

# SOCIAL HOUSING FINANCIAL STATE OF THE SECTOR FY22/23

Presenting the definitive headline financial results  
from the Vantage Global Accounts Plus analysis

OCTOBER 2023



# VANTAGE WORK WITH SOCIAL HOUSING PROVIDERS TO HELP THEM DELIVER SUSTAINABLE CHANGE



CONSULTANCY



PEOPLE

  
Vantage



FORUMS &  
COLLABORATION



TRAINING &  
COACHING

Helping executive and operational teams focus on the activities that create the biggest changes in margin, customer experience and organisational performance.

Visit [yourvantage.co.uk](http://yourvantage.co.uk)

# THE FUTURE LEADERS PROGRAMME

## The critical knowledge and skills programme for managers in social housing

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The Future Leaders programme has been designed in response to the challenging operating environment facing social housing providers – namely a toughening financial backdrop and increased scrutiny from Government and the Regulator.

Members will gain honest, practical insights, as well as benefitting from Vantage's twenty years' experience as a leading social housing consultancy.

The programme is designed to provide managers with tools, techniques and insights that help them navigate the challenges they will face and prepare the ground for a more senior role in the future.

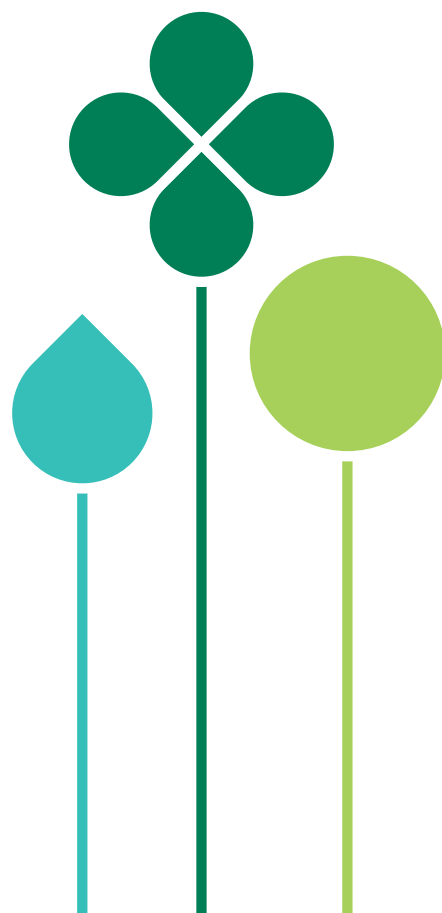
Skills developed will include:

- ❖ Bolstering commercial awareness
- ❖ Understanding frontline challenges & opportunities
- ❖ Successful cross directorate collaboration
- ❖ Insights into strategic pressures and regulatory requirements

This programme is aimed at middle-to-senior managers in assets, repairs and neighbourhood services.

Get in touch to apply for your place.

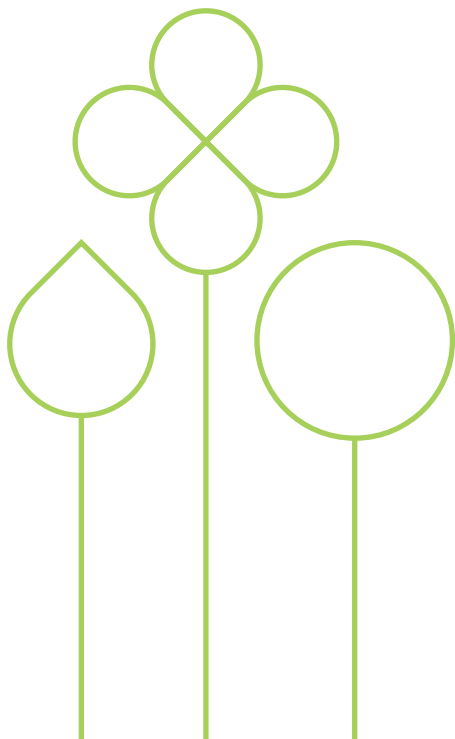
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*This report was written by Rob Bryan and Jane Cryer of Vantage.*

*All the information used within this report is taken from RPs audited financial accounts and is in the public domain. We cannot accept responsibility or accept liability for any inaccuracy in the housing provider's data or for any consequences (inadvertent or otherwise) subsequent to the use of said data.*

# ANALYSIS OF FINANCIAL PERFORMANCE

## INTRODUCTION

WELCOME TO OUR EIGHTH ANNUAL FINANCIAL STATE OF THE SECTOR REPORT COVERING THE PERIOD FY2022/23.

Whilst leaders across the country are focusing on the unprecedented challenges of the future, this report provides a high level analysis of the social housing sector's financial performance of the last twelve months.

This year our analysis is based on the published financial statements of 129 of the TOP 150 RPs for the year ended 31st March 2023, which accounts for roughly 85% of the total turnover of the sector, equating to just over £21.3BN.

After a relatively stable year financially in FY2021/22 the trend of toughening financial conditions is clearly evidenced in this report.

As an example, it is the fifth consecutive year that Housing Providers' Operating Margins and Return on Capital Employed have reduced.

For further context, overall percentage Operating Margins have reduced from around the mid-thirties in FY2016/17 down to the mid-twenties in FY2022/23.

In addition headline Social Housing cost per unit has risen from £3,651 in FY2016/17 to £4,917 in FY2022/23.

*"The state of the sector report has allowed us to quickly understand where other RP's in our industry are heading and identify emerging trends on a regional and national level. Using sector specific data points it allows us to make more effective decisions from a trusted source and assess progress against our corporate strategy."*

Paul Wright,  
Finance Director, Gentoo Group



THE 129 RPs CONTAINED  
WITHIN THIS REPORT  
ACCOUNT FOR

**c.89%**

OF THE TOTAL TURNOVER  
OF THE SECTOR, EQUATING  
TO JUST OVER

**£21.3BN**



If you would like a tailored peer report using the data from this report, get in touch. It can help to understand financial performance against peers and across the sector as a whole.

It enables housing providers to compare their individual performance against all the Top 150 Registered Providers (RPs) or against a subset of peers that is more relevant to them.

Over 80 housing providers from across the sector are now part of our collaboration forums and clubs as the need for the sector to work together continues to grow.

We have launched our Future Leaders Programme to help bolster the financial awareness and commercial acumen of leaders and managers across the sector at this vital time.

We hope you find this report insightful and informative and if you would like to find out more about any aspect of the financial performance of the sector, the Performance Improvement Club or any our other Director clubs and forums, please contact us via [info@yourvantage.co.uk](mailto:info@yourvantage.co.uk) or call 0151 348 4113.

# ANALYSIS OF FINANCIAL PERFORMANCE

# EXECUTIVE SUMMARY

WE ARE DELIGHTED TO PRODUCE THIS SECTOR REPORT FOR THE EIGHTH YEAR; IT'S FAIR TO SAY THAT THE FIRST FIVE YEARS LOOKED VERY DIFFERENT TO THE LAST THREE. THANK YOU ONCE AGAIN TO OUR CFO PERFORMANCE CLUB, WHO HAVE BEEN INSTRUMENTAL IN THE ANALYSIS OF AND DISCUSSIONS ON THE DATA IN THIS REPORT.

This report provides an overview of the key financial headlines of the sector, calibrates the sector financial issues and emphasises the importance of robust financial performance and resilience.

Despite the gloomy headlines, we should consider the starting point of five years ago and the context of the current position. Five years ago, the financial headroom and operating performance of the sector would have been the envy of many industries. Currently, the sector as a whole continues to have a strong balance sheet and liquidity position and continues to be an attractive proposition to investors. That said, conditions are the toughest I have seen since the financial crisis.

This year we have analysed the five year trend which illustrates the shift in financial headroom and toughening conditions facing the sector.

## RSH VFM METRICS 5 YEAR SAMPLE ANALYSIS

	EBITDA MRI INTEREST COVER %	HEADLINE SOCIAL HOUSING COST PER UNIT £	OPERATING MARGIN % (SOCIAL HOUSING)	OPERATING MARGIN % (OVERALL)	RETURN ON CAPITAL EMPLOYED
2017/18	202.40%	£3,674	34.50%	32.10%	4.40%
2018/19	186.40%	£3,870	30.80%	27.40%	4.20%
2019/20	171.00%	£4,213	27.70%	24.20%	3.70%
2020/21	194.40%	£3,958	27.70%	24.10%	3.60%
2021/22	152.00%	£4,417	25.30%	22.00%	3.30%
2022/23	130.60%	£4,917	21.70%	19.50%	3.00%



- Operating margin is down sharply from 32% in FY2017/18 to just under 20% in FY22/23
- EBITDA MRI interest cover is down from 202% in FY2017/18 to 130% in FY22/23
- Headline social housing cost per unit has risen by over 33% from £3,674 in FY17/18 to £4,917 in FY22/23
- 23% of the organisations in the sample had an EBITDA of under 100% in FY22/23

FY22/23 was the year when supply chain challenges and the wider economic & inflationary environment really started to bite. This was coupled with increased service demand and a stark reminder of the property condition issues lurking whilst asset investment programmes stalled during the rent freeze and pandemic – the sector was hit with both a volume and price impact in this year.

Repairs and Maintenance costs continue to be the key driver with routine maintenance increasing by 17.9% and, on a more positive note from a volume perspective, investment back into asset investment programmes increasing by 25%.

As our figures show and as reported recently by the RSH, the correlation between EBITDA performance and Repairs & Maintenance expenditure is undisputed. The RSH report shows that R&M expenditure rocketed from £5.4bn in 2019 up to £7.7bn in 2023. EBITDA MRI interest cover during the same period plummeted from 153% down to a more worrying 103%.

The RSH also reported that five-year development forecasts have reduced from the 2022 five year forecast of 397,000 units to 2023 five year forecast of 333,000 units. This illustrates the strategic impact that financial and operational limitations are having on sector forecasts.

Stronger customer & colleague engagement, operational improvement and robust financial management are all within the sector's control despite tough operating conditions. Consumer regulation changes are driving a positive improvement in customer experience & engagement and the sector remains committed to the brilliant social and environmental goals ahead. These are some of the key themes in the Vantage clubs and director forums which continue to support a shared approach to these challenges and opportunities.

The Institute for Customer Service have again highlighted the clear correlation between colleague engagement, customer satisfaction and financial performance. Engaged colleagues and satisfied customers can equal strong financial performance.

This year we launched our Future Leaders Programme helping to bolster the commercial acumen of service managers across the sector with more than 60 service heads and managers involved to date.

Strengthening the sectors strongest assets – its people - will be critical to help navigate the further economic, political and social challenges that we will continue to face – and help harness the technological and environmental opportunities that lie ahead.

I hope you get some value from this report – and if you are a leader in social housing then we would love you to join one of our collaboration clubs. For more information about the Future Leaders Programme or our director clubs and forums, please contact [info@yourvantage.co.uk](mailto:info@yourvantage.co.uk)

I hope you find this report insightful.

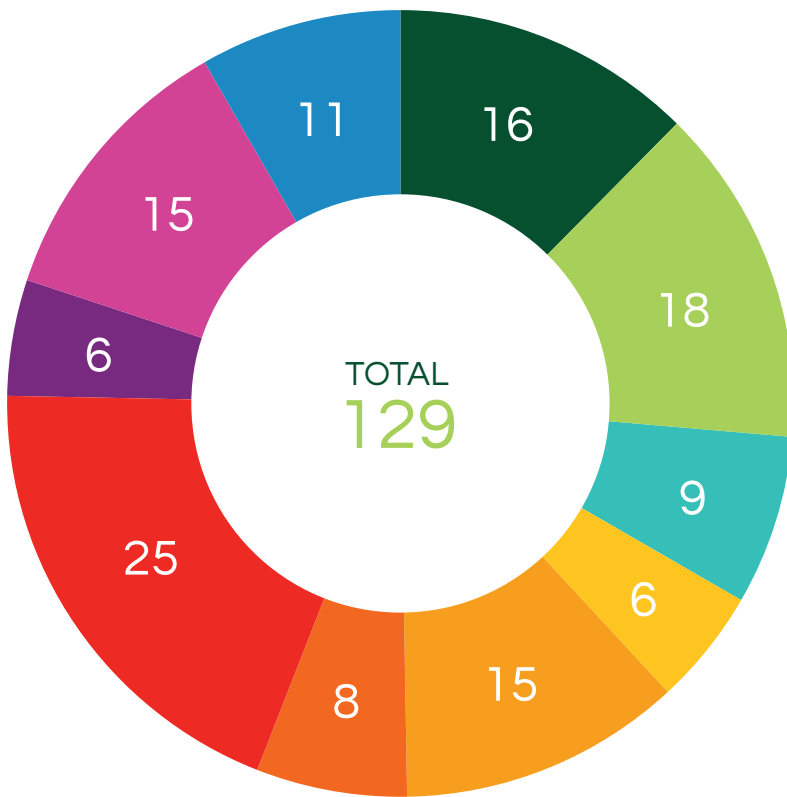
Kind regards,

**ROB BRYAN**  
CEO, Vantage

## WHAT OUR SAMPLE REPRESENTS:

- ▶ **129**  
REGISTERED SOCIAL HOUSING PROVIDERS
- ▶ **2,635,210**  
SOCIAL HOUSING UNITS OWNED AND MANAGED
- ▶ **89%**  
OF SECTOR TURNOVER

### NUMBER OF RPs:



#### KEY:

- EAST OF ENGLAND
- MIDLANDS
- G15
- GREATER LONDON
- NATIONAL
- NORTH EAST
- NORTH WEST
- YORKSHIRE AND THE HUMBER
- SOUTH EAST
- SOUTH WEST

### STOCK SIZE: TOTAL 129



## IN BRIEF: OUR HEADLINE ANALYSIS

£ **£21.36BN**  
TOTAL TURNOVER  
UP 5.4% ON LAST YEAR

⚙️ **£4.80BN**  
OPERATING SURPLUS  
DECREASE OF 6.8%

🏠 **£15.61BN**  
SOCIAL HOUSING TURNOVER  
WITH A MARGIN OF 21.7%

📝 **74.3%**  
GENERAL NEEDS  
REPRESENTED  
OF SOCIAL HOUSING LETTINGS

👤 **117,000**  
NUMBER OF STAFF MEMBERS  
INCREASED TO AROUND

👤 **£4.96BN**  
EMPLOYMENT COSTS REACHED  
8.6% UP ON LAST YEAR

🏠 **£82.37BN**  
AVERAGE DEBT  
WAS UP 6.1% TO

🏠 **£4,917**  
HEADLINE SOCIAL HOUSING  
COST PER UNIT WAS  
COMPARED TO £4,417 IN  
FY21/22 AN 11.3% INCREASE



# ANALYSIS OF FINANCIAL PERFORMANCE

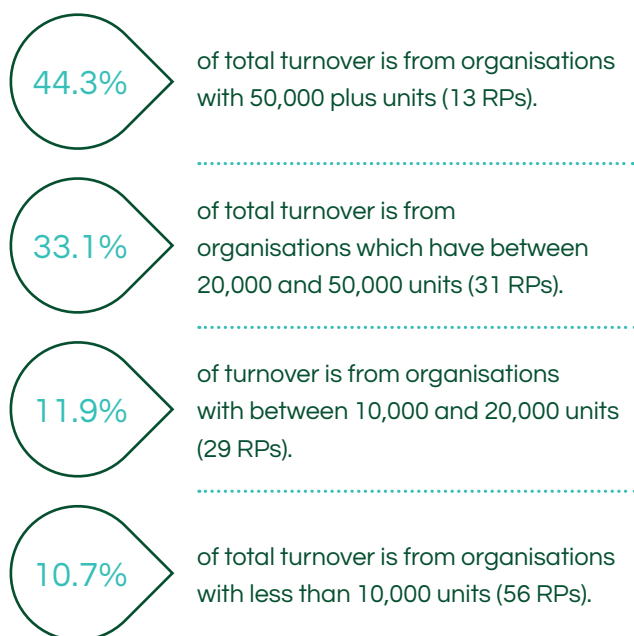
## TURNOVER

TURNOVER FOR FY22/23 WAS £21.36BN, AN INCREASE OF 5.4% IN COMPARISON TO £20.26BN IN 2021/22.

FY22/23 increase of 5.4% follows last years increase of 4% - with rent increases back in the system following the 'freeze'.

The chart to the right shows Social Housing Lettings turnover was £15.61BN (73.1%) and the split between social and non-social housing was 92.0% and 8.0% respectively.

### BREAKDOWN OF TURNOVER BY STOCK SIZE:



### BREAKDOWN OF TURNOVER BY REGION:

G15	£6.05BN	28.3%
National	£4.96BN	23.2%
North West	£2.63BN	12.3%
South East	£1.84BN	8.6%
Midlands	£1.65BN	7.7%
East of England	£1.19BN	5.6%
Other Regions	£3.04BN	14.2%

### OVERALL TURNOVER SPLIT FY22/23 (£21.36BN)

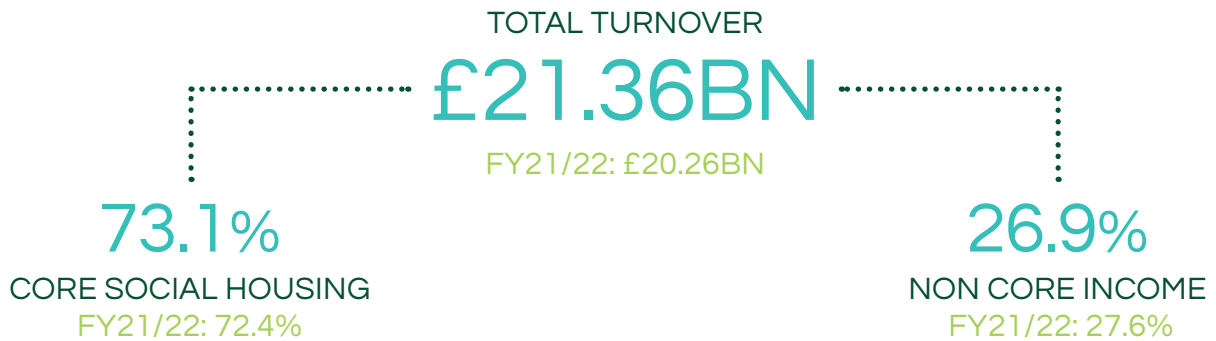


# ANALYSIS OF FINANCIAL PERFORMANCE

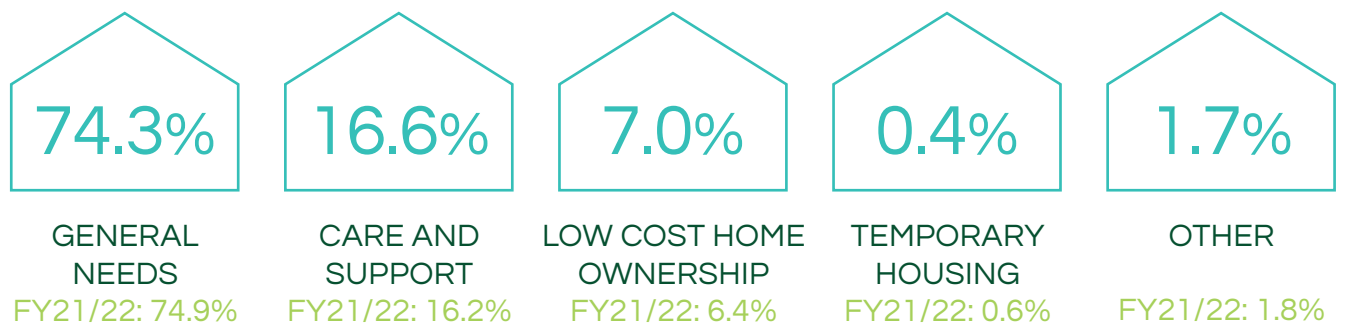
## TURNOVER

### SOCIAL HOUSING LETTINGS

Social Housing Lettings made up 73% of the total turnover and is broken down as follows:



### TURNOVER BY SEGMENT: CORE SOCIAL HOUSING



Nationals had the lowest proportion of General Needs turnover at 60.6%, down from 61.9% in the previous year. The greatest was 91.1% in Yorkshire & the Humber.



The proportion of Care and Support turnover as a percentage of total Social Housing Lettings turnover ranged from 5.6% in Yorkshire & the Humber to 33.9% for National organisations.



The regions with the largest proportion of Low Cost Home Ownership turnover are in G15 (12.2%) with the lowest being North East (1.1%).



Out of the 129 RPs there are only 8 who provide a Temporary Housing service. Regionally, the G15 has the greatest proportion of Temporary Housing turnover at 1.6%.

**£241.7M**  
 LOST DUE TO EMPTY  
 PROPERTIES




APPROX. **47,316**  
 EMPTY PROPERTIES  
 FOR AN ENTIRE  
 YEAR

## VOID LOSSES

In FY22/23, void losses increased by 7.1% overall and 5.5% on a per unit basis. £241.7M was lost due to properties being empty compared to £225.7M in FY21/22, which equates to £91.71 per unit, an increase in relation to FY21/22 which was £86.89 per unit. For FY22/23 the loss equates to approximately 47,316 empty homes for an entire year.

## VOID LOSSES BY REGION AS % OF SOCIAL HOUSING LETTINGS TURNOVER



The bar chart above shows void loss by region as a percentage of Social Housing Lettings turnover. In addition, we have shown the corresponding (average) rent per week for each region to assess the approximate volume of empty properties.

# ANALYSIS OF FINANCIAL PERFORMANCE

## OPERATING MARGIN

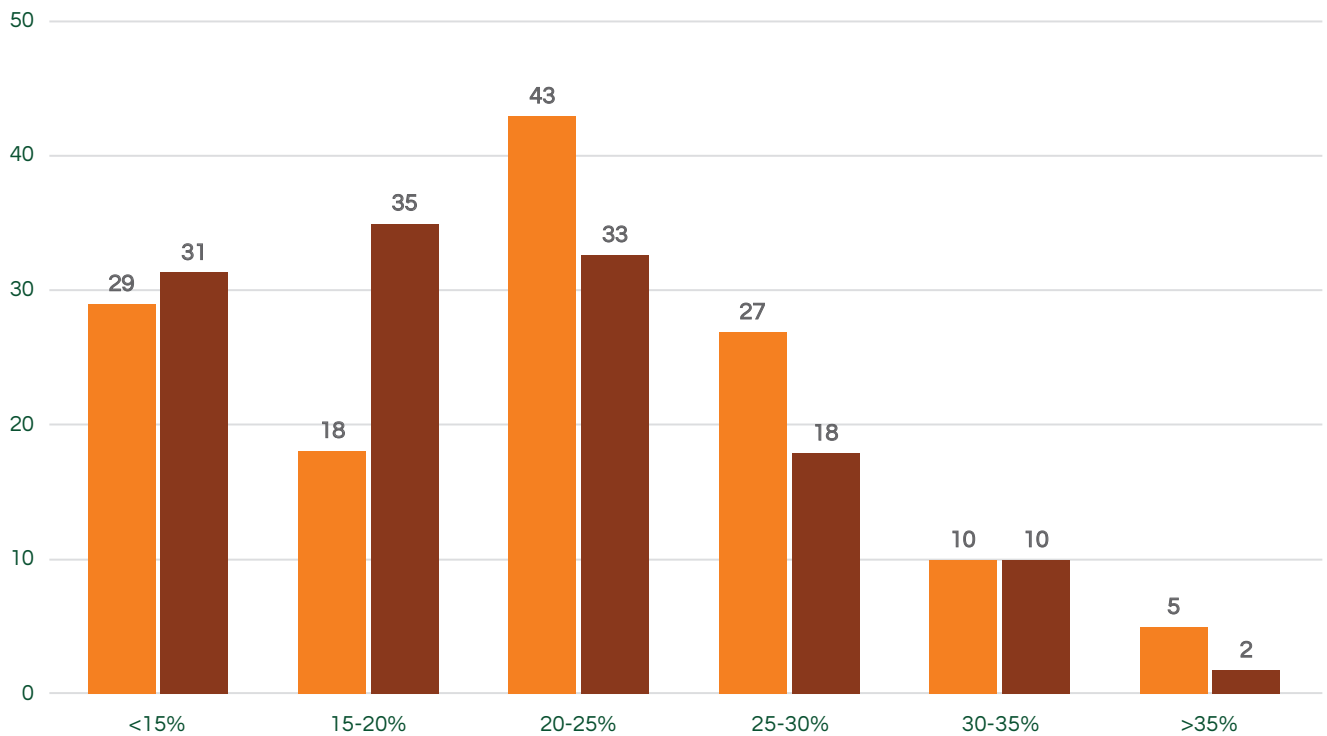


WE HAVE ANALYSED OVERALL OPERATING MARGIN FOR FY22/23 AND COMPARED TO FY21/22. OUR ANALYSIS SHOWS THE OVERALL OPERATING MARGIN WAS £4.79BN FOR FY22/23, A 6.8% DECREASE ON FY21/22.

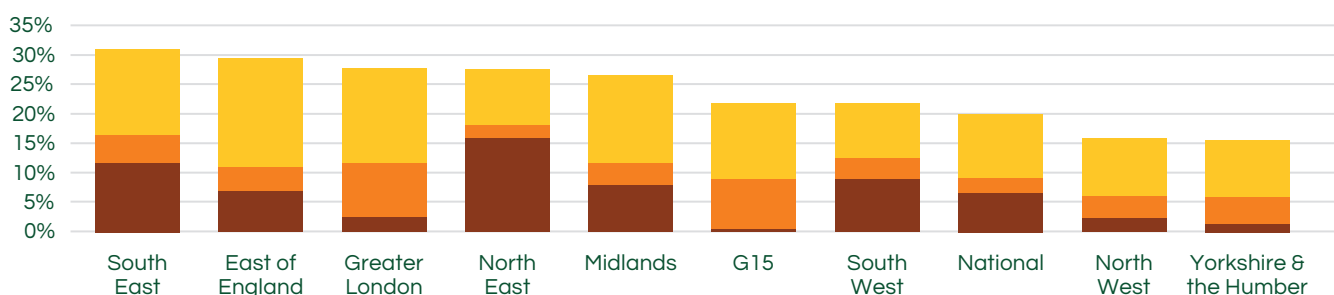
The tables below highlight the tougher trading conditions with the number of organisation's earning an overall operating margin of 15-20% almost doubling in FY22/23. Providers in the North West and Yorkshire/Humber had the lowest average operating margins with those in the G15 seeing the biggest impact from property disposals.

### OVERALL OPERATING MARGIN RANGES

Key: ● FY21/22 ● FY22/23

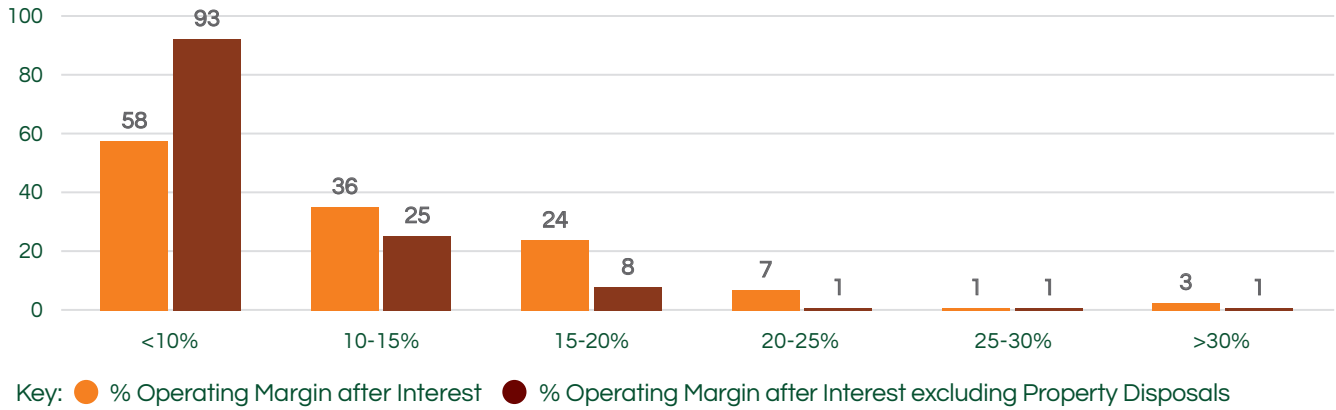


### ANALYSIS OF OPERATING MARGIN BY REGION

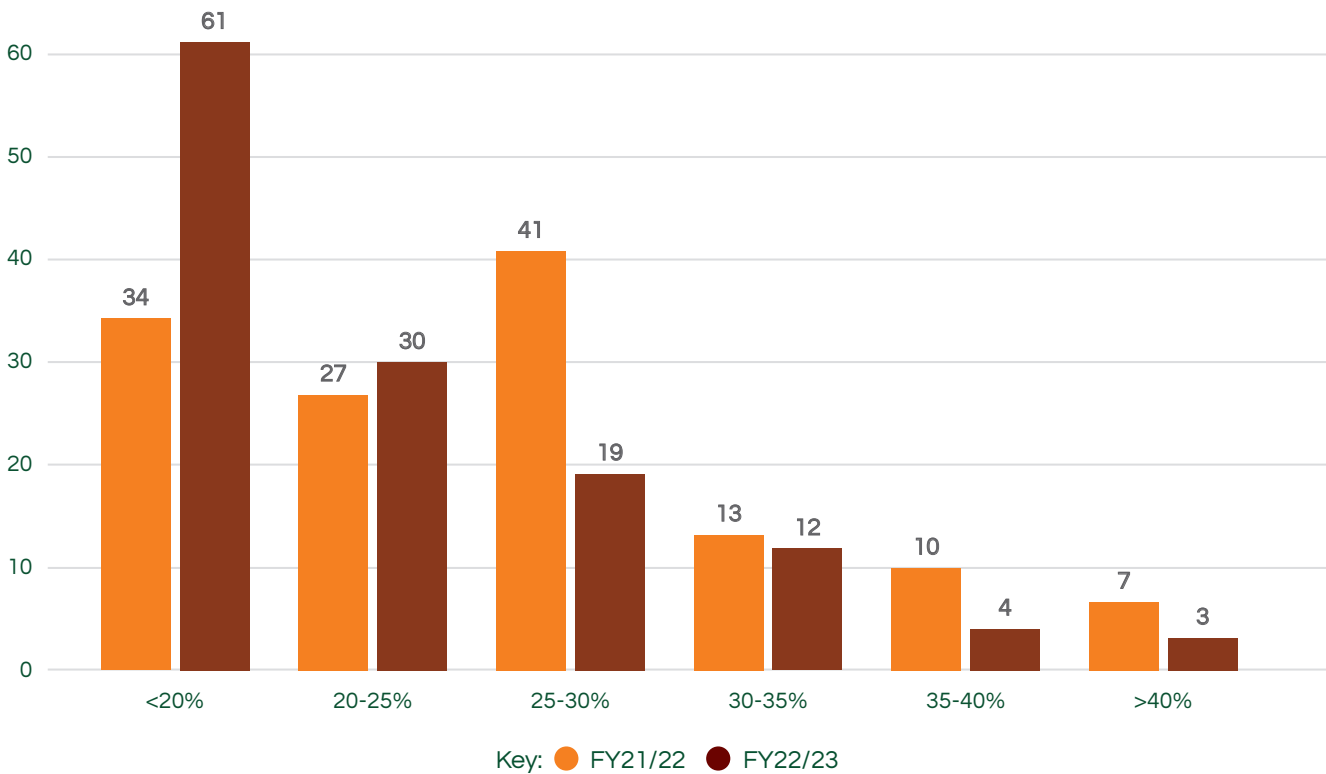


Key: ● % Operating Margin after Interest excluding Property Disposals ● % Operating Margin after Interest ● % Operating Margin

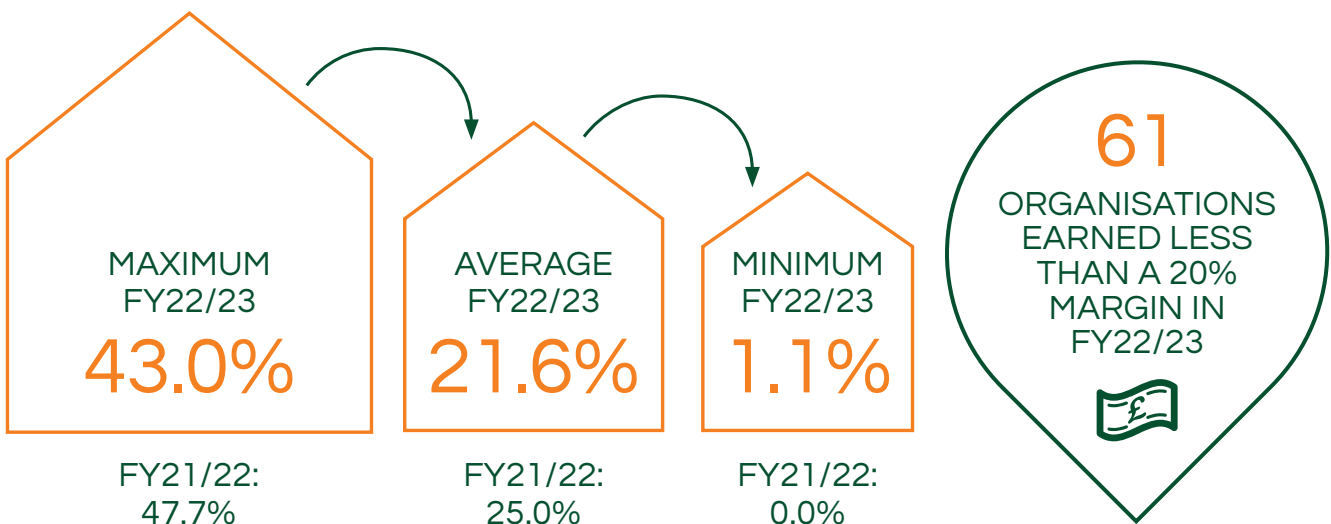
## FREQUENCY ANALYSIS BY MARGIN TYPE



## SOCIAL HOUSING LETTINGS OPERATING MARGIN



The minimum, maximum and average operating margin on Social Housing Lettings was as follows:



# ANALYSIS OF FINANCIAL PERFORMANCE

## OPERATING COSTS

WE HAVE ANALYSED OPERATING COSTS FOR FY22/23 AND COMPARED TO FY21/22. OUR ANALYSIS COVERS MANAGEMENT COSTS, REPAIRS AND MAINTENANCE.

### MANAGEMENT COSTS

The average overall operating cost per unit was £4,616 with the highest in Greater London of £6,045 and the lowest in the North East of £3,623.

Highlights:

- **R&M Costs** average cost per unit £1,675 and made up 36.3% of overall operating costs.
- **Management Costs** average cost per unit was £1,142 and made up 24.7% of overall operating costs.
- **Service Charge Costs** average cost per unit was £762 and made up 16.5% of overall operating costs.
- **Bad Debts, Depreciation and Amortisation Cost** average per unit was £962 and made up 20.8% of overall operating costs
- **Other Costs** average cost per unit was £75 and made up 1.6% of overall operating costs.



MANAGEMENT COSTS INCREASED TO  
**£3.0BN**  
AN INCREASE OF 11.6%

### OPERATING COST SPLIT PER UNIT (£s)



Management costs increased from £2.70BN to £3.01BN in FY22/23, an increase of 11.6%. A major proportion of management costs is employment costs. Employment costs increased by 8.6% between FY21/22 and FY22/23 from £4.57BN to £4.96BN.

The number of employees increased from around 114,500 to 117,000.

The bar chart above shows operating cost split per unit by region.



## OVERALL REPAIRS AND MAINTENANCE

# £6.80BN

IN FY22/23

## REPAIRS AND MAINTENANCE COSTS

Overall Repairs and Maintenance Costs (including capitalised asset investment costs) were £6.80BN in FY22/23 compared to £5.76BN in FY21/22, a 18.1% increase.

This is a result of increases in all R&M cost categories including:

- 23% increase in capitalised components expenditure driven by larger asset investment programmes
- 18% increase in routine maintenance impacted by factors such as the inflationary environment, increases in repairs demand in the latter stages of 2022 and market pressures
- More complex repairs – likely linking to previous investment programme decisions

The chart below illustrates the change on total R&M per unit by stock size. All categories have seen an increase in spend from last year.

## TOTAL R&M PER UNIT BY STOCK SIZE (EXCLUDING CAPITALISED COMPONENTS)



### TOTAL REPAIRS AND MAINTENANCE COSTS:



#### ROUTINE MAINTENANCE

TOTAL FY22/23: £2.63BN

TOTAL FY21/22: £2.23BN



#### PLANNED MAINTENANCE

TOTAL FY22/23: £1.15BN

TOTAL FY21/22: £1.01BN



#### MAJOR REPAIRS EXPENDITURE

TOTAL FY22/23: £0.63BN

TOTAL FY21/22: £0.58BN



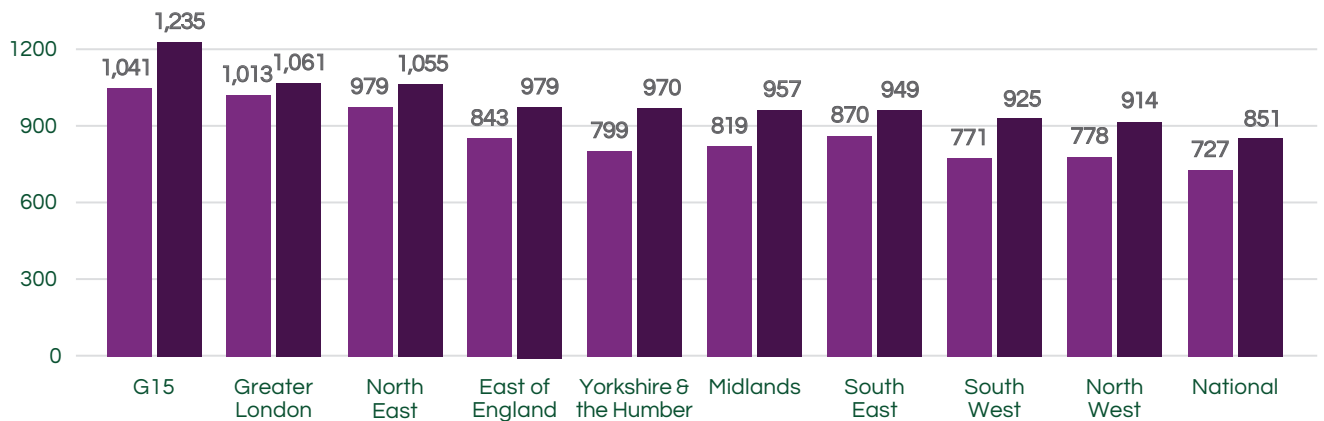
#### TOTAL SUM OF CAPITALISED COMPONENTS

FY22/23: £2.39BN

FY21/22: £1.94BN

## ROUTINE COST PER UNIT (£)

Key: ● FY21/22 ● FY22/23

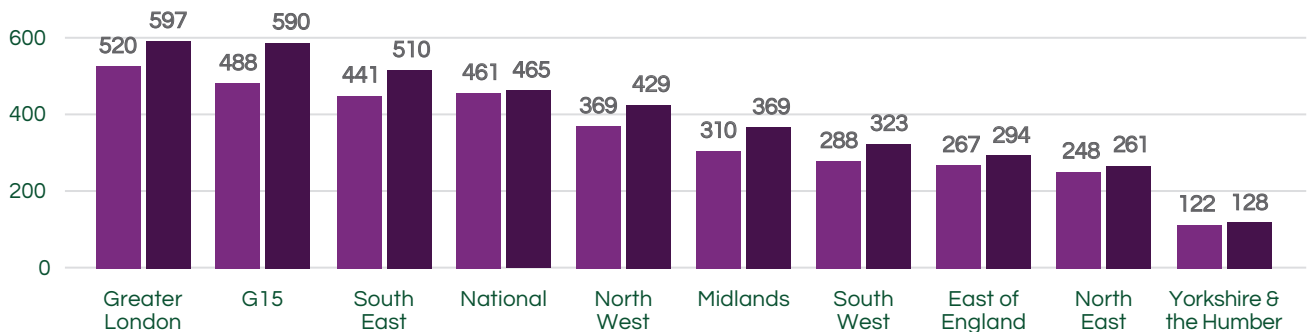


## ROUTINE MAINTENANCE

Routine costs (which include responsive and voids expenditure) have increased across all regions to give a figure of £998 per unit in FY22/23 compared with £858 in FY21/22. The largest increase was in the G15 from £1,041 to £1,235. There was also a large variance between a minimum spend per unit of £457 and a maximum of £1,920 with 57 RPs above the average of £998.

The bar chart above shows the average routine maintenance cost per social home across all regions. The Nationals cost per unit is the lowest in the sector. The highest cost per unit is in G15 at £1,235 per unit - a 18.6% increase. G15 and Greater London continue to have the highest CPU.

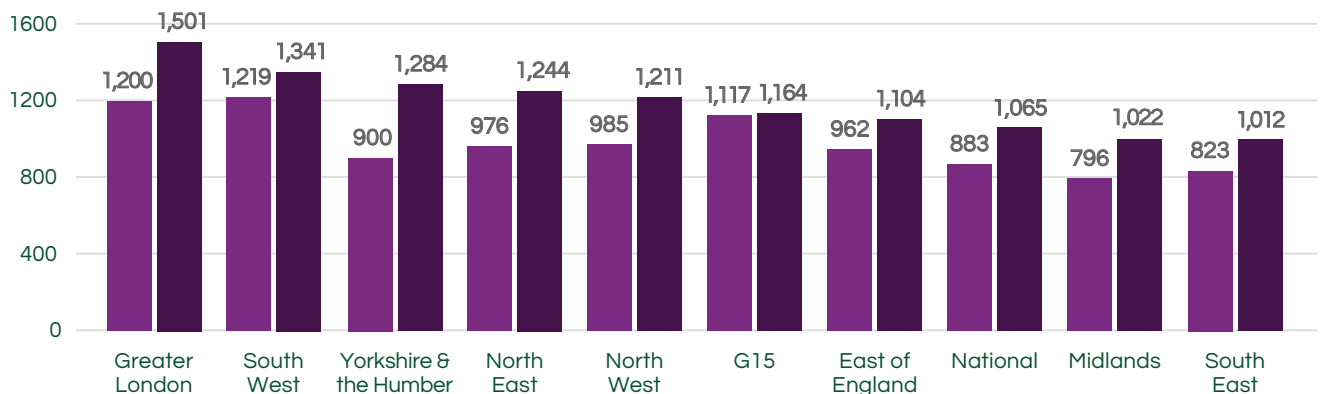
## PLANNED COST PER UNIT (£)



## PLANNED MAINTENANCE

Planned maintenance costs per unit increased between the years from £389 to £439 per unit, a 12.9% rise. This is likely reflective of additional volumes and price increases.

## MAJOR WORKS EXPENDITURE PER UNIT (£) INCLUDING CAPITALISED



## MAJOR REPAIRS

Major repairs costs per unit increased by 17.9% from £971 in FY21/22 to £1,146 per unit in FY22/23. Major works costs (including capitalised expenditure) increased significantly across all regions.



## ANALYSIS OF FINANCIAL PERFORMANCE

# FINANCIAL HEALTH & VIABILITY

Overall, total arrears for rent and service charges increased by £108.8M in the year, which was a 12.1% increase. This has driven an increase in arrears as a % of turnover from 4.4% to 4.7%. Bad debt write offs and provisions for bad debts both increased during the year.



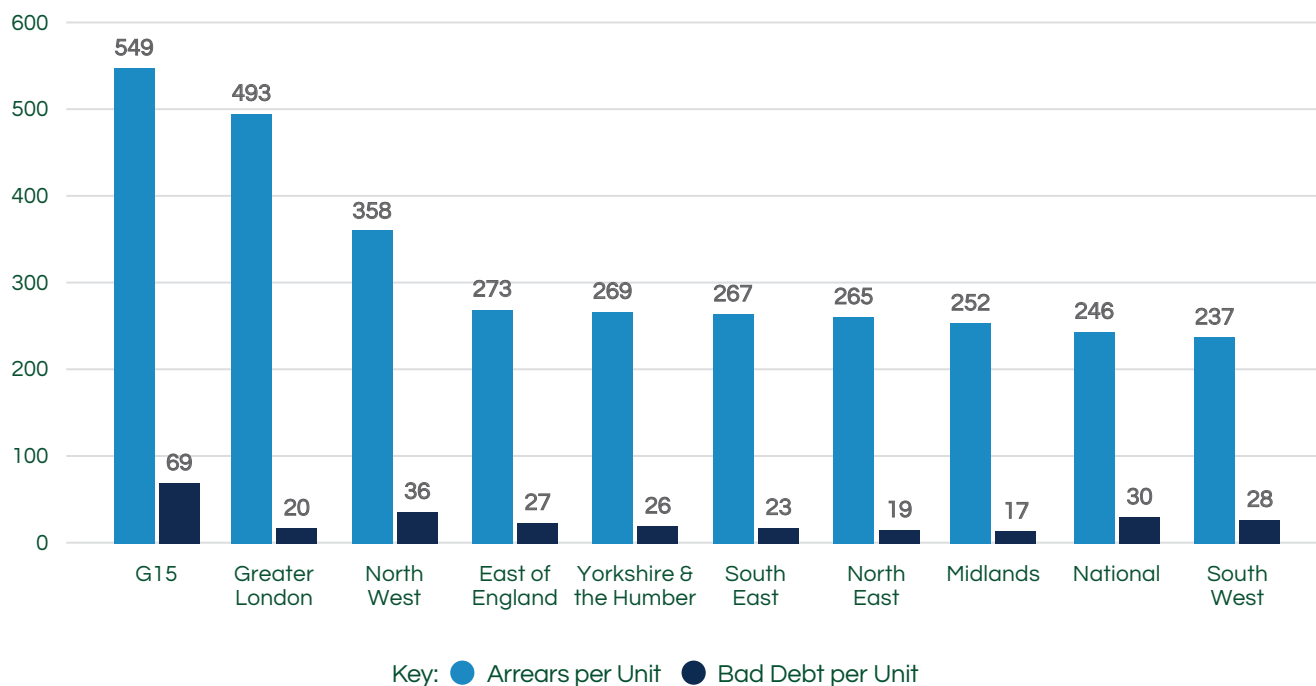
The overall provision for bad debts across the sector was £496M. This was a 11.5% increase from FY21/22 when it had been £445M.

The overall rent and service charge arrears went from £898M to £1.01BN. This was a 12.1% increase from FY21/22.

Bad debt write-offs went from £74.4M in FY21/22 to £96.7M in FY22/23 a 30.1% increase.

Debt at Start: **£80.1BN**  
Debt at End: **£84.6BN**

### BAD DEBTS & GROSS ARREARS PER SOCIAL HOME (£s)

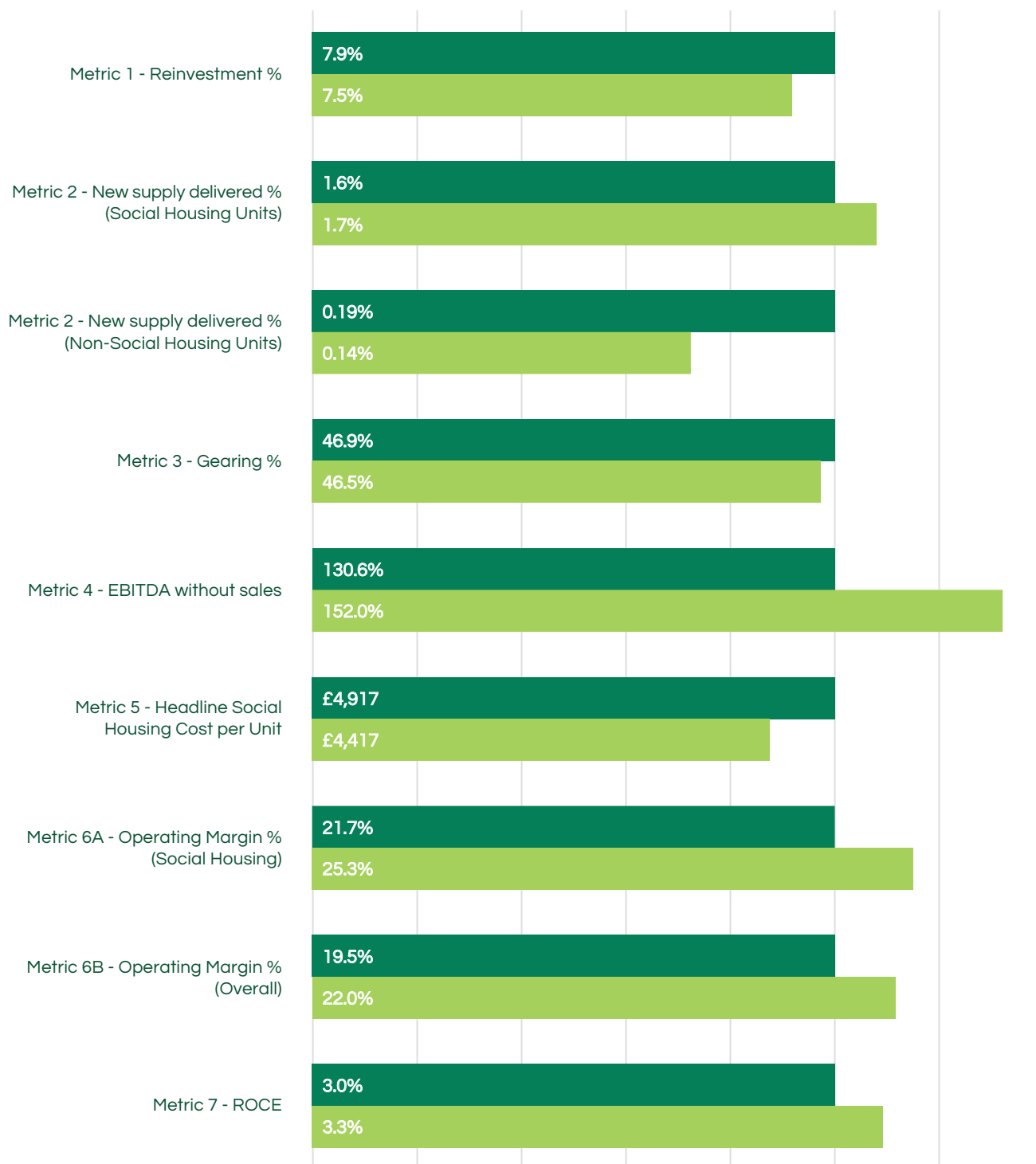


The chart above shows a regional perspective of bad debt and gross arrears. There are variations across regions.

FY21/22 AND 20/21

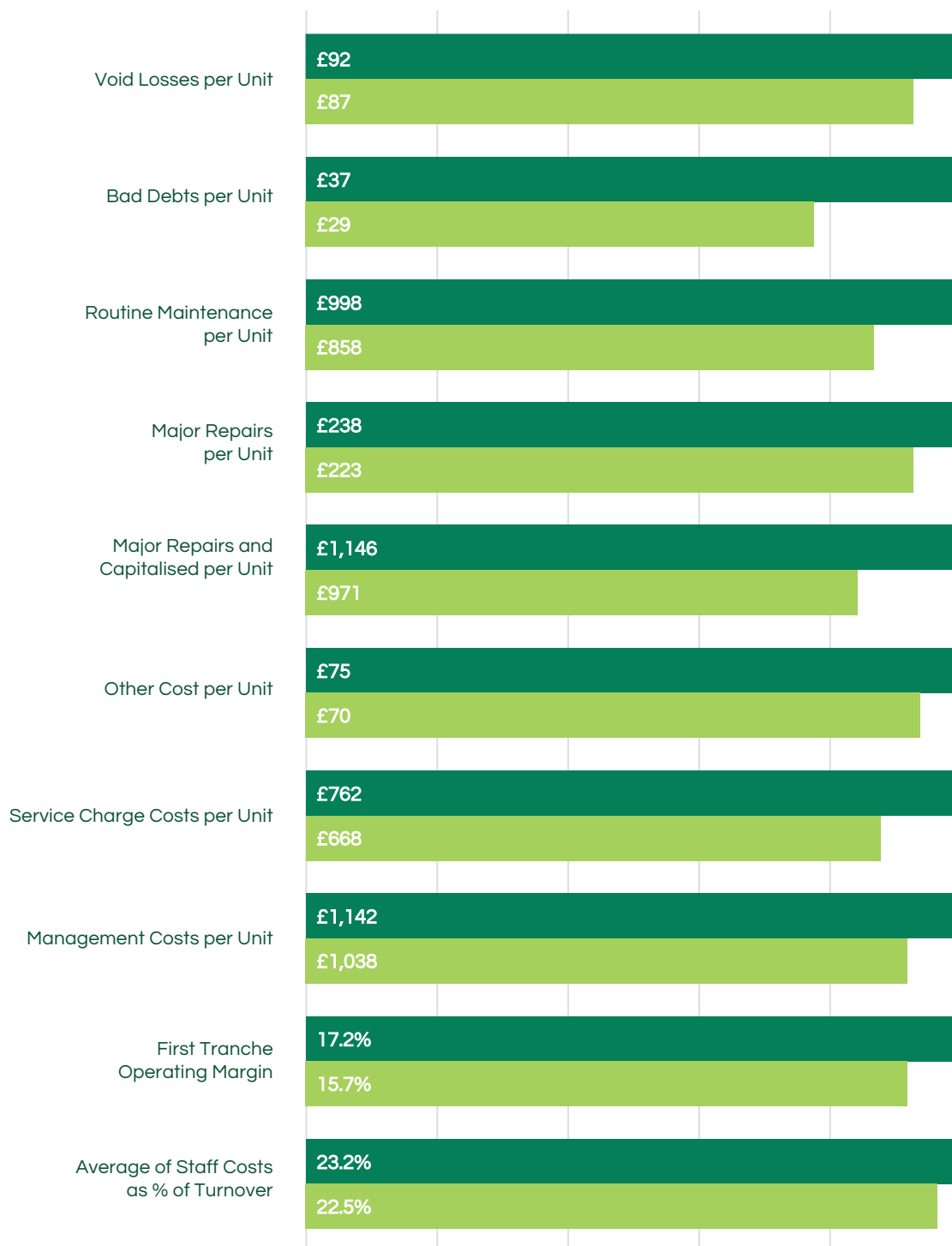
# RSH METRICS SUMMARY

OVERALL AVERAGE PERFORMANCE OF THE SECTOR BETWEEN FY21/22 AND FY22/23



Key: ● FY21/22 ● FY22/23

METRIC PER UNIT



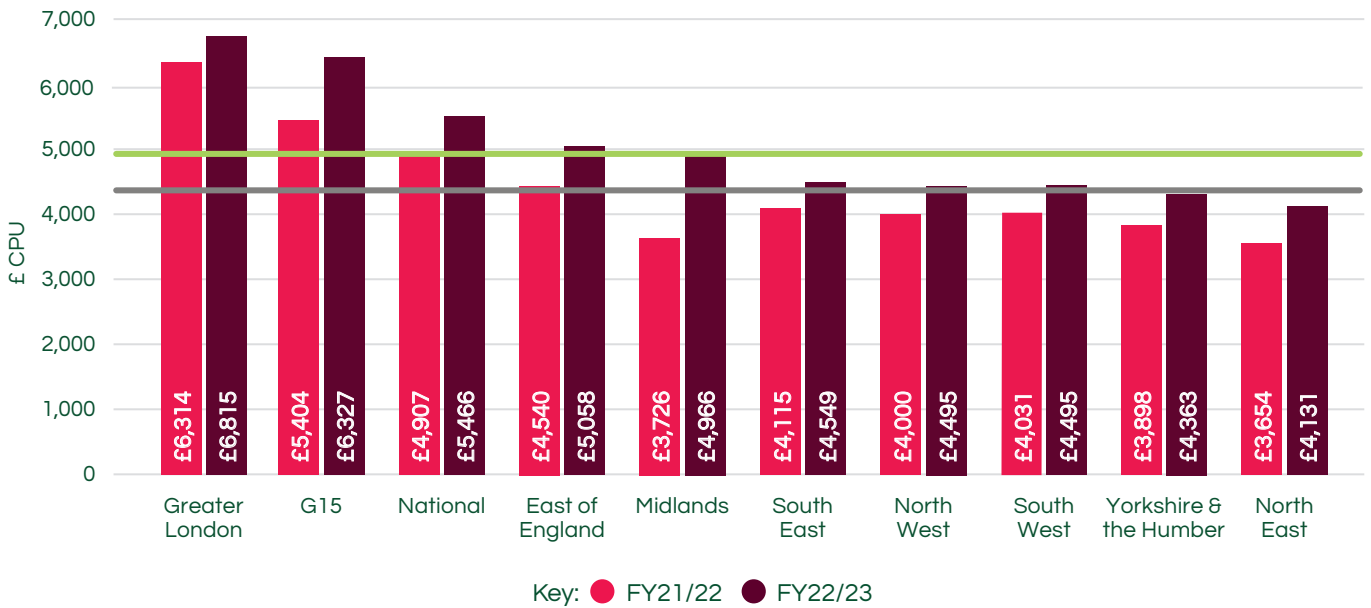
Key: ● FY21/22 ● FY22/23

# ANALYSIS OF FINANCIAL PERFORMANCE

## REGULATOR'S VfM METRICS

### HEADLINE SOCIAL HOUSING COST PER UNIT

FY22/23 Average: £4,917  
 FY21/22 Average: £4,417



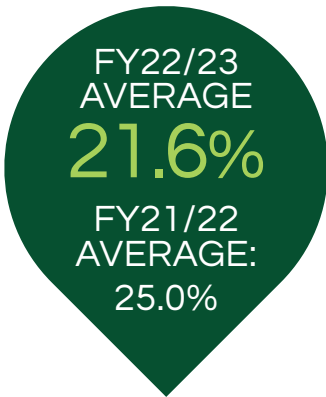
The headline social housing cost per unit includes management costs, routine maintenance, planned maintenance, capitalised and revenue major repairs costs, service costs, charges for support services and neighbourhood services. These costs are then divided by the number of units owned and/or managed.

As you would expect the cost per unit in the Greater London and G15 areas continues to be significantly higher than the overall average, with the North East having the lowest cost per unit.

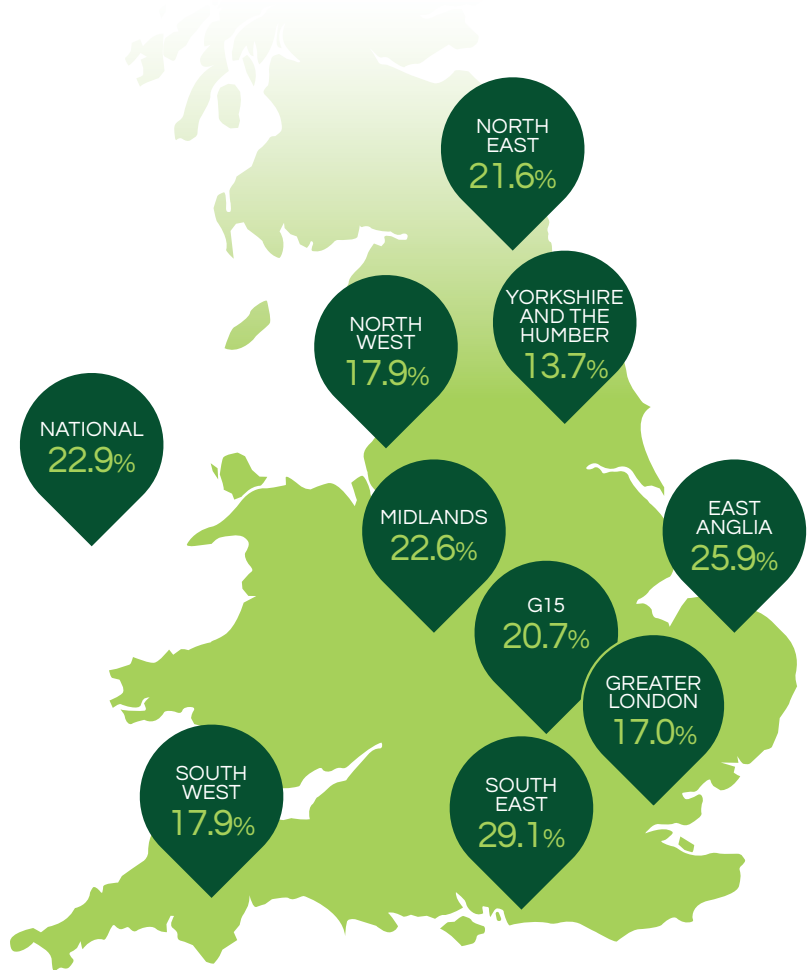
The bar chart below shows the average headline social housing cost by range of stock size. Housing providers with greater than 50,000 units continue to incur higher costs per unit than the other housing providers.



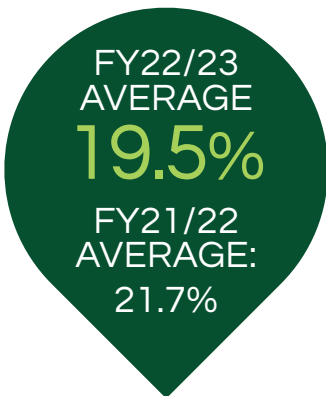
## OPERATING MARGIN % (SOCIAL HOUSING)



Operating margin (SHL) demonstrates the profitability of an organisation's social housing function. Overall, the margin has reduced in every region compared with FY21/22.

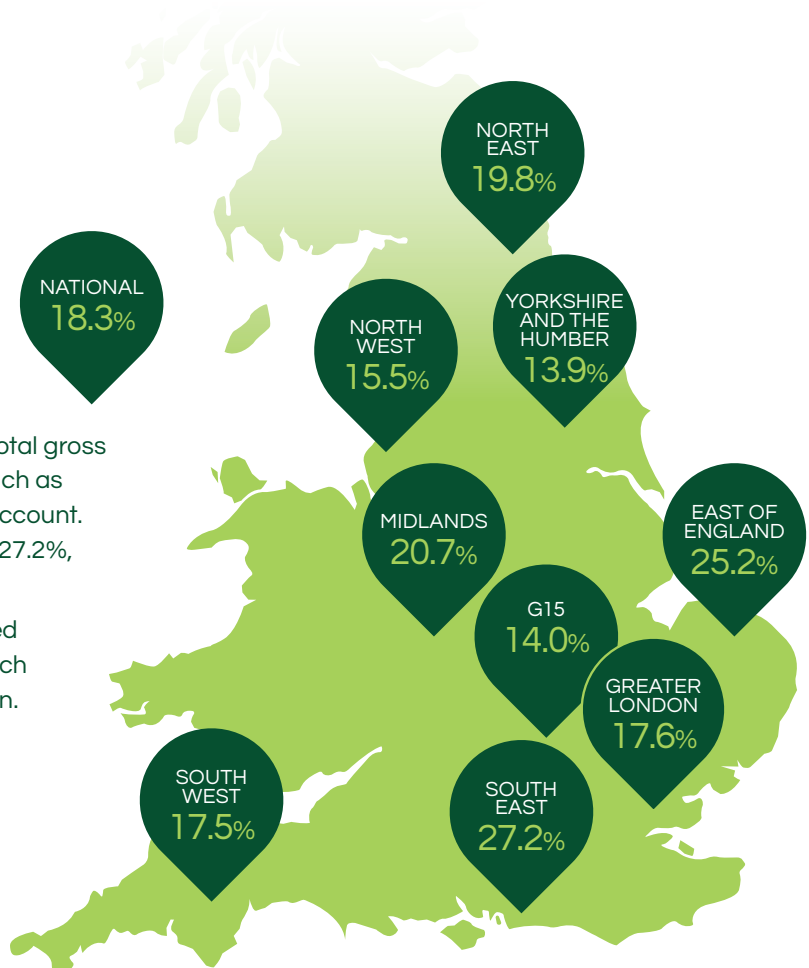


## OPERATING MARGIN % (OVERALL)



Operating margin (overall) demonstrates the total gross profitability of an organisation before costs, such as interest payable and taxation, are taken into account. The best performing area is the South East at 27.2%, but this is still down from 29.6% from last year.

Overall margin % is impacted by margin earned from shared ownership first tranche sales, which tends to dilute the social housing letting margin.



# JOIN OUR CLUB

Vantage run a range of forums and clubs focused-on sharing, learning & collaborating nationally with other social housing providers.



## CUSTOMER FIRST CLUB

A learning and collaboration programme for Customer Experience leaders to drive-up customer experience and reduce complaints.



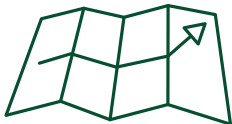
## THE IMPROVEMENT CLUB

Helping CFOs/FDs share and discuss strategic financial intelligence and explore opportunities to drive better value for money.



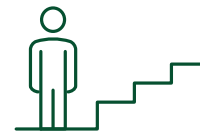
## DIRECTOR FORUMS

Strategic and collaborative sessions with Directors from Operations, Assets & Repairs, ICT and HR.



## ZERO CARBON CLUB

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*“The Vantage state of the sector data gives me exactly what I need to help understand the context in which I’m operating. The information allows me to put into perspective what’s happening at my own association, how we are responding to the challenges and what else we need to be thinking about doing. The breadth of data, the objectivity and quality make it an invaluable resource and the report is the one I use with my own Board when we are looking at strategy.”*

Gavin Cansfield, Chief Executive  
[settlegroup.org.uk](http://settlegroup.org.uk)



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