



**Value for Money**2022

“The pursuit of Value for Money is not an exercise in cost cutting and an end in itself, but complements and reinforces our social purpose of making a difference, which runs through all of our Strategic Plans and is fundamental to everything we all do at Orwell.”



**Chris Wyer**

Director of Resources and Growth

# OUR APPROACH

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

A holistic and balanced approach to VfM is taken, that supports the fundamental social purpose and strategic intent of Orwell. The interconnected nature of this approach recognises both social and financial value and also 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 a holistic and customer-centric one, 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 ten 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 ten 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.

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 2022 audited financial statements filed with the Regulator for Social Housing, which was the most up to date information available at the time of publication.

Further performance measuring looks at actual performance for 2017 to 2022, compared to target performance for 2019 to 2022. Additionally, a look-forward 2023 target is also included.

## 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 Orwell's 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. Consequently, the selected peer group are similar, medium-sized organisations, operating wholly or mainly in East of England, with a significant proportion of their activity made up of care and support and sheltered housing for older people (HfOP). The only exceptions to this are the inclusion of Westward Housing and Two Rivers Housing, which although based in different areas of the country, have similar levels of care and supported activity and comparable rent levels to those in the East of England.

Details of the peer group are shown in the table on this page.

Organisation	Units Owned/ Managed (Social stock)	Turnover (£,000)	% Stock in East of England	% Supported Owned/Managed	% Stock HfOP
Orwell Housing	4,085	£47,468	100%	8%	12%
B3 Living Limited	4,290	£34,535	100%	0%	7%
Broadland Housing Association Ltd	5,549	£41,956	100%	2%	12%
Hightown HA	6,652	£103,887	77%	6%	1%
Saffron Housing	6,554	£40,613	100%	2%	9%
The Cambridge Housing Society	3,043	£34,708	100%	6%	7%
Two Rivers Housing	4,311	£24,928	N/A - South West/ West Mids (100%)	0%	14%
Westward Housing	7,407	£41,928	N/A – South West (100%)	5%	10%



# OUR OWN BESPOKE METRICS

created by the Value for Money Strategy  
and Performance Team

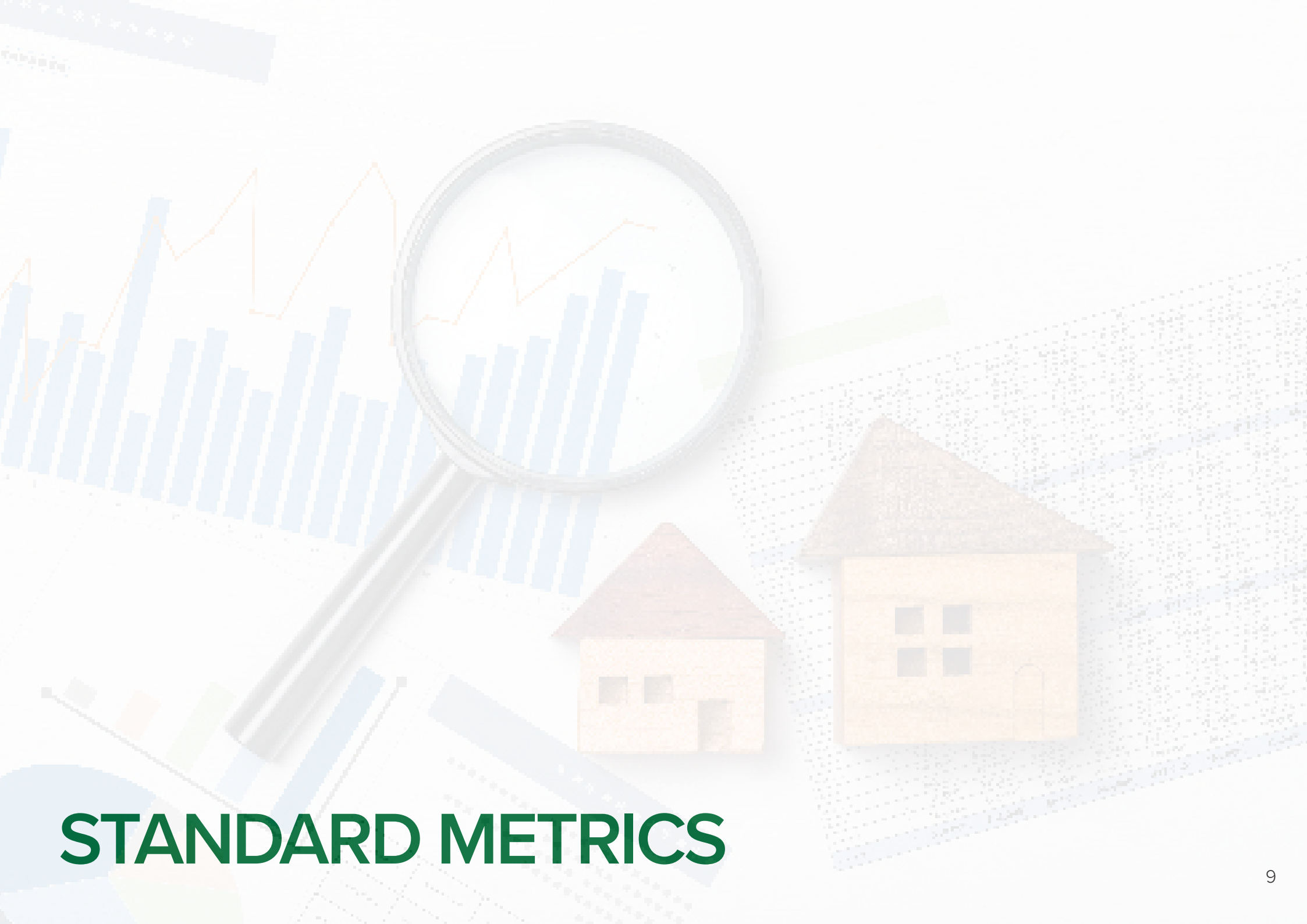
# STRATEGIC PLAN 2021-2024 OBJECTIVES - VFM METRICS 2022

		Actual	Target	Actual	Target	Target
Year ending	Owner	Dec-21	Dec-22	Dec-22	Dec-23	Dec-24
<b>Objective 1 - Providing exceptional customer service</b>						
% of ORS repairs booked via self-service solutions	Steve Crissall - Assistant Director of Property and Construction	1%	10%	1%	5%	25%
We currently have 200 tenants registered to use the tenant portal. We will during 2023 start to advertise more which we hadn't done previously due to the challenges around recruitment in the repairs sector. We are now operating with increased resources giving us the ability to accommodate more work. With an increase in tenants using the portal this will also reduce calls to the customers services team and an increase in capacity will allow them to increase work moving forward.						
Decrease in average cost per responsive repair compared to prior year (combined with achieving satisfaction target)	Steve Crissall - Assistant Director of Property and Construction	Inc 6.4%	Inc 6.0%	3.2%	Inc 7.9%	Inc 4.3%
The ambition was to not increase the average cost by more than 6%. In the first half of the year costs increased although we made adjustments at the half way point and a reduction in the use of external contractors, a decrease of 3.2% was achieved although a back log of repairs is still in place. Given the challenges around continuing cost and inflationary pressures, the target for 2023 has been set at an increase of 7.9%.						
<b>Objective 2 - Supporting customers to have control over their future</b>						
Increase in contribution from Care and Support Services per customer compared to prior year	Andrew Regent - Supported Housing & Care Manager	Redn 3.6%	1.0%	Redn 1.7%	1.0%	1.0%
Target was to achieve a 1% increase in surplus by Dec 22. Actual - achieved was a reduction of 1.7%. Whilst customer numbers stayed static, this was largely due to increased staffing costs at £1.8m above budget, mainly due to Agency Cost, and increased income at £15.7m (£2.4m above budget). Surplus achieved equated to £922k (£602k below budget). Target 2024 which had been linked back to 2020, has been adjusted as a movement from prior year and reduced from 4.0% to 1.0%.						
Tenancy Sustainment - the % number of people accessing the service where outcome is a tenancy sustained	Alice Moore - Customer and Communities Manager	83.5%	85.0%	89.0%	85.0%	90.0%
We achieved 89% tenancy sustainment overall in 2022, over and above the objective of 85%. What with the current economic climate and number of customers facing the cost of living crisis, the number of referrals into the team continues to rise. Of the 11% which were not classed as sustained, this is where we had no engagement from the customers or where they felt they no longer needed the support from Orwell. We will be working on introducing an in house tenancy programme this year to roll out in 2023.						

		Actual	Target	Actual	Target	Target
Year ending	Owner	Dec-20	Dec-21	Dec-21	Dec-22	Dec-24
<b>Objective 3 - Making a positive impact in our communities</b>						
<b>Social value - number of people in supported housing for who step-down/move-on accommodation is provided for by Orwell</b>	<b>Andrew Regent - Supported Housing &amp; Care Manager</b>	<b>5</b>	<b>10</b>	<b>5</b>	<b>10</b>	<b>15</b>
Target was to support 10 people to move on from supported accommodation into permanent homes provided by Orwell. Actual achieved was 5. During 2022 Orwell's Temporary supported accommodation was engaged in a retendering process with efforts focused on delivering new services. Orwell has also established an internal referral process to increase to request move-on properties.						
<b>Objective 4 - Being a great employer – by investing in our people and being a company people are proud to work for</b>						
<b>Care and Support Agency cost as a percentage of Care and Support income</b>	<b>Andrew Regent - Supported Housing &amp; Care Manager</b>	<b>11.1%</b>	<b>5.0%</b>	<b>11.1%</b>	<b>8.0%</b>	<b>7.0%</b>
The target was to achieve a level of 5% for year-ended Dec 22. Actual - achieved was 11.1%. This was primarily due to difficulties in recruiting care & support staff, this is not unique to Orwell but is an industry wide concern. Currently substantive staff costs are £1m underspent to evidence this concern, but respectively agency staff expenditure accounting for £1.3m of a £1.8m staffing overspend (excluding Deben & Pitches View) against an increase in care income of £563k that demonstrates demand that could not be met using employed staffing resources. Given ongoing staffing challenges, the target for 2023 has been revised from 5% up to 8.0%						
<b>Total training expenditure as a % of salary cost</b>	<b>Diane Stirton - People &amp; Culture Manager</b>	<b>2.1%</b>	<b>2.3%</b>	<b>1.4%</b>	<b>2.2%</b>	<b>2.3%</b>
Actual achievement for 2023 is below target and is due to the corporate decision made September 2022 to restrict discretionary spend. This reflected the challenging year that 2022 was, and the cost management actions required to achieve budgeted surplus. Restrictions were not placed on mandatory training. The 2023 target is set at a more usual level and based on budget.						

		Actual	Target	Actual	Target	Target
Year ending	Owner	Dec-20	Dec-21	Dec-21	Dec-22	Dec-24
<b>Objective 5 - Providing new homes and investing in our existing homes</b>						
Total business void loss %	Alice Moore - Customer and Communities Manager Andrew Regent - Supported Housing & Care Manager	2.1%	1.8%	2.2%	2.0%	1.8%
We were above the objective set of 1.8%, achieving 2.2% void loss, this is largely due to longer than planned void times and this is something we are working hard to reduce. We are no longer using external contractors for voids which will reduce the costs for 2023.						
% decrease in Social Housing Lettings salary cost per unit of stock compared to prior year (whilst maintaining customer satisfaction)	Alice Moore - Customer and Communities Manager	Inc 11.0%	0.0%	Inc 2.3%	6.0%	1.5%
We were over target by 2.3% in 2022, due to several new positions introduced. There are no planned new posts for 2023 so we expect to see this come down. Customer Satisfaction remains high and we have reviewed all transactional surveys for 2023 which have now been finalised.						
<b>Objective 6 - Improving value for money, services and driving innovation and change</b>						
Unify the Property and Estates team and then use the dynamic scheduling system to improve % productive time to target levels as shown.	Steve Crissall - Assistant Director of Property and Construction	51.6%	60%	58.3%	62.0%	65.0%
The target for 2022 was 60%. The unification of the estates and repairs team has been a real success and we continue to achieve less travelling and much more productive time with more visibility of resources and coordination of jobs. At the end of 2022 our position was 58.3% just shy of our 60% target. Continued working relationships between the teams has been achieved and our target of 65% by 2024 is achievable with a high degree of coordination required to continually improve travel times.						
Selling development services to e2 partners and others - actual surplus in year	Dawn Edwards - Development Manager	£140K	£35K	£29K	£8K	£9K
Our two local authority partners are the only development partners bringing through new activity as part of the e2 Consortium and the new Homes England funding contract for 2021-2026. The 2022 target envisaged a small number of their pipeline developments progressing to site during 2022 but this was not the case by the end of the year. The progress of all of the local authority development sites was delayed for a variety of reasons (planning, costs, resources) that we were unable to influence. We continue to offer support to our local authority partners and hope to see some development activity on local authority pipeline sites during 2023 to contribute to a surplus for the coming year.						





# STANDARD METRICS

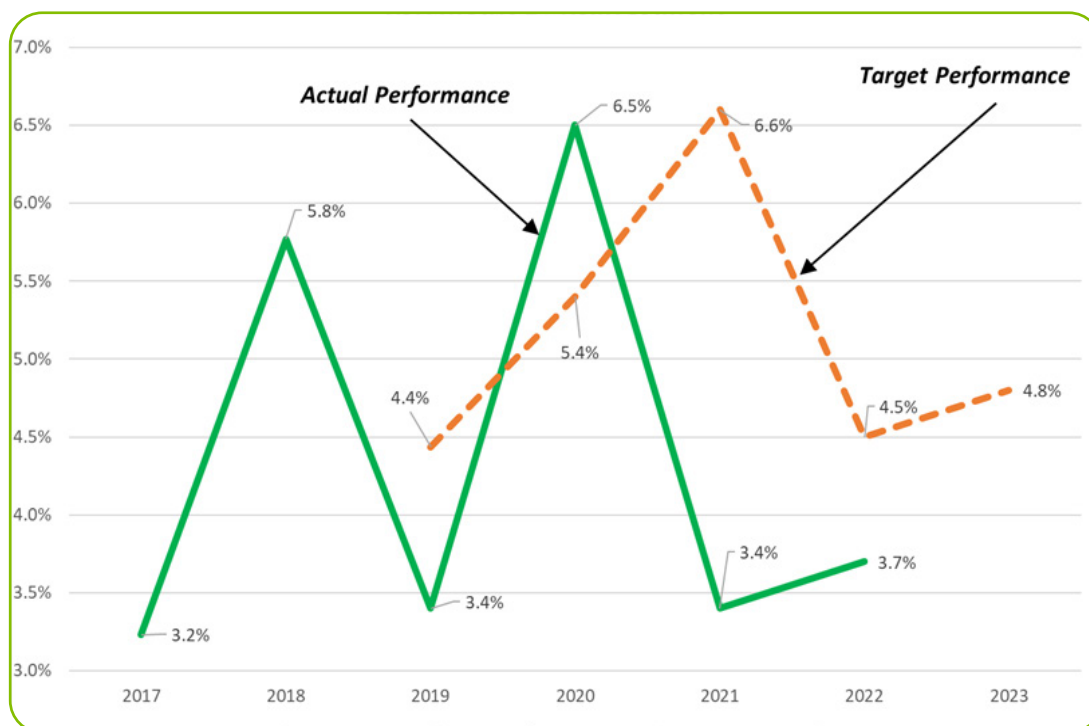
# REINVESTMENT %

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

	Orwell Housing	Peer group	East of England	UK
Existing Stock	0.9%	1.1%	1.3%	1.2%
New Stock	2.8%	7.8%	6.5%	5.0%
Total	3.7%	8.9%	7.8%	6.2%

Orwell, with reinvestment of 3.7%, has seen an increase compared to last year's performance of 3.4%. Separating out the existing stock and new stock elements, as shown above, indicates that capital spend on existing stock is lower, reflecting procurement challenges in the year and a programme that ended £300K below budget spend. Spend on new stock is significantly lower and it is this aspect which has impacted the overall

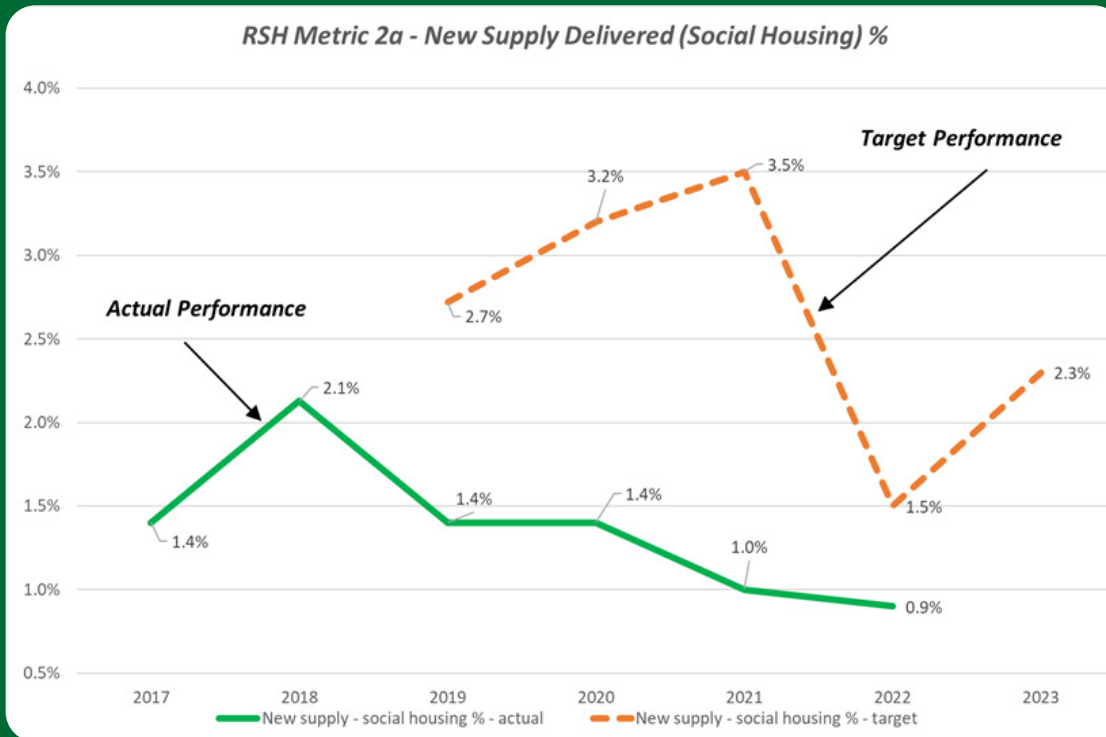
total, including when compared to target. This is due to unforeseen project delays across a number of on-site schemes resulting in 39 units which were due to complete in 2022, falling back into 2023



# 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
0.9%	3.0%	2.3%	1.6%



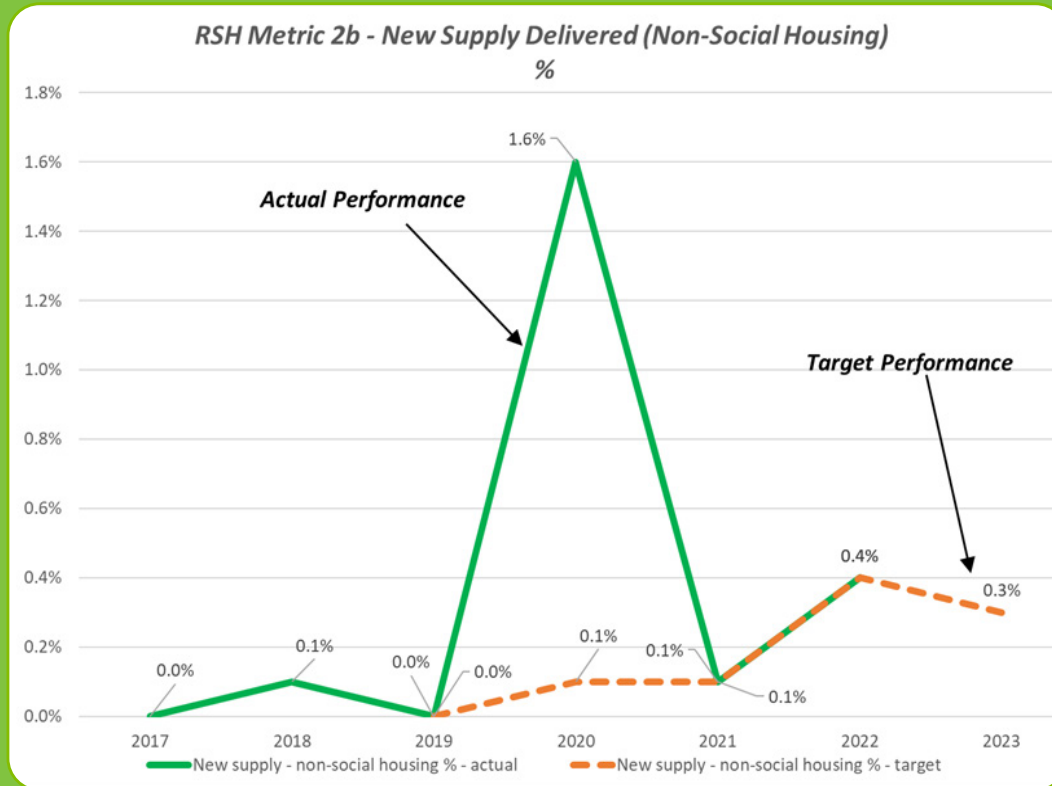
Orwell, with new supply delivered of 0.9%, has seen a decrease compared to last year's performance of 1.0%. In terms of units, this represented a decrease from 37 units completed last year, to 36 units this year, and below the target for the year of 60 units.

This is due to unforeseen project delays across a number of on-site schemes resulting in 39 units which were due to complete in 2022, falling back into 2023.

# NEW SUPPLY DELIVERED (NON-SOCIAL) %

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
0.40%	0.04%	0.09%	0.18%



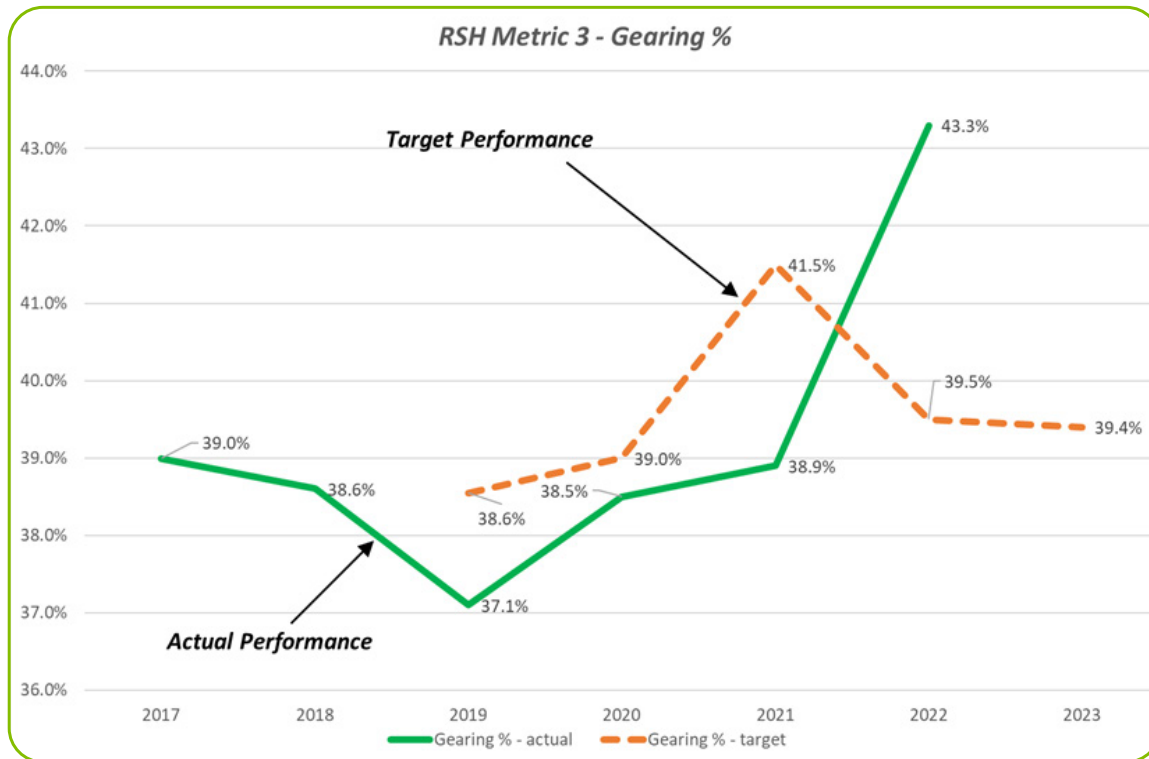
Orwell, with new supply delivered of 0.4% has achieved the target for the year and recorded an increase of 0.3% on the previous year with 16 market sale units completed.

The target for 2023 has been set based upon the forecast level of 13 market sales by the 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
43.3%	56.1%	54.0%	47.0%



Orwell's gearing ratio of 43.3% compares favourably with peer group and the other comparators although is above target due to the receipt of £10.6m of bond funding falling into 2023 whilst being included in borrowings at the end of 2022.

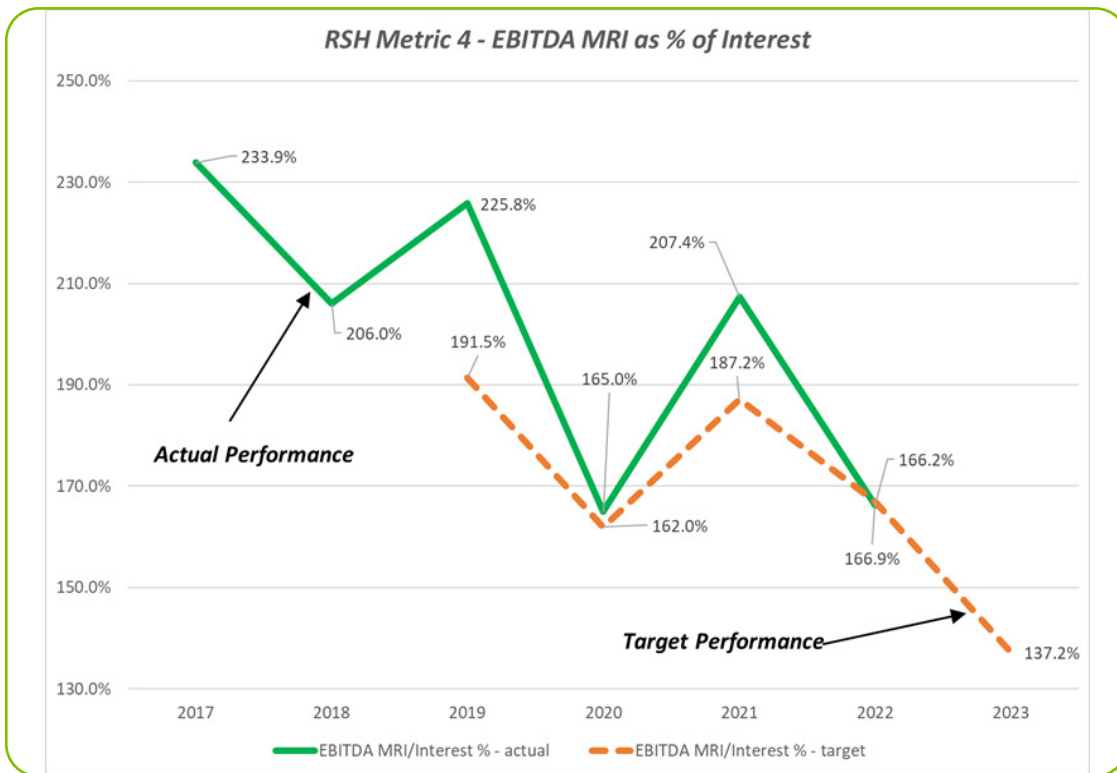
These funds were utilised in early 2023 to restore the Lloyds revolving credit facility to the maximum available of £20m. As a result, gearing fell to a more usual level of below 40%.

Going forward, starting from the base of a comparatively low level of gearing will provide headroom to support the funding required to deliver Net Zero Carbon works.

# EARNINGS BEFORE INTEREST, TAX, DEPRECIATION, AMORTISATION, MAJOR REPAIRS INCLUDED (EBITDA MRI) AS % 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
166.2%	120.1%	157.5%	128.2%



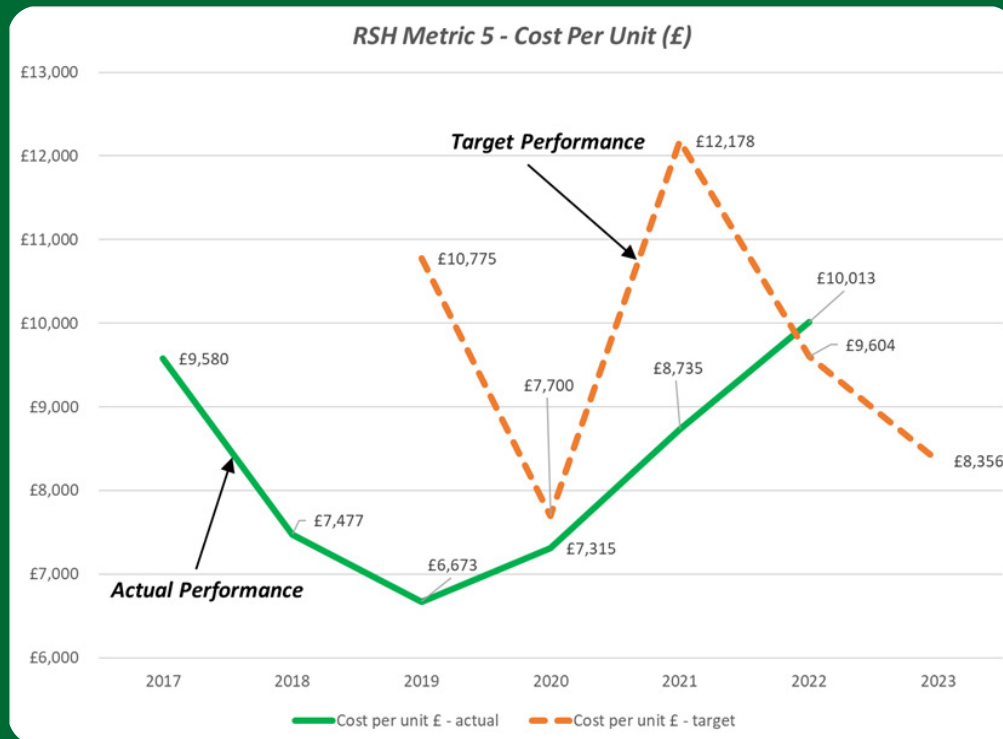
Orwell’s EBITDA MRI performance of 166.2% compares favourably with the peer group and the other comparators, and is above target for the year, despite ongoing challenges presented by the economic challenges surrounding availability of labour and cost inflationary pressures. The comparatively lower figure reflects the significant proportion of lower margin Care and Support activities.

Looking forward to 2023, it is anticipated that the level will decrease as a result of lower operating margin, together with increased capitalised major repairs spend, which is part of Orwell’s 10-year planning cycle and investment in Orwell’s properties towards achieving Net Zero Carbon requirements.

# 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
£10,013	£4,450	£4,160	£4,600



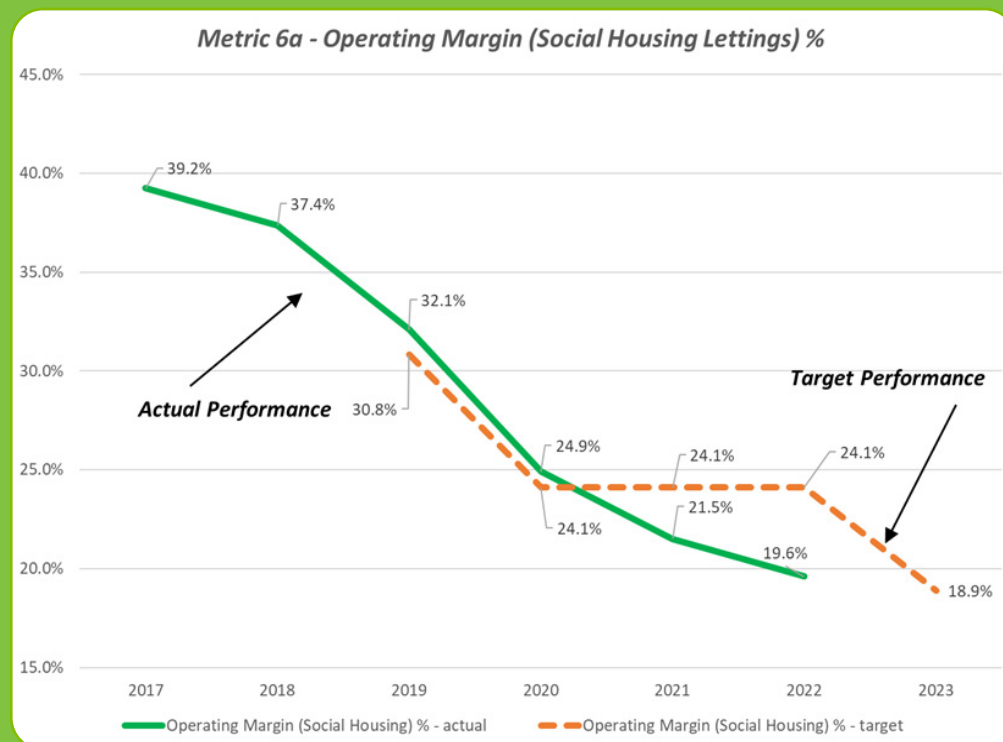
Calculation of this metric includes both support and care activities and also provision of development services (e<sup>2</sup>).

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 (e<sup>2</sup>), thereby providing more meaningful comparison.

Orwell Housing	Peer group	East of England	UK
19.6%	31.5%	30.0%	25.3%



Orwell, with a performance of 19.6% has fallen short of the target for the year. Whilst this performance reflects ongoing challenges presented by the current economic circumstances, with material cost pressures and direct labour shortages impacting significantly upon responsive repairs expenditure we will work in 2023 to deliver improvements.

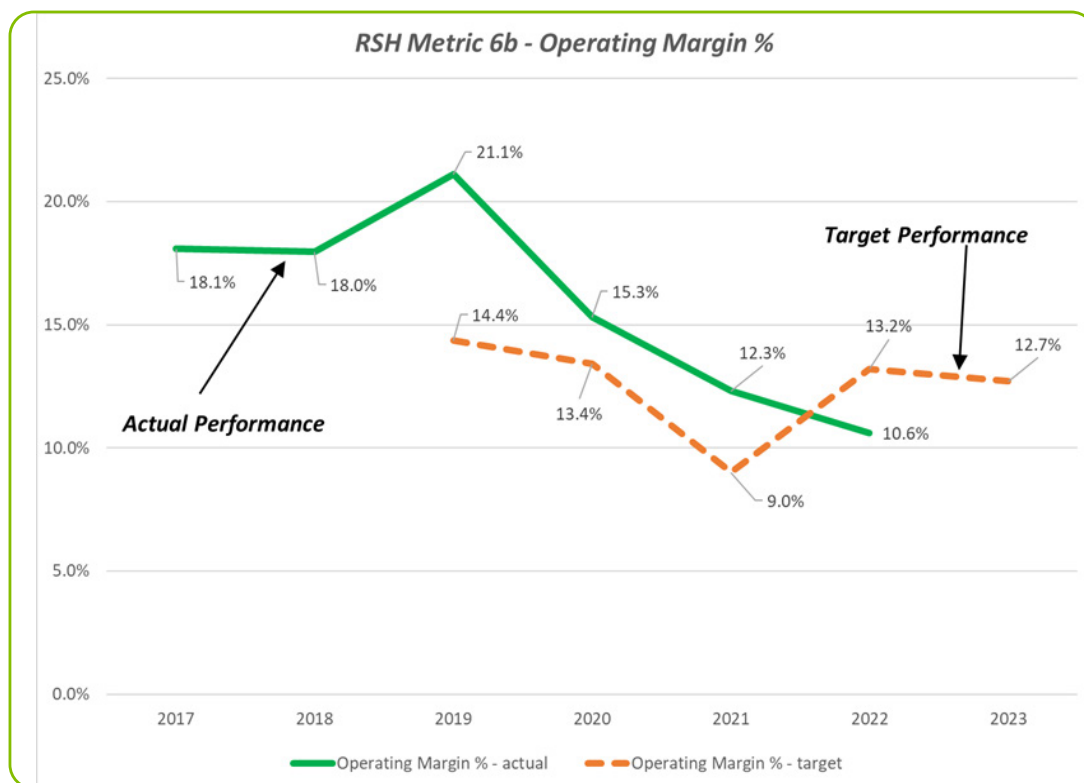
The target for 2023 has been set at a level of performance reflecting ongoing economic conditions, including labour supply difficulties and high inflation, together with a below inflation rent increase of 4.1% effective January 2023.



# 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 (e<sup>2</sup>). 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
10.6%	29.1%	27.1%	19.6%



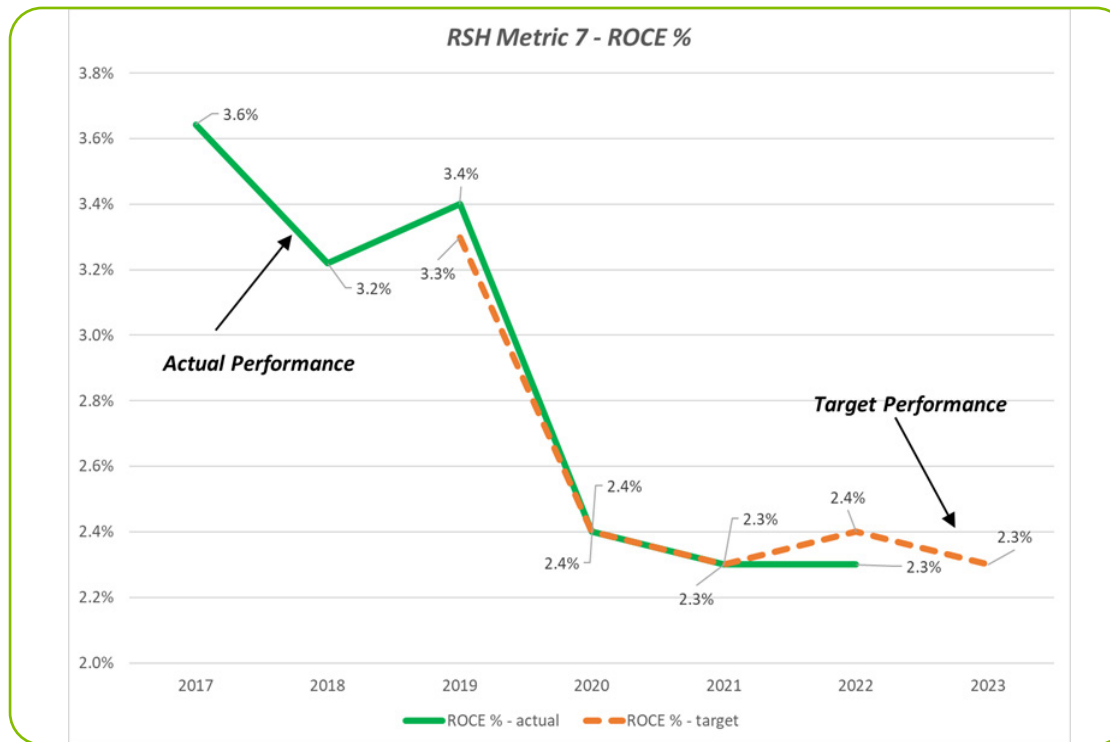
Calculation of this metric includes both support and care activities and also provision of development services (e<sup>2</sup>).

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
2.3%	3.7%	3.7%	2.9%



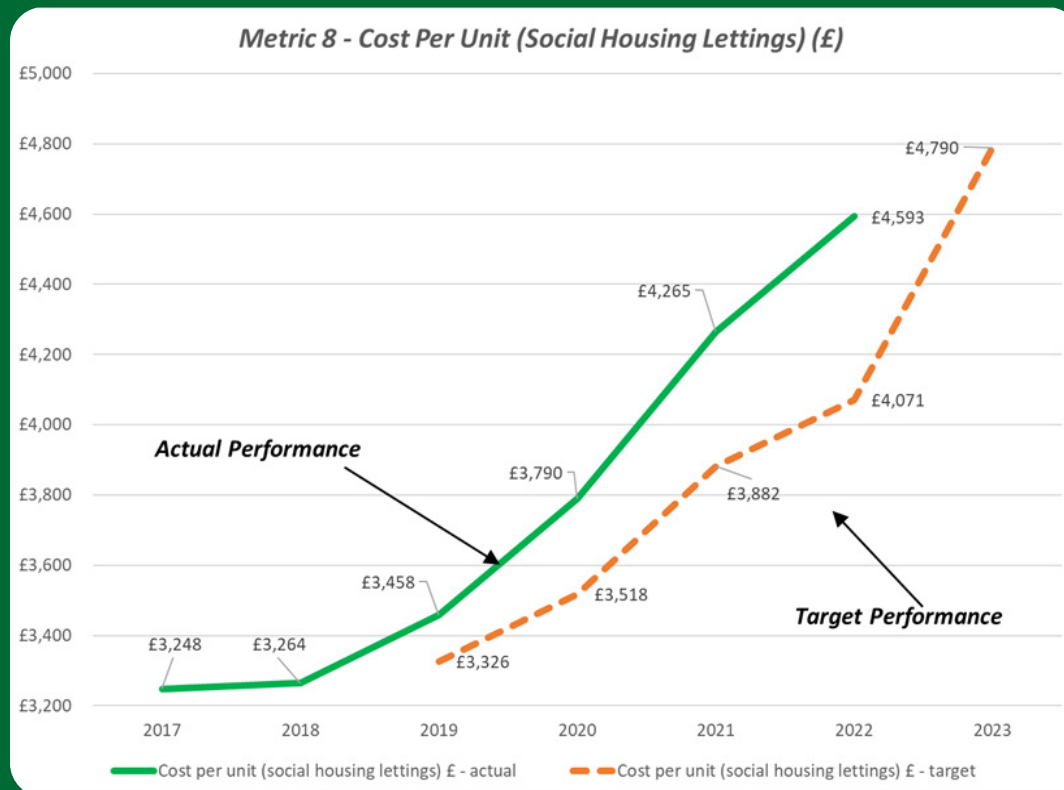
Orwell, with ROCE % of 2.3% has fallen just below the target for the year of 2.4%, due to the ongoing inflationary cost pressures and availability of labour impacting negatively upon margins. In terms of comparison with peer group and the other comparators, the lower level is mainly due to Orwell having higher levels of care and support.

The target for 2023 has been set at a budgeted level of performance and in line with 2022.

# COST (£) / 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 (e<sup>2</sup>). 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
£4,593	£4,450	£4,160	£4,600

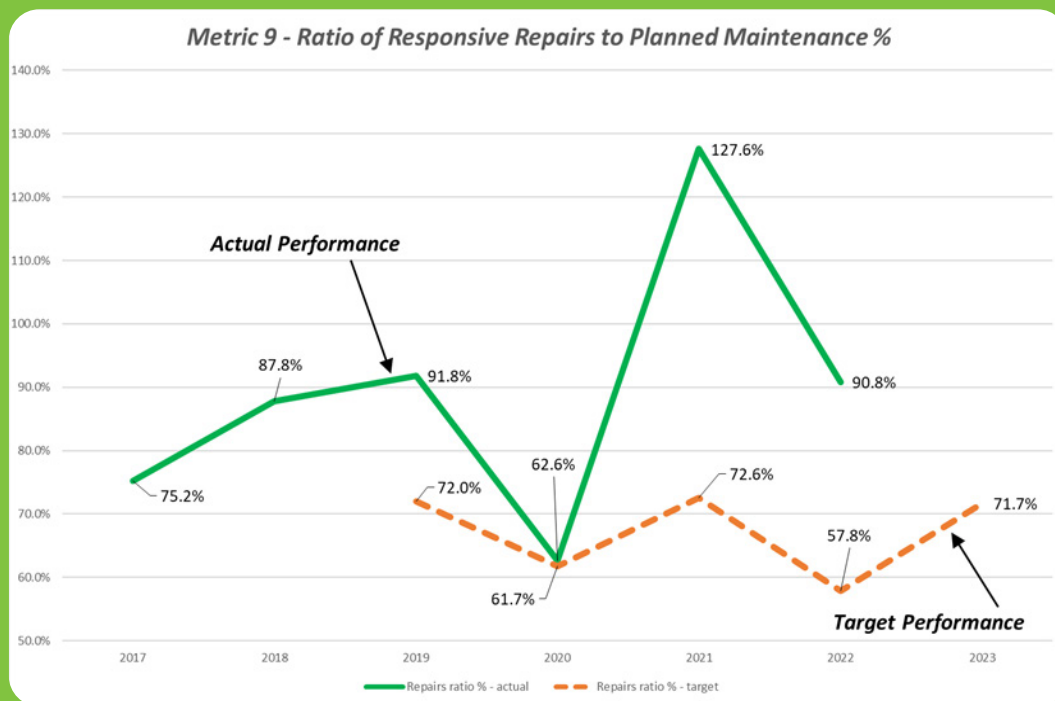


Having adjusted the metric, the 2022 level at £4,593 is broadly in line with both the peer group and the other comparators. The increase compared to the previous year reflects material cost pressures and direct labour shortages, both of which have impacted significantly upon responsive repairs and void repair expenditure. These cost pressures are expected to continue in 2023.

# 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
90.8%	71.2%	65.4%	65.3%

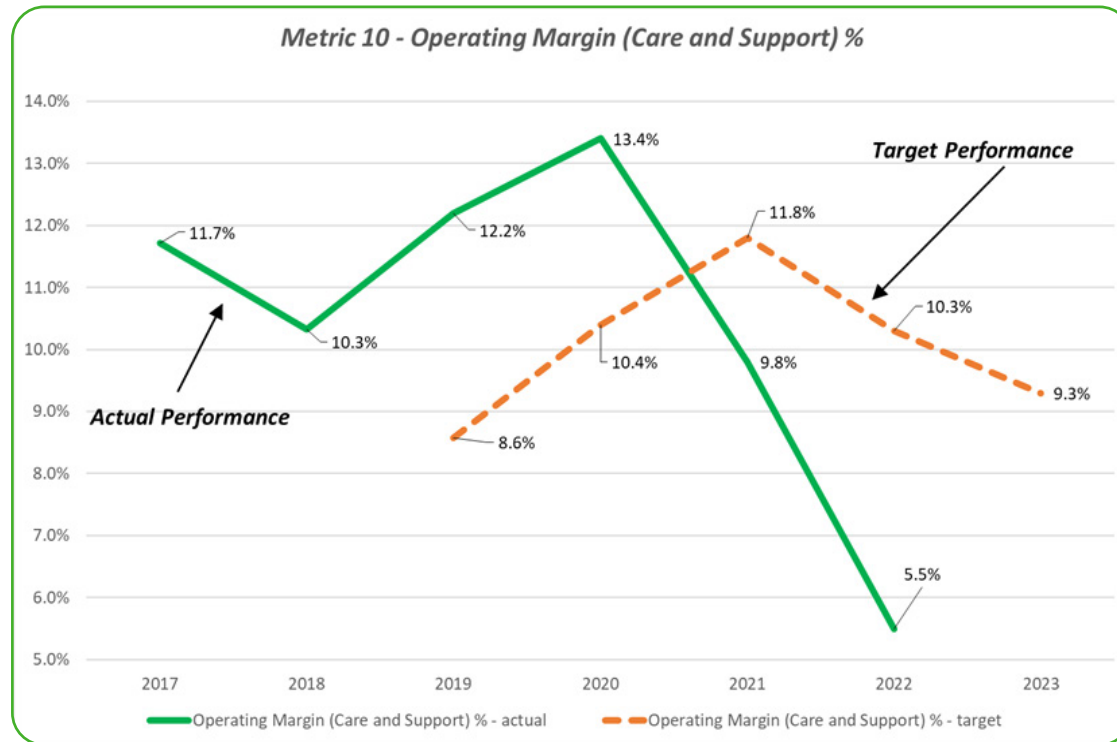


Actual performance in 2022 is significantly above target, and higher than both the peer group and the other comparators. This is the result of a combination of high responsive repairs spend, due to material cost pressures and direct labour shortages, combined with lower than planned maintenance spend, due to difficulties in placing contracts.

Looking forward, the target for 2023 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.

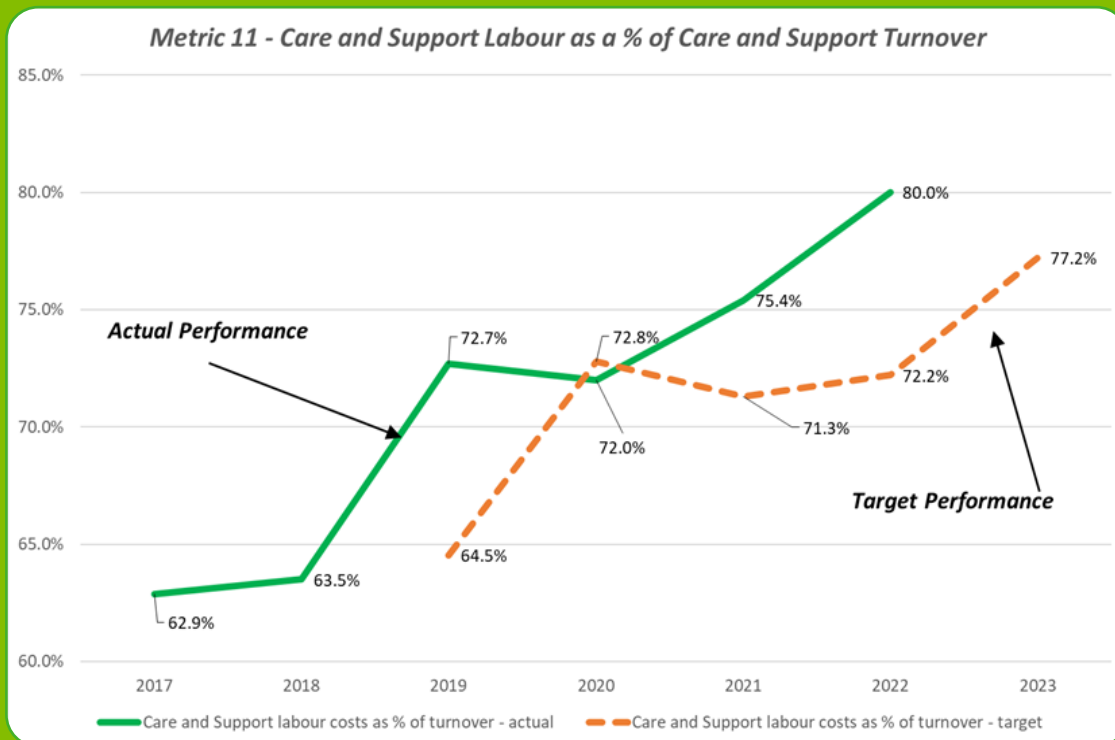


2022 has been an extremely challenging year within the Care and Support activities of Orwell and maintaining employed staffing at budget levels has not been possible, resulting in significantly over-budget, higher cost Agency cover. Staffing within Care and Support is the major cost area and therefore the margin has been reduced, as shown in the above graph.

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 therefore been set at an improved level of performance.

# CARE AND SUPPORT LABOUR AS A % OF CARE AND SUPPORT TURNOVER

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.



2022 has been an extremely 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. The impact of this is shown in the above graph.

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 therefore been set at an improved level of performance.



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