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Introduction

This document sets out the strategy for the Progress Housing Group's approach to value for money (VFM). The Group's vision is to have a positive impact on people and communities by providing high quality homes, supporting independence and creating opportunities with one of our aims to build an even stronger organisation. VFM underpins the delivery of our vision and aims. Our overarching VFM objective is to achieve our VFM priorities to provide better services to our tenants and maintain our capacity to support new supply.

VFM is important to us as we want to ensure we can achieve our priorities year on year in order to maintain our existing properties, manage our liabilities, improve our operating margin, manage upward cost pressures, to not only protect but also add value to the services we deliver to tenants and continue our development programme. Value for money is not only about achieving excellent quality services to the satisfaction of our tenants and customers but also helping us to subsidise important services. Our tenants inform us through the Tenant Satisfaction Measure survey that repairs, maintenance and communication are important to them. We measure this through our VFM metrics and other performance indicators.

"Value for money" is the term used to assess whether an organisation has obtained the maximum benefit from the goods and services it acquires and/ or provides, within the resources available to it. It not only measures the cost of goods and services, but also takes account of the mix of quality, cost, suitability and timeliness to judge whether, when taken together, they constitute good value. The strategy helps to inform decisions about our VFM priorities, and we align our VFM targets to our 2025-2030 Strategic Plan.

VFM is incorporated into key strategies including Development, Procurement, Asset Management, Digital and Community Investment. Decisions on VFM will always be taken within the context of our social and business objectives.

Aims of the Value for Money Strategy

To help us achieve our value for money objectives, we operate the strategy under 3 main areas of activity. Our Strategic Plan states that we are committed to investing in existing homes and helping the sector to increase affordable housing supply. The VFM priorities are Asset Management, Asset Growth and Operating Margin as these areas are where the Group makes the largest investment and provides the greatest opportunity to add value.

Our Asset Management Strategy helps us to deliver an important part of our Homes strategic aim. It provides a framework for the Group to manage stock proactively and supports business plan objectives. It links knowledge of the stock gained to date, the property requirements in response to local demand and tenant aspirations and what is affordable in the Group's financial plan. The strategy also supports the Group to manage property related risks by investing in data quality and developing a predictive analytics-based approach which also supports the Group in complying with recent legislation changes.

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Our Development Strategy recognises that there is a significant, unmet need for more homes to rent and purchase at an affordable price. Our primary purpose as a housing association is to assist in meeting this need and this strategy includes delivery of:

- * Affordable rent housing - homes to rent at Affordable, formula and social rents.
- * Affordable Home ownership
- * Supported Living accommodation
- * Housing for older people

Opportunities for partnerships and mergers are important to us with VFM being an important element in any strategic decisions we make for our future growth. VFM is an important part of our Board consideration as and when such opportunities arise.

The Board is clear that, to maintain our financial strength, focus is on improving the Group's operating margin. We have prioritised expenditure on property health and safety in the last three years, which in the main were one-off costs. Maximisation of income along with understanding the costs of services, how they change over time, how we compare to others and our future cost estimates are crucial to managing our operating margin. This activity underpins one of our cross cutting themes to be a strong organisation delivering growth, innovation, value for money and continuous improvement alongside high standards of corporate governance to ensure we operate in a safe and socially responsible manner.

This strategy will aim to achieve the following:

- a) Maintenance of 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 increasing level of investment in decarbonisation, as set out in our Environmental Sustainability Strategy. Our aims are 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 make a significant contribution to the government's carbon reduction targets. We will deliver the component investment programme, respond to tenant feedback and deliver the goals within the Environmental and Sustainability Strategy by 2029.
- b) Provide new homes over the next five years in line with the capital capacity identified within the long term financial plan, to help reduce the massive shortage of good quality, low cost housing and supported housing.
- c) Achieve a steady improvement of the operating margin.

Business Stream approach

We have five business streams which all have a positive contribution to the Group. The Group's strategic plan recognises that the social housing business streams have primacy over the others. Our two social housing business streams Progress Homes and RWP deliver our core services and are the main contributors to the Group's operating margin. For this first time, we have included business stream VFM objectives within this VFM strategy.

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Where are we now?

Summary

a) Asset Management

We have an Asset Management Strategy which helps us to identify both poor and well performing stock that will trigger a possible options appraisal. We have invested heavily in our stock condition survey programme since 2023, bringing over 93% of our stock condition surveys in line with our target of 5 years old or less and during 25/26 we will continue to focus on improving this towards 100%. 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 both financial and social measures, which are subject to annual review and options appraisals through our Strategic Asset Management Group. We have updated the 5 year Environmental Strategy to 2029 which reaffirms the commitment to achieve EPC C by 2030 and Net Zero by 2050.

b) Asset Growth

The Group's current five-year Development Strategy covering the period from 2024 to 2029 sets out the strategic principles that support the development programme for both general need and supported living accommodation. The delivery output numbers are derived on an annual basis through the long term financial plan review process. It is anticipated that the 5 year strategy will deliver close to 1000 units across the period. In the first year of the strategy, 146 new homes were delivered. The development delivery numbers in the future will be supplemented by leased delivery of supported living accommodation, which does not require capital input.

Our range of standard house types for affordable delivery continue to be reviewed periodically to ensure they remain appropriate. These are utilised wherever possible in package deals, with development partners adopting many of our design principles when gaining planning permission or delivering properties on our behalf. We continue to periodically review our new home standard specification in relation to affordable rent, shared ownership and supported living tenures. This standardisation assists in driving efficiency and value for money in future management and maintenance of properties that are developed.

We continue to assess our approach to net-zero carbon with regard to our new build development programme across all need categories but initially remain focused on a fabric first approach. This approach is established and reflected in our standard unit types, design briefs and employer requirements, ensuring maximum value is provided by any additional capital investment, without creating significant future investment legacy issues for maintenance and asset management. Our large scale, extra care scheme continues to progress on site and performance of this in use will support our thinking across the wider, future development programme.

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We continue to deliver against our Homes England Strategic Partnership commitments in partnership with Onward Homes. This will facilitate start on site delivery of in excess of 400 grant funded homes by March 2026.

c) Operating Margin and Benchmarking

RSH Metrics

Operating margin is a key RSH metric in this strategy. For the three years ending in 23/24, the Group has seen a decline in its operating margin mainly due to the prioritisation of health and safety and compliance works and the acquisition of Reside Housing Association, which has a lower operating margin, due to its larger proportion of leased supported living accommodation. For 24/25 the operating margin has increased from 12.3% in 23/24 to 16.1%. This compares with the sector for 23/24 at 18.5% and is influenced by our supported living portfolio.

One of the main factors affecting operating margin is the level of cost incurred. We focus on the different needs categories. For supported living, our cost per unit of £12,555 which is lower than the SPBM supported housing benchmark group at £14,163 but marginally higher than the 30% supported benchmark group at £12,029. Our general needs and independent living cost per unit of £4,757 is marginally below the sector average of £4,819. We have a higher proportion of supported living leased schemes which have a lower margin.

What do we need to do to achieve our aims?

a) Asset Management

We have the following plans for future investment in existing homes, within the next 5 years:

- We will invest £111 million on repairs and maintenance and £70.5 million on capital components over the next 5 years replacing on average 2100 components each year. We will 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, reduce long-term repair costs, carry out external and communal area redecoration periodically as well as regular estate improvements and improve the energy efficiency of the properties. We can then use these priorities to develop short, medium and long-term investment priorities which can be updated on an annual basis to meet any changing priorities or budget constraints.
- We will continue to monitor the delivery of the Asset Management Strategy where we have worked with tenants to develop a standard for the component replacements.

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b) Asset Growth

The key areas of focus within this priority are:

- Deliver against the newly adopted Development Strategy including delivery of the programme for 2025/26 against the financial capacity identified in the long-term financial plan. Where appropriate exposure to the sales market may be reduced by revising tenure of sales units to Affordable Rent, social rent, or delivering these homes as Rent to Buy.
- For new affordable developments utilisation of our standard house types will occur wherever possible or will be used to influence developers design. This facilitates efficiencies in the construction procurement process providing greater control over the future development programme, consistency in our offer to market, consistency and quality control of design, and efficient sizing of properties, which generates savings in construction cost.
- The standard home specifications will be reviewed and will be supported by post completion reviews for schemes developed. These will assess themes on defects along with aspects identified by our asset management team. Gaining greater knowledge of tenant and owner satisfaction and views will assist in maintaining tenancy length and reducing tenancy turnover.
- We will continue to review our base supported living standard specification 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 and the risk of scheme failure.
- We will seek and secure alternative procurement arrangements as the Cutting Edge Framework comes to an end during 2025/2026. Ensuring we continue to work with other registered providers to compare and analyse cost data information for new build construction contracts, costs in use and also to maximise grant levels secured.
- We will continue to develop our approach to carbon reduction with regard to our new build and refurbishment development programme across all need categories. This will be reflected within our standard unit types, design briefs and employer requirements. This will ensure that maximum value is provided by any additional capital investment, without creating significant future investment legacy issues for maintenance and asset management.

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c) Operating Margin and Benchmarking

The operating margin derived from our 25/26 budget and long term financial plan to 2030 shows an increase in operating margin (Social) from 17.9% in 25/26 to 21.9% in 29/30. Longer term there is an increase in operating margin overall from 17.3% in 25/26 to 20.5% in 29/30 and an increase in cost per unit £7,787 (2024/25) - £8,626 (2029/30).

We will monitor how our costs track against our chosen benchmark groups.

d) Business streams

All of the business streams consider VFM within their activities and have identified their own VFM priorities as detailed in the table below.

Business stream	VFM Priorities
Progress Homes	<p>Income & benefit maximisation through the tenancy sustainability service.</p> <p>Reduced abandonment costs (void re-let costs) due to tenancy sustainability and a person centred income management approach.</p> <p>Maximise training for all teams though the use of our solicitor webinars, and opportunities for free or inhouse training.</p> <p>Develop the management of the £140k environmental improvement budget where the aim is to group tree works together for a better price.</p> <p>To annually review the costs of tenant activities v contribution to PHG and the aim will be to:</p> <ul style="list-style-type: none"> • reduce travel costs • review level contributions and donations given <p>Joined up approach within void and reactive repair operational teams will provide a more effective and targeted service.</p>
RWP	<p>Deliver KPIs:</p> <ul style="list-style-type: none"> • review processes under the Better-Quality Services Review (BQR) • void loss % (net) • current Rent arrears (%of annual debit) • current number of rental streams • overall satisfaction with repairs service • customer Promises

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Key Unlocking Futures	<p>To ensure that the Emotional Health and Wellbeing contract income is maximised by managing staff levels and case throughput. (This is a payment by results contract)</p> <p>To continue to deliver Key's Tenancy Support Service to support tenancy sustainability at any point in a client's journey.</p> <p>To ensure that the purchasing power of the Tenant Support Fund continues to be maximised.</p>
Progress Lifeline	Deliver a £100k VFM target for budget 2025/26. A variety of methods will be used which will be monitored and tracked.
Progress Living	<p>Deliver and maintain trust nominated occupancy level targets across all sites.</p> <p>Achieve emergency urgent and standard repairs targets</p> <p>Maintain and improve standard of properties to meet customer satisfaction requirements</p>

e) Technology

We recognise the importance of digital as an organisation and we are reviewing the Digital Services strategy, working collaboratively with each business stream to achieve operational objectives and goals. Future investment in new and emerging technology will aim to improve efficiency, reduce costs and improve customer experience.

f) Financial controls

The Group has a robust internal control environment and will incorporate a renewed focus on key areas which will strengthen our VFM positioning. These include budgetary control, procurement, contract management, income maximisation, assets, liabilities, stock and cash flow management. Budget holders aim to maximise opportunities for improvement.

g) Procurement

Procurement and contract management underpin many Group activities with VFM as a key driver. The Procurement Act 2023 embeds VFM by introducing a simpler, more transparent and competitive procurement process. Some key ways the Act achieves this is in support for SMEs and aligning to the National Procurement Policy Statement (NPPS).

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APPENDIX

ROLES AND RESPONSIBILITIES

The Board and Senior Leadership Team have overall responsibility for the delivery of VFM activities within the Group. The Board leads on the Group's approach to VFM including preparation of the Group's statement of compliance to the VFM Standard for approval by the Board.

The Board delivers their responsibilities through the following approach:

- Review and approve the VFM strategy
- Review progress of VFM objectives through monitoring progress against strategic plan objectives
- Considering VFM within relevant board reports, including financial, performance monitoring and benchmarking information
- Review and approve the annual VFM statement of compliance to the VFM standard
- Review and approve the long term financial plan
- Review the long term efficiency of our assets as part of our asset management strategy to understand the financial, social and environmental returns we can deliver

The Senior Leadership Team delivers their responsibilities through:

- Setting the strategic objectives within the strategic plan.
- Oversight of the business stream business plans
- Implementation of the annual VFM operational actions.
- Ensuring staff engage in achieving the Group's VFM objectives.
- Facilitating tenant and customer involvement in VFM where relevant.
- Providing oversight of the Group's approach to social value as can be seen in our Social Value report.

REGULATORY REQUIREMENTS

The Group has a requirement to comply with the RSH's Value for Money Standard 2018. In order to meet our regulatory responsibilities, the Group is required to publish its compliance to the VFM standard by the 30 September each year. As part of this process the Group will publish annually evidence in the statutory accounts and on our website to enable stakeholders to understand our performance against our targets and the metrics set out by the RSH, and how our performance compares to peers. In addition to set out plans to address any areas of underperformance.

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VFM OUTCOMES

Our specific outcomes each year include:

- **Strategic Plan** – details our priorities up to 2030, updated annually
- **VFM Targets** – included within the annual VFM position statement.
- **Annual Compliance Statement** – this details our completed activities and where we need to continue our focus.
- **Benchmarking** – reviewing our service provision with external sources including RSH Global Accounts, SPBM, and External Publications to enable us to assess our position against comparable organisations.
- **Customer Engagement** – engaging with our tenants and customers to involve and obtain feedback on our VFM targets including through our budget process, our scrutiny activity and forums.
- **Financial Planning** – understanding of our forward looking financial position to enable us to identify areas for re-investment of operating cash flows to allocate resources to other activities.
- **Employee Expertise** – we recognise our colleagues are essential to the delivery of the above framework and we have a central procurement team, budget holder responsibility and senior management lead to embed VFM within the Group. We also value the opinion of colleagues and will undertake pulse surveys with employees with resultant action plan.