

Progress Housing Group					
Title:	Value for Money Strategy				
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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 in order 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 are able to 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 STAR survey that repairs, maintenance and VFM in rents and services 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 or not 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 or not, 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 2027 Strategic Plan.

VFM is incorporated into key strategies including Development, Procurement, Asset Management 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 2027 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 therefore provides the greatest opportunity to add value.

Our Asset Management Strategy helps us to deliver an important part of our strategic aim of ‘Providing More and Better Homes’. It provides a framework for the Group to manage stock proactively and support 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.

Our Development Strategy recognises that there is a significant, unmet need for more homes to rent 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 the 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, in order 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 2024.
- b) Provide more than 1,200 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.

Business Stream approach

We have six 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.

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 are planning to re-survey approximately 60% of our stock during 2023/24, bringing all our stock condition surveys in line with our target of 5 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 both financial and social measures, which are subject to annual review and options appraisals through our Asset Management Working Group.

We have continued with delivery of the Environmental Strategy.

b) Asset Growth

The Group's current five-year Development Strategy covering the period from 2019 to 2024 is to deliver 1,000 units at a gross cost of £173 million. In 2022/23 we spent £32 million and delivered 144 new rental streams against targets of £46m and 232 units.

We continue in our efforts to deliver a greater proportion of land led development in future years of the development programme. Our first land-led development commenced on site in April 2022 with further sites working through the internal approval process, towards acquisition. This provides greater control of our procurement through a reduced dependence upon developer led arrangements.

This will improve supply stability and value for money, including consistency and quality of product. Further development sites continue to be assessed for future delivery with one secured through an options to buy agreement and currently in the planning process. This site will be acquired once planning permission is secured.

Our range of standard house types for affordable delivery have now been adopted which standardises design and layout for a significant proportion of our future development delivery programme.

We have reviewed our new home standard specification in relation to affordable rent, shared ownership and supported living tenures.

We continue to assess our approach to net-zero carbon with regard to our new build development programme across all need categories. We are initially focusing our approach on a specific, large scale scheme which is now progressing on site to support thinking for the wider development programme. Once established, the approach 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.

We have commenced our work with Onward Homes as part of the Homes England Strategic Partnership. This will facilitate delivery of 600 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 21/22, 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 22/23 the operating margin has increased from 13.6% in 21/22 to 15.1%. This compares with the sector for 21/22 at 19.5% and is influenced by our supported living portfolio.

One of the main factors affecting operating margin is the level of cost incurred. For 2022/23, we have a higher cost per unit than the relevant benchmark groups because of our higher proportion of leased schemes and of supported living accommodation. At needs category level, for supported living, our cost per unit of £10,877 is lower than the SPBM supported housing benchmark group at £13,912 but higher than the 30% supported benchmark group at £10,038. Our general needs and independent living cost per unit of £4,135 is above the sector average of £3,830. 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.

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 c£51.7 million on repairs and maintenance with £10.6 million planned for 2023/24 to deliver 2,497 components.
- 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.

b) Asset Growth

- Continuation of the development programme and for 2023/24 there is an approved budget of £41m to deliver 200 new units. Where possible, exposure to the sales market has been 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. This facilitates efficiencies in the construction procurement process on land led opportunities, providing greater control over the future development programme and consistency in our offer to market. Greater consistency and quality control of design will allow more efficient size of properties to be offered to the market generating 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.
- 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.
- We continue to be active members the Cutting Edge Framework. This is a European Union compliant procurement framework and it allows us 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 net-zero carbon with regard to our new build 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.

c) Operating Margin and Benchmarking

The operating margin derived from our 23/24 budget and long term financial plan to 2028 shows:

- An increase in operating margin (Social) from 18% in 23/24 to 18.4% in 27/28. An increase in operating margin overall from 14.6% in 23/24 to 17.7% in 27/28. An increase in cost per unit £6,821 (2023) - £7,829 (2028)

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 by the new tenancy sustainability service – protecting our rental yield</p> <p>Reduced Community Safety legal costs</p> <p>Months free trial of Rent Sense automation software</p> <p>Reduced abandonment costs (void re-let costs) due to tenancy suitability and our new person centred income management approach</p> <p>Reduced evictions costs (court, voids etc.) due to tenancy suitability and our new person centred income management approach</p> <p>Mitigating future tenant property damage due to our new enhanced tenancy sustainability service and earlier interventions</p> <p>Carrying out cleaning and property clearances in-house will reduce cost of employing external contractors.</p> <p>Implementation of proactive property inspections will reduce escalation of repairs and improve early resolution.</p> <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"> • Void loss % (net) • Current number of rental streams • Overall satisfaction with repairs service

<p>Key Unlocking Futures</p>	<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 re- frame Key's Critical 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 is maximised.</p>
<p>Concert Living</p>	<p>Securing land on the most competitive and profitable terms possible.</p> <p>Tendering schemes in order to secure the best and most reliable trades people and suppliers at the best price.</p> <p>Ensure sites and properties are comprehensively designed to ensure technical problems are designed out of the scheme, with value engineered solutions where possible.</p> <p>Seek to increase turnover i.e. units sold per annum and to minimise working capital tied up by managing the numbers of units in construction at any time.</p>
<p>Progress Lifeline</p>	<p>£200k VFM target for budget 2023/24. A variety of methods will be used which will be monitored and tracked.</p>
<p>Progress Living</p>	<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>

In addition to the specific VFM objectives, we will continue reporting of each business stream contribution and their own operating margin.

e) 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. We will work with budget holders across the Group to maximise opportunities for improvement.

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.

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.

VFM OUTCOMES

Our specific outcomes each year include:

- **Strategic Plan** – details our priorities up to 2027, 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.