would otherwise be. A more reflective measure of operating margin performance is included within this report under metrics 6a and 10.

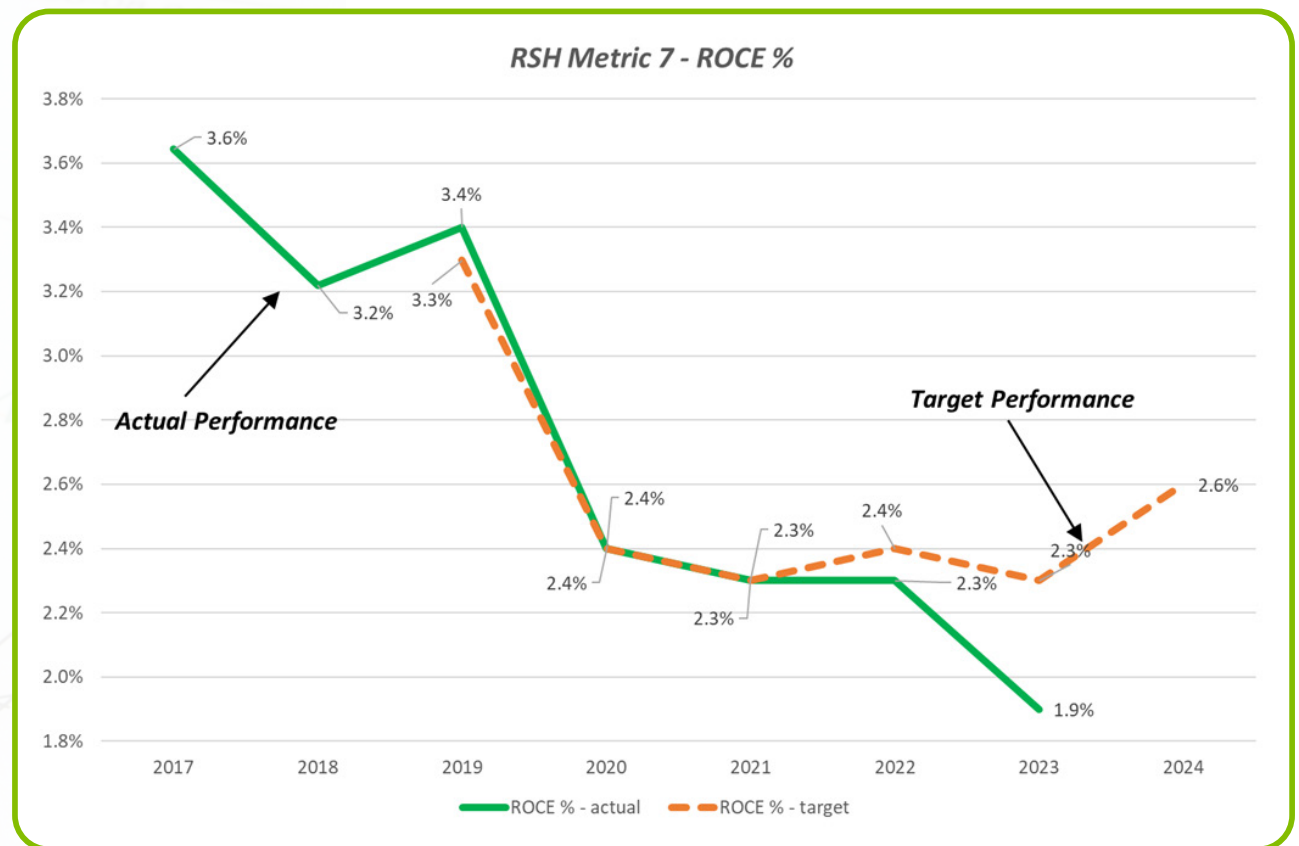


RETURN ON CAPITAL EMPLOYED (ROCE) %

This metric compares operating surplus to total assets, less current liabilities and is a common measure in the commercial sector to assess the efficient investment of capital resources.

Orwell Housing	Peer group	East of England	UK
1.9%	2.7%	3.5%	2.8%

Orwell, with ROCE % of 1.9% has fallen just below the target for the year of 2.3%, due to the ongoing inflationary cost pressures and availability of labour impacting negatively upon margins. In terms of comparison with peer group and the other comparators, the lower level is mainly due to Orwell having higher levels of care and support.

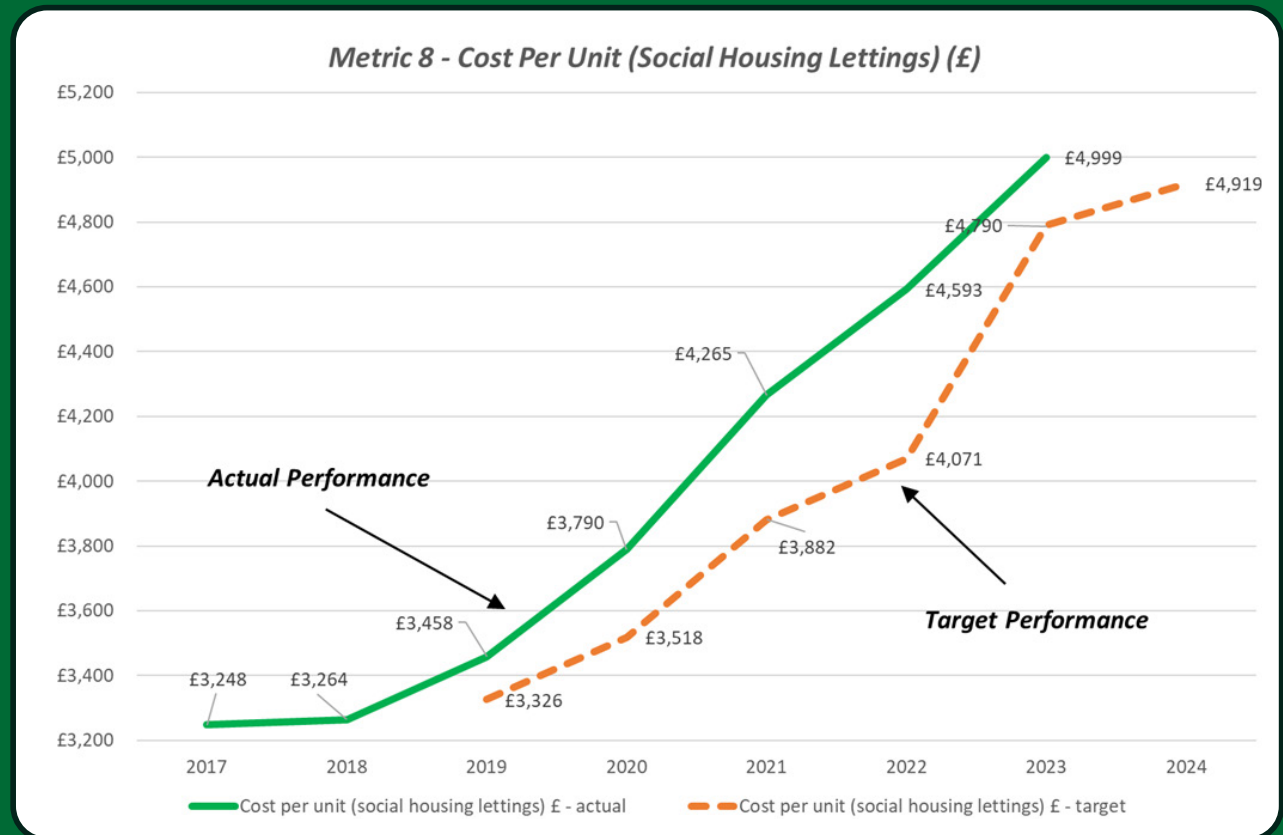


COST PER UNIT (SOCIAL HOUSING LETTINGS ONLY)

Calculation of the RSH metric number 5, Headline Social Housing cost per unit includes both care and support activities and also provision of development services (e²). Inclusion of these elements makes meaningful comparison very difficult and this metric, removes these elements from the calculation for Orwell.

Orwell Housing	Peer group	East of England	UK
£4,999	£4,416	£4,481	£4,417

Having adjusted the metric, the level is above target and both the peer group and the other comparators. This reflects material cost pressures and direct labour shortages, both of which have impacted significantly upon responsive repairs expenditure.



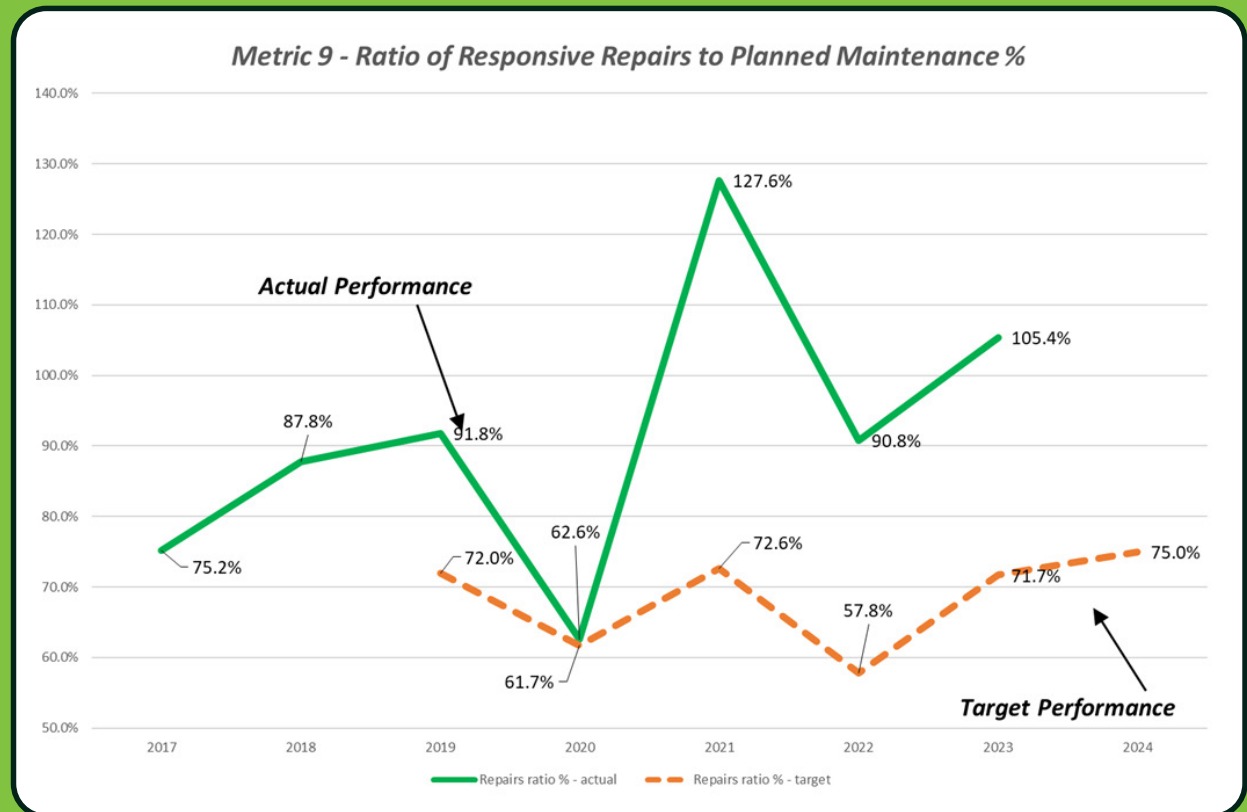
EFFECTIVE ASSET MANAGEMENT - RATIO OF RESPONSIVE REPAIRS TO PLANNED MAINTENANCE (%)

This metric indicates the ratio of responsive repairs to planned maintenance with the general ambition of achieving a figure of circa 60%.

Orwell Housing	Peer group	East of England	UK
105.4%	67.8%	69.7%	63.0%

Actual performance has remained significantly above target. This is the result of a combination of high responsive repairs spend, due to material cost pressures and direct labour shortages, combined with lower than planned maintenance spend, due to difficulties in placing contracts.

Looking forward, the target assumes a lower and improved ratio arising from an increase in planned maintenance spend.

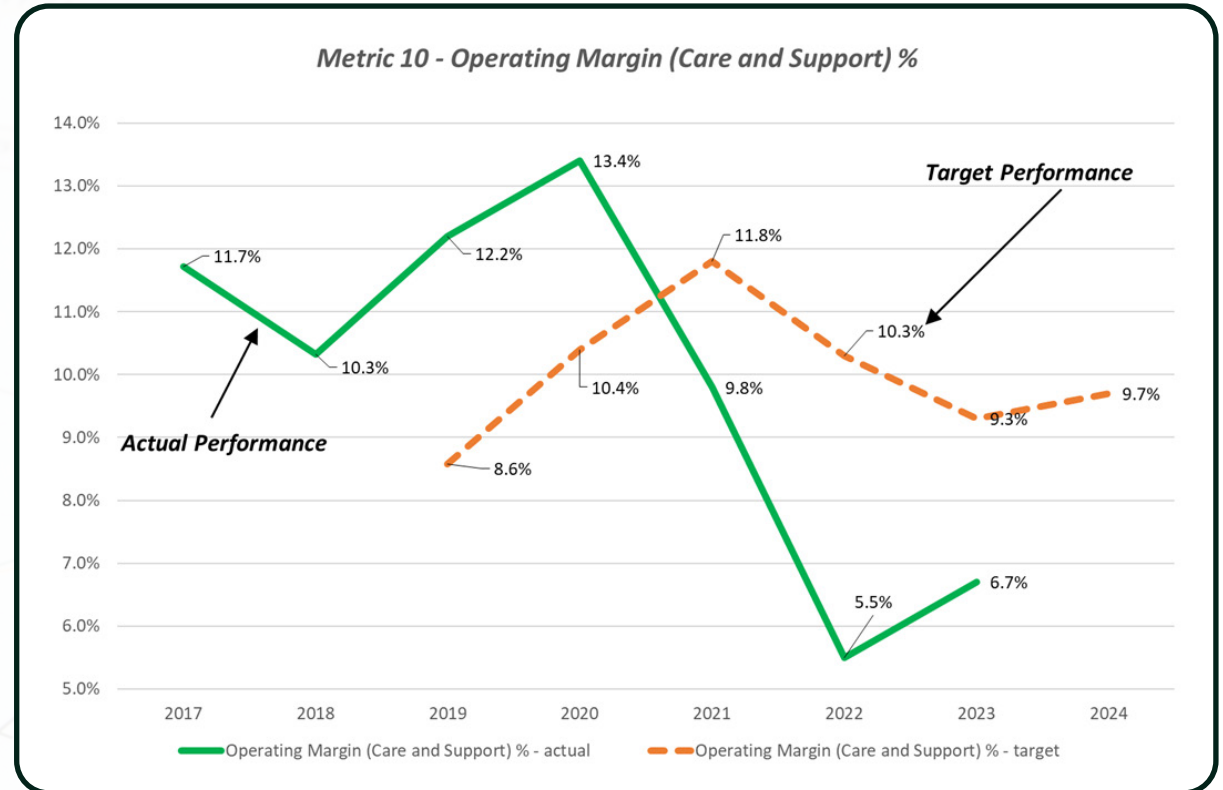


OPERATING MARGIN (CARE AND SUPPORT) (%)

This metric demonstrates the profitability of care and support activities and is an important metric for Orwell given that it is expected that these activities generate an overall surplus.

2023 has been a further challenging year within the Care and Support activities of Orwell and maintaining employed staffing at budget levels has not been possible, resulting in significantly over-budget, higher cost agency cover in some areas. Staffing within Care and Support is the major cost area and therefore the margin has fallen below target but has started to recover towards target as we have taken steps to reduce the level of agency support.

Reduction in Agency staff usage and expenditure has remained the main area of focus through 2023 with pay rate improvements and recruitment campaigns improving the situation. The target has therefore been set at an improved level of performance.

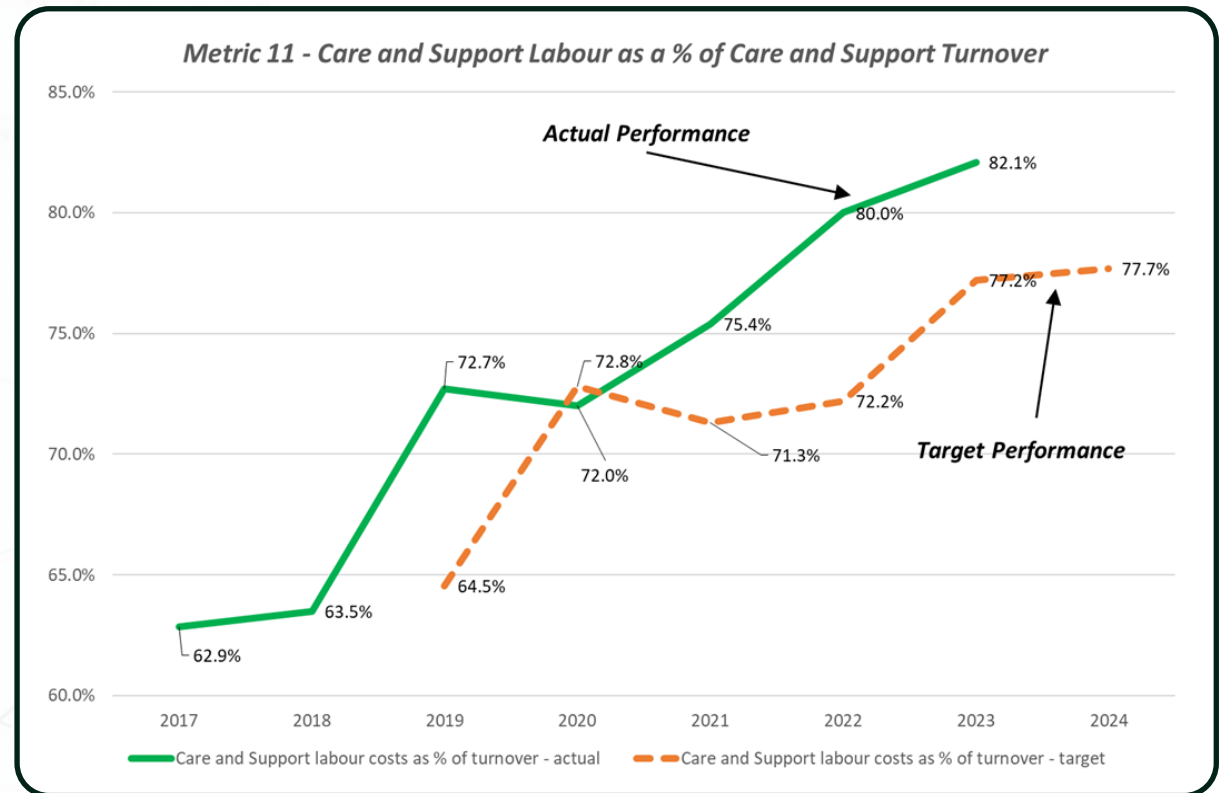


CARE & SUPPORT LABOUR COSTS

Labour is the biggest single cost in the delivery of care and support and this metric indicates the profitability of operations. A lower percentage represents a better control over costs and so a better performance.

Paycosts are the most significant element of cost within the care and support activities within Orwell. Significant agency spend continued through much of the year but has been reducing by year end. The continuing increase in cost through 2023 has put further pressure on the operating margin return from this activity.

Reduction in Agency costs remain the main area of focus moving into 2023 with pay rate improvements and recruitment campaigns beginning to improve the situation. The target has been set accordingly.





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