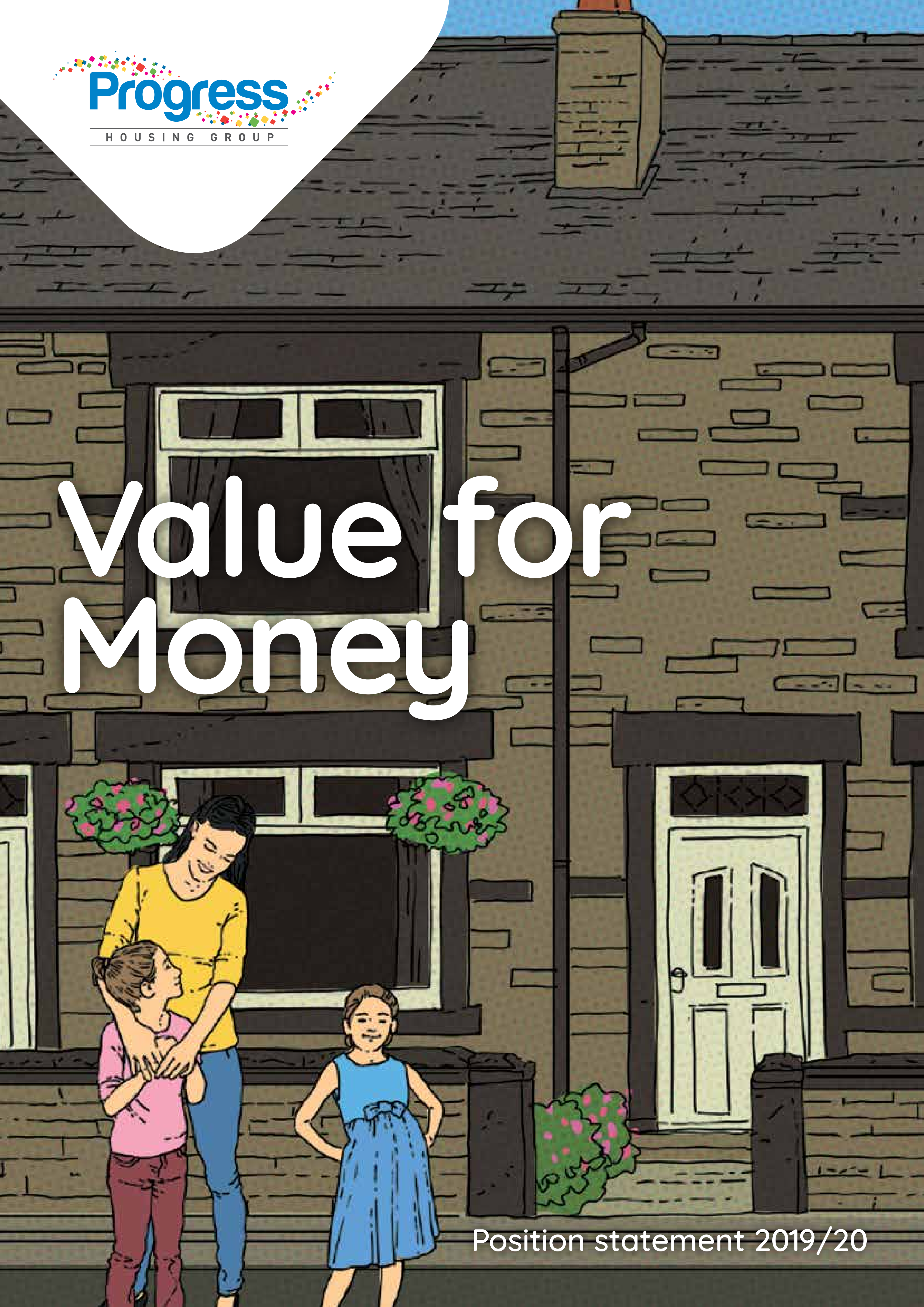
Progress
HOUSING GROUP



Value for Money

Position statement 2019/20

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 2020-2025 - 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 2019/20, 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 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 within 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 by the deadline of 30 September 2020.

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.

We have 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 the 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.

Executive Summary - Our achievements 2019/20

Alongside our core social housing business, we deliver many 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, 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 to increase the quality of life and reduce the cost of social care for thousands of older people through the use of technology.

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

- Approved spend of £143 million over the five years to 2024/25 to provide 1,099 new units across a balanced programme of supported living, general needs, section 106, and shared ownership.

  For 2019/20 we spent £18.1 million, which was slightly under our target of £19 million. We delivered 91 new rental streams consisting of 72 general needs and 14 shared ownership properties. Of these units, 57 were delivered through section 106. Also, one supported living property was delivered, and four supported living income streams were developed and leased out to a third party.

- The five-year business plan for Concert Living sets out to deliver 239 sales units, and generate a £3.9 million operating surplus over its first five years.

  For 2019/20, we planned to deliver 12 unit completions at Edward Gardens. During the year, there were several setbacks with delivering this scheme due to contractor issues and planning permission. The scheme completed in early 2020. Budgeted spend was £6.1 million, with an actual spend of £1.6 million due to delays.

- Approved investment of over £32 million over five years to deliver over 5,300 new components (for example, bathrooms and kitchens).

  For 2019/20, we achieved our target and spent £6.2 million on 1,303 components.

- Our operating margin is also set to increase steadily by more than 4% over the next five years due to contribution from shared ownership and Concert Living sales, growth in TECS customers, and rental income increases.

  For 2019/20, we achieved an operating margin of 21.2%.

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

  For 2019/20, we reviewed contracts totalling £3.32 million, resulting in £0.3 million savings, with improved services for customers.

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

  We have not met our arrears target of 3.6% by 0.3%. This is due to 31 March being mid-week (week 53 positions shows performance at 3.5%, which would have exceeded the target). Voids performance has continued to see an improvement concerning general needs and independent living, but 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.

  Our 2018/19 cost per unit was £5,077, with 2019/20 increasing to £5,244.

The Value for Money Standard and our performance

We are required to comply with the Regulator of Social Housing's VFM Standard, 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 2019 report in December 2019, and the Group has compared its performance for 2019/20 with a range of peers derived from this publication. The table below shows the nine metrics and how we have performed for 2019 and 2020, 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	2018/19	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
1	Reinvestment %	6.2%	2.6%	2.3%	4.4%	5.5%	6.2%	5.6%	6.1%	6.1%
2a	New supply delivered (social housing units)*	1.4%	0.9%	0.9%	1.4%	1.2%	1.9%	2.2%	2.7%	2.4%
2b	New supply delivered (non-social housing units)	0.0%	0.0%	0.0%	0.0%	0.1%	0.4%	0.4%	0.0%	0.0%
3	Gearing %	43%	47%	45%	44%	42%	44%	42%	40%	39%
4	EBITDA MRI as a % of interest (cash surplus)	182%	228%	259%	259%	266%	286%	285%	275%	261%
5	Headline Social Housing Cost Per Unit	£3,695	£4,800	£5,077	£5,244	£5,280	£5,091	£5,025	£4,965	£4,948
5a	Headline Social Cost Per Unit (General needs and independent living)	£3,499	£3,438	£3,527	£3,464	£3,641	N/A	N/A	N/A	N/A
5b	Headline Social Cost Per Unit (Supported Housing)	£8,462	£7,461	£8,340	£8,699	£8,785	N/A	N/A	N/A	N/A
6a	Operating margin (social housing lettings only)	29.2%	25.0%	24.0%	23.3%	20.8%	25.4%	26.6%	27.8%	25.5%
6b	Operating margin (overall)	25.8%	24.9%	24.1%	21.2%	19.1%	21.5%	20.6%	22.7%	20.8%
7	Return on capital	3.8%	3.4%	3.7%	3.3%	3.1%	3.7%	3.8%	3.7%	3.5%

Performance against our additional metrics

The Senior Management Team 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 and how we have performed against our peers and our targets. We have also identified our future targets.

No	Indicator	Peer	Peers Global Accounts	Progress Housing Group Actual			Progress Housing Group Target		
			2018/19	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
8	Overall satisfaction index	The Leadership Factor	76.7%	80.5%	80.6%	80.6%	81.0%	81.0%	81.0%
9	Repairs tenant satisfaction	The Leadership Factor	77.7%	74.0%	76.5%	76.5%	77.0%	77.0%	77.5%
10	Neighbourhood satisfaction	The Leadership Factor	80.3%	83.4%	83.3%	83.3%	84.0%	84.0%	84.0%
11	Views taken satisfaction	The Leadership Factor	71.1%	74.8%	74.5%	74.5%	77.0%	77.0%	77.5%
12	Workforce sickness	Office of National Statistics	2.0%	5.0%	4.2%	4.5%	4.4%	4.4%	4.4%
13	Employee turnover	HouseMark	11.8%	15.2%	11.5%	11.8%	10.0%	10.0%	10.0%
14	Current tenant arrears	Global Accounts	2.8%	3.4%	3.6%	3.9%	3.6%	3.6%	3.6%
15	Former tenant arrears	Global Accounts	1.0%	0.9%	0.8%	1.2%	0.8%	0.8%	0.8%
16	Rent collected	HouseMark	99.8%	99.7%	99.9%	99.5%	99.5%	99.5%	99.5%
17	No. of responsive repairs per unit	HouseMark	3.3	4.4	4.5	4.2	4.0	4.0	4.0
18	Quality of home satisfaction	The Leadership Factor	77.9%	80.0%	81.1%	81.1%	82.0%	82.0%	82.0%
19	General needs relet times	HouseMark	25.4	32.6	22.3	21.2	25.5	20.0	19.0
20	Rent lost due to voids	Global Accounts	1.3%	5.7%	5.5%	5.7%	5.1%	4.8%	4.8%
21	Vacant social stock	Statistical Data Return	0.9%	3.8%	3.7%	3.2%	3.5%	3.5%	3.5%

Comparing 2019/20 with the latest peer group data (2018/19). The table shows that we are outperforming or the same as the sector for 6 of the 14 metrics - four satisfaction measures, employee turnover, and relet times. However, the table also shows that we are worse than the sector for eight metrics - repairs satisfaction, employee sickness, current tenant arrears, former tenant arrears, rent collected, rent lost due to voids, and vacant stock.

When we compare our own performance to last year, we have improved or maintained our performance for 8 of the 14 metrics.

Satisfaction (metric 8, 9, 10 and 11)

The satisfaction performance (metrics number 8, 9, 10, 11 and 18) remain unchanged as the next STAR survey will be completed in March 2021. Following the redesign of all transactional surveys we use this insight throughout the year to improve the customer experience. This new process of looking at actions throughout the year should see improvements in our STAR results in 2021.

Employee (metric 12 and 13)

The Group uses the Office of National Statistics (ONS) Labour Force Survey as a benchmark for sickness absence comparisons. ONS currently report an absence rate of 2%. Absence rates and average days lost varies when you look at the sector, region, and size of the workforce.

HouseMark, the housing sector's benchmarking organisation, uses average working days lost as a measure as opposed to a percentage absence rate. As of March 2020 our average working days lost was 11.9 days, which is just below the sector's 2019 lower quartile of 10.6 days (median 9.3 days).

We recognise that some of the actions in 2020/21 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 (metric 14, 15 and 16)

During 2019/20, arrears performance is worse than our peers, but we remain focused on making sure our rent collection is as high as possible. Year-end arrears performance is impacted by 31 March being in the middle of a week. At the end of week 53, performance improves to 3.5%, which exceeds the 2019/20 target.

We have not met our arrears target of 3.6% by 0.3%. This is due to 31 March being mid-week. Voids performance has continued to see an improvement in general needs and independent living, but for supported living accommodation, we missed our overall target.

Repairs (metric 17 and 18)

On average the Group undertakes more responsive repairs per units compared to its peers. As discussed in the cost per unit, supported living accommodation influences this indicator, with a higher number of responsive repairs due to the needs of those living in these homes.

Voids and lettings (metric 19, 20 and 21)

In 2018/19, we saw an improvement of 10.3 days to general needs relet properties which has resulted in better performance than the sector. In 2019/20 we can see a further improvement of 1.1 days.

When comparing overall void rent lost to our peers, our performance is worse due to higher than average supported living properties compared to other registered providers. 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 adds considerably to relet periods. We work 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. We are completing a review of all properties with voids in a bid to reduce these figures by March 2021.

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. **Registered Providers with more than 30% supported housing accommodation**
2. **North West Registered Providers with more than 5,000 units**

In addition, we have separately undertaken benchmarking with a supported housing benchmarking group - SPBM.

The Group's capital structure is quite substantially different from other Registered Providers, which can make it difficult to benchmark our financial performance against other peers. The Group holds over 30% of supported housing units, which in practice is more expensive than our other stock (general needs, housing for older people) and generates a slightly lower operating margin. We, therefore, compare to the sector median, but we also 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 also forward looking metrics based on the board approved plans in September 2019.

Metric 1 – Reinvestment Efficiency

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

PHG metric

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

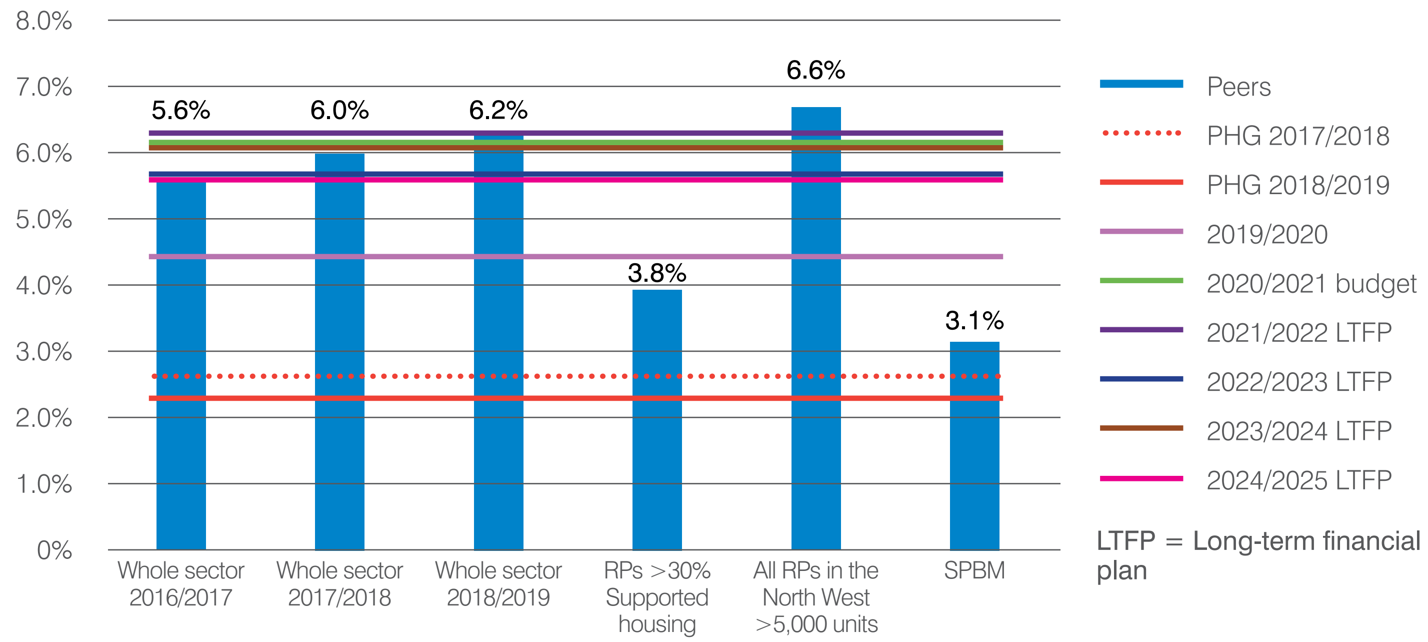
Actual			Budget	2020 Financial Plan			
2018	2019	2020	2021	2022	2023	2024	2025
2.6%	2.3%	4.4%	5.5%	6.2%	5.6%	6.1%	6.1%

Results

We are generating surpluses in line with budget, which strengthens our statement of financial position and enables us to reinvest in new and improved homes. Reinvestment can be split between new homes and improvements to existing homes. In 2019/20, we reinvested 4.4% of the total value of our housing assets. Reinvestment in our existing homes increased from 2019 (£5.3 million spent on components and £6.5 million spent on new homes). In 2020 we spent over £6.2 million in components, and £15.4 million was spent on new homes. We are forecasting that reinvestment for 2020/21 will continue to increase to over £23 million on new homes and £6 million on components, which increases reinvestment to 5.5%.

Benchmarking

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



The sector has seen the median increase by 0.2% to 6.2% compared to the previous year. Our growth from the prior year was 2.1%; therefore, much greater than that of our peers and the sector. However, we can see that our performance is below that of our sector. 27% of our reinvestment was on existing stock compared with 17% median of other Registered Providers. Other Registered Providers had a greater emphasis on new homes. The largest % of investment in new homes are Registered Providers with stock >5,000 units, the largest % of reinvestment on existing homes are Registered Providers who have a higher % of housing for older people units.

Long-term financial plan

Our financial plan shows that our reinvestment is due to increase from 4.4% in 2019/20 to 6.1% in 2025. This is driven by an increase in the capital budget both in new developments and component replacements. In 2018/19, the total capital spend included within this metric was £11.8 million. However, over the next five years, this is forecast to increase to an average of £34 million per annum, driving the increase, which will take us closer to the sector median.

Metric 2 – New supply delivered

Effectiveness

Progress Housing Group is developing social housing units at the same rate as 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 more development activity in the Group, with 137 new social housing properties compared to 2018/19 with 85 new properties. The Group is currently working to increase development output further, including both social housing and housing for sale.

In 2019/20, the Group invested in increasing development activity as the Group committed to deliver and complete 1,000 units over five years in 2018/19. The Group is on target to meet this commitment, and this shows in that for 2019/20 there was an increase of 0.5% in the new supply delivered (in line with the sector median). For 2020/21 the Group will see a slight reduction in completed housing units due to COVID-19, however, the Group forecasts to show a steady growth up to 2025 of 2.4%, which exceeds the sector median.

PHG metric

Social housing

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

Actual			Budget	2020 Financial Plan			
2018	2019	2020	2021	2022	2023	2024	2025
0.9%	0.9%	1.4%	1.2%	1.9%	2.2%	2.7%	2.4%

Non-social

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

Actual			Budget	2020 Financial Plan			
2018	2019	2020	2021	2022	2023	2024	2025
0.0%	0.0%	0.0%	0.1%	0.4%	0.5%	0.0%	0.0%

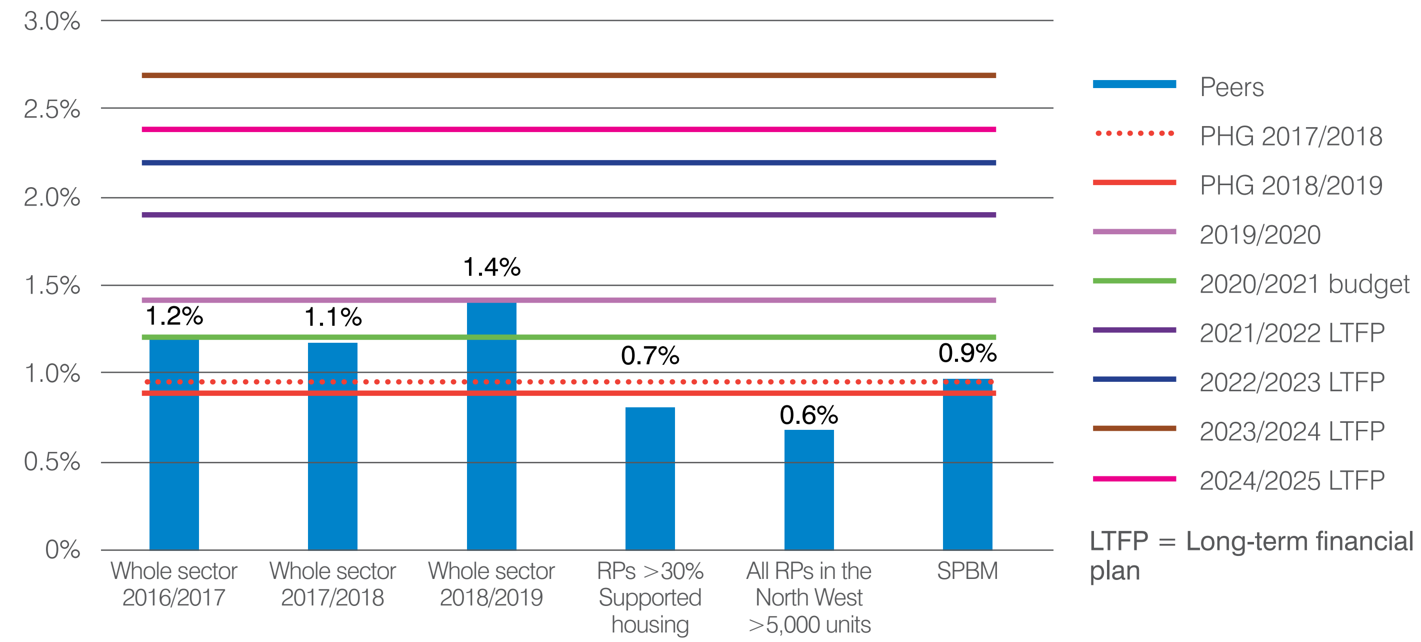
Results

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 have delivered 137 properties with a total net development spend of £18.1 million. We are forecasting that social housing supply will be 1.2% in 2020/21.

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 has had delays in completing its first scheme for 2019/20. However, activity is to increase in 2020/21. This reflects the Group's increase in capacity to increase the development programme.

Benchmarking

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



The sector has seen the % of delivered new social supply increase by 0.2% from the previous year. Due to an increase in new stock reinvestment in the sector in 2018/19, we would expect to see the % of new supply increase in 2019/20. We can see that we have delivered more than other Registered Providers in all benchmark groups but are in line with sector median for all Registered Providers.

The % 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 Registered Providers.

Long-term financial plan

New development is due to increase over the next five years, both for social housing lettings (from 1.4% to 2.4%) and non-social (0.5% to 2023). The increase in social housing is a result of the forecast increased output anticipated in the Development Strategy, leading to an average increase in units to 20 per annum over the next five years, compared to 137 in 2019/20. The increase in non-social housing is as a result of Concert Living outright sale units. Our plans indicate we could exceed the benchmark group for non-social housing new supply.

Metric 3 – Gearing

Progress Housing Group's gearing ratio is 1% higher than that of 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 the Group's restructuring in 2018, demonstrated by the interest cover metric.

PHG metric

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

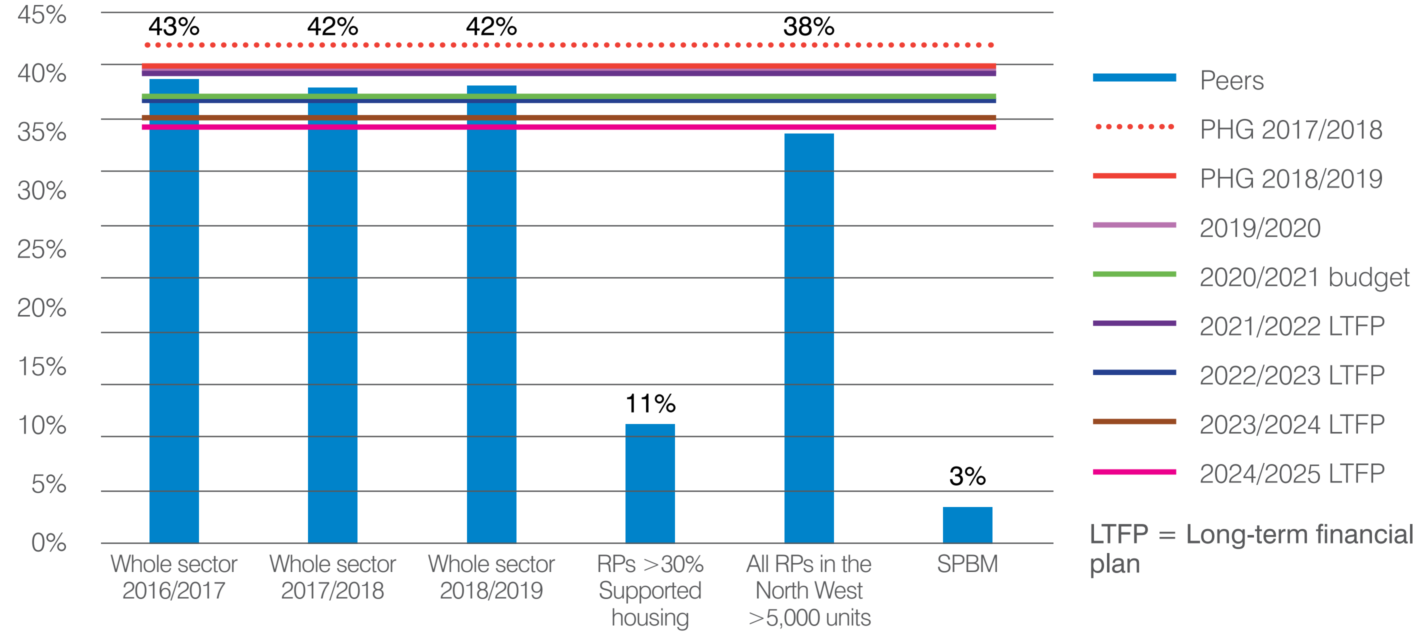
Actual			Budget	2020 Financial Plan			
2018	2019	2020	2021	2022	2023	2024	2025
47%	45%	44%	42%	44%	42%	40%	39%

Results

This metric measures the level of debt in proportion to net assets. Our increasing reserves, loan repayments of £7 million, and an increased net book value of properties arising from new developments are reducing debt levels. Subject to modelling the Group's ability to service debt, we can increase output so that gearing need not further reduce beyond 2020.

Benchmarking

The chart below shows the gearing metrics against comparators.



The sector has seen gearing remained static in comparison to the previous year and our gearing has reduced by 0.5%, bringing us closer to the sector median. From the chart above, we can see that Registered Providers with a high proportion of supported housing accommodation have extremely low gearing. There are large individual variances of the Registered Providers included in these peers. When looking at Registered Providers with more than 30% supported housing, gearing ranges from -591% to 70%. The variance is due to lower tangible fixed assets (costs/valuation), and several Registered Providers are leasing in units rather than having outright ownership.

Long-term financial plan

This indicator shows that we can increase gearing and invest more in new social housing. Gearing is due to reduce from 44% in 2019/20 to 39% by 2025, due to improved operating cash flows and increased asset worth. Total loan balances are expected to increase by £13 million in the same period due to increased re-investment.

Metric 4 – Interest cover (EBITDA MRI)

Efficiency

Progress Housing Group has a much 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 the 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			Budget	2020 Financial Plan			
2018	2019	2020	2021	2022	2023	2024	2025
228%	259%	259%	266%	286%	285%	275%	261%

Excluding shared ownership sales

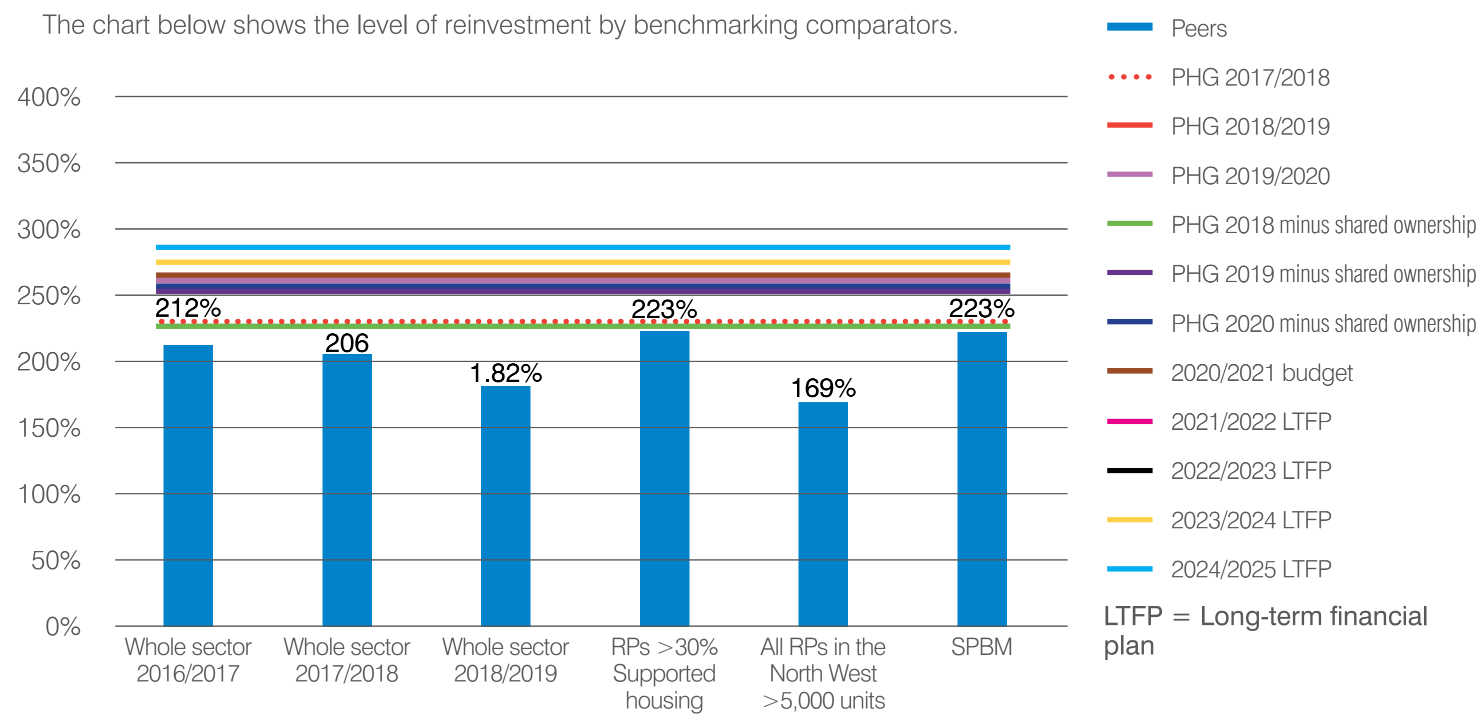
Actual			Budget	2020 Financial Plan			
2018	2019	2020	2021	2022	2023	2024	2025
226%	253%	256%	256%	264%	275%	268%	253%

Results

This metric measures liquidity and investment capacity. Our interest cover is healthy and provides significant headroom against our loan covenant requirement. Group interest cover is supported by operating surpluses on shared ownership sales. 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 the level of reinvestment by benchmarking comparators.



The sector has seen a reduction of 23.4% compared to the previous year, while the Group has seen a slight increase of 0.2%. From the chart above, we can see that our EBITDA MRI is greater than our sector peers. We know that there is a range of variances that reflect that individual Registered Providers have different capital structures and may be at different stages of maturity.

Long-term financial plan

Interest cover is set to increase from 259% in 2020 to 261% by 2025 as a result of an increased operating surplus from £17 million in 2020 to £21 million by 2025. This is due to a rent increase assumption of CPI+1% over the five year period from 2020, the anticipated positive contribution from Concert Living when compared to 2020 (where Concert Living has losses), and growth in TECS profitability. In addition to this, the interest payable is also set to be lower over the period as a result of loan repayments. The increase in the number of revolving credit facilities is a result of the success of the Group's restructuring, 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 over the period to 2025.

PHG metric

The table below shows our social housing cost per unit.

Actual			Budget	2020 Financial Plan			
2018	2019	2020	2021	2022	2023	2024	2025
£4,800	£5,077	£5,244	£5,280	£5,091	£5,025	£4,965	£4,948

Results

The unit cost metric assesses the headline social housing cost per unit, as defined by the RSH. We can see a 3.3% increase in the cost per unit from 2019 to 2020. The increase is due to additional spend on major repairs. See below for more details on the 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 living as a cause of higher unit costs when compared to the sector. Based on the 2019 Statistical Return data, we had 17 of the sector's supported housing providers' data in the benchmark group, and we are the fourth largest provider (above us are Home Group Limited, Riverside Group Limited, and Sanctuary Housing Association).

Long-term financial plan

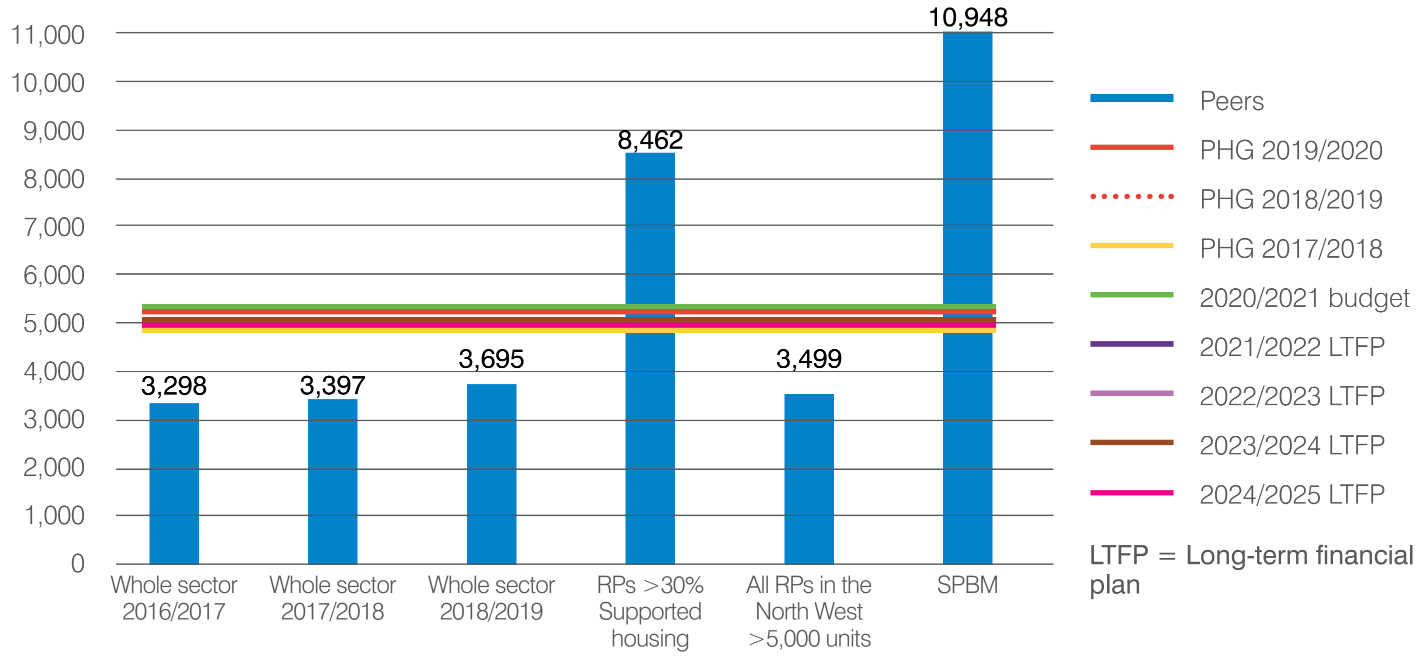
The last approved financial plan, in September 2020, forecast Headline Social Cost per Unit to reduce by 5.6% from £5,244 in 2019/20 to £4,948 in 2025. However, based on the budget for 2020/21, we will see an increase in cost per unit of £36 (0.7%) when compared to 2019/20. This is largely related to an increase in compliance costs, including both remedial works identified in 2019/20 and additional employee costs for compliance restructure. The long-term financial plan assumes growth in development output in line with the approved Development Strategy. This is expected to have a positive effect longer term in reducing cost per unit because of the growth in units not being matched by the growth in management costs.

The assumptions used in the long term financial plan include an increase of costs due to inflation (from 2023-2025 a 2% inflationary increase each year and a 1% increase for 2022), we expect this to be in line with the sector median. However, the overall cost per unit is anticipated to reduce over five years, this is due to management costs for the Group remaining static, while there will be an increase in social housing units (851:9%) due to investing activities for the Group; reducing the Group's cost per unit.

Due to our supported living portfolio, our Headline Social Cost per Unit appears higher than the sector average. The long term financial plan is based on overall costs for all needs categories. The RSH has identified supported living as having higher unit costs when compared to the sector. We, therefore, calculate a 'weighted median' based on our stock profile due to our higher supported living portfolio. The weighted median cost per unit for peers is £5,145; the long term financial plan, cost per unit is lower than the weighted average.

Benchmarking

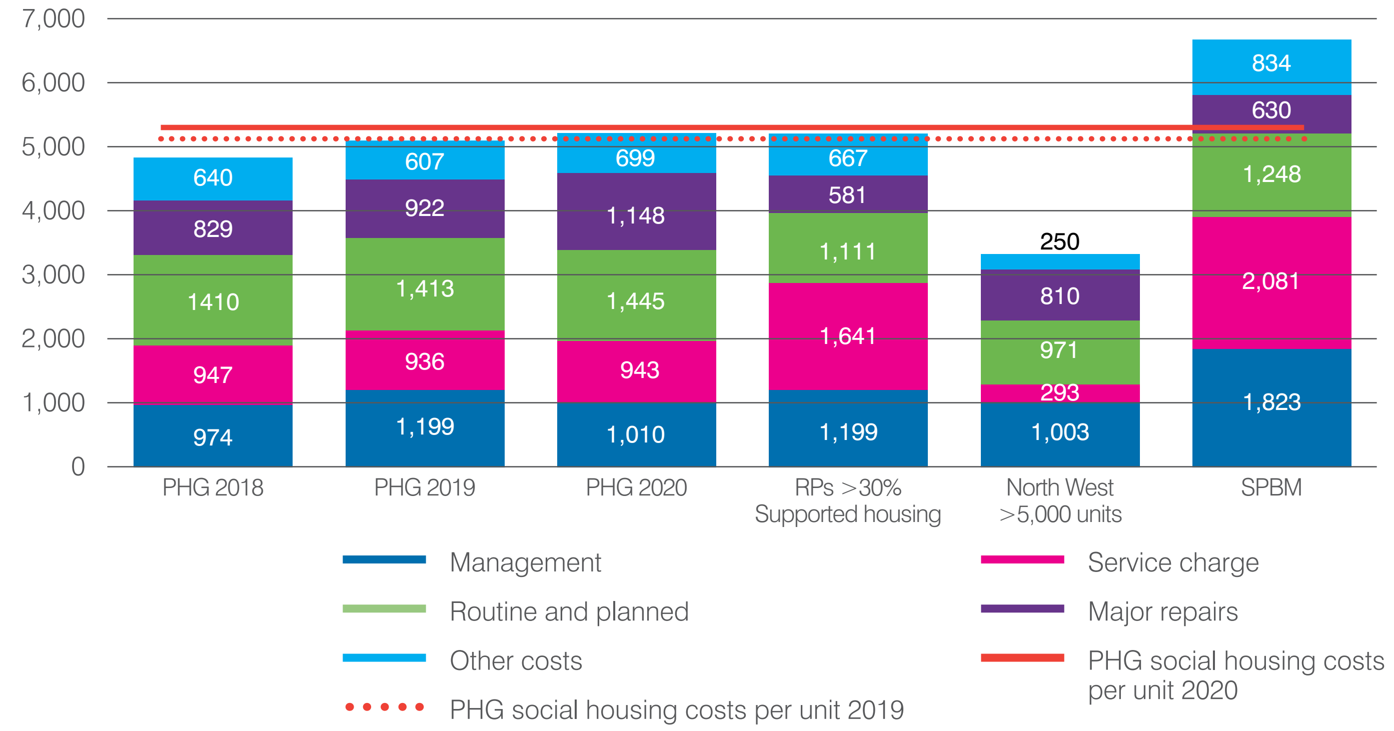
The chart below shows the social housing cost per unit compared to sector comparators.



Like ourselves, the sector has seen the cost per unit increase; costs for 2019 have increased at a slower rate to the sector median (PHG 5.8% (£277), sector median 8.8% (£298)). When comparing cost per unit to the previous year, we can see the main reason for the increase is additional spend on management costs (23.2% increase).

In the published VFM metrics summary report by the RSH in September 2018, they have 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 Registered Providers with more than 30% supported housing (Progress Housing Group is one of these) have an average cost per unit of £8,462, which is 229% greater than the sector median. This unit cost increases when comparing to the SPBM peers who are predominantly Registered Providers with very high levels of supported housing. This is compared below further when looking at cost per unit by need category.

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 the 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 having higher costs.

- **Management Costs** - The sector has seen a 3% increase in median management costs from the previous year. The Group has seen an increase in 2019 of 23%, which exceeds the sector median. Costs increased for 2019 mainly due to an increase of £1.1 million in management employee costs due to growth in Progress Connect and salary increments, a £0.3 million increase in corporate overheads due to additional office space and IT Projects. Our management costs have decreased to March 2020. As a result of growth in non-social activities, all corporate costs were reviewed in 2020 to reflect the time spent on either social or non-social activity.
- **Service costs** - Are greater than that of the sector, as we can see both the SPBM and Registered Providers 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 maintenance** - The sector has seen the median increase by 5% compared to a 1.5% increase by ourselves. The Group's cost per unit on routine and planned work exceeds all the peer groups' median cost per unit. Further analysis during the year was carried out by an external consultancy who reported to board on the cost-effectiveness of the Group's in-house maintenance delivery. It was established that subcontracted work was more costly. Further actions are to be carried out in 2020/21 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 also seen an increase in the major works cost per unit. The sector has seen a median increase of 10.3% compared to a 12.9% increase seen by ourselves.
- **Other costs and lease costs** - Like service charges, other costs are showing it is influenced by supported housing. The sector has seen very little change from the previous year. We are showing a 5% decrease in the cost per unit to 2019. 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, £381 of this relates to lease payments. The sector recently published the cost per unit for lease costs, and the median average was £0. When comparing only other costs, the Group's cost per unit is £225, which is in line with the sector median.

Cost per unit by need category

The table below shows the social cost per unit split by need category.

	Progress Housing Group 2019/20			
	Combined general needs/ independent living	Supported living	Shared ownership	Total
Headline social housing cost per unit	3,464	8,699	1,129	**5,244**
Management CPU	695	1,657	457	**1,010**
Service charge CPU	383	2,082	211	**943**
Routine and planned maintenance CPU	1,141	2,111	160	**1,445**
Major repairs CPU	1,096	1,200	294	**1,145**
Lease costs CPU	-	1,067	-	**353**
Other costs CPU	148	582	6	**346**

	Progress Housing Group 2018/19			
	Combined general needs/ independent living	Supported living	Shared ownership	Total
Headline social housing cost per unit	3,527	8,340	2,131	**5,077**
Management CPU	913	1,776	546	**1,199**
Service charge CPU	395	1,997	239	**936**
Routine and planned maintenance CPU	1,157	1,957	258	**1,413**
Major repairs CPU	999	985	223	**922**
Lease costs CPU	-	1,124	-	**381**
Other costs CPU	63	501	865	**225**

	Peers 2018/19 (Median)			
	North West Median > 5,000	30% Supported housing	SPBM	Total
Headline social housing cost per unit	3,499	8,462	10,948	**3,695**
Management CPU	1,003	1,199	1,823	**1,004**
Service charge CPU	293	1,641	2,081	**395**
Routine and planned maintenance CPU	971	1,111	1,243	**997**
Major repairs CPU	810	581	630	**794**
Lease costs CPU	-	-	-	**-**
Other costs CPU	250	667	834	**224**

	Budget 2020/21			
	Combined GN/IL	Supported living	Shared ownership	Total
Headline social housing cost per unit	3,641	8,785	591	**5,280**
Management CPU	726	1,789	410	**1,070**
Service charge CPU	423	2,177	181	**998**
Routine and planned maintenance CPU	1,122	1,960	-	**1,373**
Major repairs CPU	1,216	1,130	-	**1,168**
Lease costs CPU	-	1,051	-	**348**
Other costs CPU	153	678	-	**323**

By comparing the 2018/19 for the Group by needs category, in comparison to peers for 2018/19 (as per the Global Accounts), we note:

General needs/independent living (combined) - Overall, the headline social cost per unit for 2018/19 is £3,527. The sector median cost per unit in the North West region is £3,695. This shows the Group's costs are below other Registered Providers. We are forecast to increase to £3,641 for next year, which is still below the sector, and the sector is also anticipated to increase.

Supported housing - Overall, the headline social cost per unit for 2018/19 is £8,340. The sector median cost per unit for Registered Providers with greater than 30% supported housing is £8,462. This shows the Group's costs are below other Registered Providers in this need category.

The term supported housing can include a variety of different functions from long-term housing solutions, for example, supported living to short-term housing provision, refuges. In terms of supported living, three other Registered Providers in the SPBM group have the closest client group to supported living.

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

	Supported living – PHG 2020	Supported living – PHG 2019	Advance Housing Group 2019	Golden Lane Housing Ltd 2019	Inclusion Housing 2019
Social housing cost CPU	**£8,699**	**£8,340**	**£10,948**	**£6,487**	**£11,209**
Management	£1,657	£1,776	£881	£2,273	£704
Service charges	£2,082	£1,997	£2,350	£229	£852
Routine and planned maintenance	£2,111	£1,957	£1,938	£1,193	£1,524
Major repairs	£1,200	£985	£523	£368	£0
Lease costs	£1,067	£1,124	£0	£2,338	£7,462
Other costs	£582	£501	£5,256	£86	£667

The table above shows large variances, highlighting the sensitivity of cost differences between Registered Providers. An example of this is Inclusion Housing, which is a younger Registered Provider which could explain lower repairs costs due to property conditions, and they have a high proportion of leased accommodation.

Metric 6 – Operating margin Efficiency

Progress Housing Group's operating margin (social and overall) exceeds our peer group by over 12%; 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 (from 2020 onwards), rent income from new developments, and sales income from Concert Living. However, there are also upwards 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			Budget	2020 Financial Plan			
2018	2019	2020	2021	2022	2023	2024	2025
25.0%	24.0%	23.3%	20.8%	25.4%	26.6%	27.8%	25.5%

The table below shows our overall operating margin.

Actual			Budget	2020 Financial Plan			
2018	2019	2020	2021	2022	2023	2024	2025
24.9%	24.1%	21.2%	19.1%	21.5%	20.6%	22.7%	20.8%

Results

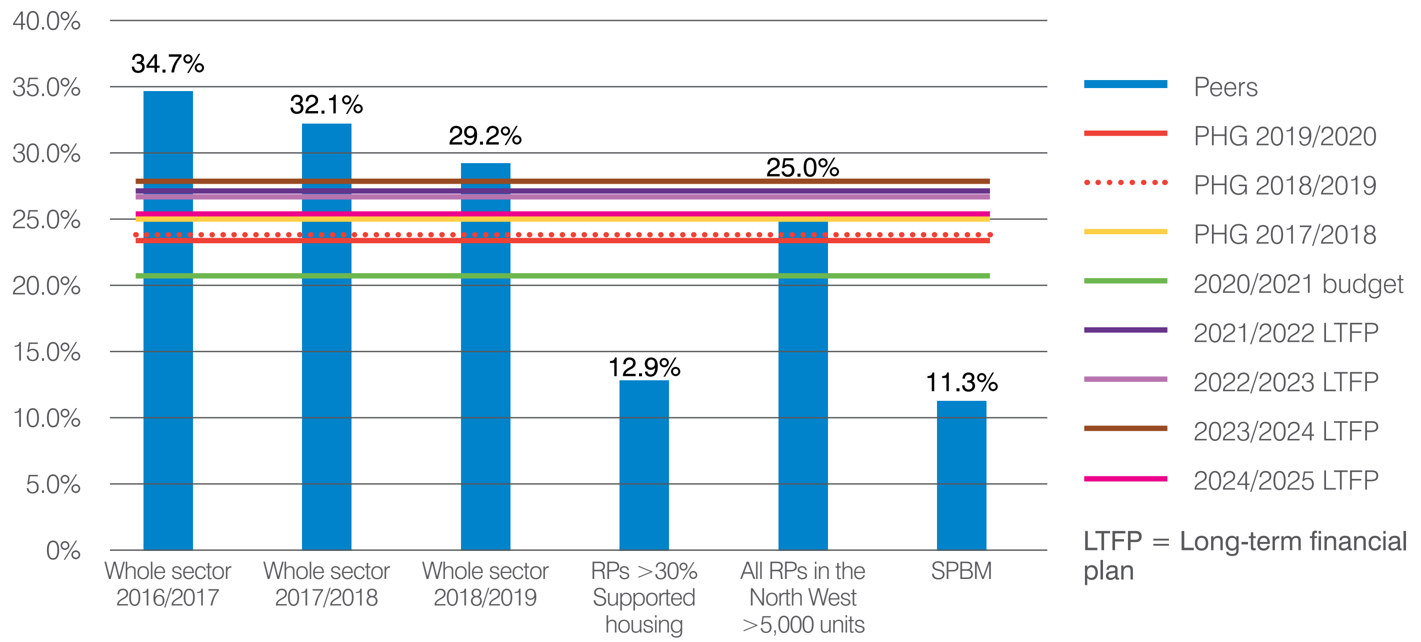
Our social housing operating margin has decreased compared to last year mainly due to an increase in maintenance costs. When looking at the overall operating margin, it is noted that RPs are operating a variety of "Non-social housing" type businesses so each business model will deliver different levels of operating margin.

The overall operating margin for the 2019/20 decreased to 21.2%. There has been a 2.5% increase in turnover, but the Group's operating expenditure has increased by 7.2%. The main reason for the increase in cost is due to:

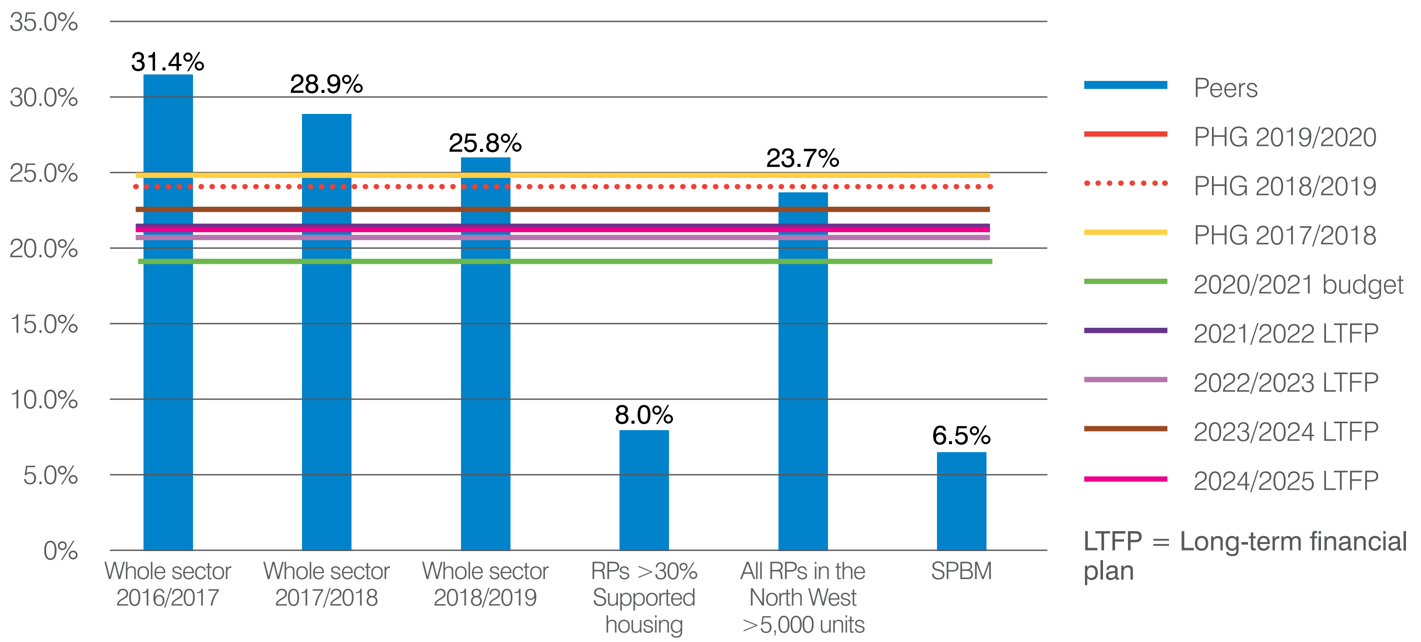
- An increase in employee costs for development activity to deliver the board approved development programme.
- Concert Living is in the start-up phase and has incurred losses to date. However, this is a reinvestment activity, and we anticipate a surplus for 2020/21.
- Maintenance costs have increased due to additional compliance costs of £1.2 million, mainly for fire safety and restorative works. This is also anticipated to impact the 2020/21 financial year.
- Mobilisation costs for Progress Lifeline incurred for new contracts, which will generate new income.

Benchmarking

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



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



Like ourselves, for 2018/19, the sector has seen a reduction in both the social housing and overall operating margin but at a higher rate than ourselves (Social: PHG 0.7%, sector 2.9%, Overall: PHG 2.9%, sector 3.1%) to 2019. We can see that those with higher proportions of supported housing have lower operating margins. When looking at the comparative group of the 17 Registered Providers with more than 30% supported housing, 11 have operating margins lower than 10%. Other Registered Providers operate very different capital structures, which can be noted from their gearing positions.

Long-term financial plan

Overall operating margin is set to decrease from 21.2% in 2020 to 20.8% in 2025. There is an increase in turnover of 13% over a 5 year period which is as a result of increased rent assumptions (CPI + 1% for the five years from 2020-21), increased growth from Progress Lifeline, forecast increase in shared ownership sales and a forecast increase in turnover from Concert Living developments; However the Group's operating expenditure increase also due to reinvesting and an increase in management costs of 2% each year from 2023-2025, overall we see an increase in operating surplus of £4 million. For the 2020/21 budget, there is a reduction on operating margin of 3.7% compared to 2019/20. This mainly due to an overall increase in maintenance costs (£2.4 million) due to compliance works identified in 2019/20.

Metric 7 – Return on capital employed (ROCE)

Economy

Progress Housing Group is in line with our peer group and a slightly lower return on capital employed than the sector median. This metric is measuring operating surplus compared to total assets less current liabilities and assesses the efficient investment of capital resources. Return on capital employed is expected to increase due to planned increases in the operating surplus. The Group's choice of accounting policy is deemed cost, which results in a lower return on capital employed compared with the majority of the sector.

PHG metric

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

Actual			Budget	2020 Financial Plan			
2018	2019	2020	2021	2022	2023	2024	2025
3.4%	3.7%	3.3%	3.1%	3.7%	3.8%	3.7%	3.5%

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.

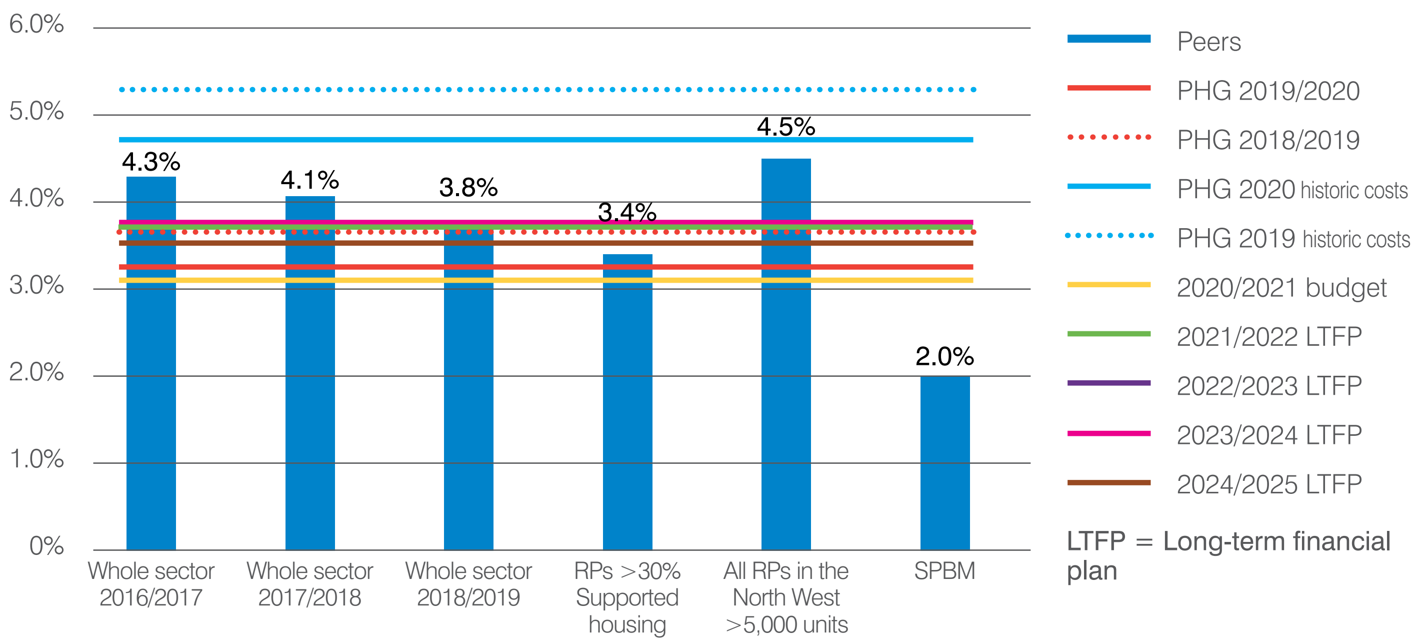
Before the implementation of FRS 102 in the 2016 financial statements, the Group accounted for its housing properties at valuation, which meant they were revalued normally annually, and any changes in valuation were recognised. Upon transition to FRS 102, the Group elected to adopt the transition option of frozen valuation, which meant the valuation of the housing properties at the point of transition became their 'deemed cost'. 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 too.

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

Actual			Budget	2020 Financial Plan			
2018	2019	2020	2021	2022	2023	2024	2025
5.0%	5.3%	4.7%	4.3%	5.0%	5.0%	4.9%	4.6%

Peers

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



The sector median has seen a reduction in the return on capital employed, partially due to the 1% rent reduction. PHG increased by 0.2%, and the sector fell by 0.3%. 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 valuation basis in the sector. Research (Beevers and Struthers 2017 review of Social Housing) indicates that 25 of the top 100 Registered Providers were on deemed cost at the time of writing. Therefore, as a broad estimate, a maximum of 25% of the sector is likely to be using this accounting method currently.

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 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 in place to deliver the actions as detailed in their operational plans.

During 2019/20 we have:

- Continued our Development Strategy, which aims to have a balanced programme where we may choose to develop new properties that have a negative NPV. This is so that we can achieve our social objectives but also develop other properties with a positive NPV to maintain our financial strength. We have completed 29 Homes England funded properties with a spend of £13.5 million and grant funding of £3 million. 62 non-grant funded units have completed with a spend of £4.6 million. These decisions are taken by our Financial Appraisal Team to ensure new developments are delivered appropriately.
- Reviewed our Asset Management Strategy, which helps us to identify both poor and well-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, which helps us to make clear decisions on the future viability of our stock. This includes options to dispose of, remodel, change tenure, or in the case of some supported living accommodation, decommission schemes. The Group is considering 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. During the year, we sold eight units (excluding Right to Buy (RTB), Right to Acquire (RTA), market rented sales, and shared ownership), which generated £1.6 million in sales proceeds. This income helps us to reinvest in new and existing homes.
- Achieved income of more than £5.3 million from our Progress Lifeline and TECS service, exceeding target with more than 49,000 connections. This service has grown significantly over the last couple of years, and we submit competitive bids to secure new contracts while 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 to contribute to our operating margin.
- To support agile and mobile working and to improve the way services are delivered to our customers, the Group has been reviewing all office accommodation and workspace.
- We have reassessed the use of vacant office space, Warwick House, and established this as a disaster recovery site for the Progress Lifeline service. This strengthens the resilience of the operation and reduces reliance on Tunstall as part of the LCC Telecare service.
- 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 focused our attention on reviews of our supported living activity, which is spread across England and Scotland.

1) Provision of maintenance services for supported living customers

The Group commissioned HQN to carry out a cost comparison exercise of the responsive repairs and other maintenance services, in particular comparing costs delivered by its in-house team to those delivered by a number of its external contractors.

The analysis of repair costs indicated that significantly lower repair costs are being incurred by the organisation from the in-house team compared to external contractors who provide the service to the supported living properties.

The Group has developed an action plan to address the recommendations in the report.

Leased in accommodation for supported living customers

During the course of the year, there have been several actions and reviews of the Group's leased in portfolio. The Group has 246 leased in schemes, comprising 402 rental streams as of 31 March 2020, all of which are used to provide supported living accommodation.

Many actions have been carried out in the year:

- Twenty-one leases have fallen away (55 rental streams) either due to the property no longer being required, no suitable tenants, or some other sustainability reason.
- One scheme was purchased and leased out in 2019, and this comprised of four rental units. This brings the total number of leased out

properties to twenty-one. Leased out schemes typically provide supported housing, resource centres or children's services.

- 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.
- Consideration of potential options around purchase or re-provision of such properties following a strategic decision made by the board. This is 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. 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 that are not traditional social housing, i.e., in areas such as TECS and Concert Living.

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. Additionally, 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 Living, Progress Lifeline activities, and Concert Living. In total, these activities generate around £10 million in turnover with an operating surplus of around £1.2 million and therefore provide a healthy contribution to our operating surplus. Progress Lifeline and Concert Living are growth areas for us.

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 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 £0.8 million a year.

Progress Lifeline activities currently generate more than £5.3 million in turnover and have seen growth over the last few years. We are aiming to grow a 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 before bidding for the contract.

Many system and process changes have been implemented to create cost and quality efficiencies. These include implementation of an electronic referral form to move away from paper, upgrade from PNC7 to PNC8 to improve efficiencies, regular benchmarking of our services and prices, robust processes for bid pricing and submissions, and reviews following outcomes.

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 board. Its first development commenced in 2018 and is closely monitored by the Concert Living board, with financial performance reported to the 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.

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 2019/20 we have:

- Reviewed several existing contracts with a value of £3.3 million and have either maintained the existing cost, contained to a low-cost increase, and achieved savings of £0.3 million.
- Procured new contracts to provide a cost-effective solution and improved service provision to tenants.
- 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 with a cost reduction of lost time across two years of £0.4 million (48%). Increased employee available resources to provide services to customers.
- Maximised the use of the Apprenticeship Levy. This costs us approximately £66,000 each year, and this year we have 37 employees accessing training and development opportunities.
- Increased in-house delivery teams for component replacements during the year, which achieves a cost-saving of £0.5 million for 2020/21.

For 2020/21 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 and also improve services to customers.
- Invest in several new IT projects, including risk management software, invoice capture software, health and safety software, and an e-learning platform. While there will be implementation costs, each project will have a business case to justify improvements through automation.
- Develop a Supported Living Void Strategy to improve void performance in supported living. The strategy focuses on long-term voids in shared supported living, which are difficult to fill due to compatibility issues.
- A new Contract Management Business Partner role will work with staff across the organisation to make further improvements and ensure a consistent approach.

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 its focus on 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

For 2019/20, we have invested more than £21 million on repairs and maintenance and plan to spend more than £20 million in 2020/21. 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 was noted by the board in October 2019.

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	£25,402	14,310	26	4,828
Independent living	£18,443	14,310	8	1,265
Supported living	£114,819	N/A	12	3,205
Total	**N/A**	**N/A**		**9,298**

The above table shows that the financial and social performance of all of the different types of property continues 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 26 reviews in the general needs properties, they all hit the trigger point of negative NPV introduced as part of the Asset Management Strategy review. These properties were reviewed by the Asset Management Working Party. A decision to retain and invest was made due to the properties under review being in the Group's core operational areas and part of larger estates and their geographical importance to the organisation.

Of the eight properties triggering the independent living reviews, all eight were part of large integral schemes where large component investment works are required due to the age of the buildings. The Group has decided 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 decommission independent living properties, the properties are changed to general needs, and the property performance is then reassessed.

Of the 12 individual properties which hit the trigger point of negative NPV introduced as part of the Asset Management Strategy review. These properties were reviewed by the Asset Management Working Party and a decision made to retain and invest even though these properties had lower than average rental levels but were important properties in the Group's wider supported living portfolio.

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 91 supported living and general need developments during 2019/20 through many procurement routes. The Group's existing five year Development Strategy is to deliver 1,058 units at a gross cost of £138 million.
- We continue our efforts to deliver land led development in future years of the development programme to reduce dependence on procurement through developer-led arrangements, improve supply stability and value for money, including consistency and quality of product. A land led development site has been acquired during the year, and further sites are in the pipeline.
- Our range of standard house types for affordable delivery has now been adopted, which standardises design and layout for a significant proportion of our future development delivery programme. This facilitates efficiencies in the construction procurement process on land led opportunities, providing greater control over future development programmes and consistency in our offer to market. Greater consistency and quality control of design will allow a more efficient size of properties to be offered to the market generating savings in construction cost.
- We have reviewed our new home standard specification in relation to affordable rent, shared ownership, and supported living tenures. These will be reviewed periodically in the future and will be supported by post-completion reviews for schemes that have been developed. These will assess themes on defects along with aspects identified by our Asset Management Team. Also, customers provide feedback through our Neighbourhood Team to improve our standard product and maximise future sustainability. This ensures it meets customer expectations, minimises initial capital, future maintenance and component replacements costs, and resource input.
- We have established a standard quality and specification requirement from developers concerning non-grant funded s106 planning to gain affordable properties that are delivered by developers on their market developments.
- We will continue to review our base supported living standard specification to ensure it meets existing customer expectations and requirements whilst also facilitating easy and cost-efficient long-term adaptability and sustainability of the property. This will assist in ensuring 'fit for purpose' whilst assisting in minimising void periods.
- We continue to be active members of the Cutting Edge Framework. This is Riverside Housing Association's European Union compliant procurement framework. It allows us to work with other Registered Providers to compare and analyse cost data information for new build construction contracts, costs in use, and to maximise grant levels secured.

(ii) Reinvestment into existing homes

- We will invest approximately £32 million to deliver 6,000 component replacements with £5.9 million planned for 2020/21 to deliver 1,374 components.
- We have commenced our plans to establish a set of priorities for investment in the long-term

sustainable stock, prioritising essential health and safety compliance first. Then, in priority order, we will maintain decent homes, reduce long-term repair costs, carry out external and communal area redecoration every five years as well as regular estate improvements and improve the energy efficiency of the properties. We can then use these priorities to develop short, medium, and long-term investment priorities, which can be updated on an annual basis to meet any changing priorities or budget constraints.

- We will further develop our Asset Management Strategy in the areas of social indicators and how they can be used to inform investment priorities and decisions.
- We have applied investment tests on all of our properties, as noted in the table earlier, and we will continue to implement the Group's Asset Management Strategy.

This identifies 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 our focus to:

- Track trends in performance of individual properties over time considering when best to invest to maximise performance.
- Further expand on the Group's understanding of the impact of geography when considering the performance of properties.
- Further develop interfaces between core IT systems Keystone, Integra, and Aareon QL to allow more automation of processes to drive efficiency.

Our overall assessment of VFM

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

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 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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