Progress
HOUSING GROUP

Value for Money

Position statement 2022/23

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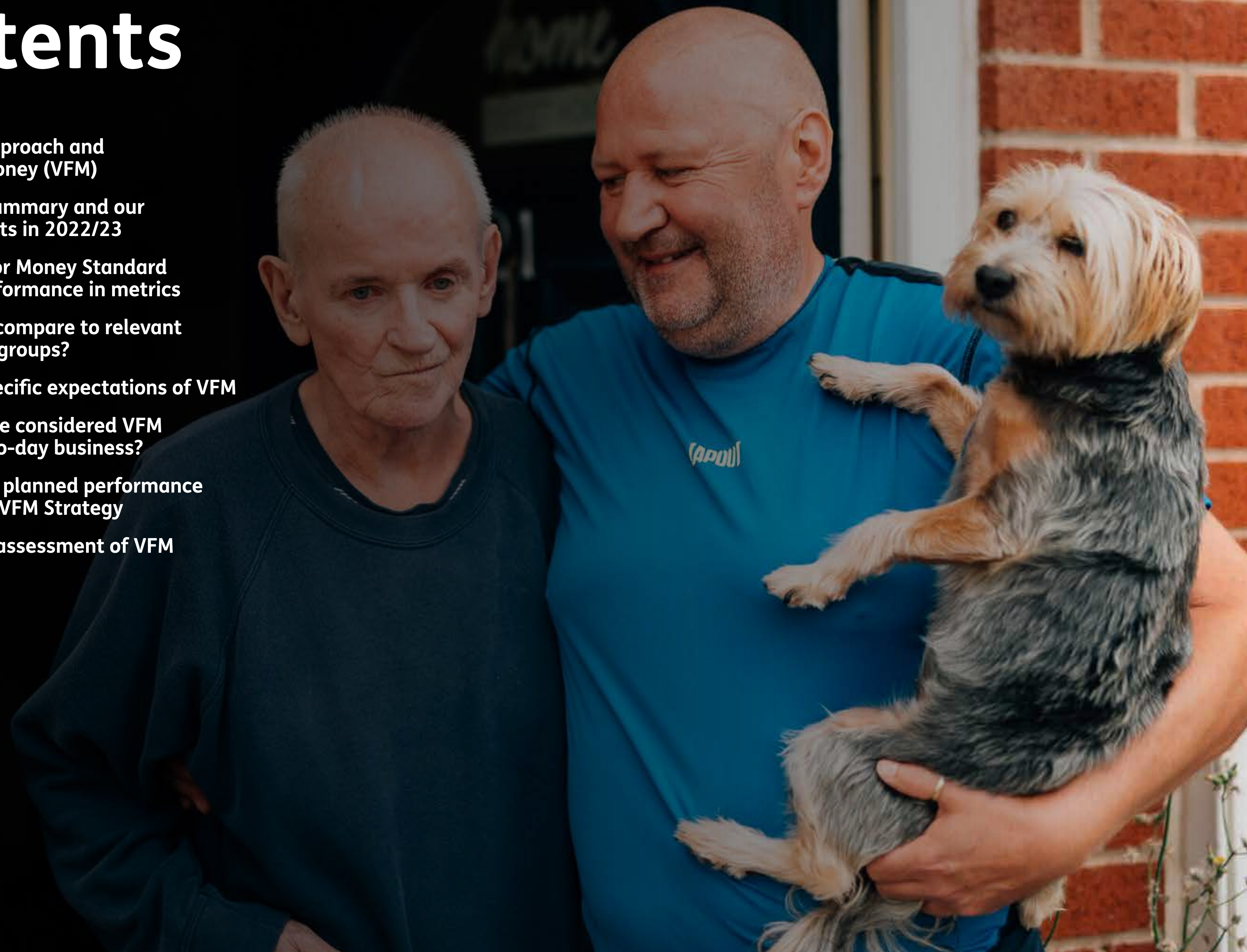

Strategic approach and Value for Money

Value for Money (VFM) underpins the delivery of the Group's vision and our key strategic aims, as shown in the Group's Strategic Plan and Business Priorities 2022-2027 – the 'Plan'. The board and Executive Team have carried out a comprehensive assessment of VFM for the year.

This assessment gives our stakeholders a rounded picture of how we have performed against our VFM targets for 2022/23, how we have progressed since last year and how we intend to deliver VFM in the future. We report on the metrics prescribed by the Regulator of Social Housing (RSH) in its VFM Standard 2018. We also report on some of our additional metrics.

We are confident that we have complied with this VFM Standard in full.

The board is committed to ensuring that VFM is embedded in both our culture and decision-making processes.

We achieve this by:

- setting the overall strategic direction and culture of the Group, and recognising how important it is to maximise VFM to deliver our strategic aims;
- approving the VFM Strategy and overseeing its implementation;
- scrutinising and approving major business proposals, including cost/benefit/risk analysis arising from those proposals;
- approving key strategies and ensuring that VFM has been considered throughout;
- including VFM targets within the Plan;
- setting appropriate performance targets and monitoring business performance closely. We do this by benchmarking against our peer group, which enables the board to challenge the organisation to do more;
- reviewing progress against the Plan to ensure that the business is continuously improving and achieving more;
- publishing our compliance with the VFM Standard by the deadline of 30 September 2023.

Our Plan is structured around our three strategic aims; homes, independence and opportunities.

The Plan contains our business priorities and the plans to complete them. We believe that by achieving these aims, we will be able to deliver the Plan. VFM is a cross-cutting theme running through the strategic aims and is essential to their delivery. Maximising VFM in our activities will enable us to realise our ambitions, and we set this out in our annual VFM Strategy.

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Executive summary and our achievements in 2022/23

Alongside our core social housing business, we deliver many other services that, although complementary, do not fall within the social housing category. We have business streams which operate with social housing and non-social housing activities. The social housing activities include providing homes for general needs, independent living and shared ownership tenants.

RWP provides supported living accommodation. The non-social housing activities include Progress Living which provides keyworker accommodation, Progress Lifeline, which provides Technology Enabled Care and Support (TECS) services and Concert Homes, which develops properties for outright sale. Our charity, Key Unlocking Futures, provides prevention and critical support to people in Lancashire.

In addition to ensuring that our activities deliver VFM for Progress Housing Group, we also seek to provide value to the broader community and the public purse. One example is our work with adult social care commissioners to increase the quality of life and reduce the cost of social care for thousands of older people through technology.

Our VFM targets are ambitious and stretching. Here are some examples.

- **The Group's current five-year Development Strategy covering 2019 to 2024 is to deliver 1,000 units at a gross cost of £173 million across a balanced programme of supported living, general needs, Section 106 and shared ownership.**

  For 2022/23, we spent £33 million on new developments, below our target of £46 million. We delivered 142 new rental streams consisting of 85 general needs and 42 shared ownership properties, and 15 specialised supported housing properties. Of these units, 127 were delivered through Section 106. An additional 60 units were also purchased that were previously leased in. We are on track to meet our five-year targets.

- **The five-year business plan for Concert Homes sets out to deliver 273 sales units and generate a £9.7 million operating surplus.**

  For 2022/23, we planned to deliver and sell 84 units across four sites. We started on site 44 units during the year and sold 38 units. The actual spend for the year was £15.6 million against a target of £17.7 million. Some sites have had delays due to planning, connection and labour issues. There is currently £4.4 million in work in progress for units to be sold in the next financial year.

Progress Housing Group

- **Approved an investment of £51.7 million over five years to deliver over 9,800 new components (e.g. bathrooms and kitchens).**

  For 2022/23, our targeted spend on components was £10.7 million (£8.9 million on 2,367 replacements and £1.8 million on fire safety and compartmentation works). The actual amount spent in the year was £9.4 million (£9.3 million on 2,054 replacements and £0.1 million on compartmentation works). Some components have been deferred into the 2023/24 programme; these will be completed in the first quarter of the 2023/24 programme.

- **Our operating margin is set to increase steadily by 0.4% over the next five years. This is due to contributions from shared ownership and Concert Homes sales, growth in TECS customers and rental income increases.**

  For 2022/23, we achieved an operating margin of 13.9% against a target of 13.3%.

- **We continually undertake procurement activities with VFM considered as part of each procurement.**

  For 2022/23, we re-procured contracts totalling £10.7 million, resulting in £0.5 million in savings and improved services for tenants.

- **Maximising income by managing arrears and minimising losses from voids is important to us.**

  The Group has continued to maintain arrears and performance while continuing to respond to issues due to the pandemic. We have not met our overall target of 4.5% for current tenant arrears by 0.5%. We have seen an increase in void rent loss which was expected and have achieved better than the 7.7% target of 6.8%.

- **Understanding our social housing cost per unit is a key focus. Our target for overall headline cost per unit for 2022/23 was £6,928, for supported living, £10,886 and for general needs/independent living, £4,209.**

  The actual overall headline cost per unit for 2022/23 was £6,834, for supported living was £10,881, and for general needs/independent living was £4,155. The cost per unit for 2022/23 is better than the target. The Reside portfolio includes a significant proportion of leased-in stock, which increases the cost per unit compared to owned stock. For 2023/24, this target is increasing to £7,326 overall and for supported living, £11,417 and general needs/independent living, £4,755. The increase in cost per unit for 2023/24 reflects the increased investment in property compliance.

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The Value for Money Standard and our performance in metrics

We must comply with the Regulator of Social Housing's (RSH) VFM Standard, which includes metrics for registered providers (RPs) to demonstrate efficiency, effectiveness and economy. The standard requires we have targets for measuring performance to see how we are achieving value for money and delivering our strategic objectives. The RSH published its Global Accounts 2022 report in April 2023.

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The Group has compared its performance for 2021/22 with a range of peers derived from this publication. The table below shows the seven metrics and how we have performed, our anticipated performance and how we compare to the sector median based on the latest available information.

		Peers Global Accounts	Progress Housing Group							
			Actual			Target				
No	Metric	2021/22	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
1	Reinvestment %	6.5%	3.7%	5.6%	6.6%	8.3%	7.1%	6.6%	6.8%	6.8%
2a	New supply delivered (social housing units)*	1.4%	1.2%	2.1%	1.3%	1.7%	3.2%	2.1%	2.1%	2.2%
2b	New supply delivered (non-social housing units)	0.0%	0.1%	0.1%	0.3%	0.5%	0.3%	0.4%	0.4%	0.5%
3	Gearing %	44%	43%	43%	43%	46%	36%	37%	37%	37%
4	EBITDA MRI as a % of interest (cash surplus)	145%	309%	209%	219%	202%	192%	216%	224%	208%
5	Headline social housing cost per unit	£4,151	£5,365	£6,022	£6,834	£7,326	£7,812	£7,736	£7,852	£7,829
5a	Headline social cost per unit (general needs and independent living)	£3,830	£3,716	£4,273	£4,155	£4,755	£5,030	£4,946	£5,056	£4,987
5b	Headline social cost per unit (supported housing)	£10,038	£8,794	£8,610	£10,881	£11,417	£12,289	£12,440	£12,622	£12,838
6a	Operating margin (social housing lettings only)	23.3%	21.3%	14.2%	15.1%	18.0%	15.6%	16.9%	17.3%	18.4%
6b	Operating margin (overall)	20.5%	19.7%	13.6%	13.9%	14.6%	16.2%	16.8%	17.4%	17.7%
7	Return on capital	3.2%	3.2%	2.4%	2.7%	2.8%	3.4%	3.5%	3.6%	3.7%

The board has reviewed our targets in the balanced scorecard and additional VFM metrics. This framework has been developed to create a 'golden thread' from the Plan objectives to operational delivery.

The table below shows our VFM additional metrics, our performance against our peers, and our anticipated performance. The board has reviewed these and updated its chosen additional metrics.

			PEER	Actual			Target				
No	**Indicator**	**Peer source**	**2021/22**	**2020/21**	**2021/22**	**2022/23**	**2023/24**	**2024/25**	**2025/26**	**2026/27**	**2027/28**
8	% of overall tenant satisfaction	Tenant satisfaction measures	81.0%	80.6%	79.9%	69.4%	81%	81%	81%	81%	81%
9	% of current tenant arrears*	Global Accounts	3.7%	3.9%	4.2%	5.0%	4.7%	4.6%	4.5%	4.4%	4.2%
10	% of former tenant arrears*	Global Accounts	1.2%	1.1%	1.0%	0.8%	0.9%	0.9%	0.9%	0.9%	0.9%
11	% of rent collected	Global Accounts	100%	100%	99.4%	99.2%	99.5%	99.5%	99.5%	9.5%	99.5%
12	Responsive repairs completed within target timescale**	Tenant satisfaction measures	85%	96.3%	94.3%	82.2%	89.5%	90%	90.2%	90.4%	90.4%
13	Rent lost due to vacant properties	Global Accounts	1.3%	6.0%	5.7%	6.9%	7.2%	7.0%	6.9%	6.8%	6.7%
14	% of vacant social housing stock at 31/03	Statistical Data Return	0.8%	4.1%	3.0%	4.6%	3.5%	3.5%	3.5%	3.5%	3.5%
15	% of time lost due to employee sickness***	Office of National Statistics	2.6%	4.4%	5.2%	4.2%	4%	4%	4%	4%	4%
16	% of employees leaving the Group – voluntary	Housemark	18.1%	11.1%	12.9%	11.0%	>10% and <12%	>10% and <12%	>10% and <12%	>10% and <12%	>10% and <12%

* Reside Housing Association data included from 2022/2023 onwards.

** Indicators taken from the tenant satisfaction measures of the Consumer Standard.

*** The Group has a Sickness Policy, which benefits the wellbeing of colleagues with higher sickness levels. The comparable long-term health conditions sickness with peers is 3.9%.

The table on the previous page shows that we are outperforming or the same as the sector for one of the nine metrics - % of employees leaving the Group. We are not in line with the sector median for eight metrics - overall tenant satisfaction, current tenant arrears, former tenant arrears, rent collected, number of responsive repairs per unit, rent lost due to vacant properties, vacant social housing stock and time lost to employee sickness.

Comparing our performance to last year, we have improved or maintained our performance for three of the nine metrics, former tenant arrears, time lost due to employee sickness and employees leaving the Group.

Satisfaction (metric 8)

The Survey of Tenants and Residents (STAR) was undertaken in February and March of 2023 for Progress Homes and RWP tenants. We have seen significant reductions in satisfaction across the annual perception survey. Tenants conveyed concerns about the repair service, particularly the timescales to complete work and deal with outstanding repairs. This sentiment mirrors the further customer insight gathered via transaction surveys. Around three-quarters of tenants who replied to the survey had a repair carried out by Progress Housing Group within the last 12 months, and it remains the main reason for interaction with us. Around 65% of all current tenants had a registered repair raised within the last 12 months.

It is evident that below-par external contractor performance for the responsive repair service has contributed to reduced satisfaction. A new national repairs contractor was appointed in July 2022. This was to provide a single contractor to manage all out-of-area responsive repairs. We have experienced some challenges in mobilising this new contractor, and performance is below the targets and service level agreements we are expecting. This has been due to a number of issues, including resources, system processes and the higher-than-expected number of repairs. We have a service improvement plan in place to address this underperformance. Regular contract management and operational meetings are taking place to monitor performance against the plan. Across the sector, we are seeing challenges with procuring contractors to deliver responsive repair services, and standards are not as expected. Alternative solutions are being explored, working with other providers.

It is also important to consider the cost-of-living crisis, government and political changes, and other external factors influencing satisfaction. The survey also identified three main areas of focus: Home, 1) repairs and improvements, 2) Engagement and complaints and 3) Value for money and cost of living. These will be used as drivers for internal action groups to drive improvement in these areas by reviewing processes and closely tracking performance going forward.

It is clear below par external contract repairs performance is a clear area to focus on and will be a priority for the Group.

Employee (metric 15)

The Group uses the Office of National Statistics (ONS) Labour Force Survey to benchmark sickness absence comparisons. ONS currently report an absence rate of 2.6%. However, absence rates and average days lost vary when looking at the sector, region and size of the workforce. Housemark, the benchmarking organisation for the housing sector, uses average working days lost as a measure. At March 2023, our average working days lost was 11.98 days, which is above the sector. (10.6 days: Housemark median 2022).

We will continue developing our health and wellbeing strategy to address barriers to wellbeing, identifying ways to enhance employee wellbeing within the Group and maximise attendance at work.

Income collection (metrics 9, 10 and 11)

Current arrears performance is worse than our peers, and Housing Benefit cycles continue to influence the weekly position. We remain focused on ensuring our rent collection is as high as possible. We have not met our current arrears target of 4.5% by 0.5%. Progress Homes shows current tenant arrears of 2.5%, which is well within the target and below the median benchmark for our peers. However,

this overall figure has been impacted by RWP collection rates which lie at 7%, which we know often have delays in payments from Housing Benefit. We have worked extremely hard to maintain performance and have seen improvements in this performance towards the end of the year on our supported living (RWP). Due to the current economic climate, we expect 2024 to be a continuing challenge.

Repairs (metric 12)

On average, the Group undertakes more responsive repairs per unit compared to their peers. Supported living accommodation influences this indicator, with a higher number of responsive repairs due to tenants' needs. The figures are also heavily affected negatively by performance issues with our new out-of-area contract that went live in July 2022. We are now scrutinising the performance in this area very closely, and a project is in progress to drive improvement in this area going forward.

Voids and lettings (metric 13 and 14)

This year we have seen a worsening in voids performance. More void properties are being prepared for relet by our internal team rather than contractors. Whilst this does increase the time to relet these properties, the overall costs are lower. When comparing overall void rent loss to our peers, our void loss is above the sector median due to higher-than-average supported living properties compared to other RPs. We are meeting our target, though, and when comparing general needs and independent living rent lost due to voids, we are performing better than our peers.

Supported living accommodation has longer relet times and higher rent losses due to the nature of the accommodation. For example, ensuring tenant compatibility in shared accommodation. We work closely with local authority commissioners and support providers to let properties as quickly as possible. Where this is impossible, and a management agreement is in place, we recharge the void rent loss to reduce our risk.

Progress Housing Group

How do we compare to relevant benchmark groups?

When the RSH published the Global Accounts, useful data was made available, enabling the Group to undertake additional analysis. We have been able to benchmark against specific groups, which include:

1. **RPs with more than 30% supported housing accommodation**
2. **North West RPs with more than 5,000 units**
3. **A supported housing benchmarking group – SPBM.**

The Group's capital structure is quite substantially different from other RPs making it difficult to benchmark our financial performance against peers. The Group holds over 30% of supported housing units, which in practice has higher management and maintenance costs than our other stock (general needs and housing for older people) and generates a slightly lower operating margin. Therefore, we compare the sector median and benchmark the Group's performance against the peer group with more than 30% supported housing units. This comparison is more relevant for benchmarking purposes.

Below is the detailed analysis of the Group's performance for each metric, how we compare, and forward-looking metrics based on the board-approved plans in May 2023.

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Metric 1 – Reinvestment Efficiency

This metric measures both capitalised major repairs to existing homes and new development. Progress Housing Group is currently reinvesting a higher percentage than our peer group and slightly lower than the sector median. The Group has significantly increased development activity over the last year. It intends to meet the sector median by investing in new and existing homes.

The table below shows our actual and planned reinvestment in new and existing homes.

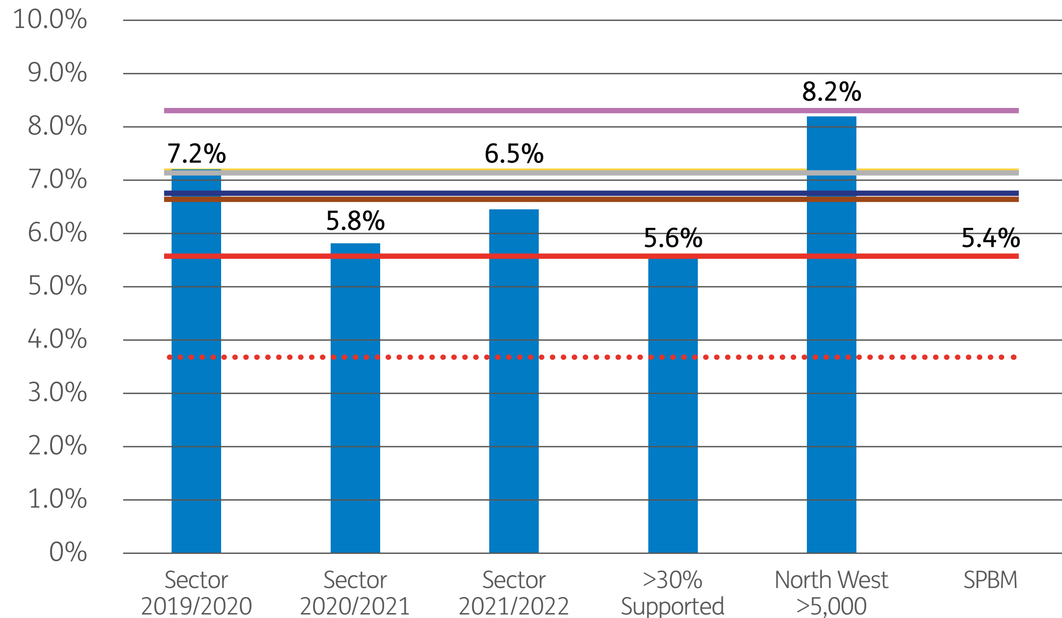
Actual			Budget	2023 Financial Plan			
2021	2022	2023	2024	2025	2026	2027	2028
3.7%	5.6%	6.6%	8.3%	7.1%	6.6%	6.8%	6.8%

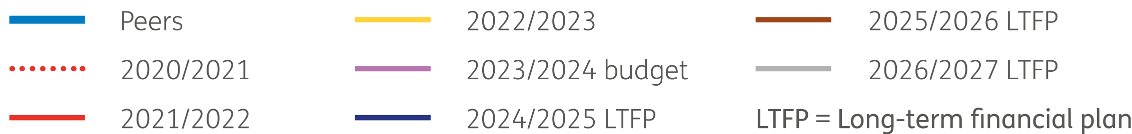
Results

We are generating surpluses in line with budget, strengthening our financial position statement and enabling us to reinvest in new and improved homes. Reinvestment can be split between new homes and improvements to existing homes. In 2022/23, we reinvested 6.6% of the total value of our housing assets. Reinvestment in our existing homes decreased from 2022 by 0.2%. In 2023 we spent over £9 million on components and £33 million on new homes. We are forecasting that reinvestment for 2023/24 will continue to increase to over £40 million on new homes and £11 million on components, which increases reinvestment to 8.3%.

Benchmarking

The chart below shows the level of reinvestment by benchmarking comparators.





The sector has seen the median increase by 0.7% to 6.5% compared to the previous year. Our reinvestment increased in 2021/22 by 1.9% as the development of new properties was no longer impacted by Covid-19. In previous years we have seen lower investment by the sector in existing stock; this year, our investment in existing stock is similar to the sector median. We can see greater emphasis being placed on existing stock across the sector compared to the previous years.

Long-term financial plan

Our financial plan shows that our reinvestment is due to increase slightly from 6.6% in 2022/23 to 6.8% in 2028. This is driven by an increased capital budget for new developments and component replacements. In 2022/23, the total capital spend included within this metric was £38 million. Over the next five years, this is forecast to increase to £70 million per annum, driving the increase which will take us closer to the sector median. The increase in 2024 relates to one significant development of 92 units.

We are comfortable with this direction of travel as it reflects our priority and capability to increase investment and improves our positioning with our peers.

Metric 2 – New supply delivered
Effectiveness

The Group is developing social housing units in line with the sector median. This metric measures the number of new units (social and non-social housing) acquired or developed in the year as a proportion of the end-of-year owned stock. In the last year, there has been continued development activity with 142 new social housing properties, slightly less than in 2021/22 with 232 new properties. The Group has encountered planning issues and delays to the start on-site date of the extra care scheme, which has led to this reduction. The Group also purchased 60 properties which were previously leased in. The Group plans to increase further development output, including social housing and housing for sale.

The table below shows **social housing** unit growth.

Actual			Budget	2023 Financial Plan			
2021	2022	2023	2024	2025	2026	2027	2028
1.2%	2.1%	1.3%	1.7%	3.2%	2.1%	2.1%	2.2%

The table below shows **non-social** housing unit growth.

Actual			Budget	2023 Financial Plan			
2021	2022	2023	2024	2025	2026	2027	2028
0.1%	0.1%	0.3%	0.5%	0.3%	0.4%	0.5%	0.5%

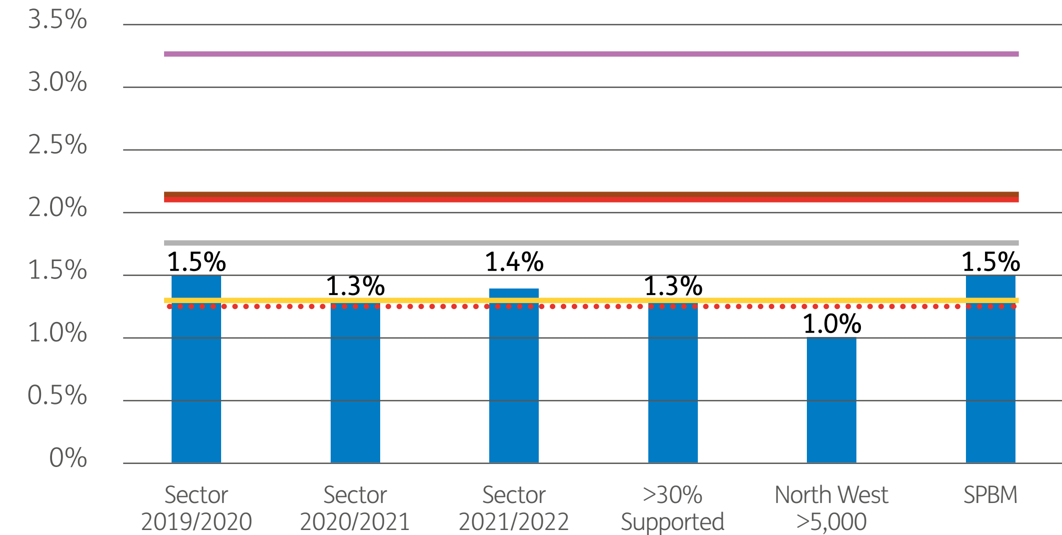
Results

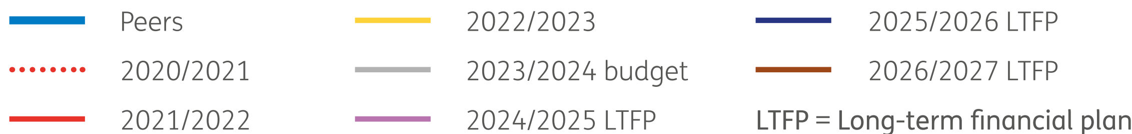
This metric represents the number of completed units for new accommodation. In contrast, metric 1 assesses the actual amount of money spent on new homes and the capital maintenance investment in existing homes. During the year, we delivered 142 properties plus the additional purchase of the 60 previously leased in properties with a total net development spend of £33 million. We forecast that the social housing supply will be 1.7% in 2023/24.

Concert Homes has delivered another 38 properties during 2022/23, with activity set to increase in 2023/24 and increase to 59 properties. This reflects the Group's increase in capacity to advance the development programme.

Benchmarking

The following chart shows the % of social housing delivered against comparators.





The sector has seen new social supply increase by 0.1% from the previous year. Due to an increase in new stock reinvestment in the sector in 2021/22, we expect to see a new supply increase in 2022/23. We can see that we have delivered more than other RPs in the North West benchmarking group, in line with the sector for the >30% Supported and lower than the sector for SPBM but are in line with the sector median for all RPs.

The % of non-social new supply is 0% across all benchmarking peer groups. A small number of the largest RPs predominantly deliver non-social new supply.

Long-term financial plan

The new development is due to increase over the next five years both for social housing lettings (from 1.3% to 2.2%) and non-social (0.3% to 0.5%). The increase in social housing results from the forecasted increased output anticipated in the Development Strategy. This will lead to an increase in units to 275 per annum over the next five years, compared to 142 in 2022/23. The increase in social housing units in 2024/25 relates to a one-off scheme of 92 units. The increase in non-social housing results from Concert Home's outright sale of units. Our plans indicate we could exceed the benchmark group for the non-social housing new supply.

We are comfortable with this direction of travel as it reflects our priority and capability to increase new property supply and improve our positioning with our peers.

Metric 3 - Gearing Efficiency

The Group gearing ratio is 1% lower than the sector median. This metric is an indicator of the degree of dependence on debt finance. The Group has further capacity for borrowing, demonstrated by this and the interest cover metric. This indicator is key to demonstrating the capacity of the Group to deliver its objectives and how much more we can deliver.

The table below shows the gearing percentage metrics for Progress Housing Group.

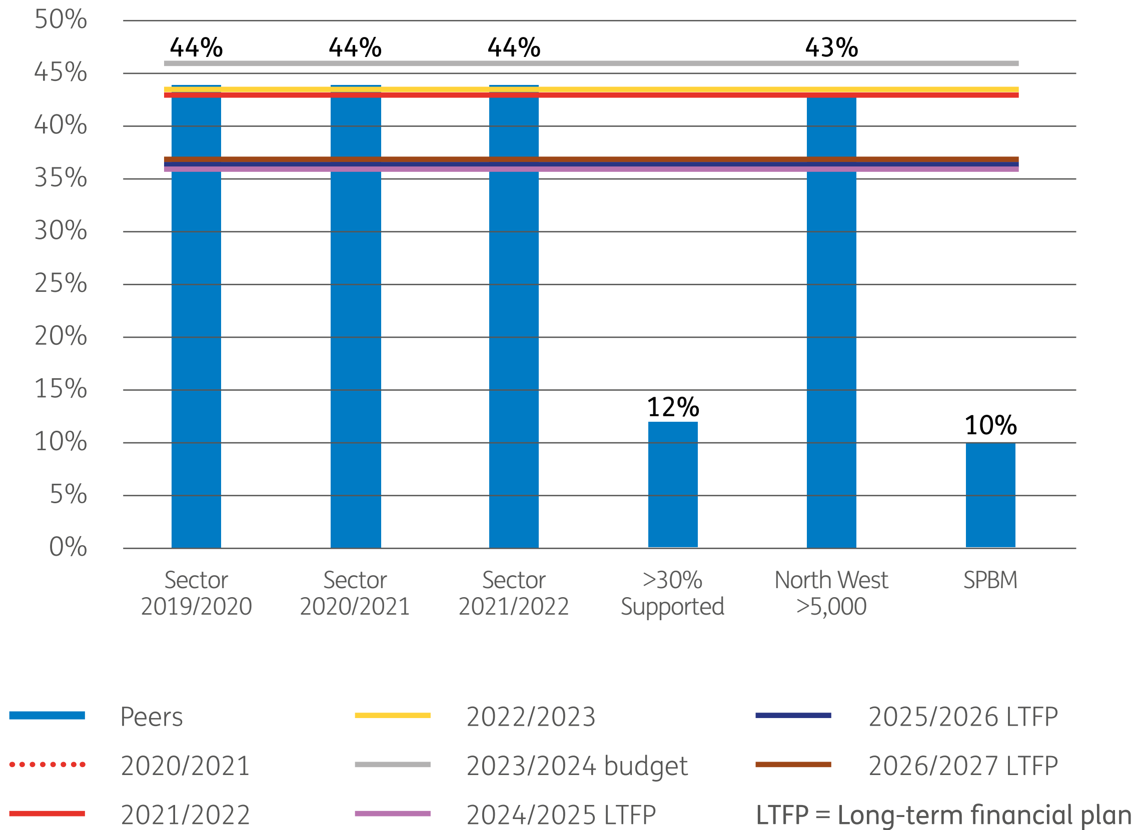
Actual			Budget	2023 Financial Plan			
2021	2022	2023	2024	2025	2026	2027	2028
43%	43%	43%	46%	36%	37%	37%	37%

Results

This metric measures the level of debt in proportion to net assets. Our increasing reserves, loan repayments of £27 million, and an increased net book value of properties arising from new developments are reducing debt levels.

Benchmarking

The chart below shows the gearing metrics against comparators.



The sector has seen gearing remain the same compared to the previous year, and our gearing has also remained the same. We can see that RPs with a high proportion of supported housing accommodation have extremely low gearing. There are large individual variances of the RPs included in these peers. When looking at RPs with more than 30% supported housing, gearing ranges from -622% to 62.5%. The variance is due to lower tangible fixed assets (costs/valuation); some RPs are leasing in units rather than having outright ownership.

Long-term financial plan

This indicator shows we can increase gearing and invest more in new social housing. Gearing is due to reduce from 43% in 2022/23 to 37% by 2028. The new funding was agreed upon in 2021/22 and is reflected in the long-term plan, which will enable us to deliver our development programme.

We are comfortable with our gearing as it is well within our funding requirements but also demonstrates our financial strength and ability to deliver our VFM priorities.

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Metric 4 – Interest cover (EBITDA MRI)
Efficiency

The Group has a much higher interest cover (EBITDA MRI) percentage than the sector median. The metric measures the level of surplus generated compared to the interest payable. This means that the Group is financially stable with the capacity to invest further. Interest cover is forecast to decrease from 219% in 2023 to 208% in 2028 due to increased interest payable and increased investment in capitalised major repairs.

The table below shows our EBITDA MRI interest cover.

Actual			Budget	2023 Financial Plan			
2021	2022	2023	2024	2025	2026	2027	2028
309%	206%	219%	202%	192%	216%	224%	208%

Excluding shared ownership sales:

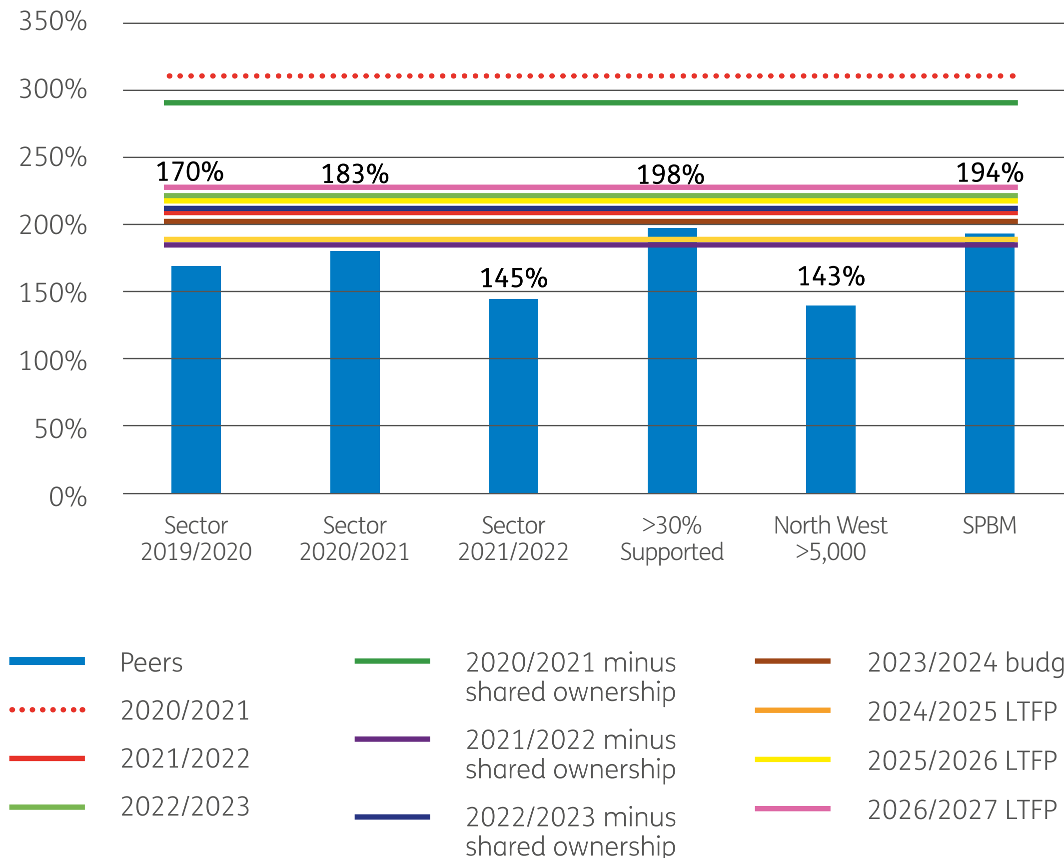
Actual			Budget	2023 Financial Plan			
2021	2022	2023	2024	2025	2026	2027	2028
293%	186%	211%	155%	177%	206%	210%	195%

Results

This metric measures liquidity and investment capacity. Our interest cover is healthy and provides significant headroom against our loan covenant requirement. Operating surpluses on shared ownership sales support group interest cover. These uncertain cash flows may dry up in housing market downturns, so they cannot be relied upon to service debt. The interest cover without the cash flows from shared ownership sales is shown above. Shared ownership sales contribute about 10% to interest cover.

Benchmarking

The chart below shows EBITDA MRI against comparators.



The sector has seen a decrease of 37.5% compared to the previous year, while the Group has seen a decrease of 100%. From the chart above, we can see our EBITDA MRI is more significant than our sector peers. We know that a range of variances reflects that individual RPs have different capital structures and may be at different stages of maturity.

Long-term financial plan

Interest cover is set to decrease from 202% in 2024 to 208% by 2028 due to an increased operating surplus from £18 million in 2024 to £31 million by 2028. This is due to a rent increase assumption of CPI+1% over the five years from 2024, the anticipated positive contribution from Concert Homes, and growth in TECS profitability.

Whilst our interest cover has increased in 2022/23, we have continued our focused spending on maintenance and resources. We are comfortable with the direction of travel as we expect to increase our interest cover and continue to outperform against the sector and our benchmark groups.

Metric 5 – Headline social housing cost per unit

Economy

Compared to relevant benchmark groups, our headline social housing cost per unit is higher for supported living compared with RPs, with more than 30% of supported housing but lower than SPBM. Along with other specialist supported housing (SSH) providers, the Group's average social housing cost per unit is higher than the overall sector median. Our cost per unit for general needs and independent living schemes is above the benchmark group for the North West. The Group's long-term plan shows the social housing cost per unit increasing by 2028.

The table below shows our social housing cost per unit.

	Actual			Budget	2023 Financial Plan			
	2021	2022	2023	2024	2025	2026	2027	2028
Overall	£5,365	£6,022	£6,834	£7,326	£7,812	£7,736	£7,852	£7,829
General needs and independent living	£3,716	£4,273	£4,155	£4,755	£5,030	£4,946	£5,056	£4,987
Supported housing	£8,794	£8,610	£10,881	£11,417	£12,289	£12,440	£12,622	£12,838

Results

The unit cost metric assesses the headline social housing cost per unit defined by the RSH. We can see a 13.5% increase in the Group's cost per unit from 2022 to 2023. The increase is due to additional spending across all areas, including a large increase in service charge costs relating to increased gas and electric expenditure; however, there has been a reduction in planned maintenance and capitalised major repairs largely due to reduced compartmentation costs identified within 2023.

Long-term financial plan

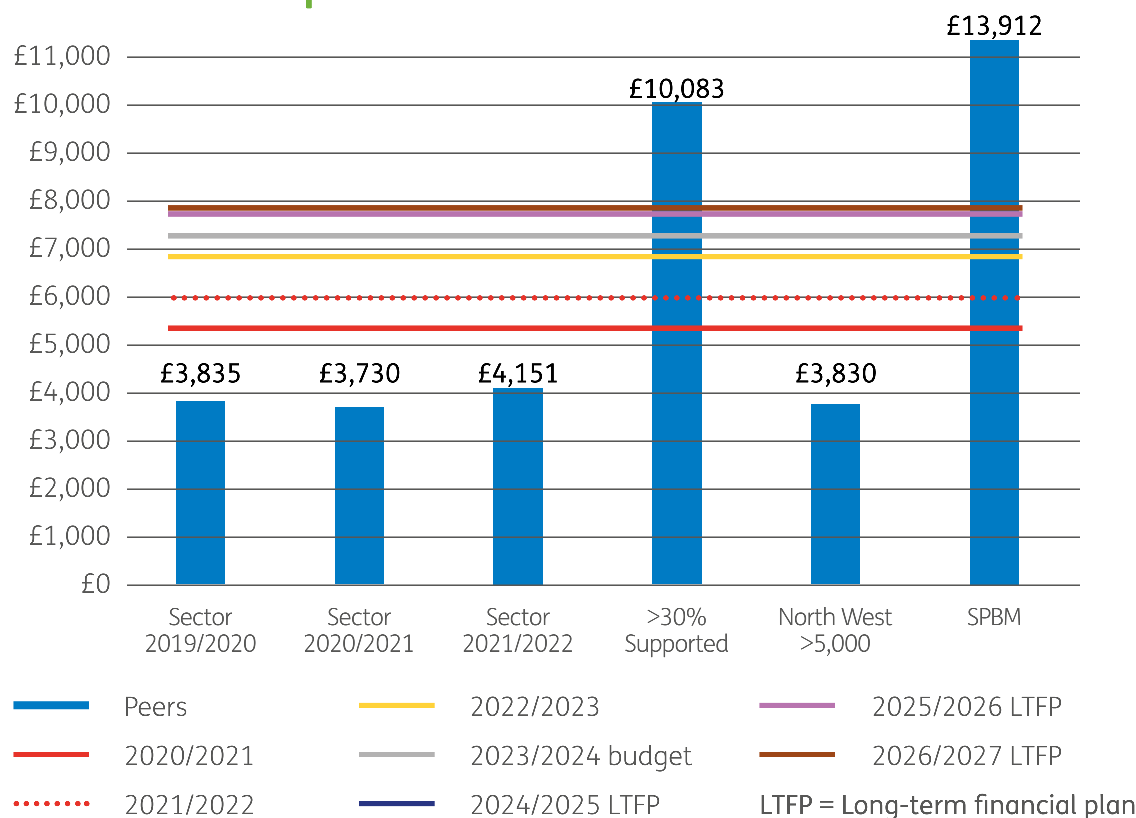
The last approved financial plan in May 2023 forecasted cost per unit to increase by 30% from £6,022 in 2021/22 to £7,829 in 2028. However, based on the budget for 2023/24, we will see an increase in cost per unit of £506 (7%) compared to 2022/23. This is primarily related to an increase in compliance costs, additional employee costs and a large increase in utility costs. The long-term financial plan assumes growth in development output in line with the approved Development Strategy. This is expected to have a long-term positive effect in reducing cost per unit because the growth in units is not being matched by the increase in management costs.

Benchmarking

The RSH has identified supported living as a cause of higher unit costs compared to the sector. We can see from the table below that RPs with more than 30% supported housing (Progress Housing Group is one of these) have an average cost per unit of £10,038, which is 142% greater than the sector median. This unit cost increases compared to the SPBM peers, who are predominantly RPs with very high levels of supported housing. This is compared below further when looking at cost per unit by need category.

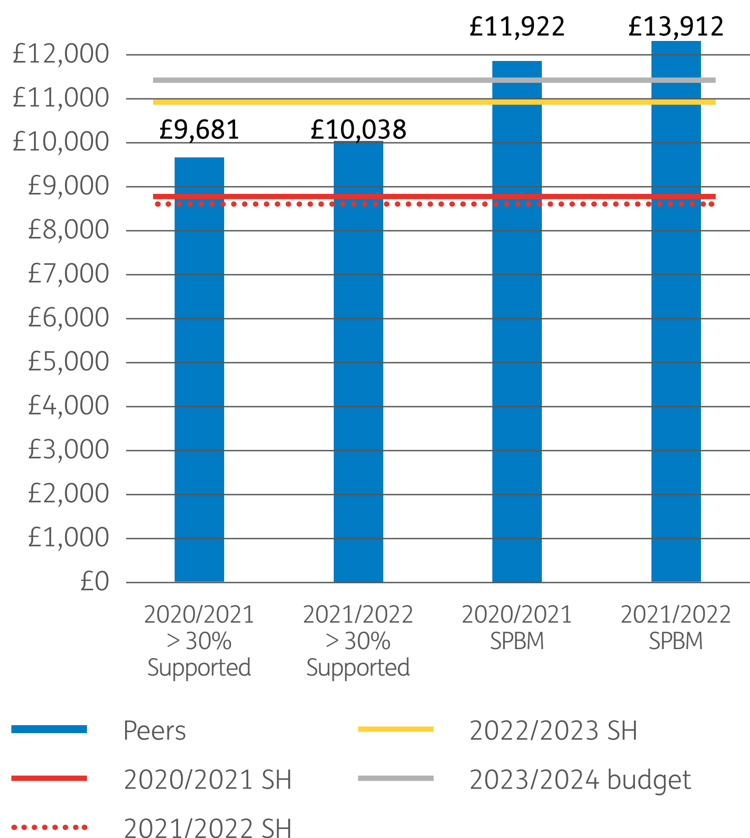
We are comfortable with our positioning as we are targeting spending to deliver our objectives, which impact our cost per unit in the short term.

The overall cost per unit



The overall cost per unit	Peers 2021/22	Progress Housing Group 2021/22	Progress Housing Group 2022/23	Budget 2023/24
Headline social housing	£4,151	£6,022	£6,834	£7,326
Management	£1,130	£1,108	£1,186	£1,179
Service charge	£461	£964	£1,200	£1,350
Maintenance	£1,227	£1,351	£1,366	£1,537
Major repairs	£918	£1,529	£1,436	£1,655
Lease costs	£0	£748	£1,192	£1,164
Other	£202	£322	£454	£441

Supported housing cost per unit



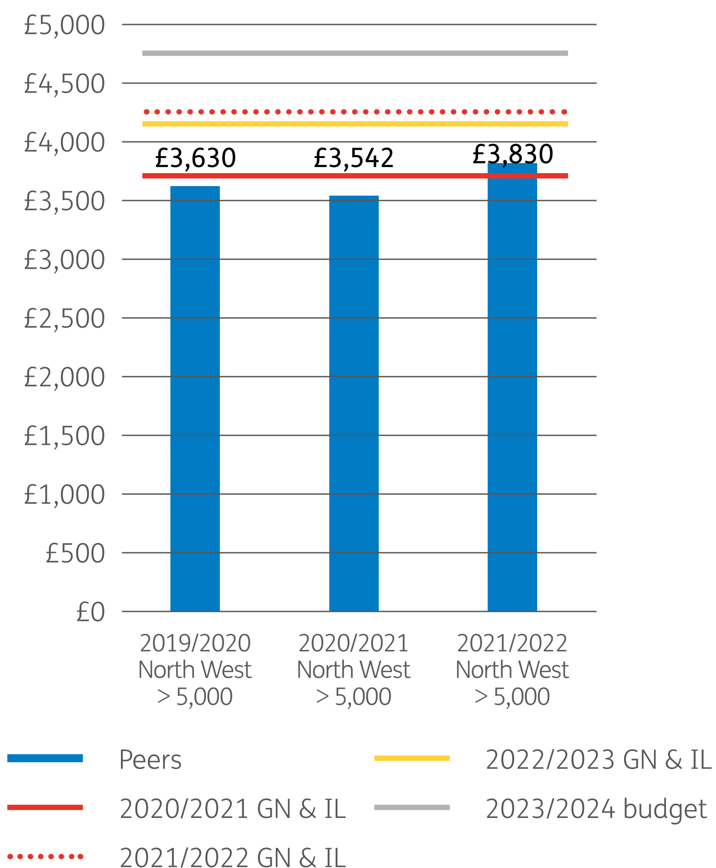
Supported housing (SH)	30% Supported housing 2021/22	SPBM Peers 2021/22	Progress Housing Group 2021/22	Progress Housing Group 2022/23	Budget 2023/24
Headline social housing	£10,038	£13,912	£8,610	£10,881	£11,417
Management	£1,682	£1,774	£1,621	£1,844	£1,791
Service charge	£2,242	£2,151	£1,807	£2,345	£2,666
Maintenance	£1,279	£1,351	£1,641	£1,696	£1,956
Major repairs	£811	£1,396	£1,209	£1,288	£1,424
Lease costs	£0	£349	£1,872	£3,051	£2,930
Other	£579	£362	£460	£658	£651

The sector median cost per unit for RPs with greater than 30% supported housing is £10,038 compared to the Group at £10,881. The Group's costs are above other RPs in this need category. The term supported housing can include a variety of different functions, from long-term housing solutions, e.g. supported living to short-term housing provisions, e.g. refuges. In terms of supported living, three other RPs in the SPBM group have the closest client group to supported living.

	Supported living – Progress Housing Group 2022	Supported living – Progress Housing Group 2023	Advance Housing Group 2022	Golden Lane Housing 2022	Inclusion Housing 2022
Social housing cost	£8,610	£10,881	£14,045	£8,396	£13,912
Management	£1,621	£1,844	£829	£2,481	£1,483
Service charges	£1,807	£2,345	£2,333	£637	£929
Routine and planned	£1,641	1,696	£2,541	£1,147	£1,857
Major repairs	£1,209	£1,288	£506	£784	£0
Lease costs	£1,872	£3,051	£349	£3,120	£9,280
Other	£460	£658	£7,487	£227	£362

The table above shows large variances, highlighting the sensitivity of cost differences between RPs.

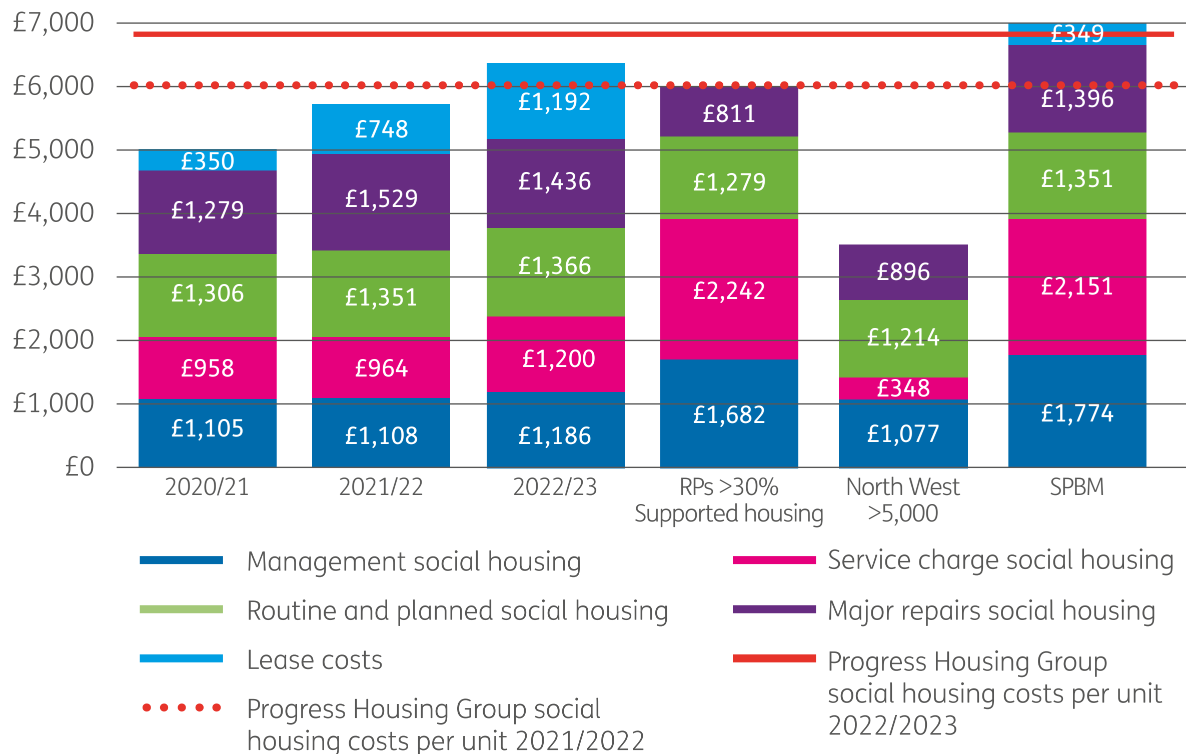
General needs and independent living cost per unit



General needs and independent living (GN & IL)	Peers 2021/22	Progress Housing Group 2021/22	Progress Housing Group 2022/23	Budget 2023/24
Headline social housing	£3,830	£4,273	£4,155	£4,755
Management	£1,077	£781	£776	£794
Service charge	£348	£414	£479	£503
Maintenance	£1,214	£1,207	£1,210	£1,336
Major repairs	£896	£1,694	£1,449	£1,902
Other	£188	£176	£240	£220

The sector median cost per unit in the North West region is £3,830. This shows the Group's costs are above other RPs for this need category. We are forecast to increase to £4,755 next year due to increased maintenance costs; the sector is also anticipated to increase.

The chart below shows the headline social housing costs per unit by cost type.



We look at the individual elements within headline social housing costs to see where our costs differ from the sector. We can see the SPBM comparator varies considerably from the sector median. As previously noted, the RSH has identified supported housing as having higher costs.

- **Management costs** – the sector has seen a 6.4% increase in median management costs from the previous year; we have seen an increase in 2022 of 0.2%, lower than the sector median. Costs increased for 2022, mainly relating to increases in employee costs.
- **Service costs** – are greater than that of the sector, although we can see the sector median has increased from the previous year by 6.4% compared to our increase of 0.7%. We can see that the SPBM and RPs with more than 30% supported housing have a significantly higher cost per unit.
- **Routine and planned** – the sector has seen the median increase by 10.6% compared to a 3.4% increase by ourselves. The Group's cost per unit of routine and planned work exceeds the median cost per unit of the peer groups. Due to the geographical dispersion of the Group's stock, we subcontract repairs out of our local area, which we know following previous analysis is more costly than delivering by our in-house maintenance delivery team. Work is being undertaken to consider the geographical area of the Group's stock impacting the cost of routine repairs, specifically when out of the area.
- **Major repairs** – the sector has seen the median increase by 28% compared to an increase of 19.5% by the Group. The increase is due to the Group's investment in compliance, mainly due to fire safety and vital works.
- **Other costs** – the sector has seen the median increase by 3.6% compared to a decrease of 12.2% by the Group. It is important to remember that other costs comprise only 6% of our overall cost per unit.
- **Lease costs** – 51 of the 204 RPs included in the Global Accounts have lease costs. The sector median cost per unit has not changed from the previous year and is £0, compared to the Group's £748. Our higher cost per unit is due to the rental costs of supported living leased in units.

Metric 6 – Operating margin Efficiency

The Group's operating margin (social and overall) exceeds our peer group for supported housing. However, it is lower than the sector median. The metrics measure the profitability of operating assets before exceptional expenses by dividing operating surplus/ deficit by turnover (both social housing and overall). The Group projects a growing surplus from increased social rents, rent income from new developments and sales income from Concert Homes. However, there are also upwards cost pressures relating to compliance and fire safety works.

The table below shows our social housing operating margin.

Actual			Budget	2023 Financial Plan			
2021	2022	2023	2024	2025	2026	2027	2028
21.3%	14.2%	15.1%	18.0%	15.6%	16.9%	17.3%	18.4%

The table below shows our overall operating margin.

Actual			Budget	2023 Financial Plan			
2021	2022	2023	2024	2025	2026	2027	2028
19.7%	13.6%	13.9%	14.6%	16.2%	16.8%	17.4%	17.7%

Results

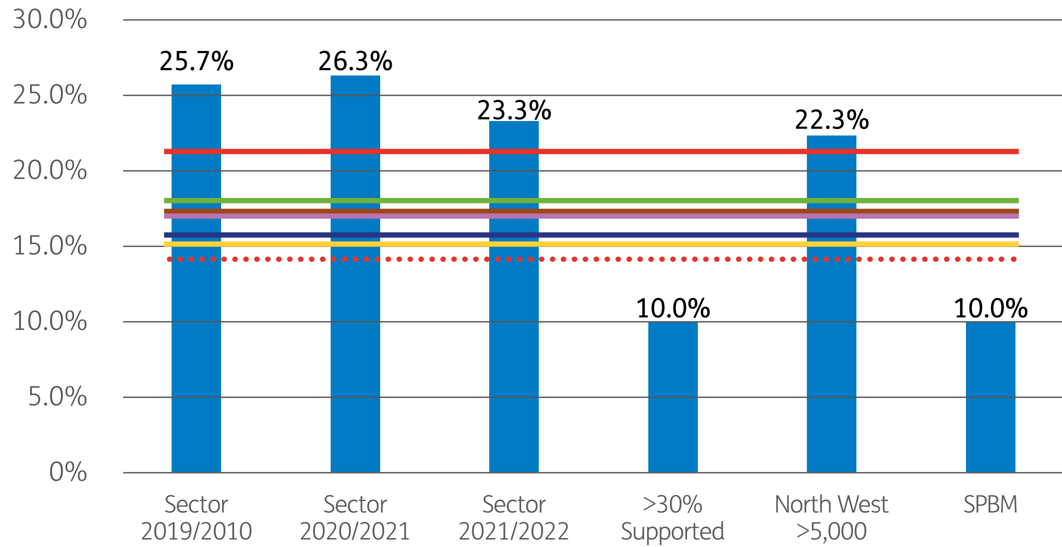
Our social housing operating margin has increased compared to last year, despite increased maintenance and management costs as we have sought to contain expenditure where possible. When looking at the overall operating margin, it is noted that RPs are operating a variety of 'non-social housing' type businesses, so each business model will deliver different operating margin levels.

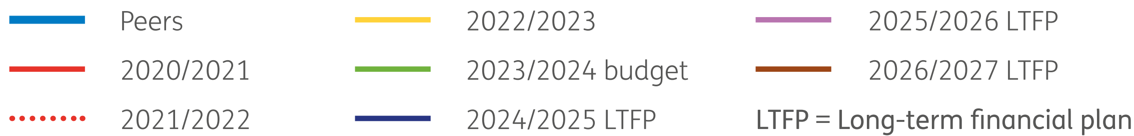
The overall operating margin for 2022/23 increased to 13.9%. There has been a 16% increase in turnover, and the Group's operating expenditure has increased by 15%. The main reason for the increase in operating margin is due to:

- Concert Homes has generated a net surplus of £182k.
- Maintenance costs have decreased by £1.8 million, mainly due to reduced fire compartmentation works, general repairs and relet works.

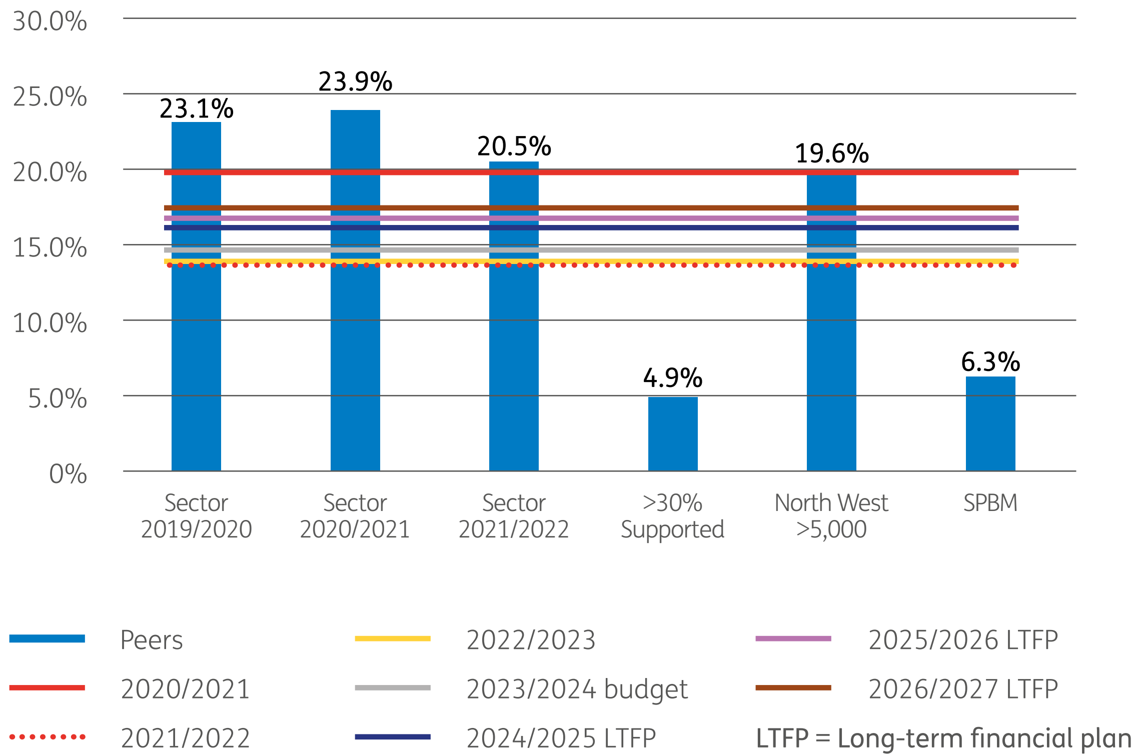
Benchmarking

The chart below shows the social housing operating margin against peers.





The chart below shows the overall operating margin against peers.



For 2021/22, the sector has seen a decrease in social housing and overall operating margin. We can see that those with higher proportions of supported housing have lower operating margins. When looking at the comparative group of the 16 RPs with more than 30% supported housing, nine have overall operating margins lower than 10%. Other RPs operate very different capital structures, as noted from their gearing positions.

Long-term financial plan

The overall operating margin is set to increase from 13.9% in 2023 to 17.7% in 2028. This is due to a forecast increase in an operating surplus of 69.3% compared to a forecast increase in turnover of 38.6%, increasing the margin. The increase in operating surplus is noted above regarding EBITDA MRI. The rise in turnover results from increased rent assumptions, increased growth from Progress Lifeline, and a forecast increase in turnover from Concert Homes' developments. For the 2023/24 budget, there is an increase in operating margin of 0.7% compared to 2022/23.

Progress Housing Group

Metric 7 – Return on capital employed (ROCE)
Economy

The Group is above our peer groups (slightly below the North West >5,000) and in line with the sector median for return on capital employed. This metric measures operating surplus compared to total assets less current liabilities and assesses the efficient investment of capital resources. Return on capital employed is expected to increase due to planned increases in the operating surplus. The Group's choice of accounting policy is deemed cost, resulting in a lower return on capital employed compared with the majority of the sector.

The table below shows our return on capital employed actual and future plans.

Actual			Budget	2023 Financial Plan			
2021	2022	2023	2024	2025	2026	2027	2028
3.2%	2.4%	2.7%	2.8%	3.4%	3.5%	3.6%	3.7%

Results

This indicator compares adjusted operating surplus to total assets less current liabilities. Current liabilities can fluctuate each year. Our ROCE is slightly below the North West comparator group but in line with other comparators and the sector. The forecast is set to increase and exceed this group.

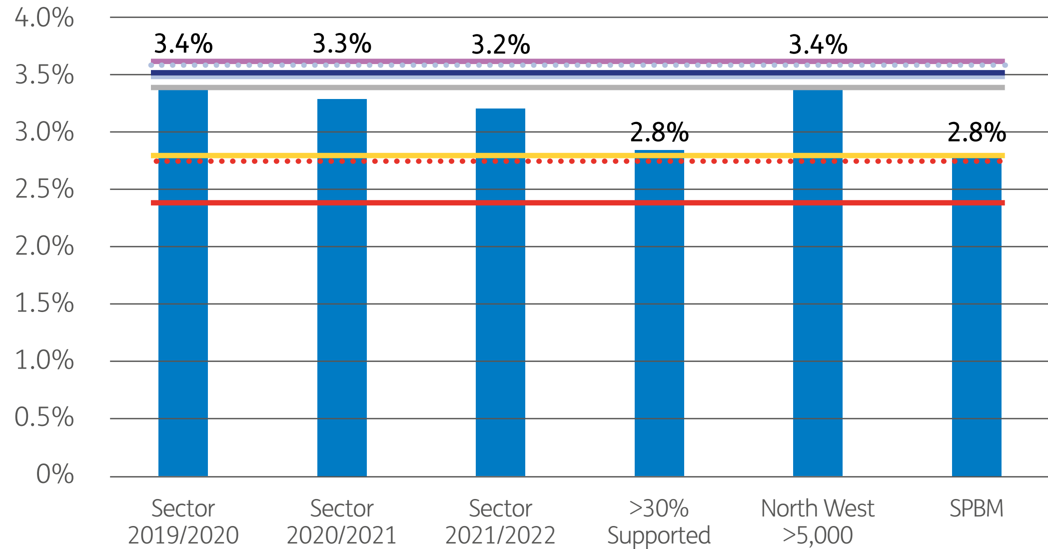
Before implementing FRS 102 in the 2016 financial statements, the Group accounted for its housing properties at valuation. This meant they were revalued (usually annually), and any changes in valuation were recognised. Upon transition to FRS 102, the Group elected to adopt the transition option of frozen valuation, which meant the valuation of the housing properties at the point of transition became their 'deemed cost', and from that point onwards, they were accounted for as though they were on the cost model (depreciated over their useful life, and no future valuations). This accounting treatment is estimated to have been adopted by around 25% of the sector, with the rest being on historic cost. As a result, the Group is somewhat of an outlier to the other 75% as their housing properties will have a much lower net book value; as such, the ROCE metric would be improved, as the denominator includes total assets less current liabilities. For this reason, we have estimated the impact on ROCE if we were to be on that basis.

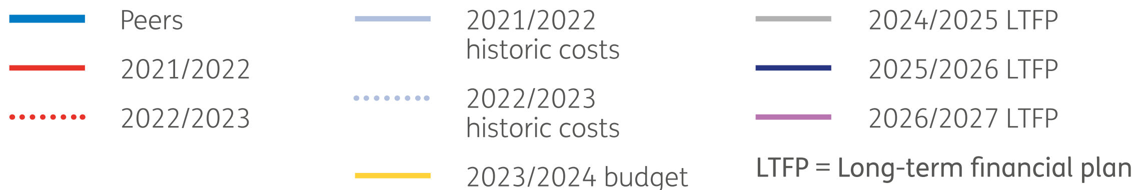
The table below shows our return on capital employed actual and future based on historic costs.

Actual			Budget	2023 Financial Plan			
2021	2022	2023	2024	2025	2026	2027	2028
4.4%	3.3%	3.6%	3.6%	4.5%	4.6%	4.6%	4.6%

Peers

The chart below shows the return on capital employed (ROCE) against comparator groups.





The sector median has seen a reduction in the return on capital employed. Progress Housing Group's has also fallen by 0.8%. We can see from the chart above that those peer groups with a higher proportion of supported housing show a lower level of ROCE. Return on capital at 2.7% is in line with the sector and benchmark groups. However, this is due to the impact of a change in accounting policy on implementing FRS 102 to freeze existing property valuations at their 2014 values, which became their deemed cost. Properties developed after 2014 are reported at historic cost. The majority of RPs had previously reported housing assets at historic cost before 2014 and continue to do so. Expressing return on capital on a comparable basis of historic cost gives an estimated return on capital of 3.6%, which is above the sector median.

Summary performance against the metrics

For 2022/23, we can demonstrate from the benchmarking undertaken that overall the Group is performing better or in line with the sector as a whole or relevant benchmark groups. There is one exception, new supply (social units), where we are currently underperforming against the sector, but our forward-looking plans show this will be improved.

The RSH-specific expectations of VFM

The 2018 VFM Standard states that RPs must demonstrate a number of things, which are addressed in the following sections.

a) a robust approach to achieving value for money – this must include a robust approach to decision making and a rigorous appraisal of potential options for improving performance.

What does this mean?

For the Group, when we make decisions on our expenditure, we understand the outputs required and what matters most to our tenants. We consider how our properties, offices and employees operate and whether this is the best use of our resources or whether these resources should be allocated elsewhere. In addition, we compare against other possible alternatives and understand how expenditure delivers our strategic objectives.

Employee costs are one of the Group's highest resource investments, and many of our achievements rely on employees for delivery. The Group is growing in many of its business streams in accordance with the Strategic Plan, which requires increased investment in people to generate future turnover and achieve outputs.

What is our approach, and what decisions have we made?

Our Strategic Plan clearly outlines our intention to provide more and better homes and deliver a stronger organisation. This links to a number of our strategies, including development, asset management, treasury and VFM.

These strategies are aligned with our long-term financial plan and are set by our board. We have operational teams to deliver the actions detailed in their operational plans.

During 2022/23, we have:

- Continued our Development Strategy, which aims to have a balanced programme where we may choose to develop a minority proportion of new properties with a negative NPV to achieve our social objectives and develop other properties with a positive NPV to maintain our financial strength. We did not complete any Homes England-funded properties during the year due to planning delays but spent a net £3.2 million with grant funding of £1.2 million, delivering schemes which will complete in future years. 199 non-grant funded units have been completed with a spend of £25.5 million. One property was supported by NHS grant funding with a spend of £1.5 million and grant funding of £1 million. Our Financial Appraisal Team makes these decisions to ensure new developments are delivered in line with the strategy.
- Completed an annual refresh of our Asset Management Strategy, which forms the basis of our long-term investment plans for the stock. This is closely linked to our Environmental Sustainability Strategy, which has reviewed component specifications, piloted new technologies, secured grant funding for property improvements through the Social Housing Decarbonisation Fund and delivered carbon literacy training to Group colleagues. The Group reviews our assets' social and economic performance annually using SHAPE modelling. It can determine the best options for their future use.
- Sold seven units (excluding Right to Buy, Right to Acquire and shared ownership), which generated £2.5 million in sales proceeds. Concert Homes has sold 38 units for outright sale in 2022/23, generating £7 million in sales proceeds. This income helps us to re-invest in new and existing homes.
- Achieved income of over £7.9 million from our Progress Lifeline and TECS service and generated a gross contribution to the operating surplus of £1.4 million, with more than 66,000 connections. This service has grown significantly over the last couple of years. We submit competitive bids to secure new contracts whilst providing a quality service to a wide range of customers. We approved further investment in employee resources to continue growing the business and reinvest in social housing activity.
- Continued to support agile and mobile working to improve how services are delivered to our tenants. The Group has been reviewing all office accommodation and workspaces. We have improved the offices at Leyland

House and Progress House in Leyland to create a working environment that supports a collaborative workforce, which benefits colleagues' wellbeing and enhances the services delivered to our tenants.

- Continued to develop the new 'Customer First' operational model for our housing operation teams. Our new way of working has created better alignment between colleagues within geographically based teams, who collectively have greater insight and understanding of our tenant's challenges/needs. We are beginning to see signs that our new operating model is leading to performance improvements, with reduced void turnover and void loss alongside improvements in our rental income collection. We also aim to see higher customer satisfaction levels with the services provided.
- During 2022/23, we further developed our supported living property brand, RWP. We developed a new service delivery model and management structure and launched our new RWP website and newsletter. As a specialist housing provider and leader in the supported living sector, our tenants are very much at the heart of RWP. We aim to provide Easy Read accessible communications on all aspects of our service to tenants with a learning disability and/or autistic adults.
- During the year, we further embedded the merger of Reside Housing Association and fully integrated our systems and processes. This includes our fully automated review visit form, which captures information on all aspects of property condition, health and safety and tenant wellbeing.

b) regular and appropriate consideration by the board of potential value for money gains - this must include full consideration of costs and benefits of alternative commercial, organisational and delivery structures.

What does this mean?

This means we should consider potential opportunities to achieve VFM in all of our activities. This includes understanding VFM in our procurement arrangements, diversification into different business areas, investment in non-social activities, and our operations geography.

What considerations have we made?

Below are the key areas where we have focused our service delivery. In addition, the board has reviewed its Partnership and Merger Strategy to ensure this is fit for purpose, of which costs and benefits are assessed for each opportunity.

1) Provision of maintenance services for supported living tenants

Following the recommendations of a Housing Quality Network (HQN) report dated January 2020 relating to the cost of delivering responsive repairs and other maintenance services, we have extended the areas of operation of the in-house team to encompass all North West properties.

Bell Group UK Ltd was appointed to the 10-year-long repairs and maintenance service for all our properties outside of the North West, which includes 60% of our RWP properties, with the contract starting in July 2022. The contract was awarded following an extensive options appraisal and procurement process focusing on service excellence and value for money.

Challenges faced by our peers regarding responsive repairs performance have been very evident throughout the mobilisation period, and both parties continue to work closely to bring performance to the expected standard.

This is a long-term partnership of an initial 10 years with the option to extend by a further five years; it is anticipated that through this partnering approach, we will be able to improve service delivery and increase value through the contract and maintain or reduce spending in this area.

2) Leased in accommodation for supported living tenants

During the year, there have been a number of actions and reviews of the Group's leased-in portfolio. Progress Housing Association has 678 rental units as of 31 March 2023, all used to provide supported living accommodation. Reside Housing Association also has 1,204 leased supported living rental units.

A number of actions have been carried out in the year for Progress Housing Association leases:

- PHA - 8 leases (28 rental streams) have fallen away due to the property no longer being required.
- RHA - 18 leases (52 rental streams) have fallen away due to the property no longer being required.
- PHA - 22 leases (60 rental streams) have been purchased by the Group.
- The total number of Progress Housing Association leased-out properties is 15. Leased-out schemes typically provide supported housing, resource centres or children's services.

The costs associated with these leases affect a number of the VFM metrics; the main one to note is the headline social cost per unit. The lease costs are included within this metric, which can skew the comparability to other providers. If the properties were owned, the equivalent operating expense would be depreciation which is excluded from the calculation; therefore, the cost per unit for these rental streams is somewhat higher than the 'owned' alternative.

3) Efficiency improvement for support services

The support services for homeless and refuge supported housing schemes are managed by Key Unlocking Futures Limited (Key). The main advantages of delivering these services through Key are:

- As a specialist support organisation, Key has developed skills in delivering support services and connections within the support sector, which Progress Housing Association employees, particularly at senior management levels, find increasingly difficult to mirror.
- Key's cost base is slightly lower than that of Progress Housing Association. This is a consequence of the management and overall reward structures, which are more geared toward the support sector rather than the housing sector.
- Key can access charitable funding sources better due to its smaller size and turnover than Progress Housing Association which could offset the losses referred to elsewhere in this report.
- Key can better offer the governance structure required to achieve the Women's Aid National Quality Standards, increasing the ability to grow the refuge service.
- The specialist skills that Key has developed produced an improved quality of service for tenants.

4) Housing operations

For our general needs and independent living business stream, after two years, we have reviewed our 'Customer First' operating model to enhance further our service offer in response to our customer's needs; the benefits achieved to date are as follows:

- Operational teams are now working together in one geographical area to understand the customer base better and share learning more efficiently to improve customer satisfaction.
- Increased visibility within our operation areas allows for more first-point resolution and improves accessibility for tenants.
- Efficiencies in how we process queries and requests to remove any double handling of queries.
- Created a more performance-driven culture through enhanced reporting and monitoring.
- Provided increased resources where needed to meet service demands.
- Delivered value for money by maximising outcomes from tenant visits and minimising travel.
- Further enhanced our ability to develop services by creating our new Continuous Improvement Team that focused on redesigning services around our tenants' needs and preferences - putting them at the heart of our service development.
- Expanded our focus on performance and excellence.
- Improved tenants' ease of access to services.
- Enabled us to gain a greater insight into our tenants' needs and expectations.

- Enabled more effective collaborative working between specialists to improve our customer experience and satisfaction by removing 'silo' working.
- Positioned tenants at the heart of our services.
- Embedded a 'One Team' approach - creating integrated housing operations teams offering holistic services within a geographically defined area to build greater insight into the area and rapport with our tenants.
- Started to develop our systems so the area teams have the technology that facilitates mobile working enabling us to be more efficient and effective.

c) consideration of value for money across their whole business and where they invest in non-social housing activity, they should consider whether this generates returns commensurate to the risk involved and justification where this is not the case

What does this mean?

This means that when we consider growth opportunities that are not traditional social housing, i.e. TECS and Concert Homes, we analyse the risk involved, have mitigating strategies for failure and ensure a financial return reflects the level of risk on the activity. If no financial return is envisaged, the business case should clearly justify other intended benefits. In addition, VFM, in line with our strategy, should be in our day-to-day operations, including procurement.

How have we considered VFM in non-social housing activity?

Our current non-social housing activity mainly relates to Progress Living, Progress Lifeline activities, and Concert Homes. These activities generate around £23 million in turnover with an operating surplus of around £1.6 million. They, therefore, provide a healthy contribution to our operating surplus. Progress Lifeline and Concert Homes are growth areas for us.

Progress Living is the brand which provides keyworker accommodation, with 573 units for 42 years, starting from 2006. We can choose to extend the contract if the required rate of financial return has not been achieved after 42 years. The board approved this activity to meet housing needs, generate a financial return and diversify. The risks are regularly monitored; financial and operating performance is reported annually to the board and United Lincolnshire Hospital Trust. This activity is financially performing better than anticipated, generating a surplus of £0.6 million annually.

Progress Lifeline activities currently generate more than £7.8 million in turnover with over 66,000 connections. They have seen growth over the last few years. We aim to grow new provision by 15,000 connections over the next three years. We have a proven track record in providing TECS services. Each new contract is financially appraised and priced before bidding.

Concert Homes develops new homes for outright sale, concentrating in areas where the housing market is stronger. It aims to serve the mainstream housing market with conventionally designed and constructed two- to five-bedroom homes. This has plans to generate a turnover of up to £90 million over the next five years and contribute a healthy profit for reinvestment into the Group. Concert Homes has its own board to oversee and approve its operations against a detailed business case approved by the Parent Board.

We monitor and report on all of these non-social housing activities separately, and whilst our growth in this non-social activity is significant, the long-term financial plan does not rely on this activity to support our Plan requirements. Our social housing activity remains our core operation. Our long-term financial plans have been risk tested and include mitigations in the event of the loss of Progress Lifeline contracts and the failure of Concert Homes to achieve its required profits.

The updated 2023 VFM Strategy includes specific VFM outputs for each business stream.

Progress HOUSING GROUP

How have we considered VFM in our day-to-day business?

Our operational teams across the whole business incorporate VFM in their activities.

During 2022/23, we have:

- Reviewed the contract for the supply of materials to the in-house Property Services Team, which was due to expire in December 2022. We have used the option to extend the existing contract for an additional 15 months to complete a full re-procurement exercise for a new contract to begin in April 2024. The current economic climate and inflation pressures on building materials, in particular, mean we would not receive the best value for money to go out to market at this time.
- Implemented the new out-of-area (OOA) maintenance contract with Bell in July, embedding required KPIs and increasing social value through the contractual obligations within our new OOA contract. The service is overall more expensive than previous arrangements but will ensure a joined-up approach to our reactive maintenance and improvement programmes, consistently high levels of service and increasing efficiencies and social value throughout the 10-year contract. Due to the time of the tender and contract award, this contract is mostly protected by inflationary increases until the first anniversary in July 2023.
- Completed a number of procurement activities for compliance-related contracts; Active Fire Servicing has been awarded to Abca and Electrical Inspection contracts to AB Building and Electrical Ltd. Both contracts offer VFM through better service offers and added value, including reassessment of our risk profile and collection of condition and replacement information on key equipment within our properties. Water Hygiene servicing was awarded to SMS and Norse; the new contracts offer significant savings, with saving for 2022/23 as high as £350k over budget.
- Considered the benefits of training the in-house Joinery Team to undertake work on fire doors, enabling them to both repair and replace them. Due to the initial cost of training and uncertainties around future numbers for delivery, the decision was made for this to remain with a specialist contractor for 2023/24 whilst a small pilot is carried out.
- Continued to explore other opportunities to expand the in-house delivery of planned maintenance activities, including windows and aids and adaptations. The in-house delivery team will deliver circa £250k of our in-area window programme for 2023/24, alongside external contractors delivering a further £180k.
- Explored the use of electric vehicles, finding that delays with supply and the lack of infrastructure to allow charging both at operative's homes and at our sites meant this was not viable at the current time. We have entered into a new lease arrangement for our fleet for three years. We will revisit the possibility of switching to electric vehicles at that time.
- Maximised our grants claims to fund our energy efficiency work, including the Social Housing Decarbonisation Fund (SHDF), successfully submitting a bid worth a total of £1.3 million, which will be 50% grant funded, allowing us to deliver significant energy efficiency improvements for some of our worst performing homes.
- Completed the installation of enhanced heating controls to two of our communal heating systems to address tenant concerns with rising fuel prices, alongside delivering two commercial boiler and control upgrades.
- Delivered 72 in-area supported living component replacements.
- Consolidated the number of contracts used across Property Services activities following the merger between Progress Housing Group and Reside Housing Association will ensure value for money in both the services delivered and the management of multiple contracts by colleagues. This includes using Progress Housing Group's existing fire safety and electrical inspections and the usual reactive repairs service (in-house or contractor) for the Reside Housing Association stock.

- We have procured over 43 contracts, including grounds maintenance, mobile phones, legal services and a number of development projects with a total value of £10.7 million. It has been a challenging economic environment, and we have sought to achieve savings, avoid or minimise cost increases, and improve services for our tenants.
- Contract management training is to be conducted over the coming months. The training covers contract management principles and best practices. It also looks at the contract management framework and how this will aid contract leads in achieving contractual and regulatory compliance. The development of a dedicated contract management intranet page, including a toolkit, is underway which will act as an additional resource. A hints and tips document has been collated in the period to provide guidance and support to our contract leads on how to respond to a price increase request from a current supplier or contractor. We aim to mitigate or offset any increases by negotiating improved services for our tenants and customers. Identified spend with several contractors where actual spend was £6 million greater than what had been contracted for. Working with contract leads to review the services being provided to understand what drove the spending levels to perform value engineering and see how we can be more cost-effective. This has led to teams looking at having the DLO complete part of the service requirements and re-procuring others, ensuring that what we procure is fit for purpose.
- Continued to invest in new IT software, which will deliver improvements to processes, automation of processes and better oversight and visibility of data.
  - Implementation of a new telephony platform enabling enhanced reporting and analytics. This will also provide an opportunity to improve the contact centre's business processes and customer contact experience.
  - Procurement of a new Data Protection System, which will provide a complete solution for maintaining the essential documentation required under data protection law, is underway. The data processing/handling processes are being mapped with the business owners and transformed into a requirements specification.
  - Implementing an improved solution for sales invoicing for Progress Lifeline customers to reduce manual intervention and provide a more streamlined, automated solution for this growing part of our business.
  - Review of the interface between 1st Touch and QLx that will now allow Progress Living to raise their own caretaker and contractor repair orders in real-time. This technology is being reviewed for other service areas across the Group. 1st Touch is also being upgraded to its latest iteration, 'Versaa', to provide a more stable back office and reduce development time.
  - Continue our investment in cyber security and implementing monitoring software that will maintain the required level of visibility into the threats the Group faces and an alerting mechanism for priority events. We will also be looking at Identity Access Management and a password vault solution for employees to improve password security and control access to external systems. We will continue to provide regular cyber security awareness training to all colleagues. We will review our current backup solution and disaster recovery service to identify improvements and other products used by the Group. This will be linked to the business streams' business continuity plans and the management of the Group's risks.
  - We are harnessing our investment in Microsoft 365 by utilising the Power Platform to build Power Apps to support numerous areas of the business. The platform has been extended to support the

out-of-area repairs project by automatically sending repairs created in our housing management system through to Bell's systems and back again once complete. We now intend to harness that integration with other areas of the business.

- Rolling out Microsoft Teams will continue with Skype for Business to be turned off and Teams used for video calls and instant messaging. This will also enable us to terminate our Zoom subscription.
- Improve and continue to develop our business intelligence and reporting platform to provide quality information to all levels of management.

- We reviewed our RWP Void Strategy to improve void performance. The strategy focuses on long-term voids in shared supported living which are difficult to fill due to compatibility issues. This strategy has led to improvements in void performance. Gross void rent loss in 2022/23 was 10.7%, meeting the target of 11.7%. RWP voids are often mitigated through lease arrangements or management agreements, and the net void rent loss was 8.9%, within the target of 10%.

For 2023/24, we are planning to:

- Review the contract for the supply of materials to the in-house Property Services Team, which is due to expire in March 2024. A full re-procurement exercise has commenced and will be completed during the year.
- Implement improvements to the new OOA maintenance contract, improving KPIs and increasing social value through the contractual obligations within the contract.
- Commence several procurement activities for compliance-related contracts, including fire risk works, compartmentation surveys, asbestos surveys, and removals.
- Undertake a pilot of the training available to enable the in-house Joinery Team to undertake work on fire doors for both repairs and replacements. A repairs manager will undertake the training whilst we continue to evaluate future demand to assess the benefits of rolling this out to the wider Joinery Team.
- Test a new approach for our in-house repairs team for 12 months from July 2023. Realigning our voids and repair operatives into a single responsive team, building capacity to enable a programme of annual inspections to move our repairs from a reactive to a proactive service.
- Introduce Voicescape at a cost of £12k. This text message-based system enables more efficient rescheduling of appointments for gas servicing. The costs of missed appointments and the no-access process to the Group are estimated to be about £130k per annum. The Voicescape product promises a 25% reduction in no access for appointments, so that potential savings will be evaluated throughout the project.
- We will explore other opportunities to expand the in-house delivery of planned maintenance activities. We will continue to look at aids and adaptations for Progress Homes and the installation of air source heat pumps during 2023/24.
- We will look to maximise our grant claims to fund our energy efficiency work, including eco funding for our non-social properties.
- As part of Reside Housing Association joining the Group, we will take over the delivery of the gas servicing and

breakdown contract currently delivered by British Gas. This will result in savings of around £50,000 per annum recurring.

- We have reviewed and consolidated our forecast programme and plan to re-procure over 38 contracts, including building materials stores, utilities, cleaning and another workspace project with a total value of £19 million. We will seek to achieve savings, avoid or minimise cost increases, and improve services for our tenants.
- Invest in several new IT projects. Whilst there will be implementation costs, each project will have a business case to justify improvements through automation.
  - Procuring a new data protection system will provide a complete solution for maintaining the essential documentation required under data protection law.
  - Implementing an improved solution for sales invoicing for Progress Lifeline customers to reduce manual intervention and provide a more streamlined, automated solution for this growing part of our business.
  - Review of the interface between 1st Touch and QLx that will now allow Progress Living to raise their own caretaker and contractor repair orders in real-time. This technology is being reviewed for other service areas across the Group. In addition, extensive improvements have been made to the mobile working solution between 1st Touch and QLx for supported living annual review visits resulting in a considerably higher level of automation.
  - Our future investment in cyber security will be around SIEM; this solution will provide us with greater visibility into the threats the Group faces and an alerting mechanism for priority events. We will also be looking at Identity Access Management and a password vault solution for employees to improve password security and control access to external systems. We will review our current backup solution and disaster recovery service to identify improvements and other products used by the Group.

Progress HOUSING GROUP

Current and planned performance against our VFM Strategy

Our VFM Strategy outlines our plans for continued investment in our properties, asset growth through new developments and operating margin.

Progress HOUSING GROUP

The operating margin has been reported in detail within the metrics earlier in this document. In summary:

a) We wish to maintain a high level of re-investment in our existing homes over the coming period, which we believe will result in expenditure at or above the sector median. This includes an increased level of investment in decarbonisation. We aim to ensure that our stock remains in good condition and in high demand, that we support our tenants in dealing with increased fuel costs and that we contribute significantly to the government's carbon reduction targets. We will deliver the component investment programme, respond to tenant feedback and deliver the first phase of the environmental plan.

b) Provide more than 1,358 new homes over the next five years to help reduce the massive shortage of good quality, low-cost housing and supported housing.

c) Achieve a steady improvement of the operating margin.

VFM Strategy Priority 1 - reinvestment in existing homes

In 2022/23, we invested £33.2 million on repairs and maintenance and plan to spend more than £35 million in 2023/24. With regard to component investment, our budget for 2023/24 is to deliver 2,497 components for circa £10.6 million.

Asset performance and long-term sustainability

Understanding the performance of our assets is essential for our decision-making. We plan to complete stock condition surveys for approximately 60% of the stock, bringing all our surveys in line with our target of five years old or less. The updated information will inform our long-term financial plans and our assessment of performance via a net present value calculation using Savills Housing Asset Performance Evaluation (SHAPE). SHAPE highlights the properties performing poorly on financial and social measures, subject to annual review and options appraisals through our Asset Management Working Group.

The Group has developed an Environmental Sustainability Strategy, which was approved by the board in November 2021; this strategy is the driver to begin our journey to achieve net-zero carbon emissions by 2050. It sets out our commitment to deliver a minimum SAP C rating on all our rented properties by 2030, helping to offset increasing fuel costs for our tenants. We will need to deliver significant carbon reduction across all of our Group business activities, including existing homes, new homes, fleet transport and offices.

During 2023/24, we will upgrade our database to implement CX Assets, which will collect, store and analyse our stock condition information and energy performance data. Full transparency of our energy performance data and analysis alongside other investment indicators will give us much greater insight into the overall performance of our assets and lead to better-informed decision-making in the future.

We continue with our set of priorities for investment in the long-term sustainable stock, prioritising essential health and safety compliance first in addition to maintaining decent homes and property conditions whilst also improving the energy efficiency and increasing clean energy sources of our properties.

We use these priorities to develop short, medium, and long-term investment priorities, updated annually to meet any changing priorities or budget constraints.

Progress HOUSING GROUP

Stock geography

The geography of our stock was not the primary driver of performance and cost. However, the number of properties within the geographic area had a more significant influence. Performance in relation to achieving targets was not affected by the impact of geography but rather was influenced by the choice of contractor. We have improved our procurement routes, standard documentation, contract management arrangements and contractor quality control. We continue to monitor and manage these issues to ensure any performance issues are addressed.

Our adopted Development Strategy details the priority areas for delivering our future development programme. We have three priority areas for our general needs delivery, from priority one to priority three. For supported living delivery, we have established the location of all existing schemes so the location of new developments can be suitably considered, with priority given to areas with existing stock or where a suitable mass of properties can be developed. This consideration also includes resourcing schemes through the development period.

Asset Management Strategy

The Asset Management Strategy is key to delivering our Strategic Plan and VFM objectives. We have several clear actions going forward which underpin these requirements:

a) We will continue to monitor the delivery of the Asset Management Strategy, where we have worked with tenants to develop a standard for component replacements.

b) In 2021 we reviewed and revised our Asset Management Strategy to include a separate Environmental Sustainability Strategy to set out our commitment to the carbon reduction agenda.

c) We will continue to implement the Group's Asset Management Strategy to identify poor performers requiring options appraisal, medium performers requiring some investment or other action, and good performers to continue to invest.

d) Developing the supported living Asset Performance Model to evaluate the short-term viability of leased properties against the wider issues of demand and exit strategies.

e) The Group fully understands our assets' social and economic performance and can determine the best options for their future use; this now includes all properties, land and sites we own or manage.

f) The Group is utilising its understanding of social and economic performance to establish principles of targeting investment where it can deliver maximum return (financial and non-financial) against our social housing objectives - demonstrating value for money.

g) The Group has established a set of priorities for investment in the long-term sustainable stock, prioritising essential health and safety compliance in the first instance, and also including maintaining decent homes, carbon reduction and reducing long-term repair costs.

h) The Group has used the priorities to develop a rolling three to five-year investment programme that is updated annually to meet any changing priorities or budget constraints coming to light.

i) The Group has worked with tenants to develop an investment standard that reflects their priorities, which tenant forums made possible.

j) The Group continues to ensure that stock condition data is updated with all the stock surveyed by the end of 2023/24. As investment work is completed, the data is updated to inform future asset management decisions and to manage carbon reduction works and priorities.

VFM Strategy Priority 2 - new investment in homes

The Group's current five-year Development Strategy covering 2019 to 2024 is to deliver 1,000 units at a gross cost of £173 million. In 2022/23, we spent £33 million and delivered 142 new units. For 2023/24, we have an approved budget of £40.9 million to deliver 200 new units. Key activities within our Development Strategy are:

a) Land-led development

Our efforts continue to deliver a greater proportion of land-led development in future years of the development programme. Our first land-led development is now progressing on-site. It is being constructed by Concert Homes to ensure that procurement savings remain within the Group. Further sites are working through the internal approval process to be acquired, and other sites continue to be assessed for future delivery.

This approach will provide greater control of our procurement through a reduced dependence upon developer-led arrangements and smooth supply stability. Improvements should also be seen in value for money, including consistency in product design and quality.

b) Design and layout standardisation

Our scheme layout principles, external façade treatments and landscaping requirements reflect our desire to create schemes that contribute positively to the quality of the place. These vary depending on the location and setting of each scheme.

Our range of standard house types for affordable delivery provides a clear design and layout for a significant proportion of our future development programme. This facilitates efficiency in construction procurement for land-led opportunities, providing greater control over the future development programme and consistency in our offer to the market, allowing a more efficient size of properties to be offered to the market generating savings in construction costs.

In addition, we have also developed standard layouts and design principles for our supported living delivery programme. These are used as a baseline for design, which can then be added to reflect any specific requirements from commissioners or the relevant user groups. This allows similar gains to the standard house types with regard to efficiencies in initial construction costs and ongoing maintenance and management costs.

These layouts are periodically reviewed to ensure that new or updated requirements can be met, i.e. net zero carbon building regulation requirements. The layouts ensure ease for the future retrofit of new technologies regarding energy use, along with component replacement and repairs, ensuring costs are minimised.

c) Review of new home standard specification

Our new home standard specification in relation to affordable rent and shared ownership tenures continues to be reviewed periodically (every six months), and this process is supported by post-completion reviews for schemes that have been developed and completed. These reviews assess defects that may have occurred, along with issues identified by our Asset Management Team and capture tenant feedback through our Neighbourhood Team to improve our standard product and maximise future sustainability.

This ensures we meet tenant expectations, ensure appropriate capital input in a market with increasing development costs, minimise future maintenance and component replacement costs, and maximise efficiency around our resource input. This minimises running costs for tenants and owners directly and through service charges.

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d) Review of supported living standard specification

We continue to review our base supported living standard specification periodically (every six months) to ensure it meets existing customer expectations and requirements whilst also facilitating easy and cost-efficient long-term adaptability and sustainability of the property. This will assist in ensuring 'fit for purpose' whilst assisting in minimising void periods. This process is supported by post-completion reviews for schemes that have been developed and completed. These reviews assess defects that may have occurred, along with issues identified by our Asset Management Team and capture tenant feedback through our Supported Living Housing Management Team to improve our standard product and maximise future sustainability.

This ensures we meet tenant expectations, ensure appropriate capital input in a market with increasing development costs, minimise future maintenance costs, minimise future maintenance and component replacement costs, and maximise efficiency around our resource input. This minimises running costs for tenants and support providers directly and through service charges.

e) New build approach to net-zero carbon

We continue to assess our approach to net-zero carbon concerning our new build development programme across all need categories. We continue to focus on a fabric-first approach whilst ensuring that any future retrofit technology can be easily accommodated. The approach on a specific, large-scale scheme currently being delivered on-site has supported thinking for the wider development programme, and this will inform the approach in our standard unit types, design briefs and employer requirements. This will ensure maximum value is provided by any additional capital investment without creating significant future investment legacy issues for maintenance and asset management.

f) Through Cutting Edge Framework and other partnerships, analyse and compare cost data for new build construction.

We continue to be active members of the Cutting Edge Framework. This is a European Union-compliant procurement framework. It allows us to work with other RPs to compare and analyse cost data information for new build construction contracts and costs in use. We continue to explore other partnership and procurement opportunities which will assist in sharing best practices and ensuring value for money is maximised, particularly for those consultancy services not currently covered by Cutting Edge, i.e. valuation, structural engineers, etc. This will provide specific support for supported living delivery for RWP to ensure we gain the best value for money and the best level of service.

Work continues with our external cost consultants to ensure we have clarity and analysis around both current and future construction cost trends across all of the types of schemes that we deliver in terms of scale, procurement route, need category, etc.

Our overall assessment of VFM

The board believes that, in completing this comprehensive VFM self-assessment, it has complied with the regulator's VFM Standard.

We have produced a full and honest assessment to enable our stakeholders to understand how we are currently performing against the targets we had set ourselves and what our forward-looking targets are to demonstrate our continuing commitment to VFM.

Further details can be found on the Group's website www.progressgroup.org.uk

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