Progress
HOUSING GROUP

# Value for Money

Position statement 2018/19

# 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 2019-2023 – the 'Plan'. A comprehensive assessment of VFM for the year has been carried out by the board and Executive Team. This gives our stakeholders a rounded picture of how we have performed against our VFM targets for 2018/19, 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 own, additional metrics.**

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

The board is committed to ensuring that VFM is embedded in both our culture and our 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 in order to deliver our strategic aims;
- Approving the VFM Strategy and overseeing its implementation;
- Having a dedicated VFM and Performance Working Party in place to implement strategy and ensure compliance;
- 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 in the Plan;
- Setting high 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;
- Identifying the VFM activities on our VFM action tracker;
- Publishing our compliance with the VFM standard 2018 by the deadline of 30 September 2019.

Our Plan is structured around our six strategic aims. The first three are outward looking and are drawn directly from our vision. The final three are more inward looking and focus on making sure we have a solid foundation on which to build our future success.

Our six strategic aims which are: Homes, Independence, Opportunities, One Team – Working Together, Customers at the Heart, and Stronger Organisation

The Plan contains our business priorities and our plans to achieve them. We believe that by achieving these factors, we will be able to deliver the Plan. VFM is a cross-cutting theme running through all six 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.

## Our overall assessment of Value for Money

The board believes that, in completing this comprehensive VFM self-assessment, it has complied with the Regulator of Social Housing VFM Standard 2018.

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

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

# Executive summary - our achievements 2018/19

**Alongside our core social housing business, we deliver a number of other services which, although complementary, do not fall within the social housing category. Our business operates with both social and non-social activities. Our social housing activities include the provision of homes for general needs, independent living and supported living customers. Our non-social housing activities include key worker accommodation, technology enabled care and support (TECS) services, and the development of properties for outright sale.**

In addition to ensuring that our activities deliver VFM for Progress Housing Group (PHG), we also seek to deliver value to the benefit of the wider community and the public purse. One example is the work we do with adult social care commissioners where we use technology to increase the quality of life for thousands of older people whilst reducing the cost of social care.

**Our VFM targets were ambitious and challenging. Here are some examples.**

- Approved spend of £97 million over the five years to 2022/23 to provide 1,016 new homes across a balanced programme of supported living, general needs, section 106 and shared ownership. This is anticipated to create a positive net present value (NPV) of £3.7 million.

  For 2018/19 we spent £11.1 million building more homes. We did not meet our target of £15.7 million as some projects did not come to fruition. This resulted in us owning 107 new rental streams and purchasing a further 14 rental streams that were being leased in from a third party - a total of 121 new rental streams. This consists of 48 general needs, 31 supported living, six shared ownership and 36 section 106 properties.

- Approved three-year programme for outright sale for Concert Living of 94 homes for sale, 38 under construction and an ambition to develop a further 88 properties from year five.

  For 2018/19 we did not anticipate any completions for Concert Living due to its infancy. We are forecasting completions for its first site, Edward Gardens, in September 2019.

- Approved investment of over £30 million over five years to deliver 6,000 new components (e.g. bathrooms and kitchens).

  For 2018/19 we achieved our target and spent £5.1 million on 1,580 components.

- Our operating margin is also set to increase steadily by more than 2% over the next five years due to income from shared ownership and Concert Living sales, and improved rental income assumptions.

  For 2018/19 we achieved an operating margin of 24.1%.

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

  For 2018/19 we reviewed contracts totalling £4 million, resulting in £0.2 million in savings, with improved services for customers.

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

  We exceeded our arrears target of 3.7% by 0.1% and improved our void performance for general needs and independent living. But we saw a worsening of voids in our supported living accommodation, meaning that we missed our overall target.

- Managing our cost per unit is a key focus. Along with other specialist supported housing providers, the Group's average social housing cost per unit is higher than the sector median. However, when compared with registered providers with more than 30% of supported housing, the Group's average social cost per unit is lower than the median.

  In 2018 the cost per unit was £4,800, and for 2018/19 it rose to £5,061.



# Value for Money standard and our performance

**We are required to comply with The Regulator of Social Housing's (RSH) VFM Standard 2018 which includes metrics for registered providers to demonstrate efficiency, effectiveness and economy. The standard states that we should have targets in place for measuring performance so that we can see how we are achieving Value for Money and delivering our strategic objectives. The RSH published its Global Accounts 2018 report in December 2018 and the Group has compared its performance for 2017/18 with a range of peers derived from this publication. The table below shows the nine metrics and how we have performed for 2018 and 2019, our anticipated performance and how we compare to the sector median, based on the latest information.**

| | | Peers Global Accounts | Progress Housing Group | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | Actual | | | Target | | | |
| No | Metric | 2017/18 | 2016/17 | 2017/18 | 2018/19 | 2019/20 | 2020/21 | 2021/22 | 2022/23 |
| 1 | Reinvestment % | 6.0% | 1.7% | 2.6% | 3.2% | 4.9% | 5.5% | 5.8% | 6.1% |
| 2a | New supply delivered (social housing units)* | 1.2% | 0.9% | 0.9% | 0.9% | 0.7% | 1.9% | 2.0% | 2.2% |
| 2b | New supply delivered (non-social housing units) | 0.0% | 0.0% | 0.0% | 0.0% | 0.2% | 0.3% | 0.4% | 0.5% |
| 3 | Gearing % | 42.9% | 50.6% | 46.9% | 44.8% | 44.3% | 43.1% | 41.7% | 39.8% |
| 4 | EBITDA MRI as a % of interest (cash surplus) | 206% | 241% | 228% | 261% | 269% | 269% | 286% | 288% |
| 5 | Headline Social Housing Cost Per Unit | £3,397 | £4,541 | £4,800 | £5,061 | £5,182 | £5,169 | £5,128 | £5,068 |
| 6a | Operating margin (social housing lettings only) | 32.1% | 29.0% | 25.0% | 24.0% | 24.8% | 25.7% | 27.6% | 30.1% |
| 6b | Operating margin | 28.9% | 29.3% | 24.9% | 24.1% | 23.6% | 23.3% | 24.6% | 25.7% |
| 7 | Return on capital | 4.1% | 4.2% | 3.4% | 3.7% | 3.7% | 4.0% | 4.2% | 4.6% |

* New supply refers to 85 units which are in housing management in the year. In total we have developed 121 units, some already in management and others to be handed over 2019/20.

# Performance against our additional metrics

**The board has also reviewed our targets in the balanced scorecard and benchmarking statement within the performance management framework. This framework has been developed to create a 'golden thread' from the Plan objectives to operational delivery.**

The table below shows our own benchmarking statement metrics and how we have performed against our peers and our own targets. We have also identified our future targets.

| | | | Peers Global Accounts | Progress Housing Group | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Actual | | | Target | | | |
| No | Metric | Peer | 2017/2018 | 2016/2017 | 2017/2018 | 2018/2019 | 2019/2020 | 2020/2021 | 2021/2022 | 2022/2023 |
| 8 | % of overall customer satisfaction index | The Leadership Factor | 76.7% | 80.5% | 80.5% | 80.6% | 80.0% | 81.0% | 81.0% | 81.0% |
| 9 | % of tenants satisfied with repairs | The Leadership Factor | 77.7% | 74.0% | 74.0% | 76.5% | 76.0% | 77.0% | 77.0% | 77.5% |
| 10 | % of tenants satisfied with their neighbourhood | The Leadership Factor | 80.3% | 83.4% | 83.4% | 83.3% | 80.0% | 84.0% | 84.0% | 84.0% |
| 11 | % of tenants satisfied their views are listened to | The Leadership Factor | 71.1% | 74.8% | 74.8% | 74.5% | 76.0% | 77.0% | 77.0% | 77.5% |
| 12 | % of time lost due to employee sickness | Office of National Statistics | 2.5% | 5.8% | 5.0% | 4.2% | 4.4% | 4.4% | 4.4% | 4.4% |
| 13 | % of employees leaving the Group | Housemark | 15.9% | 20.7% | 15.2% | 11.5% | 10.0% | 10.0% | 10.0% | 10.0% |
| 14 | % of current tenant arrears | Global Accounts | 2.8% | 3.5% | 3.4% | 3.6% | 3.6% | 3.6% | 3.6% | 3.6% |
| 15 | % of former tenant arrears | Global Accounts | 1.0% | 1.1% | 0.9% | 0.8% | 0.8% | 0.8% | 0.8% | 0.8% |
| 16 | % of rent collected | Housemark | 99.8% | 101.7% | 99.7% | 99.9% | 99.5% | 99.5% | 99.5% | 99.5% |
| 17 | No. of responsive repairs per unit | Housemark | 3.2 | 5.2 | 4.4 | 4.5 | 4.0 | 4.0 | 4.0 | 4.0 |
| 18 | % of tenants satisfied with the quality of their home | The Leadership Factor | 77.9% | 80.0% | 80.0% | 81.1% | 80.0% | 82.0% | 82.0% | 82.0% |
| 19 | Time taken to relet a general needs property | Housemark | 23.4 | 30.7 | 32.6 | 22.3 | 22.0 | 21.0 | 21.0 | 21.0 |
| 20 | Rent lost due to vacant properties | Global Accounts | 1.0% | 5.2% | 5.7% | 5.5% | 5.0% | 4.9% | 4.8% | 4.8% |
| 21 | % of vacant social housing stock at 31/03/19 | Statistical Data Return | 0.6% | 3.6% | 3.8% | 3.7% | 3.5% | 3.5% | 3.5% | 3.5% |

**Comparing 2017/18 with the latest peer group data, the table shows that we are outperforming the sector for nine of the metrics - four satisfaction measures, employee turnover, former tenant arrears, rent collection, repairs and relet times. However, the table also shows that we are worse than the sector for five metrics - repairs satisfaction, employee sickness, current tenant arrears, rent lost due to voids and vacant stock.**

When we compare our performance to last year, we have improved or maintained our performance for 12 of the 14 metrics, which is significant. The satisfaction targets (metrics number 8, 10 and 18) have been increased to reflect this performance and to aim for improvements when the next STAR survey is completed in 2021, recognising that we are performing better than our peers and we are redesigning our approach to customer service across the Group.

During 2018/19 our performance on rent collection improved. Arrears performance is worse than our peers but we remain focused on making sure our rent collection is as high as possible.

In 2018, we saw an improvement of 10.3 days to general needs relet properties, which has resulted in better performance than the sector. This is due to improvements to performance through process changes and a programme of regular sustainability reviews.

When comparing overall void rent lost to our peers, our performance is worse as we have more supported living properties than the average. When comparing general needs rent lost due to voids we are performing better than our peers. Supported living accommodation has a longer relet time and higher rent losses due to the nature of the accommodation. For example, ensuring tenant compatibility in shared accommodation extends relet times. We work extremely closely with local authority commissioners and support providers to let properties as quickly as possible. Where this is not possible and a management agreement is in place, we recharge the void costs to reduce our risk.

# How do we compare to relevant benchmark groups?

**When the RSH published the Global Accounts, useful data was made available which has enabled 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. RPs between 5,000 and 9,999 units of social housing
3. North West RPs with more than 5,000 units

In addition, we have separately undertaken benchmarking with a supported living benchmarking group – SPBM.

Opposite is the detailed analysis of the Group's performance for each metric, how we compare and also forward looking metrics based on the board approved plans in May 2019.

## Metric 1 – Reinvestment Efficiency

This metric measures both capitalised major repairs to existing homes, and new development. The Group is currently reinvesting a lower percentage than the sector median. We are increasing reinvestment and it is expected to move towards the sector median. The board are currently reviewing the Development Strategy and this is likely to result in a further increase in reinvestment.

## PHG metric

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

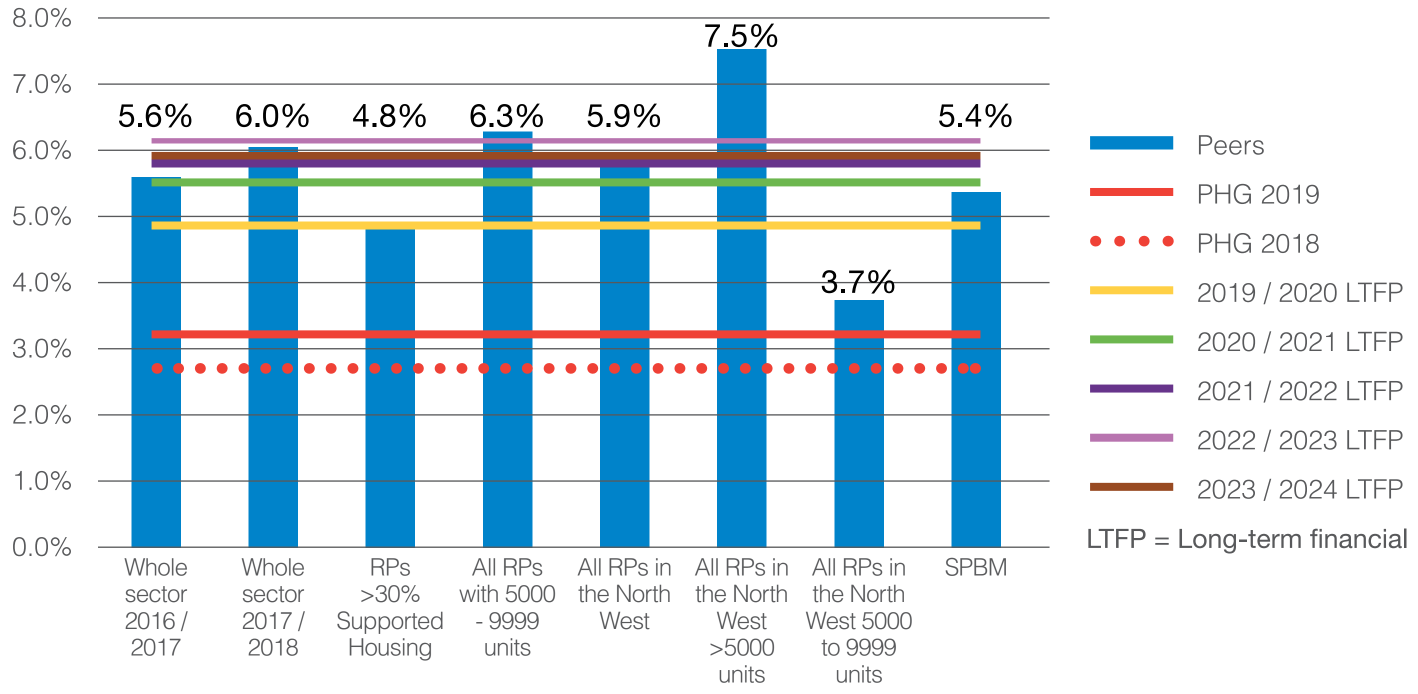
| Actual | | | 2019 Financial Plan | | | |
|---|---|---|---|---|---|---|
| 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
| 1.7% | 2.6% | 3.2% | 4.9% | 5.5% | 5.8% | 6.1% |

## Results

We are generating surpluses in line with budget, which strengthens our balance sheet and enables us to re-invest in new and improved homes. In 2018/19 we reinvested 3.2% of the total value of our housing assets. Reinvestment in our existing homes increased from 2018. We spent over £5 million on components and £11 million was spent on new homes. We are forecasting that reinvestment for 2019/20 will continue to increase to 4.9%.

## Benchmarking

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




The sector has seen the median increase by 0.4% to 6.0% compared to the prior year. Our growth in 2017/18 was 0.9%, which was more than that of our peers. However, we can see that our performance is below our sector peers. Reinvestment can be split between developing new homes and improving existing homes. Around 34% of our reinvestment spend was on existing stock compared with the 21% median of other RPs. Other RPs had greater emphasis on building new homes. The largest percentage of investment in new homes is made by RPs with stock between 2,500 and 4,999. While the largest percentage of reinvestment on existing homes was made by RPs with a higher percentage of housing for older people.

## Long-term financial plan (LTFP)

Our financial plan shows that our reinvestment is due to increase from 2.6% in 2017/18 to 6.1% in 2023. This is driven by an increase in the capital budget both in new developments and component replacements. In 2017/18, the total capital spend included within this metric was £13 million, but over the next four years, this is forecast to increase to an average of £35 million a year, driving the increase which will take us closer to the sector median. Our Development Strategy is also being updated and any changes approved by the board will be reflected in the next update of the financial plan. Our capacity has increased due to the successful completion of the Group Combination in April 2018. Before April 2018, we were constrained by the previous group and capital structure and loan restrictions.

## Metric 2 – New supply delivered

## Effectiveness

We are developing social housing units at a lower rate than 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 stock owned at the end of year. The Group's development programme remained static between 2015 and 2018, largely because of uncertainty around the long-term funding of supported housing. We are currently working to increase development output substantially, including both social housing and housing for sale.

## PHG metric

### Social housing

The table below shows social housing unit growth.

| Actual | | | 2019 Financial Plan | | | |
|---|---|---|---|---|---|---|
| 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
| 0.9% | 0.9% | 0.9% | 0.7% | 1.9% | 2.0% | 2.2% |

### Non-social

The table below shows non-social housing unit growth.

| Actual | | | 2019 Financial Plan | | | |
|---|---|---|---|---|---|---|
| 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
| 0.0% | 0.0% | 0.0% | 0.2% | 0.3% | 0.4% | 0.5% |

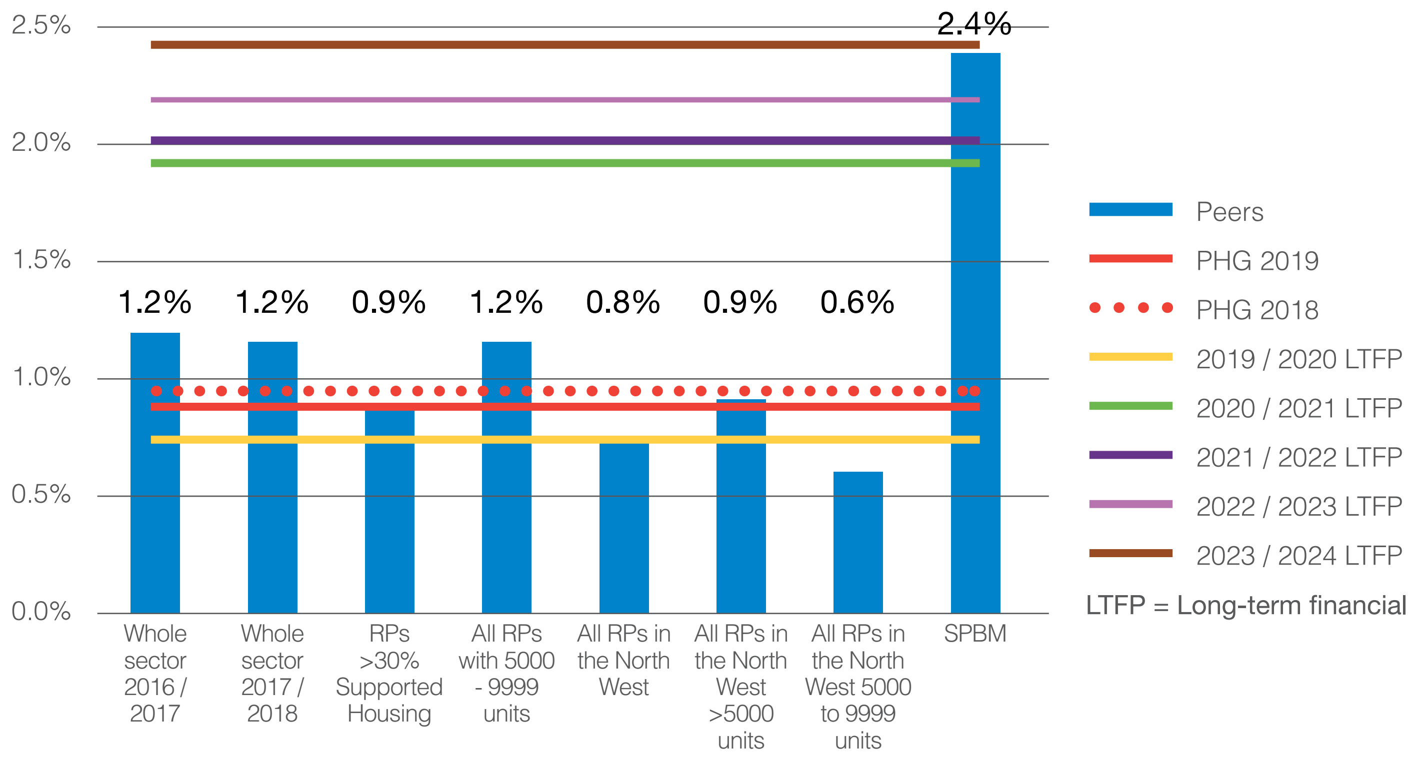
## Results

This metric shows the number of completed units for new accommodation whereas metric 1 assesses the actual amount of money spent on new homes and the capital maintenance investment in existing homes. For new units defined as social housing in 2018/19, 85 additional rental streams came into management. During the year we have completed 121 units (some of which have been handed over to housing management) with a total net development spend of £11.1 million. We did not meet our target partly due to delays in planning and substantial staff turnover within the Development Team. We are forecasting that social housing supply will grow by 0.7% in 2019/20.

The actual development output will be greater because it includes some items not defined as social housing directly owned by the Group, such as schemes leased out to partner housing associations. Concert Living is in its set-up phase and the first sales are expected in 2019/20. This reflects the Group's increase in capacity to expand the development programme.

## Benchmarking

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




The sector has seen the percentage of delivered new social supply remain static from the previous year. Due to an increase in new stock reinvestment in the sector in 2017/18 we would expect to see the percentage of new supply increase in 2018/19. We can see that we have delivered more than other RPs in the North West but less than the median for all RPs.

The 2.4% social housing new supply shown for the SPBM (Support Providers Benchmarking) comparator is mainly due to one RP which has seen significant growth by leasing in properties (14.9%).

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

## Long-term financial plan

New development is due to increase over the next five years, both for social housing lettings (from 0.9% to 2.2%) and non-social (0% to 0.5%). The increase in social housing is a result of the increased output anticipated in our Development Strategy, leading to an average increase in units of 215 a year, over the next three years, compared to 126 in 2018/19. The increase in non-social housing is a result of Concert Living outright sale units. Our plans indicate we could exceed the benchmark group for the supply of non-social housing.

## Metric 3 – Gearing

## Efficiency

The Group's gearing ratio is 4% higher than the sector median. This metric is an indicator of the degree of dependence on debt finance. The Group has further capacity for borrowing as a result of Group Combination, demonstrated by the interest cover metric.

## PHG metric

The table below shows the gearing percentage metrics for PHG.

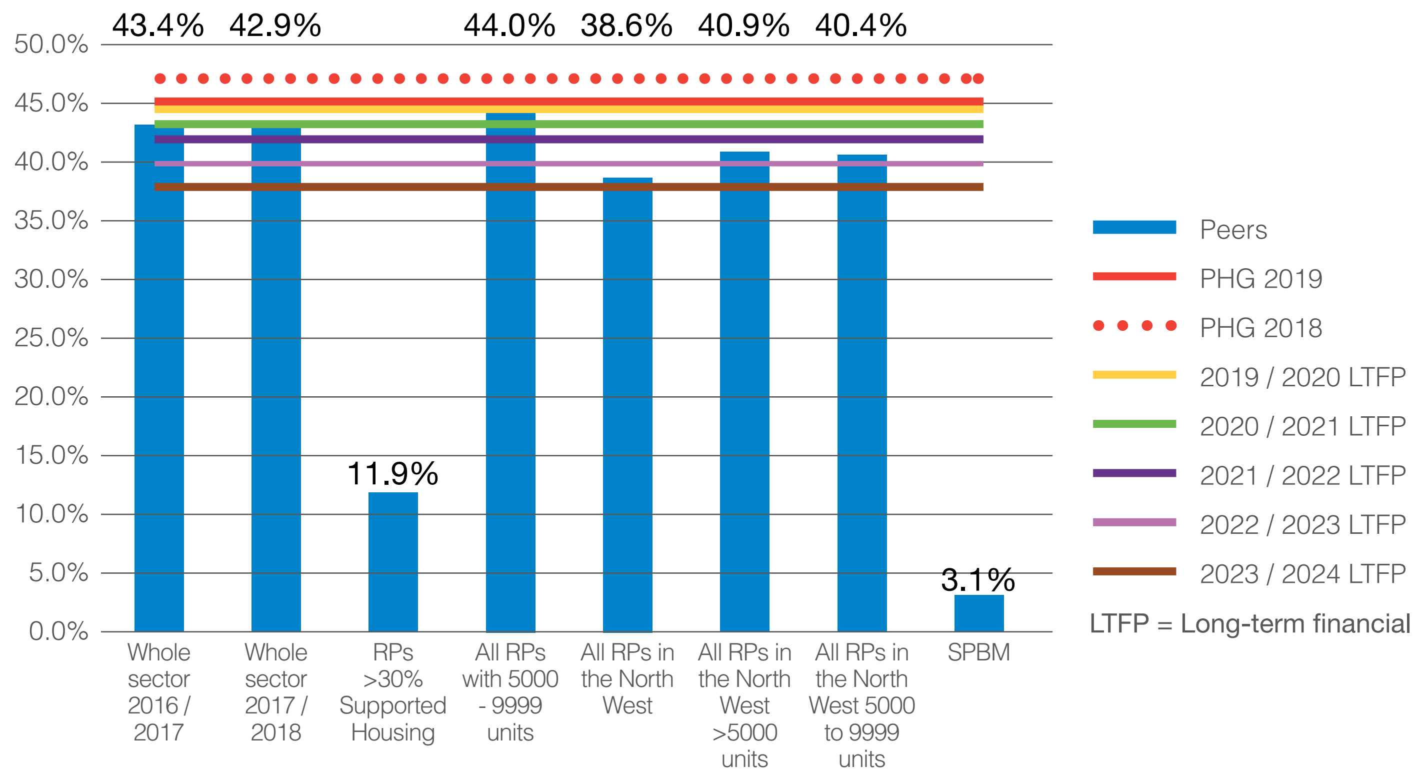
| Actual | | | 2019 Financial Plan | | | |
|---|---|---|---|---|---|---|
| 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
| 50.6% | 46.9% | 44.8% | 44.3% | 43.1% | 41.7% | 39.8% |

## Results

This metric measures the level of debt in proportion to net assets. Our increasing reserves, loan repayments and some slippage in our development programme has reduced our immediate borrowing needs and has reduced gearing by 5.8% from 2016/17. Subject to modelling the Group's ability to service debt, we have the capacity to increase output so that gearing does not reduce beyond 2020.

## Benchmarking

The chart below shows the gearing metrics against comparators.




The sector has seen gearing reduce by 0.5% compared to the previous year. Our gearing has reduced by 2.1%, bringing us closer to the sector median. From the chart above we can see that RPs with a high proportion of supported housing 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 -365.1% to 71.5%. The variance is due to lower tangible fixed assets (costs/valuation), a number of RPs are leasing in units rather than having outright ownership.

## Long-term financial plan

This indicator shows that we have capacity to increase gearing and invest more in new social housing. Gearing is due to reduce from 44.8% in 2018/19 to 39.8% by 2023, due to improved operating cash flows and increased asset worth. Total loan balances are due to reduce by £18 million in the same period due to loan repayments (both mandatory and by using our new revolving credit facilities). The board will review the Development Strategy, which may lead to more output and increased gearing.

## Metric 4 – Interest cover (EBITDA MRI)

The Group has a higher interest cover (EBITDA MRI) percentage than that of 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 capacity to invest further. Interest cover is forecast to increase due to higher operating surplus and stable interest payable.

## PHG metric

The table below shows our EBITDA MRI interest cover.

| Actual | | | 2019 Financial Plan | | | |
|---|---|---|---|---|---|---|
| 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
| 241% | 228% | 261% | 269% | 269% | 286% | 288% |

Excluding shared ownership sales:

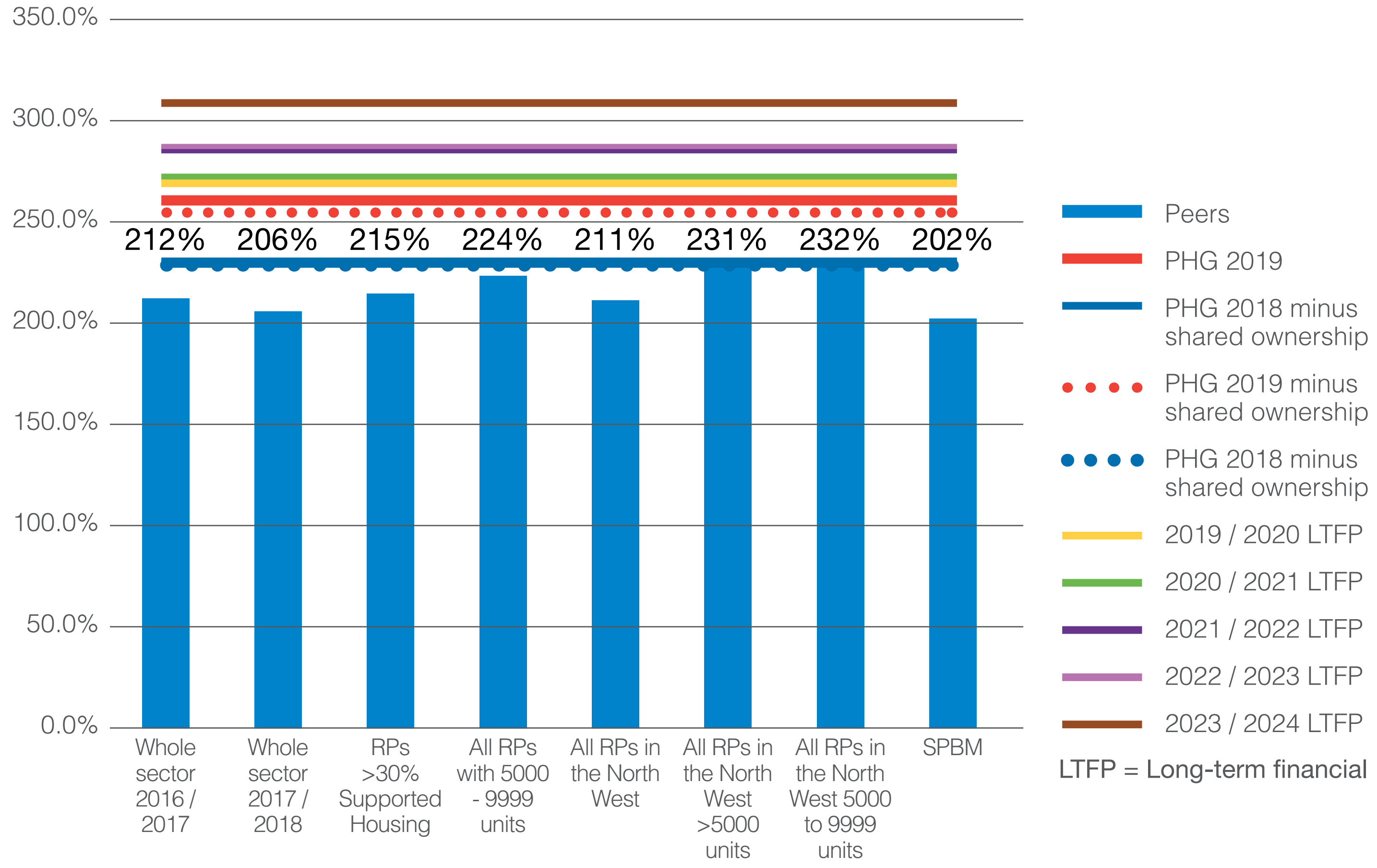
| Actual | | | 2019 Financial Plan | | | |
|---|---|---|---|---|---|---|
| 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
| 238% | 226% | 254% | 261% | 262% | 277% | 279% |

## Results

This metric measures liquidity and investment capacity. Our interest cover is healthy, and provides significant headroom against our loan covenant requirement. However interest cover has fallen from 2017 to 2018 and is partly due to rent cuts and to higher levels of maintenance expenditure. Group interest cover is supported by operating surpluses on shared ownership sales. These uncertain cash flows may dry up in housing market downturns, so cannot be relied upon to service debt. The interest cover without the cash flows from shared ownership sales are shown above. Shared ownership sales contribute about 7% to interest cover.

## Benchmarking

The chart below shows EBITDA MRI against comparators for 2017/18.




Like ourselves, the sector has seen a reduction by 6% compared to the previous year. From the chart above we can see our EBITDA MRI is greater than our sector peers. We know there is a range of variances which reflect individual RPs having different capital structures and being at different stages of maturity.

## Long-term financial plan

Interest cover is set to increase from 261% in 2019 to 288% by 2023 as a result of increased operating surplus from £19 million in 2019 to £27 million by 2023. This is due to a rent increase assumption of CPI+1% over the five-year period from 2021, the anticipated contribution from Concert Living compared to 2018 (where Concert Living had a small loss), and growth in TECS profitability and impairment reductions of £0.5 million.

Interest payable is also set to be lower over the period as a result of loan repayments, and the increase in revolving credit facilities as a result of the success of the Group Combination project, which enabled capital restructuring of Group loans.

## Metric 5 – Headline social housing cost per unit

**Economy**

Along with other specialist supported housing providers, the Group's average social housing cost per unit is higher than the sector median. However, when compared with registered providers with more than 30% of supported housing, the Group's average social cost per unit is lower than the median. The Group's long-term plan shows the social housing cost per unit remaining relatively static to 2023.

## PHG metric

The table below shows our social housing cost per unit.

| Actual | | | 2019 Financial Plan | | | |
|---|---|---|---|---|---|---|
| 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
| £4,541 | £4,800 | £5,061 | £5,182 | £5,169 | £5,128 | £5,068 |

## Results

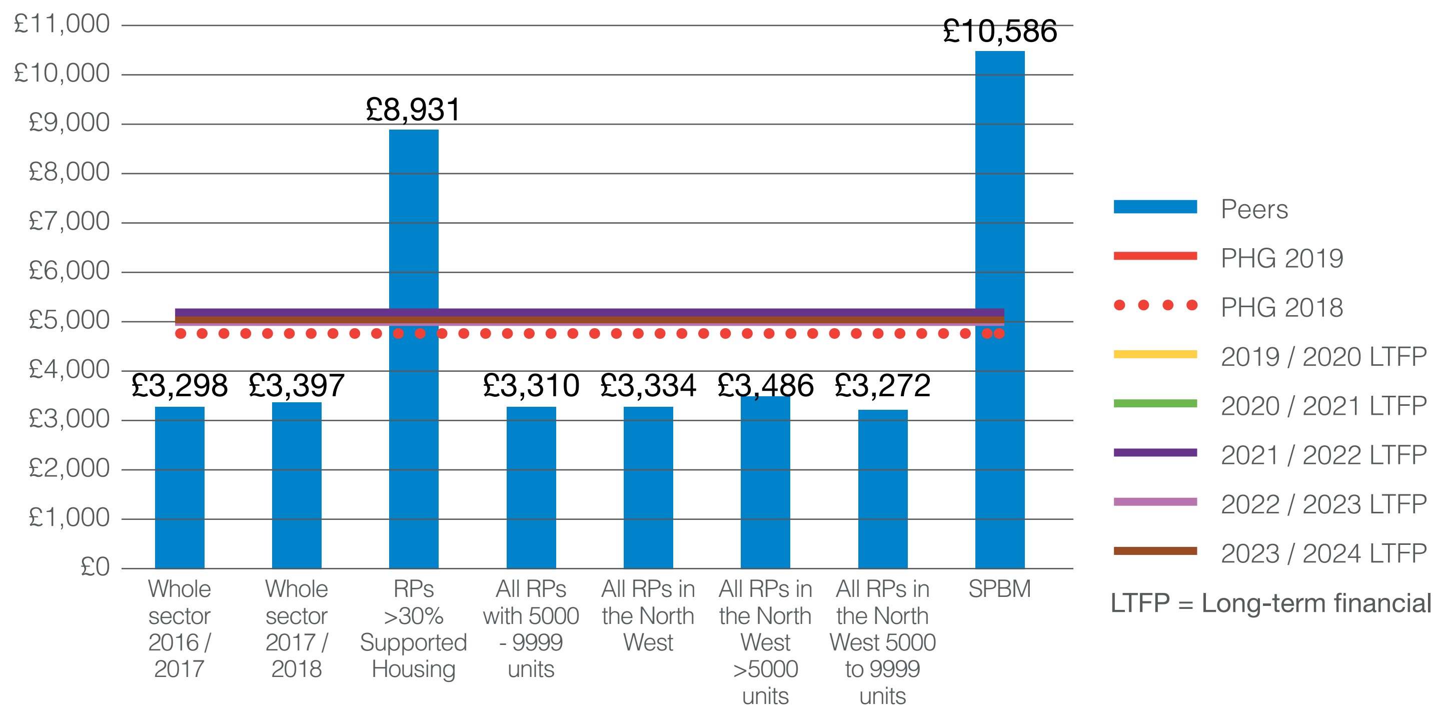
The unit cost metric assesses the headline social housing cost per unit as defined by the RSH. We can see a 5.4% increase in the cost per unit from 2018 to 2019. The increase is due to additional spend on routine and planned works and major repairs. See below for more details on cost per unit by type of cost. Our level of supported living accommodation sets our cost per unit above the rest of the sector. The RSH identified supported housing as a cause of higher unit costs when compared to the sector. Based on the 2018 Statistical Return data, we had 3% of the sector's supported housing, and we are the fourth largest provider (above us are Home Group Limited, Riverside Group Limited and Sanctuary Housing Association).

## Long-term financial plan

The last approved financial plan in May 2019 forecast Headline Social Cost per Unit to remain static from £5,061 in 2018/19 to £5,068 in 2023. However, based on the budget for 2019/20, we will see an increase in cost per unit of £121 (2.2%) when compared to 2018/19. This is largely related to the scale-up of development activity and increased compliance costs. The long-term financial plan assumes growth in development output in line with the approved Development Strategy. This is expected to reduce cost per unit in the longer term because the growth in units will not be matched by the growth in management costs. In addition, increased capitalisation of development staff costs will reduce revenue expenditure by around £0.5 million.

## Benchmarking

The chart below shows the social housing cost per unit compare to sector comparators.




Like us the sector has seen the cost per unit increase. However, our costs in 2018 have increased faster than the sector (PHG 5.7% (£258), sector median 3.0% (£99)). When comparing cost per unit to the previous year we can see the main reason for the increase is additional spend on routine and planned maintenance works (13.3% increase) and major repairs (21.1% increase).

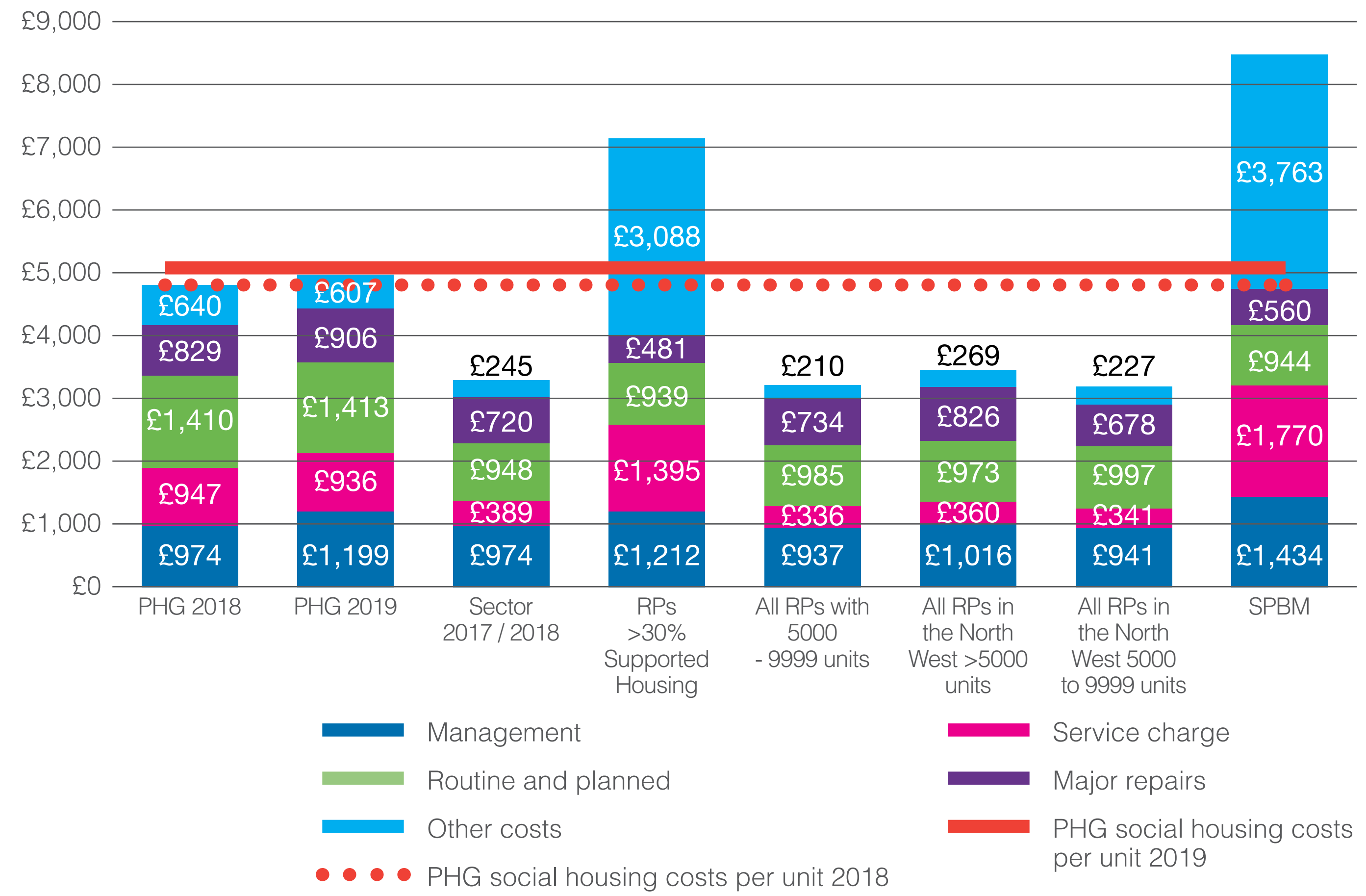
The published VFM metrics summary report by the RSH in September 2018 identified a number of cost factors. RSH analysis confirmed that a higher proportion of supported housing has a significant effect on cost. We can see from the table above that RPs with more than 30% supported housing (PHG being one of these) have an average cost per unit of £8,931 which is 163% greater than the sector median.

This unit cost increases when compared to the SPBM peers who are predominantly RPs with very high levels of supported housing. This is compared below further when looking at cost per unit by need category.

The Statistical Data Return (SDR) data for 2018 published in October 2018 shows a 4% increase in supported housing units across the sector from March 2017 to March 2018. The report also notes that the key driving factor of increased average net rent for supported housing/housing for older people is due to a small number of RPs operating lease-based supported housing business models entering the market. (These did not appear in 2017 due to owning fewer than 1,000 units).

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

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




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

- Management costs – the sector has seen a 3.5% increase in median management costs from the previous year. We have seen a reduction of 1.8%, bringing our management cost per unit equal to that of the sector median. Our management costs have increased to March 2019 due to growth.
- Service costs – these are higher than the sector, as we can see both the SPBM and RPs with greater than 30% supported housing have significantly higher cost per units. To understand how we position against the sector, it is helpful to look at this by need category as discussed later in the report.
- Routine and planned – the sector has seen the median increase by 2.5% compared to a 15% increase for us. This is due to an increase in responsive jobs, voids and gas repairs following our move away from using external contractors to being an in-house labour organisation. We can see that there is little variance across other peer groups suggesting that these cost factors do not influence this value. So this does not explain the larger cost per unit at this level. There could be a number of reasons why our costs are higher such as age of stock and accommodation types and we have commissioned a VFM review by consultants. Supported housing can include a variety of different services, from long-term housing like supported living to short-term housing such as refuges.
- Major repairs – the sector has seen an increase in the major works cost per unit to 5.5%. This compares to a 26.7% increase for us. We know our costs have increased from 2016/17 due to an increase in completed works (we under spent in 2016/17). The cost per unit is less for providers with more than 30% supported housing as well as the SPBM peers.
- Other costs – like service charges, other costs are influenced by supported housing. The sector has seen very little change from the previous year. We are showing a 12% decrease in the cost per unit to 2018. It is likely our higher cost per unit is due to the rental costs of supported living leased in units. Other costs per unit for the Group are £607, and £381 of this relates to lease payments. When comparing the remaining £226 (other costs excluding lease payments) to the sector median, the cost per unit for other costs is 12.4% lower (£245).

## Cost per unit by need category

The table below shows social cost per unit split by need category for 2018/19.

| | Progress Housing Group 2019 draft accounts | | | | | 2018 Global Accounts | |
|---|---|---|---|---|---|---|---|
| | General needs | Independent Living | Supported Living | Shared Ownership | Group | Sector median | > 30% of supported housing |
| Number of units | 4,828 | 1,265 | 3,216 | 143 | 9,472 | 6,292 | 2,034 |
| Management CPU | £962 | £733 | £1,775 | £622 | £1,199 | £974 | £1,212 |
| Service charge CPU | £156 | £1,309 | £1,995 | £274 | £936 | £389 | £1,395 |
| Routine and planned maintenance CPU | £1,147 | £1,198 | £1,955 | £288 | £1,413 | £948 | £939 |
| Major repairs CPU | £861 | £967 | £984 | £251 | £906 | £720 | £481 |
| Other costs CPU | £78 | £3 | £1,624 | £986 | £607 | £245 | £3,088 |
| **Headline social housing cost per unit** | **£3,204** | **£4,209** | **£8,332** | **£2,426** | **£5,061** | **£3,397** | **£8.931** |
| Variance to sector median 2018 | -6% | 24% | 145% | -29% | 49% | | |

The 'variance to sector 2018' line compares the Group's respective cost per unit by need category to the 2017/18 Global Accounts sector median. It is not directly comparable as the sector median is made up of all need categories. It is important to note that the Global Accounts data is the median for the sector, and as a result of using the median over the mean, the sum of the individual components is different to the total. This highlights the effect of the supported living cost per unit on the overall Group position. The general needs headline social housing cost per unit is £3,204 which is £193 lower than the sector median of £3,397. Further analysis is being undertaken for independent living and shared ownership. We will update the sector median for 2019 results when these are published by the regulator in late 2019.

Total maintenance cost per unit (routine, planned, major including capitalised works) for general needs accommodation is £2,008 compared to the sector median of £1,668. This shows that our overall maintenance cost per unit is 20% higher than the sector median. The Group will be undertaking further analysis to determine the reasons for our higher cost profile and as part of this has commissioned an external consultant to undertake a review in this area to test VFM. This review will look at whether we are paying the right price and doing the right work with a particular focus on responsive and void works.

As already mentioned, the term supported housing can cover long-term housing solutions such as supported living and short-term housing provision such as refuges.

In terms of supported living there are three other registered providers in the SPBM group who have the closest client group to supported living.

The table below shows social housing cost per unit for the Group and these providers.

| | Supported living – PHG 2019 | Supported living – PHG 2018 | Advance Housing Group 2018 | Golden Lane Housing Ltd 2018 | Inclusion Housing 2018 |
|---|---|---|---|---|---|
| **Social housing cost CPU** | **£8,332** | **£7,461** | **£10,586** | **£6,067** | **£11,013** |
| Management CPU | £1,775 | £1,071 | £1,118 | £2,242 | £1,230 |
| Service charge CPU | £1,995 | £2,109 | £1,770 | £269 | £825 |
| Routine and planned maintenance CPU | £1,955 | £1,819 | £2,022 | £882 | £545 |
| Major repairs CPU | £984 | £963 | £560 | £376 | £308 |
| Other costs CPU | £1,624 | £1,499 | £5,116 | £2,299 | £8,105 |

The table above shows large variances, highlighting the sensitivity of cost differences between RPs. An example of this is Inclusion Housing which is a younger RP. Its lower repairs costs could be due to better property conditions and they have a high proportion of leased accommodation which would explain the high other costs per unit.

## Metric 6 – Operating margin

## Efficiency

Progress Housing Group's operating margin (social and overall) 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 an increase in social rent (from 2020 onwards), rent income from new developments and sales income from Concert Living. However, there are also cost pressures relating to compliance and fire safety works. The board will be presented with a revised financial plan to reflect these changes.

## PHG metric

The table below shows our social housing operating margin.

| Actual | | | 2019 Financial Plan | | | |
|---|---|---|---|---|---|---|
| **2017** | **2018** | **2019** | **2020** | **2021** | **2022** | **2023** |
| 29.0% | 25.0% | 24.0% | 24.8% | 25.7% | 27.6% | 30.1% |

The table below shows our overall operating margin.

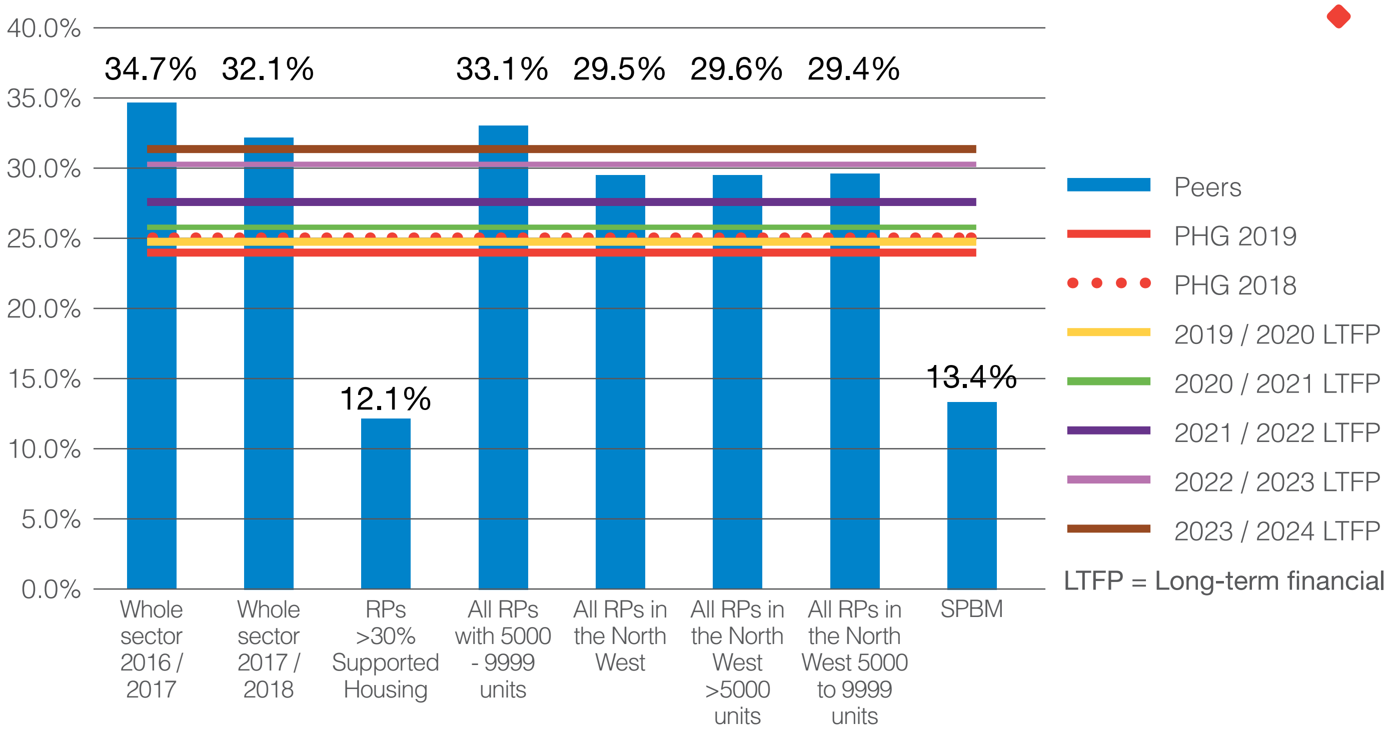
| Actual | | | 2019 Financial Plan | | | |
|---|---|---|---|---|---|---|
| **2017** | **2018** | **2019** | **2020** | **2021** | **2022** | **2023** |
| 29.3% | 24.9% | 24.1% | 23.6% | 23.3% | 24.6% | 25.7% |

## Results

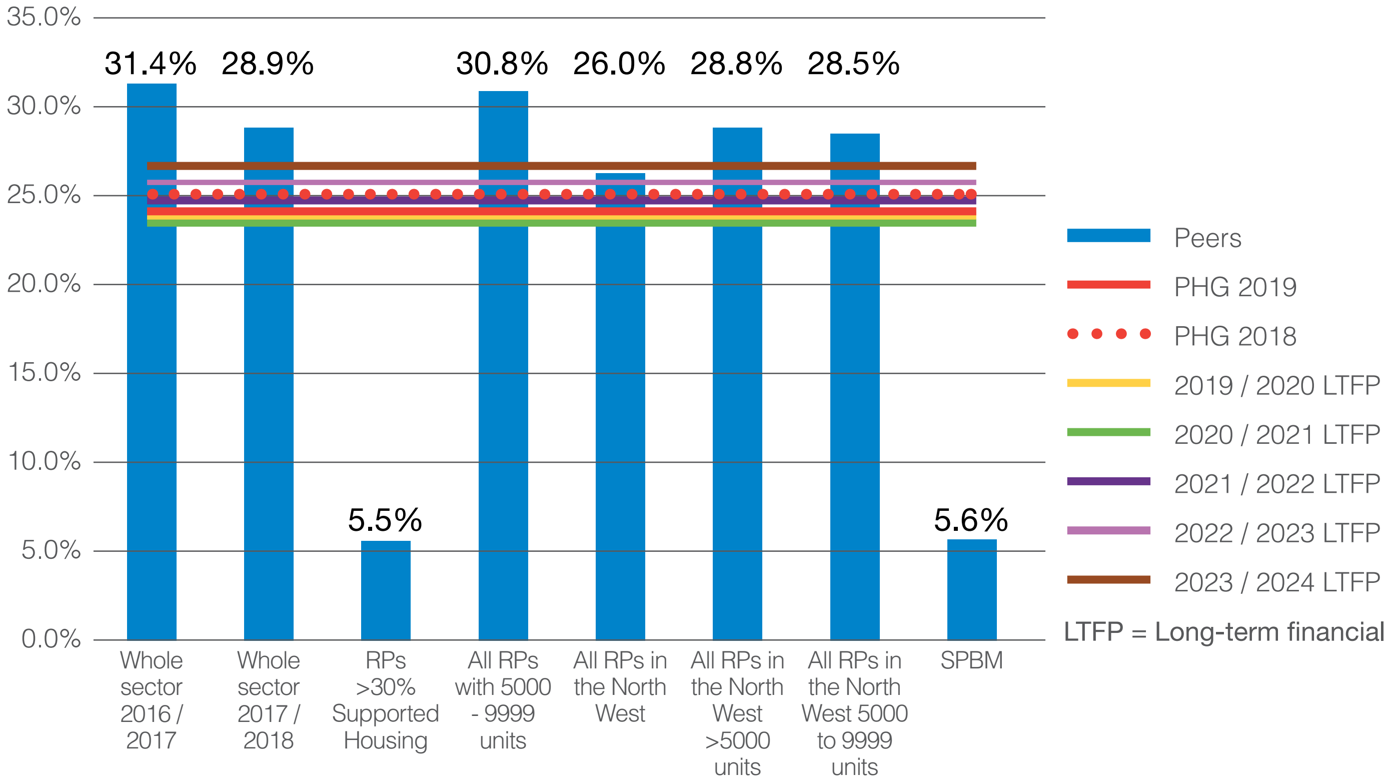
Our operating margin has reduced compared to last year mainly due to an increase in rent income and new contracts, reduced by employee costs and maintenance expenditure. When looking at the overall operating margin it is noted that RPs are operating a variety of non-social housing type businesses so each business model will deliver different levels of operating margin.

## Benchmarking

The chart below shows social housing operating margin by comparative peers.




The chart below shows the overall operating margin by comparative peers.




Like us, the sector has seen a reduction in both the social housing and overall operating margin but at a lower rate than ourselves (Social: PHG 4.1%, sector 2.6%, Overall: PHG 4.6%, sector 2.5%) to 2018. This is likely to be due to our higher maintenance cost per unit, as mentioned previously. We can see that those with higher proportions of supported housing have lower operating margins. When looking at the comparative group of the 16 with more than 30% supported housing, 11 have operating margins lower then 10%. Other RPs operate very different capital structures which can be noted from their gearing positions. Our margins are projected to improve due to an increase in income.



## Long-term financial plan

Overall operating margin is set to increase from 25% in 2018 to 25.7% in 2023. This is due to a forecast increase in operating surplus of 50% compared to a forecast increase in turnover of 33%, resulting in an increase to the margin. The increase in operating surplus is noted above re EBITDA MRI. The increase in turnover is as a result of increased rent assumptions (CPI + 1% for the five year period from 2020/21), an increased turnover from Progress Lifeline, forecast increase in shared ownership sales and a forecast increase in turnover from Concert Living developments when, compared to 2017/18, had no turnover.

## Metric 7 – Return on capital employed (ROCE)

**Economy**

The Group has a lower return on capital employed than the sector median. This metric measures operating surplus compared to total assets less current liabilities. It assesses the efficient investment of capital resources. Return on capital employed is expected to increase due to planned increases in the operating surplus. The Group's choice of accounting policy is deemed cost, which results in a lower return on capital employed compared with most of the sector.

## PHG metric

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

| Actual | | | 2019 Financial Plan | | | |
|---|---|---|---|---|---|---|
| 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
| 4.2% | 3.4% | 3.7% | 3.7% | 4.0% | 4.2% | 4.6% |

## Results

This indicator is a comparison of adjusted operating surplus to total assets less current liabilities. Current liabilities can fluctuate each year. Our ROCE is slightly below our comparator group, but is forecast to increase and exceed this group.

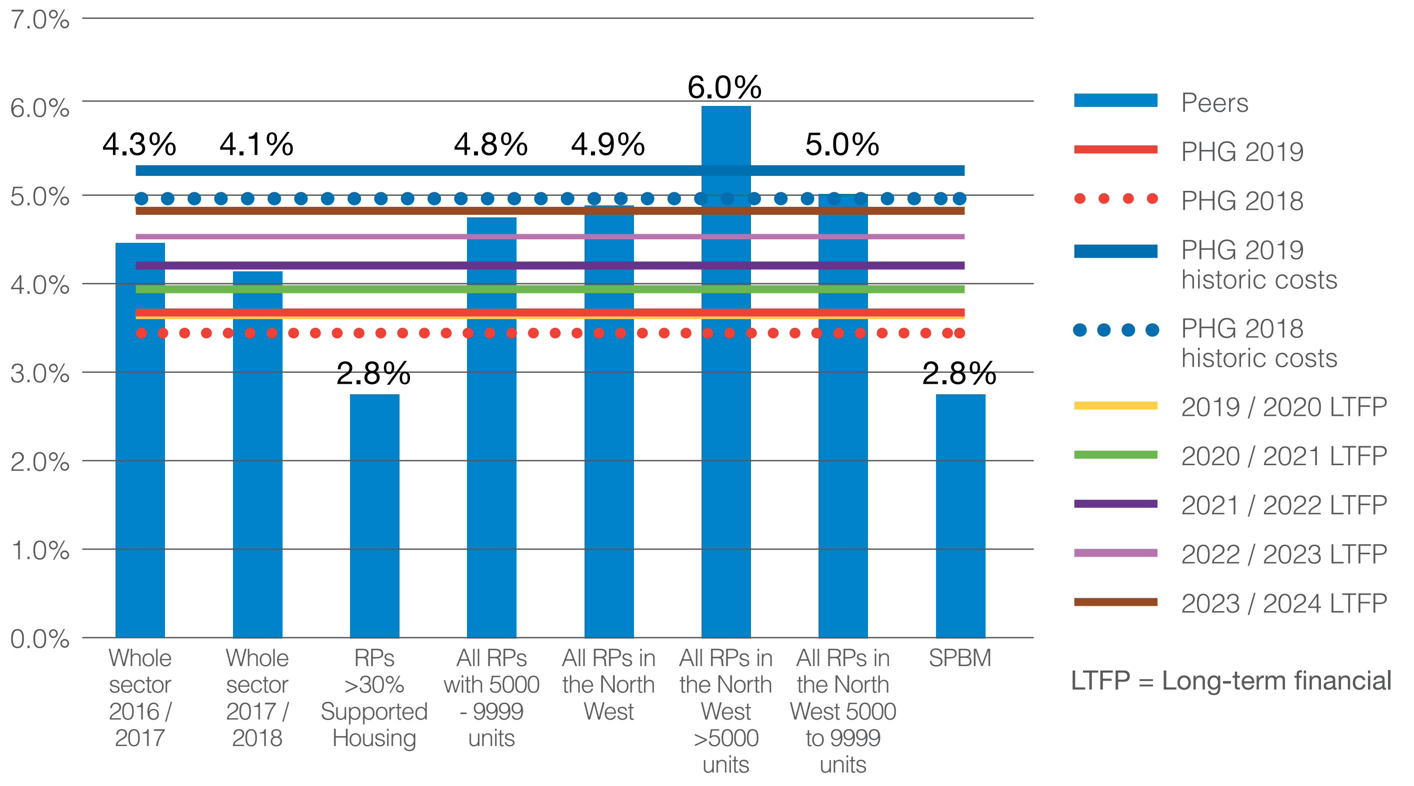
Before the implementation of FRS 102 in the 2016 financial statements, the Group accounted for its housing properties at valuation. This meant they were re-valued annually, and any changes in valuation were recognised. Moving to FRS 102, the Group decided to adopt the transition option of frozen valuation. This meant the valuation of a property at the point of transition became their 'deemed cost'. 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 method is estimated to have been used 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 our 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 too.

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

| Actual | | | 2019 Financial Plan | | | |
|---|---|---|---|---|---|---|
| 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
| 6.1% | 5.0% | 5.3% | 5.2% | 5.5% | 5.8% | 6.1% |

## Peers

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




Both the Group and the sector median have seen a reduction in the return on capital employed, partially due to the 1% rent reduction. The Group's figure fell by 0.8% and the sector fell by 0.2%. We can see from the chart above that those peer groups with a higher proportion of supported housing show a lower level of ROCE. The capital employed is affected by the choice of accounting policy. We have opted to value assets at deemed cost (frozen valuation) and as a result our ROCE is lower than it would be if we reported on historic cost, which is the more common valuaton basis in the sector. The latest information (Beevers and Struthers 2017 review of Social Housing) indicates that 25 of the top 100 RPs were on deemed cost at the time of writing. As a broad estimate, around 25% of the sector are likely to be using this accounting method at the moment.



**The 2018 VFM standard states that registered providers must demonstrate:**

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?**

This means that when we make decisions on our expenditure, we understand the outputs achieved. 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.

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

Our Strategic Plan clearly outlines our intention to provide more and better homes and to become a stronger organisation. This links to a number of our strategies including development, asset management, treasury and VFM. These strategies are aligned to our long-term financial plan and are set by our board. We have operational teams in place to deliver the actions as detailed in their operational plans.

**During 2018/19 we have:**

- Continued our Development Strategy which aims to have a balanced programme where we may choose to develop properties that have a negative NPV to achieve our social objectives, but also develop other properties with a positive NPV to maintain our financial strength. We have completed 54 Homes England-funded properties with a spend of £6.4 million and grant funding of £0.8 million. In addition, 46 non-grant funded units have been completed with spend of £4.5 million. Our £0.1 million expenditure in the year relates to schemes on site. These decisions are taken by our Financial Appraisal Team to ensure new developments are delivered appropriately.
- Continued our Asset Management Strategy which helps us to identify poor performing stock that will trigger a possible options appraisal. There were no significant schemes identified during the year. We operate a standard template for options appraisals when reviewing our stock performance. This helps us to make clear decisions on the future viability of our stock. It includes options to dispose, remodel or, in the case of supported living accommodation, decommission schemes. During the year we sold four units (excluding Right to Buy (RTB), Right to Acquire (RTA), market rented sales and shared ownership) which generated £1 million in sales. This income helps us to reinvest in new and existing homes.
- Achieved income of more than £4 million from our Progress Lifeline and TECS service, with more than 40,012 connections and an operating surplus of £0.9 million. This service has grown significantly over the last couple of years and we submit competitive bids to secure new contracts whilst providing a quality service to a wide range of customers. We have approved further investment in staff resources to continue to grow the business, and contribute to our operating margin.
- To support agile and mobile working and to improve the way services are delivered to our customers, we have been reviewing all office accommodation and workspace. The sale of Warwick House in Lytham was decided in 2018/19 with the sale of the commercial building completing in November 2018, generating a surplus of £0.7 million. The office building is currently on the market with a sale anticipated in 2019/20.
- A new office in Leyland has been leased with a view that, alongside an increase in agile and home working, one or possibly two of our current offices can be released in 2020/21. The overall office lease costs would remain the same but the new office is being renovated to support agile and mobile working. The office at Sumner House in Leyland is also being improved to create a working environment that supports a collaborative workforce and therefore improves the services delivered to our customers.

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

**What considerations have we made?**

During the year we have reviewed our supported living activity which is spread across England and Scotland.

**1) Provision of maintenance services for supported living customers**

In April 2018 we completed a procurement exercise for the provision of planned and responsive maintenance services to all of our supported living schemes. At the same time we introduced a 'contractor portal' for monitoring performance and streamlining the variation and payment processes.

This has improved the service provided to tenants and has enabled an improved contract management process, which ensures that repair completions are accurately recorded and maintenance costs can be better monitored in a timely manner.

In June 2018, we commissioned a report from Housing Quality Network (HQN) to analyse the cost of providing maintenance services to dispersed supported living stock. The research showed that the National Housing Federation (NHF) schedule of rates we use already provides for regional labour cost variations, e.g. in the South East and London labour costs are higher. It is clear that the smaller the operational footprint in the area the higher the cost, regardless of geography. The low volumes cancel out the benefits of cheaper labour costs, e.g. in Scotland.

**2) Leased in accommodation for supported living customers**

During the year, we have reviewed our leased in portfolio. The Group has 151 leases, comprising 582 rental streams as at 31 March 2019. All of these are supported living accommodation.

A number of actions have been carried out in the year:

- Six leases have fallen away (six properties 19 rental streams) either due to the property no longer being required, no suitable tenants, or some other sustainability reason.
- Six leased properties were purchased by the Group in July 2018. Of these, five are supported living schemes comprising a total of 13 rental streams. The remaining property is leased out to an organisation providing day care services. This acquisition generated a higher return than if we had leased it in.
- The portfolio has been reviewed to determine the overall financial performance, and further work is being carried out to address those that are loss making to either improve the position or consider exiting the lease where possible. Overall the portfolio is making a positive return.
- We continue to consider potential options around purchase or the re-provision of such properties following a strategic decision made by the board to move away from leasing in this type of accommodation wherever possible.

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, in particular other costs 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.

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 which are not traditional social housing i.e. in areas such as TECS and Concert Living that we analyse the risk involved, have mitigating strategies for failure and ensure there is a financial return which reflects the level of risk on the activity. If no financial return is envisaged, the business case should clearly justify other intended benefits. In addition, VFM, in line with our strategy, should be in our day-to-day operations, which includes procurement.

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

Our current non-social housing activity mainly relates to Progress Lifeline, TECS activities and Concert Living. In total, these activities generate around £9 million in turnover with an operating surplus of around £2.7 million and therefore provide a healthy contribution to our operating surplus. TECS and Concert Living are growth areas for us.

Progress Living is the brand which 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 in order to meet housing need, generate a financial return and to 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 and generates a surplus of more than £1 million a year.

TECS activities currently generate more than £4 million in turnover and have seen growth over the last few years. We are aiming to grow new provision by £8 million over the next five years. We have a proven track record in providing TECS services and each new contract is financially appraised and priced prior to bidding for the contract.

Concert Living develops new homes for outright sale and its activity concentrates in areas where the housing market is stronger. It aims to serve the mainstream housing market with conventionally designed and constructed homes of two to five bedrooms. This new initiative has plans to generate turnover up to £45 million over the next five years and contribute a healthy profit for reinvestment into the Group. Concert Living has its own board to oversee and approve its operations against a detailed business case, approved by the Parent board. Its first development commenced in 2018 and is closely monitored by the Concert Living board, with financial performance reported to the Parent board.

We monitor and report on all of these non-social housing activities separately and whilst our growth in this non-social activity is significant, the long-term financial plan does not rely on this activity to support our Plan requirements. Our social housing activity remains our core operation. Our long-term financial plans have been risk tested and include mitigations in the event of loss of Progress Lifeline contracts and the failure of Concert Living to achieve its required profits. Our plans for 2019/20 include further development of specific reporting on our non-social housing activities to provide better management information for decision making.

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

**Our operational teams across the whole business incorporate VFM in their activities. The teams record their achievements and plans on a VFM tracker.**

During 2018/19 we have:

- Reviewed several existing contracts with a value of £3.9 million and have either maintained the existing cost, contained to a low cost increase and achieved savings of £0.2 million.
- Procured new contracts to provide a cost-effective solution and improved service provision to tenants.
- Introduced pension salary exchange which will generate £0.1 million of savings a year for the Group and our employees.
- Accessed funding for 52 supported living customers, reducing expenditure within the Group.
- Invested in training and support for managers, which has resulted in a reduction in sickness absence and a cost reduction of lost time of £0.4 million (48%) across two years. This has meant we have had more employees available to provide services to customers.
- Maximised the use of the apprenticeship levy. This costs us around £68,000 a year. In this year we have 37 employees accessing training and development opportunities.

For 2019/20 we are planning to:

- Re-procure over 15 contracts including insurance, card services, flooring, fuel and white goods with a total value of £4.7 million. We will seek to achieve savings or avoid or minimise cost increases while also improving services to customers.
- Invest in a number of new IT projects including risk management software, invoice capture software, health and safety software and an e-learning platform. Whilst there will be implementation costs, each project will have a business case to justify improvements through automation.

This demonstrates the Group's commitment to ensuring VFM within its operational activities.



# Performance against our VFM Strategy

**Our VFM Strategy sets out our plans for: continued investment in our properties, new developments and understanding the costs of our services. The board has prioritised three of the seven metrics. These are: new homes, reinvestment and cost per unit. Cost per unit has been reported in detail within the metrics earlier in this document.**

**Our key priorities for investment – new homes and reinvestment into existing homes**

In 2018/19, we invested more than £21.5 million on repairs and maintenance and plan to spend more than £22 million in 2019/20. The majority of the increase is on compliance works and continuing our programme to complete more component renewals.

Understanding the performance of our assets is essential for our decision making. The latest assessment of the Group's financial performance noted by the board in October 2018:

| Need category | Average net present value per rental stream | Benchmark – Savills Asset Performance Evaluation (APE) model benchmark group | Properties triggered for review | Total properties as at 31 March 2019 |
|---|---|---|---|---|
| General Needs | £30,564 | £14,310 | 446 | 4,828 |
| Independent Living | £24,097 | £14,310 | 60 | 1,265 |
| Supported Living | £107,450 | N/A | 16 | 3,205 |
| **Total** | **N/A** | **N/A** | **522** | **9,298** |

The above table shows that the financial and social performance of the different types of property continue to show a positive picture. We have an Asset Management Working Party which reviews specific properties based on the above results. Informed decisions are then made and cover a range of outcomes including disposal, reinvestment, options appraisal, retain or assess sustainability factors. These are then used to inform our key priorities for investment.

Of the 446 reviews into general needs properties, 11 were subject to an ongoing options appraisal and 375 properties highlighted sustainability concerns. These are considered by the working party and form an important part of the estate action plans. A total of 57 properties were retained and investment will continue due to their geographical importance to the organisation. The final three properties in the review were options appraised and recommended for disposal. The Group's Financial Appraisal Team supported the decision to dispose of one of these units in John Street, and this generated £0.07 million for reinvestment elsewhere.

Of the 60 properties triggering the independent living reviews, 41 were part of large integral schemes where large component investment works are required due to the age of the buildings. The Group has made the decision to invest. This is part of the Independent Living Strategy to reduce the number of independent living units on non-integral schemes. When a decision is taken to de-commission independent living properties the properties are changed to general needs. The property performance is then re-assessed.

**Our key priorities for future investment**

The board is currently reviewing the Development Strategy and this may result in a further increase in reinvestment. We have the following plans for future investment in new and existing homes, within the next five years:

**(i) New homes**

- We delivered a total of 121 supported living and general need developments during 2018/19 through a number of procurement routes. The Group's existing five-year Development Strategy is to deliver 1,001 units at a gross cost of £122 million.
- We started, and will continue, to explore land-led development

as the development programme progresses. The aim will be to reduce dependence on procurement through developer-led arrangements, and to improve supply stability and value for money including consistency and quality of product.

- We have commissioned the design of a range of standard house types for our affordable delivery which will be adopted early in 2019/20. We will standardise design and layout for a significant proportion of our developments due to complete from 2020/21 onwards. This creates efficiencies in the construction procurement process on land-led opportunities. It provides greater control over our future development programme and consistency in our offer to market. Greater consistency and quality control of design will enable properties to be built more efficiently, generating savings in construction cost.
- We have begun a review of our new home standard specification for our affordable rent, shared ownership and supported living tenures. This review will be finalised early in 2019/20 and will be reflected in properties that complete in 2020/21 and onwards. Further reviews will be undertaken on a regular basis and will be supported by post completion reviews for all our developments. These will assess defects that may have occurred along with aspects identified by our Asset Management Team and feedback from customers through our neighbourhood team. This information will help us to improve our standard product, ensuring it meets customer expectations, minimises initial capital costs, maximises future sustainability and also minimises future maintenance and component replacement cost and resource input.

  We have established a standard requirement on quality from developers which highlights the specification the Group requires for non-grant funded s106 affordable properties.
- We started, and will continue, to review our supported living standard specification to ensure it meets existing customer expectations whilst allowing easy and cost efficient adaptability and sustainability of the property. This will help us to ensure the homes are fit for purpose whilst minimising void periods.
- Through our membership of the Riverside Partnership, we will continue to work with other registered providers to compare and analyse cost data information for new build construction contracts, and also to maximise grant levels.

### (ii) Re-investment into existing homes

- We will invest around £31 million to deliver 6,000 component replacements with a further £6 million planned for 2019/20 to deliver 1,467 components.
- We have begun to establish a set of priorities for investment in the long-term sustainability of stock. This will prioritise essential health and safety compliance first and then in priority order: maintaining decent homes, reducing long-term repair costs, carrying out external and communal area redecoration every five years and regular estate improvements, and improve the energy efficiency of our homes. 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 customers to develop a standard for the component replacements
- The implementation of the Group Dynamic Purchasing System will reduce the number of contractors covering major component replacements, repairs and maintenance, and smaller planned works items to create economies of scale.
- We have applied investment tests on all of our properties as noted in the table earlier. 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 where we will continue to invest.

Further plans also include a continued focus on:

- Tracking trends in performance of individual properties over time considering when best to invest to maximise performance.
- Developing the supported living Asset Performance Model to evaluate the short-term viability of leased properties against the wider issues of demand, the Green paper and exit strategies.
- Developing the Group's understanding of the impact of geography when considering the performance of properties.
- Creating interfaces between core IT systems such as Keystone, Integra and Aareon QL to allow more automation of processes to drive efficiency.

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

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