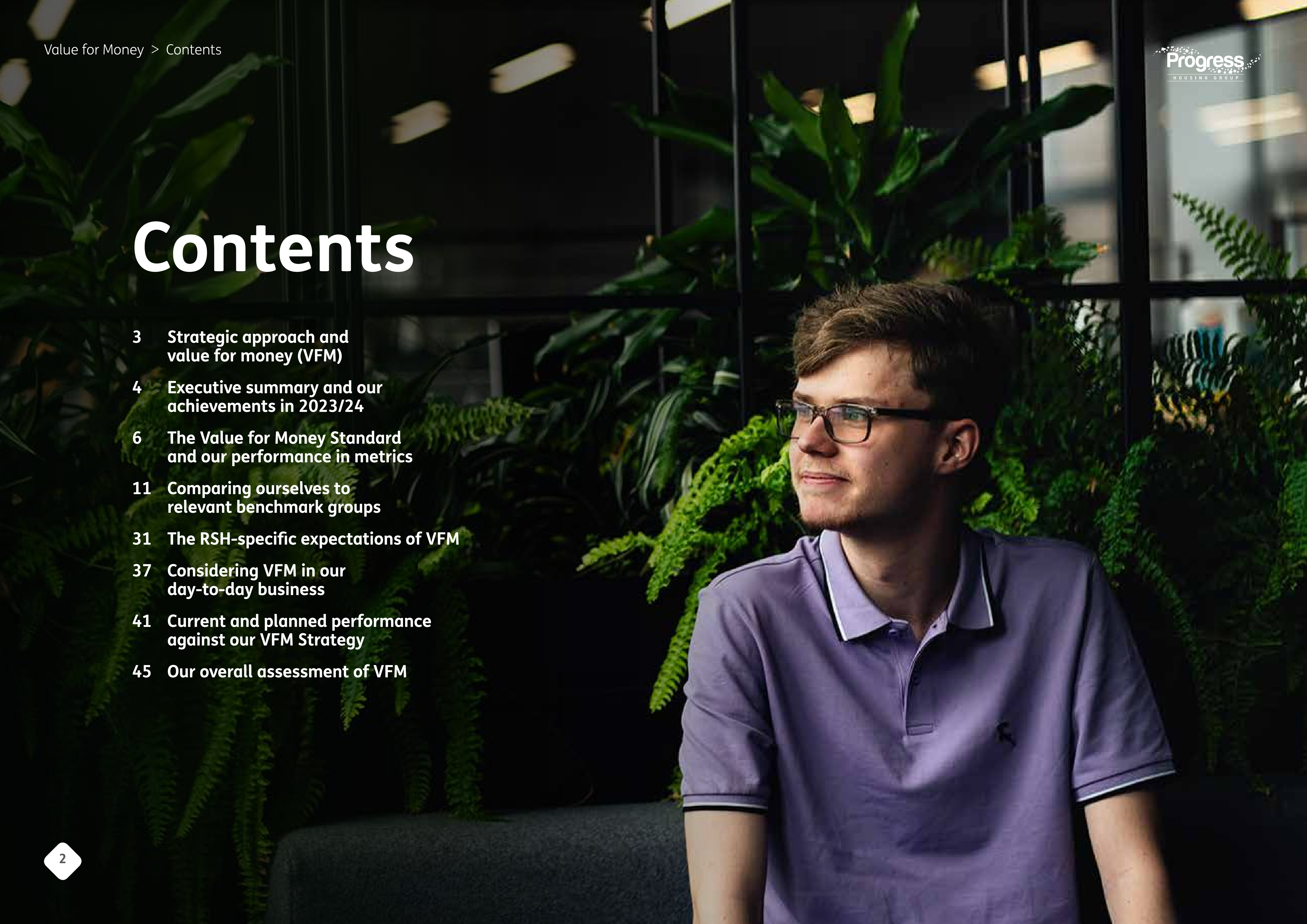
Progress
HOUSING GROUP

# Value for money

## Position statement 2023/24



# Contents

# 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 2024-2029 – 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 2023/24, 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 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 2024.

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.

# Executive summary - our achievements in 2023/24

**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 that 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 key worker accommodation; Progress Lifeline, which provides Technology Enabled Care and Support (TECS) services; and Concert Living. 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 the work we do 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 five-year Development Strategy covering the period from 2019 to 2024 was 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 2023/24, we spent £40 million on new developments, which was below our target of £41 million. We delivered 164 new rental streams consisting of 76 general needs, 59 shared ownership properties, and 29 specialised supported housing properties. Of these units, 114 were delivered through Section 106.

- **Approved an investment of £69.7 million over five years to deliver an average of 2,100 components each year (e.g. bathrooms and kitchens).**

  For 2023/24, our targeted spend on components was £10.6 million (£9.8 million on 2,225 replacements and £0.8 million on fire safety and compartmentation works). The actual amount spent in the year was £10.1 million (£9.7 million on 1,880 replacements and £0.4 million on compartmentation works).

- **Our operating margin is set to increase steadily by 3.9% over the next five years. This is due to contributions from shared ownership sales, growth in TECS customers, and rental income increases.**

  For 2023/24, we achieved an operating margin of 12.3% against a target of 14.6%.

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

  For 2023/24, we re-procured contracts totalling £41.9 million, resulting in £0.2 million in savings and improved services for tenants on some current existing contracts, we have also seen an annual increase of around £0.6 million on other existing re-procured contracts. Over the year approximately £6.4 million of the work procured was of new business.

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

  The Group has continued to maintain arrears and performance. We have exceeded our overall target of 4.7% for current tenant arrears by 0.1%. We have seen an increase in void rent loss, which was expected, and have achieved better than the 7.2% target at 7.0%.

- **Understanding our social housing cost per unit is a key focus. Our target for overall headline cost per unit for 2023/24 was £7,326, for supported living, £11,417, and general needs/independent living, £4,755.**

  The actual overall headline cost per unit for 2032/24 was £7,511, for supported living was £12,206, and for general needs/independent living was £4,627. The RWP portfolio includes a significant proportion of leased-in stock, which increases cost per unit compared to owned stock. For 2024/25, this target is increasing to £7,836 overall and for supported living, £12,597 and for general needs/independent living, £5,056. The increase in cost per unit for 2024/25 reflects the increased investment in property compliance.

# The Value for Money Standard and our performance in metrics

**We must comply with the RHS's 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 achieve value for money and deliver our strategic objectives. The RSH published its Global Accounts 2023 report in April 2024.**

The Group has compared its performance for 2022/23 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 | 2022/23 | 2021/22 | 2022/23 | 2023/24 | 2024/25 | 2025/26 | 2026/27 | 2027/28 | 2028/29 |
| 1 | Reinvestment % | 6.5% | 5.6% | 6.6% | 7.2% | 9.0% | 7.0% | 6.8% | 6.4% | 6.1% |
| 2a | New supply delivered (social housing units)* | 1.4% | 2.1% | 1.3% | 1.5% | 1.7% | 1.6% | 2.7% | 2.1% | 2.0% |
| 2b | New supply delivered (non-social housing units) | 0.0% | 0.1% | 0.3% | 0.1% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| 3 | Gearing % | 44% | 43% | 43% | 44% | 44% | 34% | 35% | 35% | 35% |
| 4 | EBITDA MRI as a % of interest (cash surplus) | 145% | 209% | 219% | 216% | 197% | 175% | 197% | 237% | 271% |
| 5 | Headline social housing cost per unit | £4,151 | £6,022 | £6,834 | £7,511 | £7,836 | £8,072 | £8,239 | £8,245 | £8,290 |
| 5a | Headline social cost per unit (general needs and independent living) | £3,830 | £4,273 | £4,155 | £4,627 | £5,056 | £5,460 | £5,685 | £5,715 | £5,789 |
| 5b | Headline social cost per unit (supported housing) | £10,038 | £8,610 | £10,881 | £12,206 | £12,597 | £13,046 | £13,350 | £13,532 | £13,607 |
| 6a | Operating margin (social housing lettings only) | 23.3% | 14.2% | 15.1% | 15.6% | 18.3% | 19.8% | 21.1% | 23.0% | 23.4% |
| 6b | Operating margin (overall) | 20.5% | 13.6% | 13.9% | 12.3% | 16.4% | 17.6% | 18.0% | 19.9% | 20.3% |
| 7 | Return on capital | 3.2% | 2.4% | 2.7% | 2.3% | 3.4% | 3.1% | 3.2% | 3.5% | 3.5% |

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 | 2022/23 | 2021/22 | 2022/23 | 2023/24 | 2024/25 | 2025/26 | 2026/27 | 2027/28 | 2028/29 |
| 8 | % of overall tenant satisfaction | Tenant satisfaction measures | 72.7% | 79.9% | 69.4% | 75.2% | 77% | 78% | 79% | 80% | 81% |
| 9 | % of current tenant arrears* | Global Accounts | 3.7% | 4.2% | 5.0% | 4.6% | 6.0% | 5.5% | 5.0% | 4.7% | 4.7% |
| 10 | % of former tenant arrears* | Global Accounts | 1.2% | 1.0% | 0.8% | 0.8% | 0.8% | 0.8% | 0.8% | 0.8% | 0.8% |
| 11 | % of rent collected | Global Accounts | 100% | 99.4% | 99.2% | 99.9% | 99.5% | 99.5% | 99.5% | 9.5% | 99.5% |
| 12 | Responsive repairs completed within target timescale** | Tenant satisfaction measures | 84.2% | 94.3% | 82.2% | 83.2% | 92.0% | 92.0% | 92.0% | 92.0% | 92.0% |
| 13 | Rent lost due to vacant properties | Global Accounts | 1.3% | 5.7% | 6.9% | 7.0% | 6.8% | 6.7% | 6.6% | 6.6% | 6.6% |
| 14 | % of vacant social housing stock at 31/03 | Statistical Data Return | 0.8% | 3.0% | 4.6% | 5.0% | 3.5% | 3.5% | 3.5% | 3.5% | 3.5% |
| 15 | % of time lost due to employee sickness*** | Office of National Statistics | 2.6% | 5.2% | 4.2% | 4.4% | 4% | 4% | 4% | 4% | 4% |
| 16 | % of employees leaving the Group – voluntary | Housemark | 16.5% | 12.9% | 11.0% | 9.9% | >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 shows that we are outperforming or the same as the sector for three of the nine metrics. These are overall tenant satisfaction, % former tenant arrears, and % of employees leaving the Group voluntarily.

We are not in line with the sector median for six metrics - current tenant arrears, rent collected, responsive repairs completed within target timescale, 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 five of the nine metrics - overall tenant satisfaction, current tenant arrears, rent collected, responsive repairs completed in timescales, and employees leaving the Group.

### Satisfaction (metric 8)

Tenant Satisfaction Measure surveys were undertaken in 2023/2024 for Progress Housing Group and RWP tenants. We have seen increases in satisfaction in all 12 perception survey questions. Tenants conveyed that they had concerns about the repairs service, particularly the time scales to complete work and dealing with outstanding repairs. This is a sentiment that 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 the Group. Around 65% of all current tenants had a registered repair raised within the last 12 months.

The Group suffered below-par external contractor performance for the responsive repair service in the first three quarters of the year, which contributed to reductions in satisfaction levels. From January 2024, we entered new partnerships with five national contractors, and analysis shows that repair performance and subsequent satisfaction significantly improved in the year's final quarter.

It is also important to consider the cost-of-living crisis, government and political changes, and other external factors that may influence satisfaction.

### Employee (metric 15)

The Group uses the Office of National Statistics (ONS) Labour Force Survey as a benchmark for sickness absence comparisons. ONS currently reports an absence rate of 2.6%. However, absence rates and average days lost vary depending on the sector, region, and size of the workforce.

We will continue to develop our Health and Wellbeing Strategy to address barriers to wellbeing, identifying ways we can 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 exceeded our current arrears target of 4.7% by 0.1%. Progress Housing Group shows current tenant arrears of 2.1%, which is well within target and below the median benchmark for our peers. This overall figure has, however, been impacted by RWP collection rates, which results in current tenant arrears of 6.7%. There are often delays in payments from Housing Benefit, which contribute to this figure, and there are also more challenges by government agencies to Housing Benefit payments that often take considerable time to resolve. We have worked extremely hard to maintain performance and have seen improvements in this performance throughout the year on our supported living business stream (RWP). Due to the current economic climate, we expect 2024/25 to be a continuing challenge and additionally, there is a 53-week year which may cause the arrears position to worsen for tenants receiving Universal Credit.

## 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 previous national contractor contract. The new national contractors that have been used since January 2024 are being closely monitored. The Group is now seeing significant performance improvements, with an increase in repairs being completed on time.

## Voids and lettings (metric 13 and 14)

This year we have seen a slight worsening in voids performance driven in part by an increasing number of major voids. More void properties are being prepared for re-let by our external contract partner, but this will be fully brought back in-house during the next six months. 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 for voids, and when comparing general needs and independent living rent lost due to voids, we are performing better than our peers.

Due to the nature of supported living accommodation, it has longer re-let times and higher rent losses. 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.

# Comparing ourselves 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 – Acuity Supported Housing Benchmarking Meeting (SPBM).**

The Group's capital structure is quite substantially different from other RPs, making it difficult to benchmark our financial performance against other 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 2024.**

## Metric 1 – Reinvestment Efficiency

This reinvestment 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 is above 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.

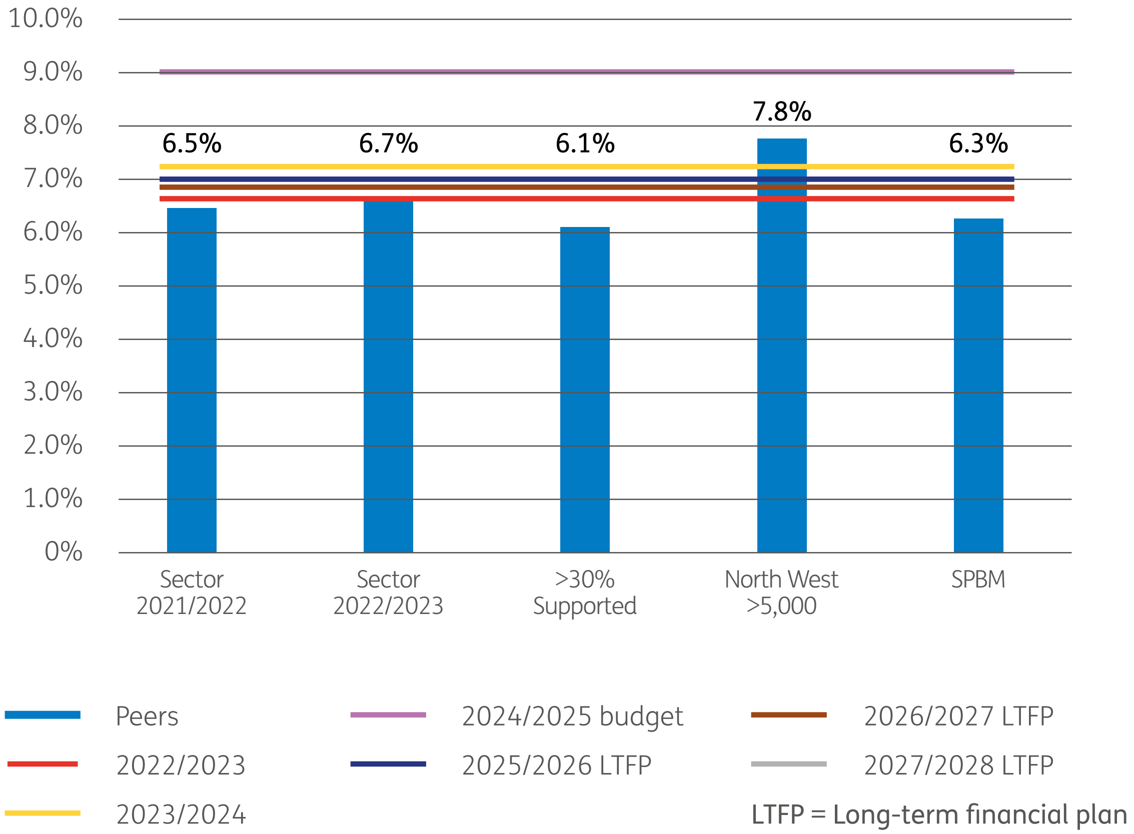
| Actual | | | Budget | 2024 Financial Plan | | | |
|---|---|---|---|---|---|---|---|
| 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 |
| 5.6% | 6.6% | 7.2% | 9.0% | 7.0% | 6.8% | 6.4% | 6.1% |

## 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 2023/24, we reinvested 7.2% of the total value of our housing assets. Reinvestment in new homes increased by 0.5% to 5.5% and reinvestment in our existing homes remained at 1.7%. In 2024 we spent over £10 million on components, and £35 million on new homes. We are forecasting that reinvestment for 2024/25 will continue to increase to over £48 million on new homes and £13 million on components, which increases reinvestment to 9.0%.

## Benchmarking

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




The sector's median has increased by 0.2% to 6.7% compared to the previous year. Our reinvestment increased by 1.1% in 2022/23. In previous years, the sector has invested less in existing stock; this year, our investment 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 decrease slightly from 7.2% in 2023/24 to 6.1% in 2029. This is driven by an increase in the capital budget for new developments and component replacements. In 2023/24, the total capital spend included within this metric was £45 million. Over the next five years, this is forecast to increase to £68 million per annum, driving the increase which will keep us in line with the sector median.

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 164 new social housing properties, slightly more than in 2022/23 with 144 new properties. The Group is planning to further increase development output, including social housing and housing for sale.

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

| Actual | | | Budget | 2024 Financial Plan | | | |
|---|---|---|---|---|---|---|---|
| 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 |
| 2.1% | 1.3% | 1.5% | 1.7% | 1.6% | 2.7% | 2.1% | 2.0% |

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

| Actual | | | Budget | 2024 Financial Plan | | | |
|---|---|---|---|---|---|---|---|
| 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 |
| 0.1% | 0.3% | 0.1% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |

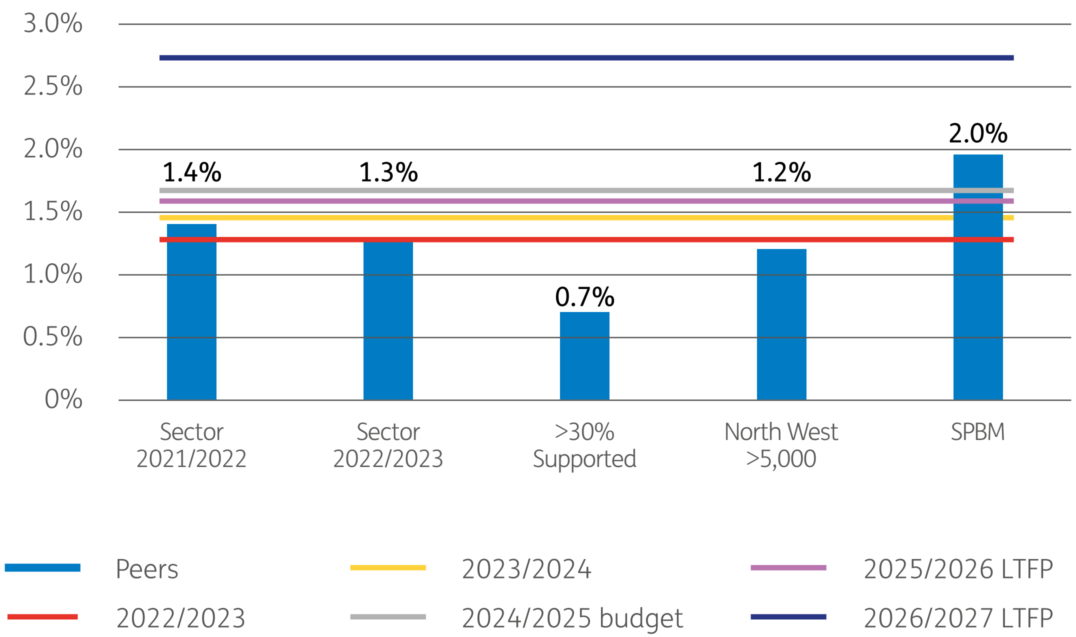
## Results

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 164 properties with a total net development spend of £34 million. We forecast that the social housing supply will be 1.7% in 2024/25.

Concert Living has delivered another 54 properties during 2023/24.

## Benchmarking

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




LTFP = Long-term financial plan

The sector has seen new social supply decrease by 0.1% from the previous year. Due to an increase in new stock reinvestment in the sector in 2022/23, we expect to see a new supply increase in 2023/24. We can see that we have delivered more units than other RPs in the North West benchmarking group and the >30% supported and lower than the sector for SPBM but are in line with the sector median for all RPs.

The percentage of non-social new supply is 0% across all benchmarking peer groups. Delivery of non-social new supply is predominantly by a small number of the largest RPs.

## Long-term financial plan

The new development is due to increase over the next five years for social housing lettings (from 1.6% to 2.0%). The increase in social housing is a result of the forecasted increased output anticipated in the Development Strategy. This will lead to an increase in units to 248 per annum over the next five years, compared to 164 in 2023/24.

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 indicates 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 Group's capacity to deliver its objectives and how much more we can deliver.

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

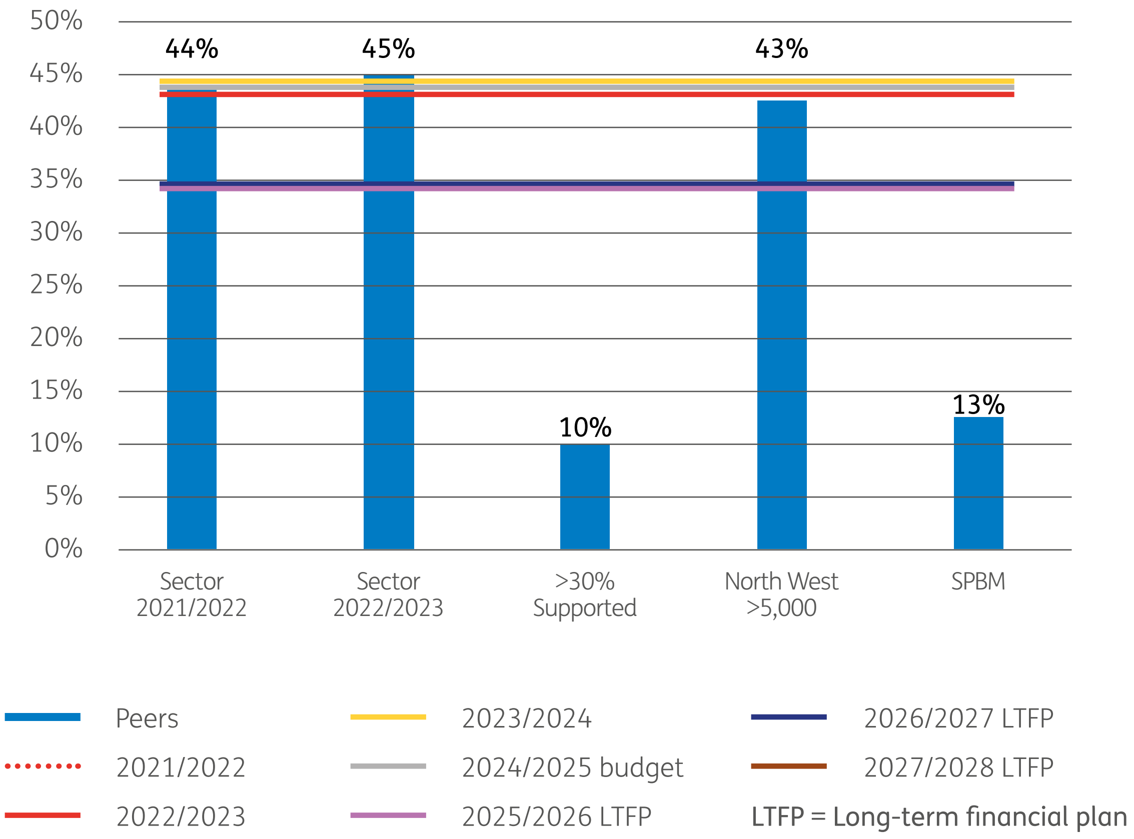
| Actual | | | Budget | 2024 Financial Plan | | | |
|---|---|---|---|---|---|---|---|
| 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 |
| 43% | 43% | 44% | 44% | 34% | 35% | 35% | 35% |

## Results

This metric measures the level of debt in proportion to net assets. Our increasing reserves, loan repayments of £8 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 increase by 1% compared to the previous year, and our gearing has also increased by 1%. 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 -720% to 61.5%. 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 44% in 2023/24 to 35% by 2029. 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 and demonstrates our financial strength and ability to deliver our VFM priorities.

## 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 increase from 216% in 2024 to 271% in 2029 due to increased operating surplus and reduced interest payable.

The table below shows our EBITDA MRI interest cover.

| Actual | | | Budget | 2024 Financial Plan | | | |
|---|---|---|---|---|---|---|---|
| 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 |
| 206% | 219% | 216% | 197% | 175% | 197% | 237% | 271% |

Excluding shared ownership sales:

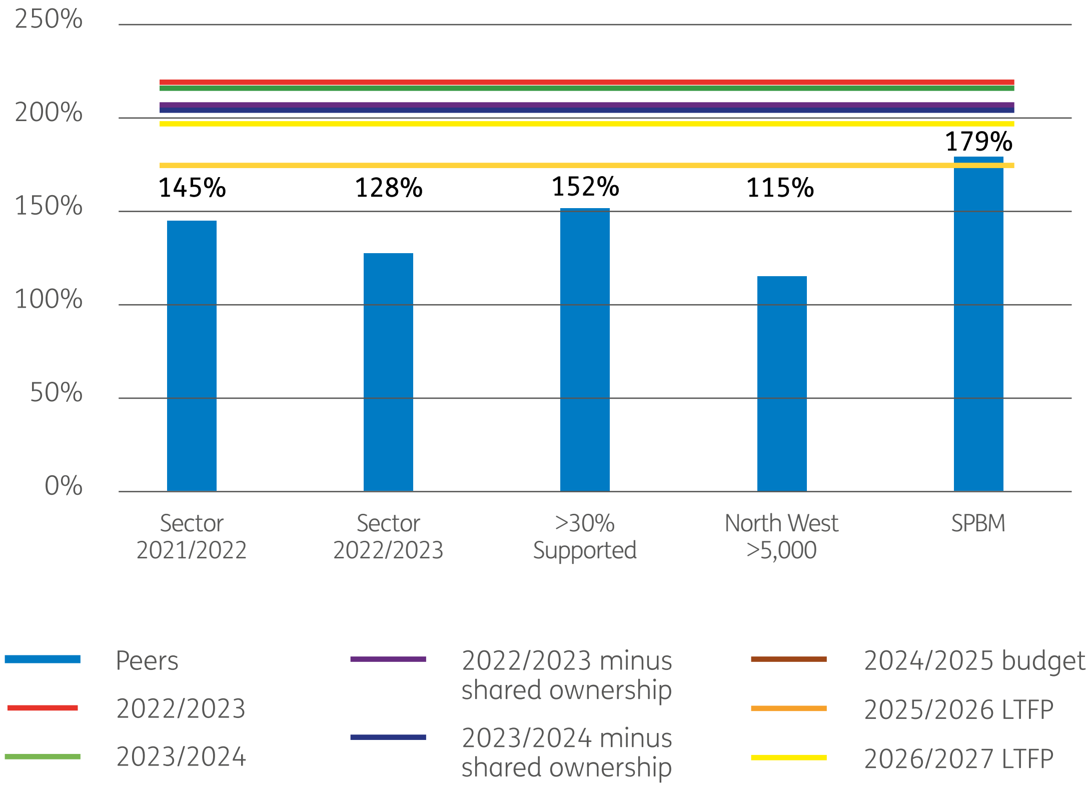
| Actual | | | Budget | 2024 Financial Plan | | | |
|---|---|---|---|---|---|---|---|
| 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 |
| 186% | 211% | 205% | 186% | 169% | 189% | 227% | 261% |

## 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 the Group’s 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 18% compared to the previous year, while the Group has seen an increase of 11%. From the chart, 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 increase from 197% in 2025 to 271% by 2029 due to an increased operating surplus from £24 million in 2025 to £32 million by 2029. This is due to a rent increase assumption of CPI+1% over the five-year period from 2025 and growth in TECS profitability.

Whilst our interest cover has decreased in 2023/24, we have continued our focused spending on maintenance and resources. We are comfortable with the direction of travel as we are expecting to increase our interest cover and continue to outperform 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 2029.

The table below shows our social housing cost per unit.

| | Actual | | | Budget | 2024 Financial Plan | | | |
|---|---|---|---|---|---|---|---|---|
| | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 |
| Overall | £6,022 | £6,834 | £7,511 | £7,836 | £8,072 | £8,239 | £8,245 | £8,290 |
| General needs and independent living | £4,273 | £4,155 | £4,627 | £5,056 | £5,460 | £5,685 | £5,715 | £5,789 |
| Supported housing | £8,610 | £10,881 | £12,206 | £12,597 | £13,046 | £13,350 | £13,532 | £13,607 |

## Results

The unit cost metric assesses the headline social housing cost per unit defined by the RSH. The sector has seen an increase of 10.5% in headline social housing cost. We have seen an increase of 9.9% in the Group's cost per unit from 2023 to 2024. 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, along with an increase in maintenance and capitalised major repairs.

## Long-term financial plan

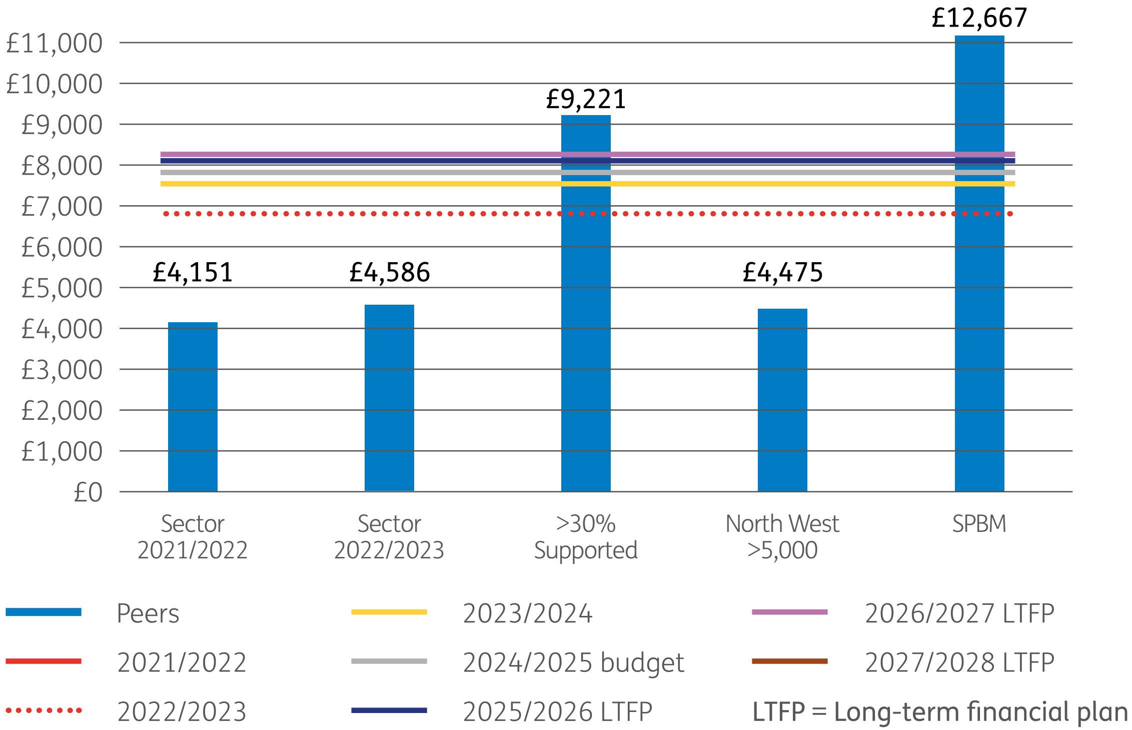
The last approved financial plan in May 2024 forecasted cost per unit to increase by 21% from £6,834 in 2022/23 to £8,290 in 2029. However, based on the budget for 2024/25, we will see an increase in cost per unit of £325 (4%) compared to 2023/24. This is primarily related to an increase in compliance 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 the graph on this page that RPs with more than 30% supported housing (Progress Housing Group is one of these) have an average cost per unit of £9,221, which is 101% 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 further on pages 22-24 when looking at cost per unit by need category.

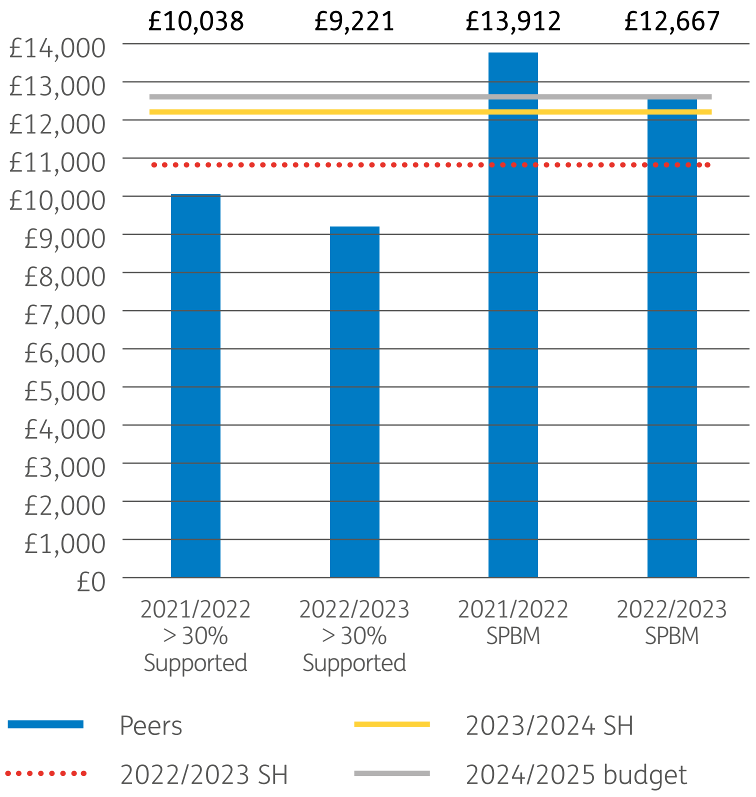
We are comfortable with our positioning as we are targeting spending to deliver our objectives, which impact our cost per unit in the short term.

## The overall cost per unit




| The overall cost per unit | Peers 2022/23 | Progress Housing Group 2022/23 | Progress Housing Group 2023/24 | Budget 2024/25 |
|---|---|---|---|---|
| Headline social housing | £4,586 | £6,834 | £7,511 | £7,836 |
| Management | £1,200 | £1,186 | £1,211 | £1,308 |
| Service charge | £534 | £1,200 | £1,414 | £1,362 |
| Maintenance | £1,386 | £1,366 | £1,676 | £1,698 |
| Major repairs | £1,115 | £1,435 | £1,539 | £1,784 |
| Lease costs | £0 | £1,192 | £1,163 | £1,203 |
| Other | £236 | £454 | £508 | £482 |

## Supported housing cost per unit



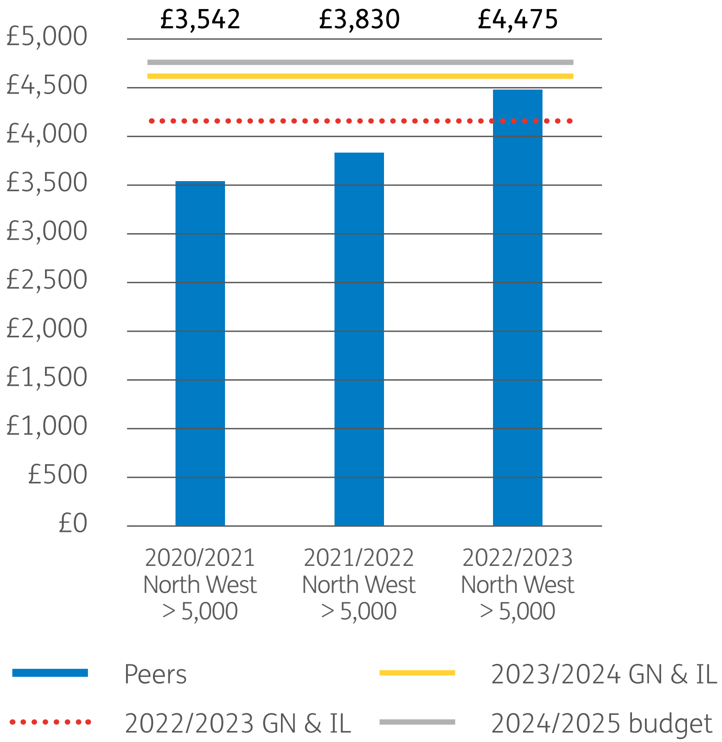

| Supported housing (SH) | 30% Supported housing 2022/23 | SPBM Peers 2022/23 | Progress Housing Group 2022/23 | Progress Housing Group 2023/24 | Budget 2024/25 |
|---|---|---|---|---|---|
| Headline social housing | £9,221 | £12,667 | £10,881 | £12,206 | £12,597 |
| Management | £1,840 | £1,949 | £1,844 | £1,903 | £2,125 |
| Service charge | £2,686 | £2,075 | £2,345 | £2,934 | £2,835 |
| Maintenance | £1,366 | £1,302 | £1,696 | £2,072 | £2,141 |
| Major repairs | £880 | £906 | £1,288 | £1,487 | £1,564 |
| Lease costs | £0 | £741 | £3,051 | £3,034 | £3,177 |
| Other | £688 | £787 | £658 | £777 | £755 |

The sector median cost per unit for RPs with greater than 30% supported housing is £9,221 compared to the Group at £12,206. 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 2023 | Supported living – Progress Housing Group 2024 | Advance Housing Group 2023 | Golden Lane Housing 2023 | Inclusion Housing 2023 |
|---|---|---|---|---|---|
| Social housing cost | £10,881 | £12,206 | £16,112 | £9,221 | £13,912 |
| Management | £1,844 | £1,903 | £588 | £2,517 | £1,952 |
| Service charges | £2,345 | £2,934 | £2,686 | £805 | £1,464 |
| Routine and planned | £1,696 | £2,072 | £2,726 | £1,069 | £1,908 |
| Major repairs | £1,288 | £1,487 | £576 | £932 | £0 |
| Lease costs | £3,051 | £3,034 | £291 | £3,582 | £10,427 |
| Other | £658 | £777 | £9,244 | £315 | £688 |

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

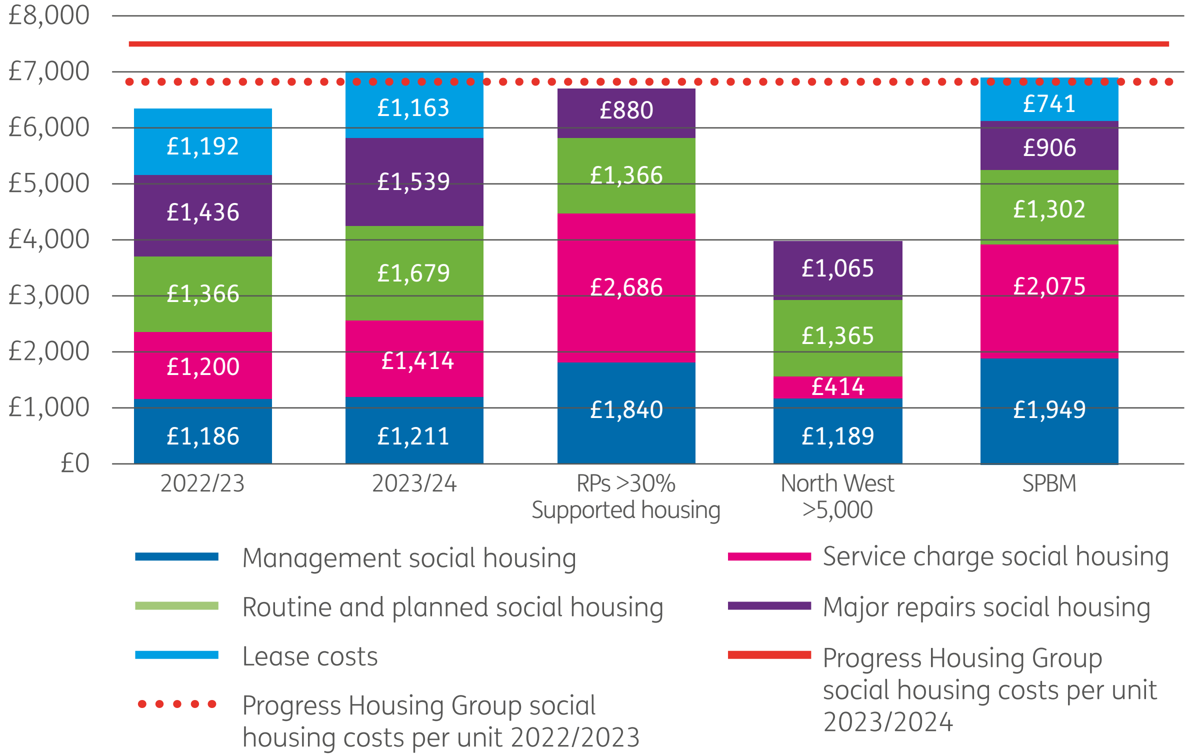
## General needs and independent living cost per unit




| General needs and independent living (GN & IL) | Peers 2022/23 | Progress Housing Group 2022/23 | Progress Housing Group 2023/24 | Budget 2024/25 |
|---|---|---|---|---|
| Headline social housing | £4,475 | £4,155 | £4,627 | £5,056 |
| Management | £1,189 | £776 | £796 | £827 |
| Service charge | £414 | £479 | £488 | £483 |
| Maintenance | £1,365 | £1,210 | £1,507 | £1,518 |
| Major repairs | £1,065 | £1,449 | £1,577 | £2,003 |
| Other | £299 | £240 | £259 | £225 |

The sector median cost per unit in the North West region is £4,475. This shows the Group's costs are above other RPs for this need category. We are forecast to increase to £5,056 for 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's. We can see the SPBM comparator varies considerably from the sector median, and as previously noted, the RSH has identified supported housing as having higher costs.

- **Management costs** – the sector's median management costs increased 72.7% from the previous year; we saw an increase of 7.1% in 2023, significantly lower than the sector median. Costs increased for 2023, mainly due to increases in employee costs.
- **Service costs** – are lower than that of the sector, although we can see the sector median has increased significantly from the previous year by 218% compared to our increase of 24.4%. 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 55.5% compared to a 1.2% 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 decrease by 37.3% compared to a decrease of 6.1% by the Group. The decrease is due to a reduction in the Group's investment in compartmentation works as significant investment has been made in previous years.
- **Other costs** – the sector has seen the median increase by 240.1% compared to an increase of 40.9% by the Group. It is important to remember that other costs comprise only 7% of our overall cost per unit.
- **Lease costs** – 65 of the 198 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 £1,192. 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 increases in social rents and rent income from new developments. However, there are also upward cost pressures relating to compliance and fire safety works.

The table below shows our social housing operating margin.

| Actual | | | Budget | 2024 Financial Plan | | | |
|---|---|---|---|---|---|---|---|
| 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 |
| 14.2% | 15.1% | 15.6% | 18.3% | 19.8% | 21.1% | 23.0% | 23.4% |

The table below shows our overall operating margin.

| Actual | | | Budget | 2024 Financial Plan | | | |
|---|---|---|---|---|---|---|---|
| 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 |
| 13.6% | 13.9% | 12.3% | 16.4% | 17.6% | 18.0% | 19.9% | 20.3% |

## Results

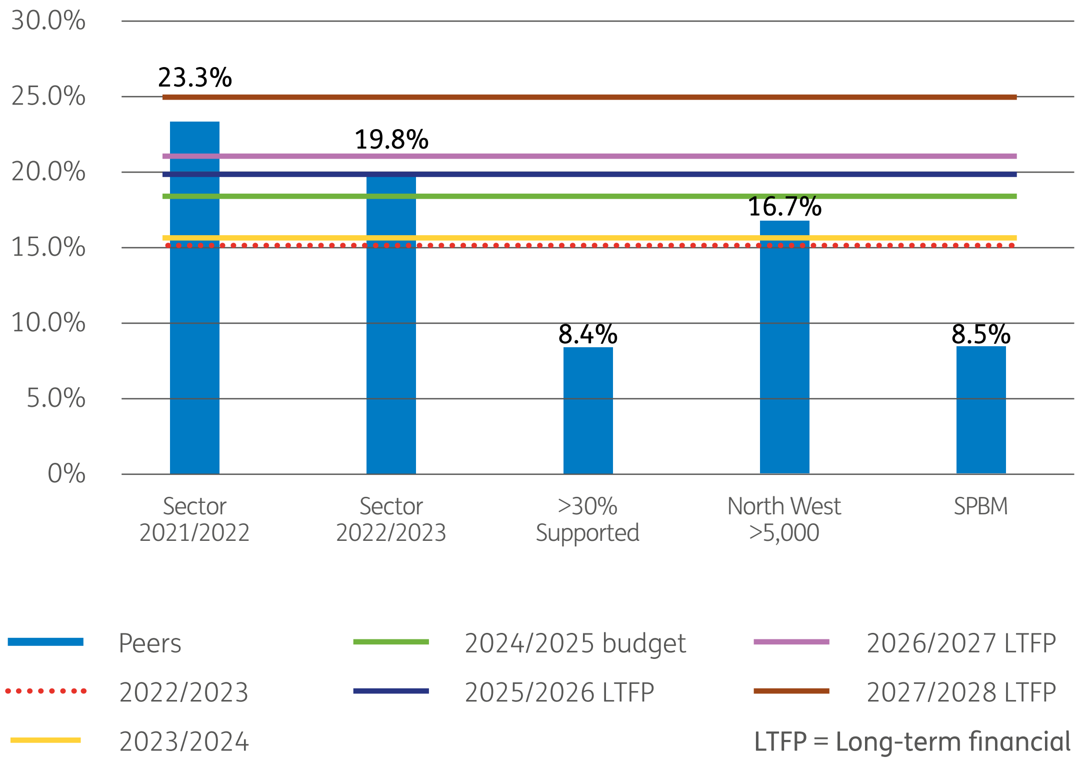
Our social housing operating margin has increased compared to last year, despite increased maintenance and management costs as we have sought to contain expenditure where possible. When looking at the overall operating margin, it is noted that RPs are operating a variety of 'non-social housing' type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

The overall operating margin for 2023/24 decreased to 12.3%. There has been a 5% increase in turnover, and the Group's operating expenditure has increased by 7%. The main reason for the decrease in operating margin is due to:

- an increase in employee costs of £0.5 million
- lower sales than anticipated
- maintenance costs have increased by £5 million mainly due to continuing investment in compliance and fire compartmentation works and increases in general repairs and re-let works.

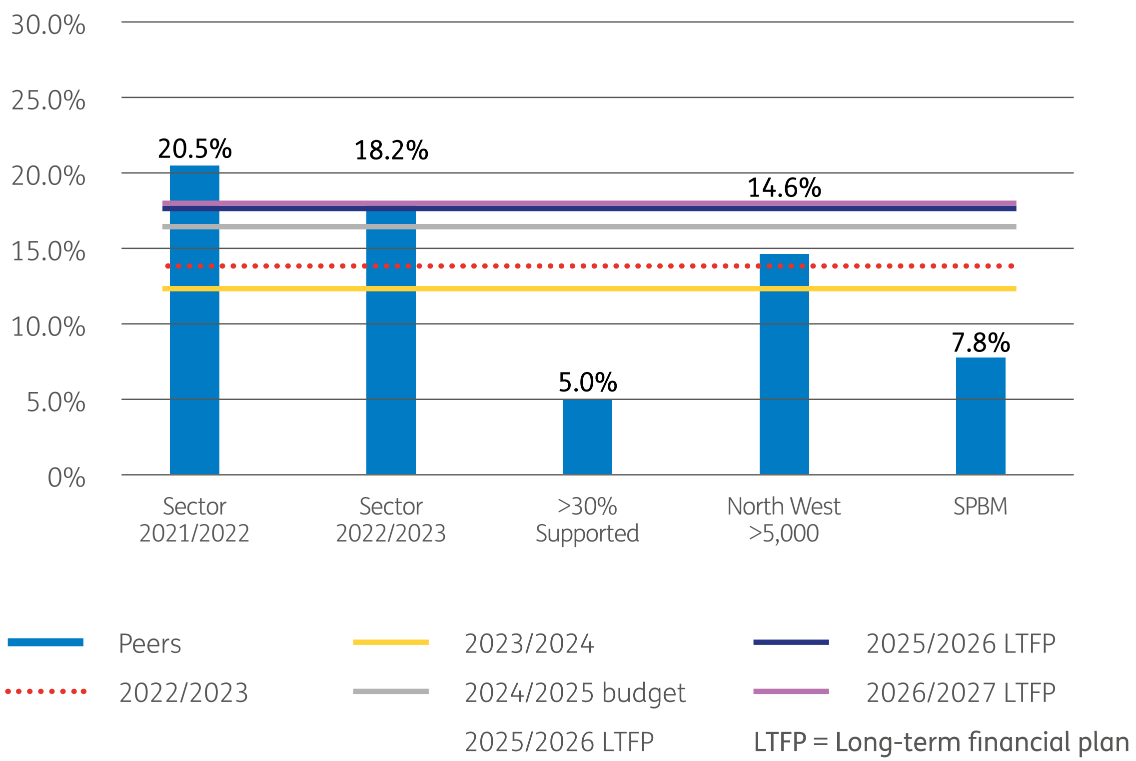
## Benchmarking

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




LTFP = Long-term financial plan

The chart below shows the overall operating margin against peers.




For 2022/23, 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 15 RPs with more than 30% supported housing, eight have overall operating margins lower than 10%. Other RPs operate very different capital structures, which can be noted from their gearing positions.

## Long-term financial plan

Overall operating margin is set to increase from 12.3% in 2024 to 20.3% in 2029. This is due to a forecast increase in an operating surplus of 104.7% compared to a forecast increase in turnover of 27.1%, increasing the margin. The increase in operating surplus is noted above regarding EBITDA MRI. The rise in turnover is a result of increased rent assumptions, increased growth from Progress Lifeline and shared ownership sales. For the 2024/25 budget, there is an increase in operating margin of 4.0% compared to 2023/24.

## 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 (ROCE) 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 | 2024 Financial Plan | | | |
|---|---|---|---|---|---|---|---|
| 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 |
| 2.4% | 2.7% | 2.3% | 3.4% | 3.1% | 3.2% | 3.5% | 3.5% |

## Results

This indicator compares adjusted operating surplus to total assets less current liabilities, which 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.

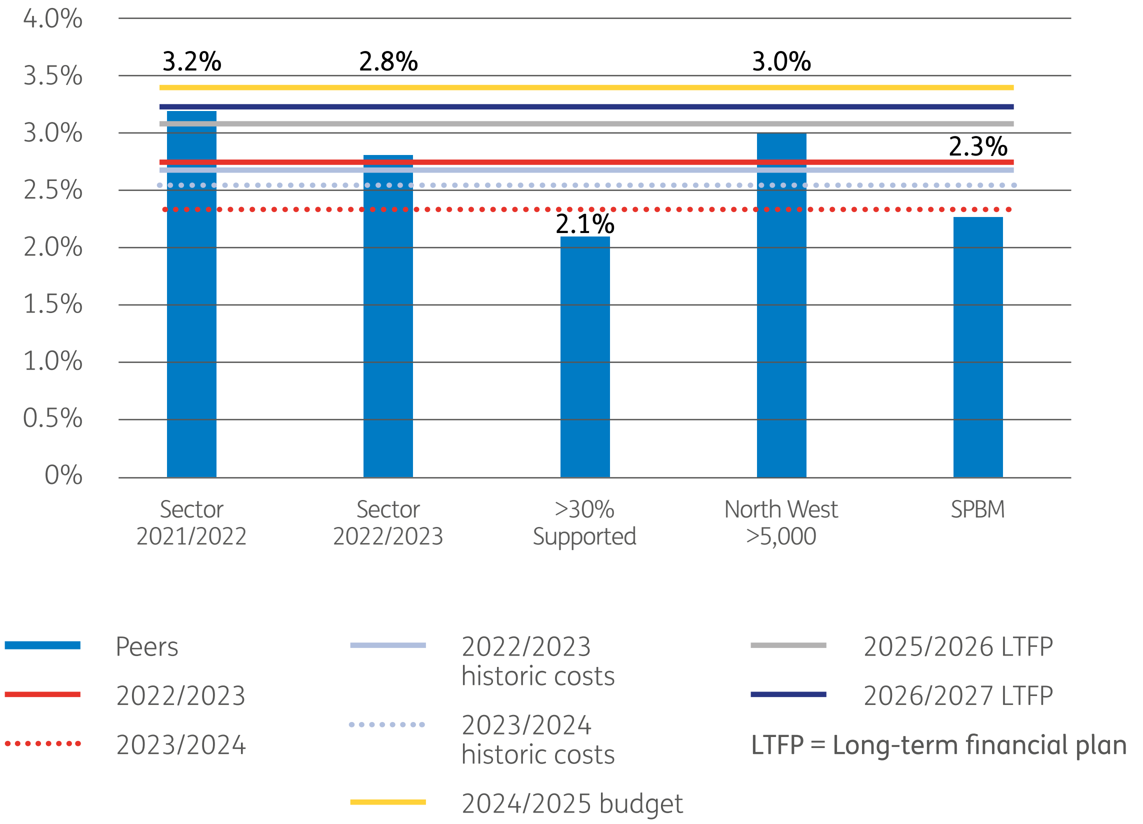
Before implementing FRS 102 in the 2016 financial statements, the Group accounted for its housing properties at valuation. This meant they were revalued (usually annually), and any changes in valuation were recognised. Upon transition to FRS 102, the Group elected to adopt the transition option of frozen 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 historical costs.

| Actual | | | Budget | 2024 Financial Plan | | | |
|---|---|---|---|---|---|---|---|
| 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 |
| 3.6% | 3.6% | 3.0% | 4.3% | 4.1% | 4.2% | 4.4% | 4.4% |

## Peers

The chart below shows the ROCE against comparator groups.




The sector median has seen a reduction in the ROCE of 0.4%. Progress Housing Group has had an increase of 0.4%. We can see from the chart that those peer groups with a higher proportion of supported housing show a lower level of ROCE. Return on capital at 2.4% 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 historical costs. 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 3.0%, which is above the sector median.

## Summary performance against the metrics

For 2023/24, 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, operating margin, where we are currently underperforming against the sector, but our forward-looking plans show this will improve.

# 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?**

When the Group makes decisions on expenditures, 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 as detailed in their operational plans.

**During 2023/24, we have:**

- Delivered our 2019-2024 Development Strategy through a balanced programme, with a proportion of new properties having a negative NPV to achieve our social objectives and other properties having a positive NPV to maintain our financial strength. Total development spend during the 2023/24 financial year was £39.7 million with grants received of £7 million
- We completed 18 Affordable Rent homes and nine shared ownership homes under our Homes England Strategic Partnership programme with a capital spend of £8.8 million and a grant received of £1.6 million. In addition, we completed 64 Affordable Rent homes and 50 shared ownership homes through nil grant planning gain acquisition, with a capital spend of £14.6 million. £4.8 million spend was also incurred against projects that will deliver homes in future years, with a Homes England grant of £2.4 million received against these future projects
- A total of £9.9 million was incurred in delivering 35 new homes for supported living, against which a grant of £3.1 million was received
- Our Financial Appraisal Team makes these decisions to ensure new developments are delivered in line with the strategy, and a new Development Strategy covering the period 2024-2029 has recently been approved
- Updated the five-year Asset Management Strategy which forms the basis of our long- term investment priorities for future investment. The revised strategy continues to place safety as the core priority and introduces a greater focus on data quality, and the use of predictive analytics and insight to manage property risks. This is closely linked to our Environmental Sustainability Strategy, which has also been updated and continues to focus on the journey to EPC B by 2030 and net zero by 2050. Progress in the year has included on-site delivery to over 35 homes supported by Social Housing Decarbonisation Funding, review of component specifications, and piloting new technologies. The Group reviews assets social and economic performance of our assets annually using SHAPE modelling. It can determine the best options for their future use. This is managed through a newly formed Strategic Asset Management Group, which meets on a quarterly basis
- Sold one unit (excluding Right to Buy, Right to Acquire and shared ownership), which generated £340 thousand in sales proceeds. Concert Living has sold 51 units for outright sale in 2023/24, generating £5.4 million in sales proceeds. This income helps us to re-invest in new and existing homes

- Achieved over £6.8 million income from our Progress Lifeline and TECS service, with more than 60,000 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 the way 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
- We have reduced our office footprint and running costs by closing one office in Leyland and one in Lytham due to an increase in agile working and colleagues working from home.
- Continued to develop the '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 2023/24, we further developed our supported living property brand, RWP. We played our part in influencing the policy agenda in our sector, playing an active role in the Learning Disability and Autism Housing Network (LDAHN) (of which we are a founding member). In June 2023, we contributed to important research by the LDAHN, which provided the most up-to-date information on the size, scope, cost, supply, and, importantly, future need of supported housing.
- 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 developed our approaches to customer engagement, developing six engagement hubs across the country and using creative ways to involve our tenants in all aspects of our service delivery.

**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 regarding the cost of delivering responsive repairs and other maintenance services, we have extended the in-house team's operating area to encompass all North West properties.

The contract to deliver the repairs and maintenance service for national properties ended in late 2023 following a period of ongoing poor performance. A new contract commenced in January 2024, using four regional contractors with which the Group had maintained relationships from previous contract arrangements.

There has been an immediate shift in contract performance with a 30% uplift in relation to contract key performance indicators, including tenant satisfaction, which has increased from an average of 60% to 93% in just three months. These new arrangements have been closely managed and monitored through Property Services Teams.

**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. RWP leased-in units comprised of 1,447 rental streams at the end of March 2024.

The number of leased units has fallen away due to lease attrition. The table below provides lease attrition details over the last four years.

| Financial year | Additions properties/units | Disposals properties/units | Net attrition properties/units | Total at the end of period properties/units |
|---|---|---|---|---|
| 2020/21 | 11 / 31 | 32 / 79 | -21 / -48 | 467 / 1,751 |
| 2021/22 | 10 / 24 | 30 / 102 | -20 / -78 | 447 / 1,673 |
| 2022/23 | 0 / 0 | 50 / 155 | -50 / -155 | 397 / 1,518 |
| 2023/24 | 0 / 0 | 30 / 81 | -30 / -81 | 367 / 1,447 |
| **Totals** | **21 / 55** | **142 / 417** | **-121 / -362** | |

The majority of leases ended are loss-making leases, and the RWP existing leased- in property portfolio has generated an overall gross surplus of £2.7 million at a gross margin of 13.5%.

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.

**Efficiency improvement for support services**

The support services for the 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 Group employees, particularly at senior management levels, find increasingly difficult to mirror
- Key's cost base is slightly lower than Progress Housing Group's 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 Group, 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, which will increase the ability to grow the refuge service
- The specialist skills that Key has developed have produced an improved quality of service for tenants.

**3) Housing operations**

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

- Operational teams 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 customer visits and minimising travel
- Further enhanced our ability to develop services with the creation of our new Continuous Improvement Team that focused on the redesign of services around our customers' needs and preferences - putting them at the heart of our service development
- Expanded our focus on performance and excellence
- Improved customers' ease of access to services with the launch of our new Customer Access Strategy (CAS) and the creation of a CAS Action Group in order to identify and focus on priority areas
- Enabled us to gain a greater insight into our customers' needs and expectations
- Enabled more effective collaborative working between specialists, to improve our customer experience and satisfaction by removing 'silo' working
- Positioned customers at the heart of our services
- Launched the Tenancy Sustainability Team, which will deliver a customer-focused support services offer focused on early intervention, prevention and income maximisation.
- 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 customers
- Refined our income collection process to ensure a more person-centred approach, reducing the amount of legal action taken, thereby reducing legal expenditure
- Started to develop our systems so the Area Housing 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 traditionally social housing, i.e. TECS and Concert Living, 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 should be in our day-to-day operations, including procurement, in line with our strategy.

**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 Living.

Progress Living is the brand that provides key worker 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 £6.8 million in turnover with over 60,000 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.

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 contracts and sales.

The updated 2024 VFM Strategy includes specific VFM outputs for each of the business streams.

# Considering VFM in our day-to-day business

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

## During 2023/24, we have:

- reviewed the contract for the supply of materials to the in-house Property Services Team, and this procurement exercise was completed in early 2024, with the contract now being mobilised. Whilst the Group hasn't realised any significant cost savings, largely due to the wider inflationary environment, there has been a significant improvement in the processes to be adopted, including increased opening hours which will support the expansion of the repairs service to evening and weekends, and providing increased flexibility in relation to site deliveries indirectly saving operative down time
- mobilised a short-term procurement to cover the national repairs and maintenance contract for an 18-month period, using regional contractors which have seen significant performance improvements in that period, with key performance indicators increasing from c.60% to over 90% across all areas
- increased the number of properties with a valid EPC from 71% to 80% whilst also reducing the number of properties at EPC D or below to 27%. The Group has also delivered the first year of a two-year 50% grant-funded Social Housing Decarbonisation Fund (SHDF) retrofit project, installing energy efficiency measures ranging from external wall insulation to air source heat pumps in 46 properties across Lancashire and Cumbria with the aim of bringing all properties to C rated. In addition, the Group continues to work to improve energy efficiency across its largest energy-consuming assets, delivering three communal LED upgrades at Derby House, Tuson House and Laidley's Manor with an estimated energy saving of up to 70%. Heating systems at Ashwood Court and Charleston Court have been upgraded, including upgraded gas boilers with remotely accessible building management systems and improved controls in flats
- completed the re-procurement of asbestos testing services to a single provider, and this has realised savings of £43,500 per annum
- procured a provider's services to help the Group make appointments for annual gas servicing visits. The idea behind this is to reduce no-access visits for gas operatives, which will reduce costs in the long term, and it is estimated annual savings of £20,000 once fully embedded.
- procured over 32 contracts, including our building and material stores, energy, fire remedials and a number of development projects, with a total value of £41.9 million. The economic environment has been challenging, and we have sought to achieve savings, avoid or minimise cost increases, and improve services for our tenants
- rolled out contract management training over the last 12 months. The training covered contract management principles and best practices, and the hints and tips document and contract management toolkit have been distributed to all contract managers, which have been well received. The contract management framework has been simplified which has helped with ensuring our contracts are being monitored

with the support of the Procurement and Contract Support Team. We have seen an increase in the number of signed contracts that the Group now holds. This has enabled us to have much more visibility of contracts, which means we have consolidated contracts to guarantee that all workstreams get the same pricing for the same service as well as having a much more cohesive whole group approach to how we procure contracts

- continued to invest in new IT software and developments, which will deliver improvements to processes, automation of processes and better oversight and visibility of data:
  - Successful implementation of a new telephony platform enabling enhanced reporting and analytics. This will provide an opportunity to improve business processes within the Customer Contact Centre, improving the customer contact experience and supporting the Customer Access Strategy
  - The 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 mapped with the business owners and transformed into requirements specifications
  - Reviewed the interface between 1st Touch and QLx, to allow Progress Living to raise its own caretaker and contractor repair orders in real-time.
  - Continued 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 are continuing our investment in Microsoft 365, utilising the Microsoft 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 the contractor systems and back again once completed. We now intend to harness that integration with other areas of the business
  - Rolling out Microsoft Teams will continue. Skype for Business has been decommissioned, and Teams is solely used for video calls and instant messaging
  - Improve and continue to develop our business intelligence and reporting platform to provide quality information to all levels of management.
- reviewed our RWP Void Strategy to improve void performance. The strategy focuses on long-term voids in shared supported living that are difficult to fill due to compatibility issues. This strategy has led to improvements in void performance. Gross void rent loss in 2023/24 was 10.4%, meeting the target of 10.6%. In RWP, voids are often mitigated through lease arrangements or management agreements, and the net void rent loss was 8.6%, within the target of 9%.

## For 2024/25, we are planning to:

- mobilise and embed the contract for the supply of materials to the in-house Property Services Team, which commenced in April 2024. A full re-procurement exercise was completed at the start of this year
- continue to closely manage the regional contractors who are delivering the national contract and commence the re-procurement for longer-term arrangements. VFM will be a key priority area when considering requirements for the new service
- develop a bid for Social Housing Decarbonisation Fund (SHDF) wave three funding. This is likely to see a bid to retrofit over 1,100 homes over a three-year period between 2025-28.
- pilot an expansion of the repairs service in the North West to include evening and weekend appointments across the core trades together with a flexible employment trial comprising a compressed four-day working week
- expand the in-house team to deliver the planned window programme, which will continue to increase over the next five years
- make permanent changes to the Healthy Homes Team, which was created in 2023, to align this with delivering an excellent service that manages key property risks, including damp and mould. This will ensure a risk-based approach, using data insights to inform our future approach to proactive property inspections and to align with future changes proposed in relation to Awaab's Law timescales
- procure an external contractor partner to support the delivery of the Healthy Homes Team follow-up works and to support compliance with Awaab's Law. We will look to maximise our grant claims to fund our energy efficiency work, including eco funding for our non-social properties
- re-procure over 57 contracts, including, national repair contractors, lift servicing, property services support services and internal and external painting, with a total value of £25 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:
  - continue to review of the interface between 1st Touch and QLx 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 to provide regular mandatory 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
  - our future investment in cyber security will be around cyber attack monitoring; this solution will provide us with a greater level of visibility into the threats the Group faces and an alerting mechanism for priority events.
  - we will also look at Identity Access Management and a password vault solution for employees to improve password security and control access to external systems.
  - we are working with all business streams delivering IT solutions to improve business processes that will benefit and improve the customer experience.


# Current and planned performance against our VFM Strategy

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

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

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.

## VFM Strategy Priority 1 – Asset management

In 2023/24, we invested £38.7 million on repairs and maintenance and plan to spend more than £38 million in 2024/25. With regard to component investment, our budget for 2024/25 is to deliver 2,363 components for circa £12.8 million.

## Asset performance and long-term sustainability

Understanding the performance of our assets is essential for our decision-making. We recently invested heavily in completing additional stock condition surveys five years old or less from 60% to 84%, and during 2024/25, we will continue to invest in this area, targeting an increase to 95%. 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.

The Group has developed an Environmental Sustainability Strategy, which was approved by the board in March 2024; 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 2024/25, we will continue to upgrade our database to implement CX Assets, which will collect, store, and analyse our stock condition information and our 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 -, medium-, and long-term investment priorities, which are updated annually to meet changing priorities or budget constraints.

## 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 have tightened our Development Strategy to slightly reduce our geographical spread and we continue to monitor and manage these issues to ensure any performance issues are addressed.

The priority areas for delivery of our future development programme have been further considered and are detailed within our newly adopted Development Strategy. For general needs delivery, we have a clear priority area to ensure future efficiency in management and maintenance, with specific consideration given to investment in schemes outside the priority area. 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 the component replacements

b) In 2024, we updated the Environmental Sustainability Strategy, which reaffirms 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. This approach has also shaped the Disposals Policy where stock is deemed appropriate for divestment

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

e) 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

f) 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

g) 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

h) The Group has worked with tenants to develop an investment standard that reflects their priorities; this was made possible by tenant forums

i) The Group continues to ensure that stock condition data is updated with a significant survey programme completed during 2023/24 with a view to achieving 100% compliance. 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 – Asset growth

The Group's current Development Strategy is to 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. In 2023/24, we spent £40 million and delivered 176 new units. For 2024/25, we have an approved budget of £48.9 million to deliver 190 new units. Key activities within our Development Strategy are:

**a) 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, providing greater control over the future development programme and consistency in our offer to the market, allowing more efficient size of properties to be offered to the market, generating savings in construction costs

Standard layouts and design principles have also been established 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 continue to be periodically reviewed to ensure new or updated requirements are met, e.g., building regulation requirements. The layouts ensure ease for the future retrofit of new technologies related to energy use, along with component replacement and repairs, ensuring costs are minimised.

**b) Review of development standard specification**

Our new home standard specification in relation to affordable rent, shared ownership and supported living tenures continue to be reviewed periodically. 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 Neighbourhoods 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, whilst minimising running costs for tenants and owners both directly and through service charges.

**c) New build approach to net-zero carbon**

We continue to assess and refine our approach to net-zero carbon for 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 current large-scale scheme that is on-site and has supported thinking for the wider development programme and will inform the approach in 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.

**d) 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 that 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 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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