



Value for Money



Self-assessment 2014/15



Contents

2	Progress Housing Group's vision and why value for money is important to us
2	Chair's Introduction
3	How we deliver our VFM objectives
3	Our VFM successes in 2014/15
5	Asset Management
5	Our Strategy
5	In Year Asset Management Review Results
6	In Year Asset Management Achievements
7	Sector Benchmarking for Asset Performance
8	Service Costing and Benchmarking
8	Understanding our costs of services and knowing how we compare with others
8	Management Cost Reviews
10	Corporate Services Benchmarking
10	HouseMark Benchmarking
12	Supported Living Benchmarking
12	Internal and External Service Cost Benchmarking Summary
12	Repairs and Maintenance VFM Assessment
15	Peer Group Financial Benchmarking
16	Performance Management and Scrutiny
16	Our Financial Performance
17	Our Operational Performance
18	Scrutiny
20	Social Value and Community Investment
25	Efficiencies
25	Efficiency gains in 2014/15
27	Future Efficiencies
28	How did we perform against our 2014/15 targets?
36	What are our forward looking targets 2015 - 2020?
39	Board Assurance on Compliance with the Regulatory Standard
39	VFM Self-Assessment Summary
40	Glossary of Terms

Progress Housing Group's vision and why value for money is important to us

Chair's Introduction

Progress Housing Group's vision is:

To have a positive impact on people and communities by providing high quality homes, supporting independence and creating opportunities.

VFM underpins the delivery of our vision and strategic aims.

Value for money (VFM) is used to assess if an organisation has obtained the maximum benefit from the goods and services it acquires and/or provides, with the resources available. It not only measures the cost of goods and services, but also looks at the mix of quality, cost, suitability and timeliness to judge if they represent good value. Our VFM strategy helps to inform decisions about our VFM priorities and we annually align our VFM targets to our business plan.

Throughout the year non-executive Boards have discussed a range of business critical items that impact on the effectiveness of our business. VFM has been at the core of these discussions and debates and this VFM self-assessment outlines our continued work to deliver VFM outputs throughout our organisation.

This year we have focussed on achieving our annual surplus, developing our active asset management strategy further and developing a service cost framework.

The assessment of the Board is that the Group is compliant with the HCA's regulatory standard for VFM.

The changes announced by the Government in the July 2015 budget statement will have significant impacts for the social housing sector, and for Progress Housing Group. In particular the proposed reduction in social rents which will affect our income and valuations, which in turn will affect our development capacity. However, at this stage little detail is known and so in this statement we are only able to take account of the budget implications in very general terms. Over the next few months, as further detail emerges and as we are able to assess the impacts in more depth, the Group Board will prepare a revised business plan and update its financial modelling. We will follow this with a revised value for money statement.

Janet Hale, Chair of Progress Housing Group

How we deliver our VFM objectives

The Board and Senior Management Team have overall responsibility for the delivery of VFM activities within the Group.

The Board delivers its responsibilities in the following ways:

- ◆ Reviewing and approving the annual strategy
- ◆ Reviewing progress towards VFM objectives through monitoring progress against business plan objectives
- ◆ Considering VFM within relevant board reports, including financial, performance monitoring and benchmarking information.
- ◆ Reviewing and approving publication of the annual VFM self-assessment by the deadline of 30 September
- ◆ Reviewing and approving the long-term financial plan with particular focus on annual efficiency targets included within the plans

- ◆ Reviewing the long term efficiency of our assets as part of our asset management strategy to understand the financial, non-financial and environmental returns we can deliver.

The Senior Management Team delivers its responsibilities by:

- ◆ Setting the strategic objectives within the business plan
- ◆ Implementation of the annual VFM operational actions

Operational managers play a major part in helping to deliver VFM actions and in preparing service cost reviews for their areas of responsibility.

Our VFM successes in 2014/15

The Board's overall assessment is that we have successfully delivered against our value for money targets during the year. This self-assessment sets out in detail these achievements and how we have performed against our targets. Our headlines are:

- ◆ Overall efficiencies of over £700,000 generated through cost savings, resource improvements or reductions in operating costs. We exceeded our target of £400,000 for reducing operating costs
- ◆ Early repayment of two small loan facilities totalling £4.4m increasing the Group's flexibility and capacity
- ◆ Achievement of our commitment to the Homes and Communities Agency (HCA), to deliver 205 new homes under the 2011-15

programme, with over £4m grant income. During the year we started on site with developments funded through the HCA Affordable Homes Guarantees Programme (AHGP) for 100 new homes. We successfully secured £2.1m from the HCA 2015-2018 Affordable Homes Programme for the delivery of 83 new homes, in key areas of need in Lancashire, by March 2017

- ◆ Over £18m invested on maintaining our existing homes
- ◆ Generation of £11m surplus which we have invested in existing homes and in new homes and services to customers
- ◆ Below inflationary increase in management cost per unit.

- ◆ A continuing programme of major change within the organisation, (known as Progress Forward), aiming to deliver service improvements, generate further efficiencies and deliver improved value for money
- ◆ Further consolidation of our tenant scrutiny arrangements
- ◆ Implementation of a new active asset management framework
- ◆ Further development of our service costing framework, linking the findings to our future service development plans
- ◆ Presenting a summary of social value, generated in the form of a social audit report, for the first time
- ◆ The update of our long term financial plans, incorporating our intention to invest around £90m to deliver 930 new homes over the next five years.

Notably, we have updated our annual VFM Strategy which has been approved by our Board. We have set out our key themes for the next three years and closely aligned these key themes with our 2020 Strategic Plan and Business Priorities. These are:

- ◆ Asset Management
- ◆ Service Costing and Benchmarking
- ◆ Performance Management and Scrutiny
- ◆ Social Value and Community Investment
- ◆ Efficiencies

The new VFM Strategy can be found on our website at www.progressgroup.org.uk

Asset Management

Our Strategy

Our 2020 Plan sets out our first strategic aim of 'providing more and better homes'. We aim to continue to deliver new homes in order to increase the supply of affordable social housing. We also aim to ensure that our existing homes are well maintained and continue to be fit for purpose. Our commitment is to provide high quality homes in safe communities offering a positive environment for all age groups. To achieve this we will actively manage our asset portfolio through the completion of a revised active asset management strategy.

In Year Asset Management Review Results

New Evaluation Model

Working with Savills, a well-known firm of advisers and valuers, the Group has undertaken an evaluation of the financial and non-financial performance of its stock, using a Net Present Value (NPV) model and linking this information to a wider set of non-financial indicators.

The evaluation of the financial and non-financial performance of the Group's general needs and independent living stock presents a generally positive picture. The assessment of financial performance shows an above average 30 year NPV per unit compared with North West regional averages, (£20,000 compared to £15,500) and no property groups with a negative NPV over 30 years. There are 33 individual properties which have a negative NPV.

Our analysis indicates this very good performance is largely due to our conventionally constructed and well maintained stock, lower than average maintenance costs, higher than average rents, and the fact that the Group has for some time pursued a strategy of identifying and dealing with poorly performing stock. The continuing programme of detailed options appraisals, for stock identified as a potential cause for concern, has resulted in disposal of non-traditionally constructed stock, the conversion of bedsits into larger properties, the

de-commissioning and demolition of unpopular independent living schemes and the demolition and redevelopment of structurally unsound properties that required major investment.

Options Appraisal

Properties with an NPV of £10,000 and under have undergone a review to identify priorities for options appraisal. The review process has confirmed that the majority of these properties are independent living schemes which are already part of a rolling programme of options appraisals. The Independent Living Strategy recognises the need to reduce the number of independent living units, coupled with a modest growth in our extra care provision, as the nature of demand from our customer base changes. The asset management review has influenced the order of the option appraisal process so that the most recent schemes to be appraised are amongst the worst performing in terms of NPV over 30 years.

A review of the worst performing properties will be subject to more detailed options appraisals over the next 12 months. This review will also encompass properties that are in the middle performance band, i.e. above the £10,000 NPV and below the £20,000 average, with the aim of improving performance where possible, increasing the NPV over 30 years.

Given that our stock is performing generally very well, from both financial and non-financial perspectives, the Group has concluded that for the moment a significant disposals programme is not required. A small number of poorer performing properties have been identified for more detailed options appraisal as and when they become vacant. A further, concentrated group of properties are currently subject to an in-depth review to determine whether or not disposal would be a viable and/or desirable option.

Customer Involvement

Customers have been involved in the implementation of the asset management performance evaluation project through the tenants' Repairs Forum. Non-financial factors utilised in the model include customer satisfaction data and our detailed options appraisal process has a long history of effectively engaging with tenants in investigating potential alternatives and implementing any changes.

Rent Setting

A detailed review of the Group's rent setting policy was considered by our Boards in December 2014. That review concluded, amongst other things, that the rate of conversion to affordable rents should remain at its current, relatively low level. A further review will take place towards the end of this calendar year.

Supported Living Stock

Continuing the work with Savills, an evaluation of the supported living stock is nearing completion; the results will be assessed in the same way as the general needs and independent living stock. This review will supplement our existing procedures for assessing the viability of underperforming supported living schemes.

An Evolving Strategy

We plan to refine our NPV based evaluation models still further by, for example, varying management costs at scheme level and investigating the use of different indicators. The current analysis also identifies differences between two registered providers within the Group, New Progress Housing Association (NPHA) and New Fylde Housing (NFH), with the NPV values for NPHA more widely distributed than NFH. This will be investigated further and any good practice identified and applied. The growing sophistication of the information will continue to inform the Group's evolving Asset Management Strategy.

The main implication of the Government's July 2015 budget on the Group's work on active asset management will be an adverse impact on the expected return on social housing developments, and will therefore result in a larger group of developments being selected for options appraisal. It may also limit the range of options available under the appraisal model.

In Year Asset Management Achievements

Assessing Sustainability

We continued to use our existing tools for assessing sustainability whilst the new strategy was being prepared. Our achievements during the year included:

- ◆ Using our existing asset management matrix (that includes various indicators relating to operational performance and customer satisfaction) to rank our general needs and independent living stock in order of priority. This has helped to identify issues which are then addressed via the appropriate neighbourhood plan or, by a more comprehensive review and options appraisal. The actions identified have included targeting service provision in highlighted areas such as debt advice campaigns where there are high levels of arrears. We have worked with some under-occupying tenants in Wade Hall, Broadfield and Lostock Hall to support them with moves to suitable alternative accommodation. This has avoided a further increase in rent arrears
- ◆ Continuing the rolling program of scheme by scheme reviews of our independent living stock. This has resulted in the demolition of Naze Court, the conversion of 68 (out of 110) bedsits into one bedroom flats, the remodelling of two scheme manager accommodation units into independent living units, various upgrades or improvements (such as the installation in one scheme of a larger, more modern lift) and the development of local lettings and advertising campaigns
- ◆ Undertaking the supported living scheme viability reviews. To date this has resulted in a reduction in long term voids - empty homes - in our supported living stock through, for example, closer working with local authority commissioners and support providers to reduce voids. We have also sold nine supported living schemes with plans to sell a further eight. The sales generated over £1.1m cash available for reinvestment
- ◆ Performing comprehensive assessments of new developments, including NPV analysis.

We have assessed 204 projects, 66 supported living and 138 general needs

- ◆ We invested over £262,000 in environmental improvements for our neighbourhoods across the Group.

Future Plans

With regard to future developments, our 2020 Plan includes plans to spend over £90m over the next five years to deliver more than 930 new homes, generating an overall positive NPV of £3m. Each new scheme is individually appraised using an NPV based model, enabling those which are predicted to perform less well, but which are nevertheless needed in order to meet identified local needs, to be balanced alongside other schemes which will generate a more positive contribution.

Sector Benchmarking for Asset Performance

In addition to the NPV based asset management model referred to above, we have assessed the performance of our stock using two further indicators, as shown in the table below. These indicators are widely used in the sector and so more readily allow benchmarking to be carried out.

Indicator	2015	2014	2013	Sector 2014
Return on Assets	2.3%	2.7%	2.0%	2.7%
Return on Capital	6.8%	7.6%	6.3%	5.7%

An explanation of 'Return on Assets' and Return on Capital' is included in the Glossary of Terms at the back of this report.

The table shows an upward trend for return on assets as our net operating surplus has increased whilst loan repayments have also taken place. This indicator is however slightly below the sector average. Return on capital is consistently above the sector average but shows a slight reduction on last year. This is due to increased depreciation and maintenance costs. In addition, the return on capital indicator is comfortably above our own average cost of borrowings of 4.5%.

We believe in future due to changes in accounting standards that these indicators may be less useful and we will therefore assess other appropriate benchmarks.

Service Costing and Benchmarking

Understanding our costs of services and knowing how we compare with others

One of our strategic aims is to Develop a Stronger Organisation. We set out to provide excellent services that meet customers' aspirations and needs, and match the top quartile – performing in the top 25% of similar organisations. In relation to this aim the following sections of this strategy address the importance of service costs and benchmarking, which also includes a focus on customer satisfaction.

Management Cost Reviews

We have a good understanding of the costs of each of our core services and have developed a new framework linked to the Group's statutory accounts to analyse our management costs in specific areas. We have also benchmarked our costs externally through a range of mechanisms. These include: the Baker Tilly Back Office Benchmarking Club, HouseMark, HCA Global Accounts and our external auditors. We understand how we compare both overall and at service level areas for management costs.

The table below shows our findings for average management cost per unit.

Service Area/Year	General Needs/ Independent Living/Other	Supported Living	Group Average	Sector Average*
2013/14	£925	£1,105	£981	£990
2014/15	£933	£1,174	£1,012	Not yet known
% Change	1%	6.2%	3.2%	Not yet known

Our comparisons for 2014 data have shown that we have remained static on our management cost per unit (2014: £981, 2013: £985), whilst the sector has increased by 13% from £876 to £990.

The new service cost framework analysis shown above reviews the total average management cost per unit of £1,012, and is further sub-analysed between our supported living activities at £1,174 per unit and general needs and independent living activities at £933 per unit.

The management of supported living homes is far more intensive than the management of general needs and independent living and so a higher average management cost is to be expected. As part of our Progress Forward programme, a major review of our supported living service delivery model is planned to take place over the next 12 months. Our analysis also shows that general needs and independent living activities are lower than the sector average at £990. These service areas are already beginning to benefit from the changes brought about through our Progress Forward programme.

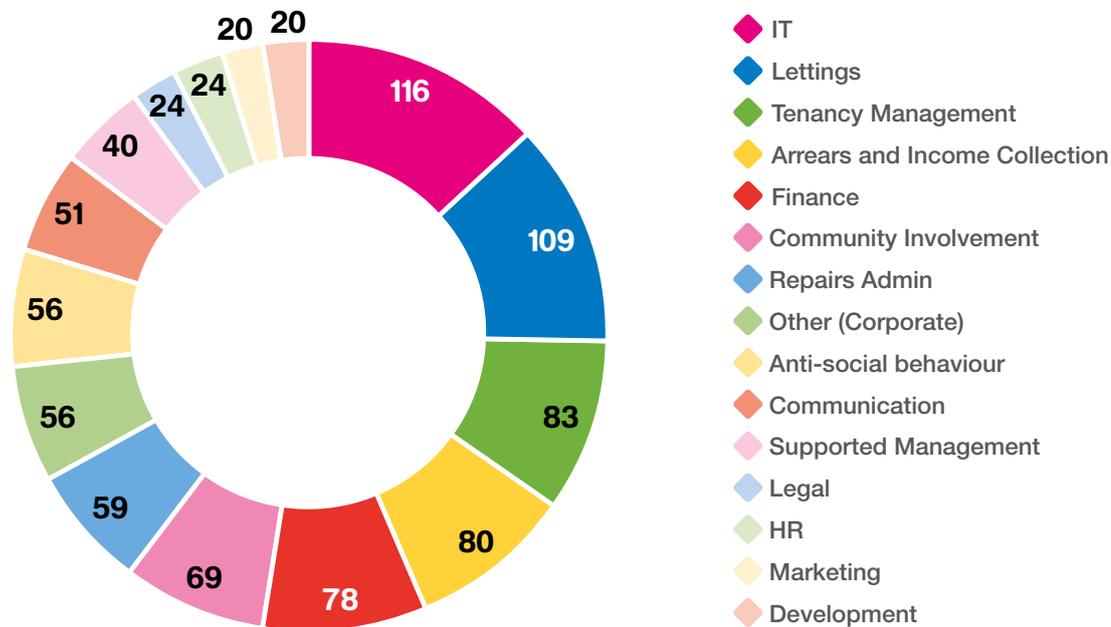
Service Area/Year	Operational	Supported Living	Group Average	Sector Average*
2013/14	£569	£412	£981	£990
2014/15	£588	£424	£1,012	Not yet known
% Change	3.3%	2.9%	3.2%	Not yet known

* Source: HCA Global Accounts

Our framework also analyses management cost per unit between corporate and operational services as can be seen in the table above. We know that 58% of management costs relate to our operational services and 42% relates to our corporate services. Operational activities include, amongst others, arrears and income collection, community involvement, anti-social behaviour and estate services. Corporate services include finance, information technology, human resources, audit, legal and marketing and costs are broadly split between salary and running costs.

The pie chart below shows 15 of the higher cost areas from the 27 service cost areas we have defined, at a unit cost per property level.

£ Cost Per Property 2014/15



This analysis by corporate and operational service areas shows IT, Lettings, Tenancy Management, Arrears and Finance as the higher cost areas. We have targeted investment in a wide range of information technology projects to improve our services to customers and staff. Each project is appraised and identifies savings generated from the investment. As a consequence our future management cost per unit within our long term plans shows a slight decrease.

Our managers understand the cost of service provision in their own areas and are developing service cost review plans to demonstrate VFM and drive efficiencies, whilst also considering customer satisfaction levels.

We closed our defined benefit pension scheme to new employees a number of years ago and have therefore been able to avoid the costs of the higher pension provision which would have led to higher corporate and operational management costs overall.

In light of the Government's July 2015 budget, the Group is determined to continue its drive for efficiencies and to reduce its average cost of management per unit. Using our service cost plans as the framework, we will also review each service area to determine whether the service in question should be expanded, contracted or eliminated entirely. This further review will be completed by March 2016.

Corporate Services Benchmarking

In addition to the development of our own costing framework and in order to better understand value for money in these areas, we commissioned advisors to benchmark the Group with six other providers for corporate costs for 2013/14. The other providers are groups which operate across a dispersed geographical region but have a concentration of stock in a particular location and undertake care and other services as well as general needs housing. The properties owned are within the range of 10,000 to 95,000.

We found this review limited in its value due to the lack of detail available as to which activities are included in each corporate service, which has cast doubt on the comparability of the findings. However, the review has indicated that of the ten corporate areas analysed we have a higher number of staff than the peer group and are second highest in cost for seven out of the ten areas. In the remaining three areas we are within the bottom three. We therefore joined a wider benchmarking group of over 50 other registered providers to look at IT, Finance and Human Resources cost bases in more detail. This benchmarking showed that IT was above the national average, for applications management, data line rentals, hardware support and system software/licenses. The positioning with IT costings comes as no surprise given the level of investment made to deliver significant projects which will lead to improved ways of working and service provision. The Finance Department costs are below the sector average overall but Accounts Payable and Reporting are above average cost. Human Resources showed as significantly below the sector average. The departmental and operational service cost plans take account of these benchmarking results.

HouseMark Benchmarking

The position with peers for general needs and independent living (GN & IL) service provision is benchmarked annually with HouseMark. The peer group comparison is with Registered Providers with between 2500 and 7500 homes in the North West, North East and Yorkshire areas and contains about 11 peers in the comparator group. The 2014 Key Performance Indicator (KPI), Cost per property and Satisfaction information is shown over the following pages.

KPI	GN & IL Average 2014	Peer 2014	Better/ (Worse)	GN & IL 2013	Peer 2013	Better/ (Worse)
Current Arrears	3.0%	3.8%	0.8%	2.9%	2.6%	(0.3%)
Rent Collected	99.8%	99.3%	0.5%	99.1%	99.3%	0.2%
Void Loss	1.38%	1.37%	(0.01%)	1.23%	0.97%	(0.26%)
Responsive Repairs completed on time	99.3%	99.2%	0.1%	99.5%	97.2%	2.3%
Gas Servicing	100%	100%	0%	100%	100%	0

This analysis shows that our arrears performance has remained static with the previous year, whilst the sector position has declined significantly. We have therefore improved against the sector. Our rent collected has also improved both compared to the sector and against our own performance last year.

Voids Performance

Whilst our voids performance – income lost during the time properties are empty - has declined slightly compared to last year, the sector position has worsened and we are now in line with the sector average. Our strategy has continued to include remodeling bedsit accommodation and substantial work has been undertaken across general, independent living and supported living services to refine the process of void management which will better integrate our core housing management system. This will allow a more consistent and improved voids management process for staff. For more analysis on our performance see our Operational Performance section of this document.

Improving voids performance remains a key priority and the Group are taking a ‘whole business target’ approach to ensure each part of the business contributes to further improvements.

Plans include:

- ◆ In depth analysis of reasons for tenancy termination in order to develop strategies to help people stay in their homes longer, for example through assistive technology
- ◆ Targeting the work of the Community Safety Team to areas where anti-social behaviour (ASB) issues may arise in order to promote settled neighbourhoods
- ◆ Further profiling of those customers likely to fall into arrears so that they can be referred to the financial inclusion service prior to the take up of tenancy
- ◆ Targeted community development approaches in order to develop community assets and create places where people want to stay
- ◆ Advertising and allocating properties on the Fylde Coast more widely
- ◆ Utilising marketing tools, such as social media and Right Move to advertise voids and target potential customers
- ◆ For supported living properties address the top ten void properties on a quarterly basis through developing strategies in partnership with local authorities.

Cost Per Property Comparison

Cost per Property	GN & IL Average 2014	Peer 2014	Better/ (Worse)	GN & IL Average 2013	Peer 2013	Better/ (Worse)
Arrears and Rent Collection	£114	£129	£15	£112	£135	£23
Customer Involvement	£103	£58	(£45)	£93	£76	(£17)
ASB	£115	£61	(£54)	£122	£75	(£47)
Tenancy Management	£88	£81	(£7)	£100	£104	£4

We have some conflicting information with regard to the relative cost of certain service areas. For example, the HouseMark data, shown above, indicates that costs for delivering customer involvement and ASB services are higher than the Group's peers on average. However, we know that our newly developed service costing framework has resulted in different service costs for some areas and that, overall, our management costs for these groups of property are around the average. We need to undertake further work to better understand these differences and to ensure accurate and consistent cost allocations between the different exercises, where possible. With regard to quality we know that 94.5% of customers involved within our ASB activities are satisfied following closure of cases. Whilst some of these services are higher than the sector average it should be noted that satisfaction levels exceed peers in all categories as indicated below.

Satisfaction Area	GN & IL Average 2014	Peer 2014	Better/ (Worse)	GN & IL Average 2013	Peer 2013	Better/ (Worse)
Services provided	91.7%	90.6%	1.1%	92.9%	89%	3.9%
Repairs and Maintenance	83.9%	85.7%	(1.8%)	87.1%	85.8%	1.3%
Views taken into consideration	70.4%	74.9%	(4.5%)	78.4%	76%	2.4%

The STAR survey is undertaken every two years by the Group and the figures above are the results from this survey.

Overhead as a % of Turnover	GN & IL Average 2014	Peer 2014	Better/ (Worse)	GN & IL Average 2013	Peer 2013	Better/ (Worse)
Office	0.5%	1.6%	1.1%	0.5%	1.7%	1.2%
IT	3.5%	2.8%	(0.7%)	2.7%	2.7%	0
Finance	1.4%	1.8%	0.4%	1.7%	2.0%	0.3%
Central Support	4.6%	5.9%	1.3%	5.2%	6.4%	1.2%

Overall overhead costs as a percentage of turnover indicates that performance is median – the middle point in the range. (Top quartile indicates we are cheaper, bottom quartile more expensive – top and bottom 25% of performance). This data is consistent with the corporate services benchmarking the Group has undertaken directly, as detailed earlier.

Supported Living Benchmarking

Our supported living service (largely located within Progress Care Housing Association - PCHA) provides a unique service to its customers and so the HouseMark set of tools does not provide a reasonable benchmark. The Group is however currently working with some supported housing providers through the Housing and Support Alliance group to benchmark costs. It was hoped this group would be able to report by March 2015; however there have been some challenges in obtaining information from other organisations to provide like-for-like comparisons. As part of the asset management strategy, the Group will also compare properties within the PCHA portfolio.

Our supported living accommodation is developed largely without grant and frequently involves the provision of specialist aids and adaptations in order to meet the specific needs of the tenants. For these reasons our rents, like those of other providers operating in the same market, are significantly higher than ordinary formula rents. In February 2014, our Board approved the supported living rent and development strategy, which aims to ensure that rents on future schemes are set at or below the current average, wherever possible. This was further considered by our Board in May 2015. In addition, for the 2015/16 year rent increases for all existing schemes were set at less than the maximum guideline level. We had intended to continue with these policies so that, over time our average supported living rent levels are reduced in real terms over time. This position will be thoroughly reviewed in the light of the July budget announcements.

Internal and External Service Cost Benchmarking Summary

From all the available service cost analysis and benchmarking we have undertaken, we believe that we have 27 service cost areas with seven areas above the sector average cost, 14 areas below the average and six areas where comparative data is not available. All 27 cost areas are under review with focus on continuous improvement, through delivery of service cost plans.

The Group expects the housing sector will respond to the July budget by continuing to drive down costs. We recognise that we will need to continue our drive for efficiencies in order to maintain and improve our relative benchmarking position.

Repairs and Maintenance VFM Assessment

With regard to repairs and maintenance, PDA Asset Management Ltd was commissioned to undertake a detailed benchmarking exercise to compare the costs of NPHA and NFH against a basket of works for similar organisations. The following categories were benchmarked for the financial year; major repairs (kitchen and central heating replacements), gas servicing, voids and responsive repairs.

The results are summarised in the following table.

	NPHA		NFH		Sector Range			
	No.	Average cost (£)	No.	Average cost (£)		Lower quartile (£)	Median quartile (£)	Upper quartile (£)
Major repairs Kitchen replacement	223	3,138	68	3,811	£2,000 - £5,500			
Major repairs Central heating replacement	160	2,865	97	3,103	£1,500 - £4,500			
Gas servicing		54		70	£38 - £81 (target £51.34)			
Voids (Empty homes)	463	1,566	256	1,509	3,109	2,297	989	
Responsive repairs (1) Per property	3,824	468	1,851	418	901	449	341	
(2) Per repair	16,862	106	8,873	87	132	106	98	

In summary the analysis indicates that services were providing good value for money compared with the benchmarked data. A similar exercise will be undertaken on the expenditure for 2015/16 and will complement other benchmarking of the repairs and maintenance service.

The Group has also joined the Housing Quality Network (HQN) benchmarking group which has a set of 20 benchmark indicators, which have been agreed through consultation with all members. These benchmarks cover the basic aspects of repairs services including cost, satisfaction and performance. They help assess and compare like-for-like services across a range of stock-retaining authorities, ALMOs (arm's-length management organisations) and traditional housing associations. We will analyse the results of this at the end of 2015.

Peer Group Financial Benchmarking

The Group also annually compares its performance with other registered providers. Last year we reported on 2013 data derived from the top 45 mixed group according to Social Housing magazine. These providers were selected as they are closest in properties owned and have all obtained funding in the public markets, a potential future funding area for the Group. We have updated the data for 2014 results.

Group Indicator	2015 PHG Actual	2014 PHG Actual	2014 Registered Provider 1	2014 Registered Provider 2	2014 Registered Provider 3	2014 Registered Provider 4
Units	9,943	9,847	12,594	16,861	20,444	20,702
Operating Surplus to Turnover	31%	33%	24%	30%	26%	37%
Net Surplus to Turnover	16%	16%	7%	11%	9%	25%
Debt per unit	£26,348	£27,000	£15,170	£24,417	£30,968	£18,452
Gearing	52%	52%	41%	41%	82%	28%
Average Cost of Funds	4.6%	4.5%	4.50%	4.50%	5%	4.80%
Turnover per unit	£ 7,165	£6,991	£4,228	£5,041	£6,432	£4,676
Net Surplus per unit	£ 1,179	£1,116	£315	£546	£558	£1,150

This analysis shows that for the last financial year we were a top performer for our revenue surplus position and also for our turnover and surplus per unit, in this peer group. We have a higher gearing ratio than most of the mixed group, reflecting the very high dependence on private finance for the supported living accommodation we offer. The Group has a strategic aim to slowly reduce the overall gearing ratio and are on track with this aim. We are forecasting to remain constant with our revenue indicators.

Active treasury management is important to the Group from a VFM perspective to ensure we minimise significant cash holdings, and borrowing at the right time and at competitive market rates - by managing our existing and new borrowings effectively. Our average cost of funds is also competitive.

Performance Management and Scrutiny

Our comprehensive performance management framework has been reviewed this year, led by non-executives, which has built on our balanced scorecard methodology. We have also reviewed our service standards during the year and completed the process of assessing our customer service priorities.

Using the above as a foundation, we have clearly identified the performance level we wish to achieve, its likely cost, and how we will achieve it. These are set out within our performance and financial targets.

An annual benchmarking statement has been included within the reporting structure; the statement compares the Group aims and objectives to comparative groups from appropriate sources. The introduction of the statement allows a clear picture to be presented to Board which closely links to the Group's aims and objectives, presenting a holistic view of successes and areas for improvement. All indicators included have been linked to the corporate aims and objectives, the regulatory standards and benchmarking source. Each year the assurance measures and indicators are reviewed and agreed by Board for transparency and to allow changes or new areas to be incorporated. These comprehensive arrangements for assessing regulatory compliance at non-executive level also include assessment of the revised standards from 2015.

Our Financial Performance

The table below shows a number of key financial indicators. These are benchmarked based on the HCA's Global Accounts results.

Group Indicator	Actual for 2015	Actual for 2014	Sector for 2014	Actual for 2013	VFM Impact
Gross operating margin	33.05%	33.70%	26.5%	32.5%	Comparison shows efficiency of costs to income
Net operating margin	16.62%	16.50%	15.0%	15.0%	As above but includes loan interest charges
Operating surplus per unit	£2,373	£2,349	£1,568	£2,133	As above but shown on a property basis
Average cost of funds	4.6%	4.5%	4.64%	4.6%	Shows the level of borrowing costs compared to others
Management cost per unit	£1,012	£981	£990	£985	Control of these costs contributes to our surplus
Responsive/cyclical cost per unit	£1,065	£987	£1,015	£884	Control of these costs contributes to our surplus
Major repairs cost per unit	£812	£799	£913	£749	Control of these costs contributes to our surplus
Void loss (excl supported living)	3.75%	2.50%	1.8%	2.2%	Failing to let properties causes permanent lost income
Bad debts (excl supported living)	1.09%	1.47%	1%	0.88%	Keeping arrears low helps our income

The analysis shows that whilst our operating margin has remained static we are still significantly above the sector average. Operating surplus per unit shows a slight increase indicating that our net position is improving with stock growth, and again the Group is significantly above the sector average. Maintenance cost per unit has decreased and below the sector average for responsive and cyclical costs. Our financial plans include efficiency targets for both management and maintenance costs.

At the highest level of performance, the Group aims to maintain a healthy operating margin and surplus notwithstanding the impacts of the Government's July 2015 budget.

Our Operational Performance

The table below shows our main KPIs and how we have performed on core operational activities.

Group	Target	Year ended 2015	Year ended 2014	Year ended 2013
Net Current Arrears	1.8%	1.8%	1.87%	1.77%
Net Void Loss	3.7%	3.7%	3.5%	3.1%
Re-let times (days)	97	88.5	84.7	72.9
Repairs Right First Time	80.0%	75.3%	63.8%	N/A
% Responsive Repairs On Time	98.9%	99.3%	99.3%	99.4%
New funding	N/A	£0m	£6m	£12m
New homes in management	Per Target	175	257	301
New homes gross investment	Per Target	£16m	£22m	£28m
Capital investment in existing homes	Per Target	£4m	£4m	£4m

This analysis shows that we have met our target for arrears which in the current external environment shows excellent performance. Re-let times are within target but shows a worsening year on year trend. Repairs right first time indicators have improved and are slightly below target. No real change for % responsive repairs on time. Our void position is on target but has worsened compared to last year and we can see deterioration within all activity types which was relatively sudden. There was no single reason for the change and we are actively working to deal with underlying issues. The process of managing a void has changed and voids are now managed within the housing management system. This change will aid early identification of changes to performance. The change in voids process monitoring will also allow specific areas within the procedure to be identified, to pinpoint under performance. It is expected that performance within the new financial year should improve and will be closely monitored to identify any changes.

We recognise the importance of our annual surplus in order to continue to deliver new homes and maintain our existing properties. The strength of our operating cash flows (the money we bring into the organisation through rent and charges for other services) has improved with the Group being able to deliver its component replacement programmes with little or no new funding. As can be seen above, we have continued to deliver new homes at significant levels despite reduction in grant rates.

Scrutiny

We have embedded our new Scrutiny Pool arrangements. Our Scrutiny Pool undertakes specific service reviews to understand the customer experience with a focus on improving customer satisfaction and is working to strengthen its assessment of VFM issues. Reviews were carried out in a number of areas including repairs, anti-social behaviour and allocations and are detailed below. The findings of these reviews are reported to customers through the Scrutiny Pool meetings which are open to all customers, on the website and highlighted in StreetTalk (tenants’ newsletter). Likewise, summaries of our mystery shopping and tenant inspection activities can be viewed on the website.

Service Area	Scope of Review	Summary of Review	Approved by Scrutiny
Under-occupancy support	How the Group has communicated with tenants that are affected by under-occupancy; to consider how effective communications have been	The Scrutiny Pool acknowledged that there were some strengths, but felt that there are areas for improvement, particularly around more targeted communications and the use of social media.	July 2014
Repairs	How feedback on repairs is received, including methods and rates of return; and how feedback is used to improve the service	<p>The Scrutiny Pool, like the Group acknowledged the current mechanisms for receiving feedback are effective but costly. However, opportunities for customers to improve the service, including the Repairs Forum are working well.</p> <p>The Scrutiny Pool made a series of recommendations regarding the improvement of gaining feedback, including the use of text messaging and more, clear information about on which repair, feedback is being sought for.</p>	July 2014
Anti-social behaviour	To consider what methods will be used to raise awareness amongst tenants of the new tools and powers, including the “Community Trigger”. (The Community Trigger is a process that residents can use if they have reported anti-social behaviour but believe no action has been taken. If used, the police, local council and housing association (if appropriate) need to come together to review the situation)	<p>The Scrutiny Pool welcomed the current communications plan, but made a series of recommendations to add to the plan, including the involvement of customers in information provided and training to customers on the new powers.</p> <p>We have now undertaken customer training in group sessions and on an individual one to one basis.</p> <p>We continue to work with our marketing service and our customers regarding the updating of our web site and information provided for in the StreetTalk newsletter to help raise awareness of the new tools and powers including the Community Trigger. We have ensured that there is a link to the Community Trigger page on our web site that is user-friendly.</p>	May 2014



Service Area	Scope of Review	Summary of Review	Approved by Scrutiny
Allocations	Choice based lettings advertisements	The Scrutiny Pool recognised that customers could access adverts through a number of ways, and there was support to customers. However, the Scrutiny Pool made a series of recommendations relating to the ease of access to information; accuracy of information; and the involvement of customers in reviewing information.	October 2014
Accessibility	To consider how accessible Group offices and supported living communal areas are to a diverse range of customer needs	The Scrutiny Pool recognised that Group offices generally are easy to access and provide a range of facilities to meet the diverse needs of customers. A number of recommendations have been made relating to clear strategy for audit and action of accessibility, involvement of tenants in any redesign of reception areas; an access audit is carried out making use of the Scrutiny Pool inspection information.	February 2015

Action Following Scrutiny Review

As a result of the above reviews a number of outcomes have already been delivered that have led to service improvements.

The under-occupancy review saw the introduction of better communication in relation to the changes in welfare reform. This has included a redrafted information leaflet that was written in consultation with the Communications Panel. Social media is now being used as a tool to communicate key messages with customers and a live interactive session was held with the Financial Inclusion Manager. As well as this customer champions have been trained in this area to assist other tenants.

The repairs review has introduced a number of new communication tools to increase the response rates to the customer satisfaction survey. By introducing text messaging, the response rate to satisfaction surveys rose from 7.5% to 34%. Staff have worked closely with the specialist Repairs Forum to rewrite current communications processes and shape the service that is provided in terms of notification of appointments.

The anti-social behaviour review has allowed customers to work with staff to ensure the new current changes in legislation are communicated widely to reach as many customers as possible. By working together they have been able to ensure that the information communicated is clear and easy to understand. In addition, the recommendation that voice/noise recorders and camera work be undertaken in-house has been implemented which has saved cost and increased service provision. In addition, the use of in-house equipment has reduced waiting time from external providers and has helped retain our witnesses which enhance our chances of success in the county court.

A review was undertaken regarding allocations and how staff can assist new and existing customers when applying for properties. The review allowed for improvements to be made to the online system and increase in the amount of information customers are presented with when enquiring about a property, this includes more photographs and more details relating to service charges.

At the time of writing the review into accessibility was nearing completion.

Social Value and Community Investment

The Group defines social value as the collective benefit for a community (or for society as a whole) arising from a particular action or activity. It has always been a key aim to maximise this value both directly (for example, by investing in projects with a direct social benefit) or indirectly (for example, by making sure that its core activities such as building maintenance, are organised in such a way as to maximise the social benefit).

However, we recognise that we have not always been effective in measuring the scale of the social value we have generated. This has meant that our decisions have not always been supported by a fully robust evidence base. We have also been less effective than we might have been in persuading our stakeholders of the true social value we generate.

For these reasons we have carried out our first formal audit of social value generated by the Group, with a full report produced.

The audit focuses on a range of services and it provides information on both the activities themselves and on the impact – the social value – which they generate. The value is described in narrative terms but also, where possible, the social value is expressed in monetary terms. Case studies illustrating the real life impact are also provided.

This report will be updated annually. In future years we will extend the range of services included in the report and refine the financial value assessment.

A summary of some of the key findings is provided in the following table.

Review Area: Progress Futures

Service Provision

Progress Futures is an extremely valuable and personalised service that caters to individual tenant needs on a case by case basis, in conjunction with other frontline services, to improve the wellbeing and employment prospects of tenants and their families. Progress Futures primarily seeks work experience, training, and volunteering opportunities for customers across a range of partner organisations/suppliers.

Output

Since being established in summer 2013 the service has attracted interest from 219 customers, many of whom have self-referred as well as referrals from our Income Collection, Financial Inclusion and Community Involvement teams. In total since the start of the project, 75 customers have been helped into employment, education and training, bringing numerous benefits to both the individual and to the Group.

The service directly touches 80 customers per annum and an estimated further 200 customers within their direct users household and helped 34 of these customers to access further opportunities.

Impact

Improved health leading to reduction of health intervention,

Reduction of ASB, increase in the number of people who are work-ready, reduction in evictions and an increase in the number of customers contributing tax and National Insurance and a reduction in welfare benefits.

Review Area: Community Involvement**Service Provision**

Community Involvement is a diverse service that targets people who want to get involved locally.

Output

There are approximately 40 active volunteers on Procurement, Governance and Scrutiny, including tenant inspectors and mystery shoppers. There are approximately 200 tenants involved in community activity annually.

Impact

Contribution of time from volunteers, investment in training and development in new skills for the 40 volunteers and reduction in ASB and social isolation.

Review Area: Control Centre and Lifeline**Service Provision**

The Control Centre provides a range of dignified support services to tenants with health-related issues or are elderly. The Lifeline service is a direct line to the Control Centre and provides tenants with the reassurance of help and support in the case of an accident or incident.

Output

7,667 connections and 1,000 people engaged through the Telehealth service.

Peace of Mind Service - this service currently has a reach of 5,000 customers.

The Control Centre provides 24 hour emergency assistance and handles over 230,000 calls annually for Progress Lifeline and other services.

Impact

The reduction in the need for residential and supportive homes and a wide range of services including hospital beds, outpatient services and GP visits. Reduction in loss of income for friends and family providing support.

Review Area: Progress Connect**Service Provision**

Progress Connect is a vital telephone service that offers well informed individual advice, reassurance and information to customers. In addition to general queries such as repairs, the service deals with areas including homelessness applications, domestic violence and witness support case management.

Output

Front line service support to customers and teams.

Review Area: Financial Inclusion, Income Collection and Community Safety**Service Provision**

Financial Inclusion and Income Collection provide customer support regarding rent payments and debt management, working to increase payment co-operation, financial planning and sustainability through a range of awareness raising processes and debt reduction support.

The Community Safety Team provides a range of proactive support to customers to improve local safety. Often working in partnership with the Police and other internal teams, they engage with issues of witness support, family problems, ASB, bereavement, home safety and domestic violence.

Output

The service engages with customers, supporting them to be able to avoid court proceedings, rent arrears and assist in debt management and therefore reduce void loss.

Impact

Reduction in repossession, court proceedings, evictions and policing intervention.

Reduction in loss of employment, stress, anxiety leading to reduction of health intervention.

Review Area: Supported Living**Service Provision**

This is a self-contained service that caters to customers nationally who suffer long term mental health conditions (20%) or learning disabilities (80%) by providing them with housing. This enables them to lead a fulfilling and dignified life in their own homes.

Output

There are 2,600 people within supported living accommodation who have access to a range of social activities and complementary support activities.

Impact

Reduction in the need for community mental health team engagement and intervention from health and social care services.

Review Area: Independent Living**Service Provision**

Independent Living enables tenants age 55 and over, to continue to live independently through active support that focuses on emotional wellbeing as well as health and physical wellbeing.

Output

There are 1,640 people living in our Independent Living properties throughout the UK.

There are 31 Independent Living Schemes, managed by 20 Scheme Managers. Schemes exist in Longton, Farington, Leyland, New Longton, Lostock Hall, Bamber Bridge, Walton-le-Dale, Penwortham and Walmer Bridge.

Impact

The value created through the Independent Living Schemes is focused on the positive relationship with tenants.

Our full Social Audit Report is also available and includes case studies demonstrating real life impacts on customers.

Community Investment

Since the launch of the £1.5m fund, over £600,000 has been spent through the Community Investment Fund. This has included a number of projects, delivering the outcomes and impact required through the Community Involvement Strategy.

Over the past year, the number of applications to the fund has reduced resulting in a review of the fund. The Community Investment Fund will now deliver funding to projects identified as addressing the themes (pre-determined by the Panel) through small project working groups. This will enable more targeted projects, to ensure outcomes are achieved in the priority areas that tenants have identified.

A summary of some of the key projects are detailed below:

Project: Community Development Worker – South Ribble area

Over the last reporting period work has been carried out throughout South Ribble to deliver the 'Be Healthy, Be Happy' programme as well as further engagement activities for all members of the community. A number of successful events have allowed engagement with new customers, these have included:

- ◆ Partnership project with the National Citizen Service to deliver an intergenerational day within an independent living scheme in Bamber Bridge. Work was undertaken to a communal space, including planting and litter picking.
Output: Engaged with over 40 young people.
Impact: Improved development of local spaces. Tenants reported that they had a better appreciation of the community space.
- ◆ Partnership event at Christmas time to combat loneliness for older members of the community.
Output: Engaged with 67 local older people.
Impact: Help to address loneliness during the Christmas period. Older people feedback that they felt happy with the event.
- ◆ Decoupage and Zentangle sessions in our independent living schemes to promote healthy mind and give tenants new skills.
Output: Engaged with 400 people over 23 sessions.
Impact: Better wellbeing for older people as they reported that they enjoyed the learning and have learnt a new hobby they can do individually or on their own.
- ◆ Weekly youth group sessions continue to grow with an average of 90-100 young people attending each week.
Output: Recruitment of a strong team of 17 local volunteers.
Impact: Volunteers report that they have increased self-confidence and skills for local volunteers.
- ◆ Work with local partners in Penwortham to secure funding for renovation work at the community centre. This funding has been used to upgrade the facility for the community to enjoy, including provision of external funding of £10,000 for an outdoor gym.
Output: £10,000 obtained in external funding.
Impact: Better facilities for the community, aiming to promote a healthier lifestyle.
- ◆ An online trial with the police to run community forums via social media.
Output: Increase in engagement with the police and the Group as over 500 people took part in the meeting.
Impact: 500 people are now better engaged about community safety issues in neighbourhoods.
- ◆ Partnership event with local agencies to deliver a 'Big Lunch' event on Worden Park that saw over 500 people in attendance.
Output: Engaged with over 500 local residents.
Impact: Better partnership working at a local level.

Project: Sheltered Housing Social Activities Pot

During the last quarter we have continued to host regular coffee mornings and games afternoons in the Fylde area. A number of organised trips have also been arranged as well as social activities within schemes. In-house exercise classes are being delivered at nine schemes on a regular basis to promote health and well-being, along with arts and crafts that have been extremely popular.

Output: Engaged with an average of 500 customers a month, with a total of 1,764 activities taking place throughout a 12 month period.

Impact: Decrease in social isolation for older residents and improved health and wellbeing as they have the opportunity to socialise and make new friends whilst themed events raise awareness on how to achieve / maintain a healthier lifestyle.

Collaborative working has taken place with the Community Involvement Team to deliver a 'Big Lunch' event at a scheme within Fylde which was a great success.

Output: 89 people attended the event.

Impact: Increased engagement with PHG and a better understanding of local needs for PHG staff.

Project: Youth Forum

The Youth Forum met in December for their annual Christmas forum that allowed them to take part in team building activities whilst enjoying a Christmas meal as a thank you for their hard work. Members have taken part in a DJ Skills course and helped to create a float for the Penwortham Gala.

Output: 20 young people engage with staff every 2-3 months.

Impact: Successful youth engagement and a better understanding of the needs of young people.

Project: Be Healthy, Be Happy

The 'Be Healthy, Be Happy' campaign has continued to be delivered with monthly themed events to promote health and wellbeing. Recent themes include energy advice, loneliness, keeping calm and mental health wellbeing sessions. These have been delivered in partnership with local agencies across South Ribble and Fylde and this has increased the effectiveness of the sessions.

Output: 12 month programme of events across the South Ribble and Fylde areas.

Impact: Increase in health and wellbeing for customers, covering both mental and physical awareness sessions. Participants reported feeling better involved with the Group.

Project: Lower Lane Youth Club

The youth club has been running weekly on a Wednesday evening to provide 8-12 year olds the opportunity to take part in fun activities such as arts and crafts, cooking, sporting activities and much more. Each week the sessions concentrate on building young people's self-esteem with praise and encouragement.

Output: Engage with 12-15 young people on a weekly basis.

Impact: Positive activity for local young people. Young people report feeling better involved in their community.

Efficiencies

Efficiency gains in 2014/15

Our efficiency actions seek to generate cash savings improving operating cash flows for reinvestment and also process improvements to maximise resources. We stated last year that our management costs per unit for the Group were higher than the average, then in the region of 12%. As highlighted in this report, our management cost per unit is now below the sector average. The core vehicle for improving operational efficiency, and to transforming and modernising the services we provide, is our major programme of change known as Progress Forward. We feel we are well placed at below sector average for general needs and independent living and have the service delivery model to improve our position for supported living.

We have also introduced a VFM Whole Business Target to ensure that all areas of the Group collaborate and drive VFM through joint working initiatives.

The table below highlights our position for delivering VFM efficiency gains in the year. The areas identified are a combination of one off gains in the year with some areas having a longer term impact on our operating cost base. Over £700,000 efficiencies with £287,000 in cost savings, £123,000 in resource improvements and £312,000 operating cost reduction. These all support our strategic objectives underpinned by the VFM strategy.

Area	Gain/Saving	Summary	Impact
Management costs	£137,000	Management and maintenance service restructure under Progress Forward initiative	Longer term impact of a more cost-effective service reducing cash outflows
Procurement	£135,000	Mobile working, legal services, livery, signage and contract reviews	One-off gains which have reduced cash outflows along with new service provision to customers
Community Safety	£17,000	Use of voice recorders and cameras purchased to support ASB plans. Also new legal framework has fixed fees. Compared to external benchmark cost for equivalent level of service provision	Ongoing gain which avoids cash outflow whilst maintaining high quality service for customers
Policy	£123,000	Implementation of new sickness absence policy reduced staff sickness levels by 2.4 days	One off non-cash gain in the year which has improved staffing levels to support all services to customers and staff. It is envisaged we will continue to improve
Pension	£312,000	Settlement of Local Government Pension Scheme (LGPS) pension deficit for New Fylde	One off impact due to early settlement of a pension liability through operating cash flows, at a discount to the book value of the liability. Risk management of pension liabilities - the money we need for making future pension payments for our staff

Area	Gain/Saving	Summary	Impact
Bolton Croft Customers	Up to £1,000 per annum per customer for one scheme	Homes were fitted with a new form of heating system called air-source heat pumps	Feedback from tenants about their bills and information from monitoring software shows on average tenants are saving £974 a year as a result
General Needs & Independent Living Customers	£54,000	Restructure of estate caretaker service	Tenant reductions in service charge of over 34%
Supported Living Customers	Average reduction of 11%	Bringing service charge management in-house	A total of 1,157 customers have chosen to have their heating and lighting managed by us reducing the possible impact of fuel poverty on 47% of our tenants
Supported Living Customers	Average reduction of 17.5%	Tenants choosing to opt out of services including communal energy. Tender of garden maintenance services	Cash reduction. In addition, tenant satisfaction with the delivery of these services continues to be monitored, including a number of tenants acting as 'Green Inspectors' to provide valuable feedback on garden maintenance services
Supported Living Customers	Average cost reduction of 45% and delivery time reduction of up to 70%	Procurement review for furniture	Improved customer satisfaction with the service

Future Efficiencies

We have already achieved some efficiencies in the new financial year and are on track to achieve our target within our long term financial plans over c£250,000. The Group will deliver all the existing efficiency programmes including Progress Forward and will be identifying further efficiencies in order to maintain a healthy operating margin and reduce management costs per unit. Some examples are shown in the following table.

Area	Gain/Saving	Summary	Impact
Photocopier Costs	£123,000 over five years	Following review of the service	Reduced cash outflow and lower management costs
Procurement	£13,000	Review of energy costs for Group offices	Reduced cash outflow and lower management costs
Postage Costs	£21,000	New imail service to be introduced	Reduced cash outflow, staff time savings and lower management costs
Waste Management Costs	To be determined	As part of the estate caretaker review it was identified that waste management costs increased	Potential for savings following review
Review of Office Accommodation	To be determined	As part of Progress Forward, we are increasing digital self- service for both staff and customers and promoting agile working	Reduced requirement for office space

How did we perform against our 2014/15 targets?

Strategic Aim: Put the customers at the heart of our business
VFM Strategy: Asset Usage
Business Plan Priority: Deliver a strategy for provision of services for older people. Remodel and dispose of poor performing stock

Outcome

Older Persons Strategy is now in place setting out the offer available.

Independent Living Review meetings are held every six weeks to review the future viability of the schemes. In total, there have been 13 scheme reviews completed out of a total of 31 schemes. Other works that have been carried out as a result of the reviews include refurbishment of communal areas and office space at Amounderness Court and Ancenis Court, adapted bathroom provision, and relocation of guest bedrooms and the provision of a new lift at Derby House.

Weekly voids meetings continued to manage and monitor all voids including independent living.

A sustainability matrix has been developed which assesses viability based on a range of factors, including financial information, local authority support and housing management issues. The matrix is used as further information in support of decisions made to retain or dispose of supported living schemes. Nine supported living properties have been sold with a further eight planned.

Strategic Aim: Put the customers at the heart of our business
VFM Strategy: Cost Strategy
Business Plan Priority: Improve customer engagement for service delivery including digital technologies

Outcome

The Communications Panel was consulted in relation to the new website proposals and the website will be live in Summer 2015. Three sessions were also held with tenant groups in supported living.

Text messaging for satisfaction in relation to repairs has commenced to engage with tenants. Prior to commencement of the pilot on average we saw a 7.5% response rate to repairs satisfaction. As at March 2015 there has been a 34% response rate with 87% of customers satisfied or very satisfied with the repairs service.

Six tenants became Digital Champions and have been issued with iPads to assist tenants to get online. They have also been used to promote our work through tweets from a tenant perspective. The digital champions have assisted over 100 tenants to get online through this pilot, and this has also saved costs in terms of having the ability to email documents to these champions rather than traditional paper format. The Group was shortlisted in the TPAS Awards 2015 for their Digital Futures project.

Mobile working and scheduling for housing operations and repairs project underway. The contract with the supplier was negotiated with a reduction of over £100,000 on cost of the project.

Strategic Aim: Put the customers at the heart of our business
VFM Strategy: Customer Satisfaction
Business Plan Priority: Maintain high customer satisfaction levels and involvement in decision-making

Outcome

The 2014 STAR survey for general needs and independent living tenants showed overall satisfaction remains high with 89% of general needs and 98% of independent living tenants being satisfied with the service provided.

General satisfaction with a range of services across the Group remains high in particular for witness support services we have maintained 100% satisfaction. Where there are areas of dissatisfaction, tenants are contacted directly. Satisfaction with the recent independent living conference was very high with 98.3% of tenants being satisfied or very satisfied with the day.

The tenant conference was held in March and satisfaction results were again at a high level with an increase in satisfaction for the welcome session, which could be attributed to the use of interactive technology to obtain tenants views. Feedback from the day was positive throughout with 99.3% of attendees either very satisfied or satisfied with the day.

Strategic Aim: Put the customers at the heart of our business
VFM Strategy: Customer Satisfaction
Business Plan Priority: Extend Scrutiny Pool role to increase tenant empowerment and review findings of the tenant inspection programme

Outcome

The most recent review conducted by the Scrutiny Pool was the accessibility of Group offices and independent living schemes. The Scrutiny Pool have also reviewed communication of the new ASB tools and advertisement of properties. They have reviewed to date under-occupancy and communication around repairs. In total six service reviews have taken place with a total of 30 recommendations made. Of these 29 have been completed, with one outstanding which is due to an external partner updating their system. A review for accessibility to Independent Living schemes and offices showed that further work was needed in relation to auditing schemes and a subgroup is to be formed to progress this. Over the last twelve months our tenant inspectors have carried out 58 mystery shopping activities, 77 void inspections and 65 green inspections.

Strategic Aim: Serve local communities
VFM Strategy: Procurement and Social Value
Business Plan Priority: Review our OJEU tender procurement mechanism – EU governed procurement for high value purchasing contracts - to deliver social value

Outcome

Our scoring tender process has been amended to incorporate a weighting for social value impact. Two tenders completed with one supplier for van hire employing local staff and material sourcing. Framework now being developed to incorporate improved specific Group requirements in future tenders.

Strategic Aim: Serve local communities

VFM Strategy: Asset Usage

Business Plan Priority: Update our asset management strategy to ensure appropriate decisions are made on poorer performing assets

Outcome

For general needs and independent living schemes, a sustainability review is carried out annually. Individual properties will be identified as and when issues arise such as high cost works, demand or other contributing factors. A full options appraisal is then considered.

A sustainability matrix has been developed for supported living, which takes account of financial and non-financial factors, including support from local authority service commissioners, location, property condition and cost of repair, void history and rental income. The matrix is used on schemes where demand is known to be low to inform decisions on whether to remodel or dispose of. For example, the matrix was used on a supported living scheme in Nottinghamshire and as a result it was agreed to re-provide for the tenants as the existing property did not meet their needs.

An asset management model has been developed with Savills for asset performance monitoring.

Strategic Aim: Provide excellent services

VFM Strategy: Income Strategy
Cost Strategy

Business Plan Priority: Improve performance for our KPIs to reduce voids and maintain arrears

Outcome

Overall the Group has met the target for current tenant arrears at 1.8%, an improvement of last year (1.87%)

Overall 98.4% of all sundry debts (including write-offs 0.7%) have been collected. This is an increase of 1.0% compared to the previous financial year and is the highest collection rate for the past three years.

Although the County Court judges and ourselves still view eviction for rent arrears as a last resort, 43 evictions took place during the last financial year (three of these cases included ASB issues), compared to 49 evictions in the previous year. Although a slight reduction can be seen on the number of evictions for rent arrears these still have an impact on our voids.

We will continue to target potential and new customers via our allocation process, who are considered to have the potential of being in rent arrears should they be successful in the bidding process.

We will place average running costs on the advertisements for our properties so that new customers can consider their financial position prior to signing up for our properties to try to reduce rent arrears in the future.

Voids continue to be an area for improvement across the Group.

A marketing plan is in place to address the apparent low demand for Independent Living housing. This has included Facebook adverts, professional photos, and targeted contacts with people on the list and open days. The Group is no longer developing traditional sheltered accommodation.

A pilot to advertise supported living voids on a specialist website has commenced, but was not successful. However, plans are in place to list void properties on the new interactive website. Meetings are also held with Adult Social Care commissioning teams to assist in generating more nominations.

The number of void properties within repairs has reduced from over 80 to 30 during the year. Voids plus system has been introduced to support improved management processes.

Following discussions with one local authority commissioning team, meetings have commenced with support providers to address the number of voids at schemes where they provide support with a view to installing adaptations to enhance the let-ability of accommodation.

Strategic Aim: Provide excellent services

VFM Strategy: Customer Satisfaction

Business Plan Priority: Continue to improve customer satisfaction with our services by increasing right first time service delivery and VFM

Outcome

Right first time at present is focused on repairs.

Repairs Right first time target is 80%. Performance at year end was 75.3% (compared to last year end 63.8%).

Through Progress Forward we are considering a new Customer Relationship Management (CRM) system, alongside mobile working, which it is anticipated will capture this information in other areas.

STAR survey for general needs and independent living tenants showed for general needs:

- The overall level of satisfaction for general needs tenants (89%) is 4% higher than the HouseMark average (85%) – placing the organisation in the top quartile
- Satisfaction with the repairs and maintenance service is 1% higher than the HouseMark average placing the Group in the second quartile, as is satisfaction with the neighbourhood which is 2% higher than the HouseMark average
- A quarter of tenants have gone without heating either all of the time, often or some of the time
- 17% of tenants care for someone with long-term ill health or problems related to old age
- There were four ratings where performance was below average. The value for money of the rent and service charge and listening to tenants views were both 1% below the median. The quality of the home was 2% below the median and so all fell into the third quartile

STAR survey showed for independent living:

- The overall level of satisfaction for independent living tenants (98%) is 7% higher than the HouseMark average (91%) – and places the organisation in the top quartile for performance
- Satisfaction with the neighbourhood is on the cut-off point for the top quartile (95%)
- Satisfaction with the repairs and maintenance service is 3% higher than the HouseMark average placing the Group in the second quartile, as is satisfaction with listening to views which is 2% higher than the HouseMark average
- 9% of tenants care for someone with long-term ill health or problems related to old age
- Dissatisfaction with grounds maintenance has fallen from 26% (2012) to 9% (2014)
- There were three ratings where performance was below average. The value for money of the service charge and the quality of the home were both 1% below the median and the value for money of the rent was 3% below, so fell into the third quartile

General:

- 1% tenants do not have a bank account (nine general needs, two independent living)
- 48% general needs and 73% independent living tenants would prefer to pay by Direct Debit if rent was paid directly to them
- 59% tenants have access to the internet (compared to national average 80%)

Strategic Aim: Continue to grow the organisation to meet housing need

VFM Strategy: Income Strategy
Asset Usage

Business Plan Priority: Continue to develop supported living and maximise the use of public funds

Outcome

56 new tenancies created.

Strategic Aim: Continue to grow the organisation to meet housing need

VFM Strategy: Income Strategy

Business Plan Priority: Identify opportunities for new income streams

Outcome

Lune Valley Rural Housing Association has selected the Group to deliver Development Agent Services. This will generate a fee income in the region of £15,000 for 2015/16.

Responded to opportunities to provide new supported living schemes, for example, the Group attended an event held by Southampton City Council to develop their strategy for accommodation for people with learning disabilities.

Grant funding obtained within Community Involvement teams for general, independent and supported living. There have been seven successful applications for funding, which total £24,000. Some of these have been partnership bids with local agencies and monies have been secured from a range of different funders including Big Lottery funding - Awards For All, Crown Paints, Lancashire County Council, local members grants and smaller pots from the Co-operative and Places for People. These have allowed us to fund a range of activities for customers and the communities in which they live, including an outdoor gym area, community gardens and empowerment activities for our younger people.

In February 2015 Chorley, South Ribble & Greater Preston Clinical Commissioning Groups commissioned work for lifting services in central areas with a contract value of £67,000 producing additional income for the Group. This is in addition to the Fylde and Wyre lifting service with a contract value of £22,000.

The Group has successfully won a bid in partnership with Tunstall Telehealthcare UK to be the strategic development partner for LCC to deliver Telecare services county-wide.

Strategic Aim: Continue to grow the organisation to meet housing need

VFM Strategy: Income Strategy
Asset Usage

Business Plan Priority: Develop in partnership with Preston City Deal to provide new accommodation in our local areas

Outcome

New affordable accommodation is being delivered through the City Deal in Preston and South Ribble and includes 28 units of new affordable accommodation in Bamber Bridge over two phases.

Strategic Aim: Build an even stronger organisation
VFM Strategy: Cost Strategy
Business Plan Priority: Improve business processes, demonstrate VFM and continuous improvement

Outcome

Introduced lean system training to support staff to identify waste and create process improvements. A review on voids and arrears is to be undertaken.

The Group is investing in its IT strategy to deliver efficient services through improved business processes.

Strategic Aim: Build an even stronger organisation
VFM Strategy: Cost Strategy
Business Plan Priority: Improve reporting systems and make best use of IT to deliver service improvement

Outcome

Texting pilot has produced savings on paper and improved customer responses.

Imail has been introduced in pilot areas which enable documents to be sent electronically to a posting house that print, envelope and send items. This has saved significant staff time as well as stationary and postage costs.

Performance reporting working party has been established to improve reporting.

Strategic Aim: Build an even stronger organisation
VFM Strategy: Cost Strategy
Business Plan Priority: Continue to reduce gearing
 Continue to manage pension liabilities

Outcome

NFH pension liability settled from operating cash flows reducing future pension costs. Liability settled at a c£300,000 discount to book value.

An updated pensions strategy completed maintaining pension provision for staff but at a reduced cost for the Group.

Strategic Aim: Build an even stronger organisation
VFM Strategy: All
Business Plan Priority: Improve service costing, procurement, asset management and service benchmarking

Outcome

KPMG and Baker Tilly reports on corporate costs show IT and Finance as high cost internally with IT above the benchmark group.

Operational managers are developing service cost plans.

Strategic Aim: Build an even stronger organisation
VFM Strategy: Cost Strategy
Business Plan Priority: Reviewing the Group structure to bring our Group companies closer together

Outcome

Complete.

Strategic Aim: Serve local communities
VFM Strategy: Procurement and Social Value
Business Plan Priority: Undertake social value exercise with a social enterprise and multi-national to participate in gardening contract

Outcome

Measurement of social value activities incorporated into new performance monitoring framework based on Housing Associations' Charitable Trust (HACT) methodology.

Strategic Aim: Serve local communities
VFM Strategy: Procurement and Social Value
Business Plan Priority: Implement Green Champion pilot scheme where our tenants trained as inspectors for the gardening contract

Outcome

29 Green inspectors in place. They have challenged the quality of work undertaken at some schemes, leading to improvements being made in specific services.

The inspectors have also recommended adaptations to enable tenants to access their gardens, for example with a request for the installation of a handrail for ease of accessing garden steps.

Strategic Aim: Provide excellent services
VFM Strategy: Benchmarking
Business Plan Priority: Work with supported housing providers through Housing and Support Alliance to benchmark costs

Outcome

Whilst initial discussions around the possibility of benchmarking have faltered, supported living staff continue to meet with colleagues from other housing providers to share knowledge and information, which will lead to best practice improvements.

Strategic Aim: Serve local communities
VFM Strategy: Procurement and Social Value
Business Plan Priority: Continue our review of contracts c£3.9m

Outcome

Six contracts reviewed with savings of around £70,000 per annum against a target of £50,000. Small and medium size enterprises (SME) engagement related to contract awards.

Strategic Aim: Continue to grow the organisation to meet housing need
VFM Strategy: Income Strategy
 Asset Usage
Business Plan Priority: To explore the cost effectiveness of system build, this will include environmentally friendly products

Outcome

The draft strategy "Energy Management for Residents – an Operating Framework" clearly sets out the aspirations to deliver energy efficient new homes by 2018, which will include investigation of the most cost-effective way of delivering these units.

Strategic Aim: Continue to grow the organisation to meet housing need

VFM Strategy: Income Strategy
Asset Usage

Business Plan Priority: Agree a Design Brief for affordable housing. To explore the best way to obtain resident feedback on newly developed properties to feed into Design Brief review and also to continue to design out service chargeable items as far as possible

Outcome

General Needs Housing Design Brief and Supported Living Briefs approved.

What are our forward looking targets 2015 - 2020?

Our targets are listed below and are derived from our 2020 Strategic Plan and Business Priorities. We will monitor and report annually on our progress against the priorities leading up to 2020. These targets will be reassessed and revised to reflect the more financially constrained environment following the Government's July 2015 budget, by March 2016.

Strategic Aim: Homes
VFM Strategy: Asset Management
Business Plan Priority: To maintain and improve existing homes delivering energy efficiency

Planned Outcome

Target Energy performance Certificate (EPC) rating of all properties to C or above.

Strategic Aim: Homes
VFM Strategy: Asset Management
Business Plan Priority: To develop new high quality well designed homes

Planned Outcome

930 new homes.

Strategic Aim: Homes
VFM Strategy: Asset Management
Business Plan Priority: To actively manage our asset portfolio to divest, remodel and improve poor performing stock

Planned Outcome

Delivery of the active asset management strategy including continuation of independent living review.

Strategic Aim: Homes
VFM Strategy: Asset Management
Business Plan Priority: To develop products and services delivering surplus and cross subsidy

Planned Outcome

Value of new business.

Strategic Aim: Homes
VFM Strategy: Performance Management and Scrutiny
Business Plan Priority: To deliver customer priorities and agreed service standards

Planned Outcome

Customer satisfaction levels.

Strategic Aim: Independence
VFM Strategy: Social Value
Business Plan Priority: To support customers to live an independent self-sustaining lifestyle achieving health and wellbeing

Planned Outcome

Value of our social impact.

Strategic Aim: Opportunities
VFM Strategy: Social Value
Business Plan Priority: To expand Progress Futures continuing to provide services for all age ranges offering training, work placement, employment and personal development opportunities to tenants

Planned Outcome

Tackling inequality.
 Improving economic wealth.

Strategic Aim: Stronger Organisation
VFM Strategy: Performance Management and Scrutiny
Business Plan Priority: Deliver top quartile performance in arrears, voids, repairs, satisfaction and financial performance

Planned Outcome

Achieve KPI targets.

Strategic Aim: Stronger Organisation
VFM Strategy: Performance Management and Scrutiny
Business Plan Priority: Building financial strength

Planned Outcome

Reduce management cost per property.
 Manage pension liabilities.
 Reduce gearing.

Strategic Aim: Stronger Organisation
VFM Strategy: Service Costing and Benchmarking
Business Plan Priority: Working in partnership and deliver service collaborations

Planned Outcome

Partnership opportunities achieved.

Strategic Aim: Stronger Organisation
VFM Strategy: Asset Management
Business Plan Priority: Cross subsidising products and services and balance financially positive and negative schemes

Planned Outcome

Balanced development programme.

Strategic Aim: Stronger Organisation
VFM Strategy: Asset Management
Business Plan Priority: Appraise business activities to test contribution to values, social impact, risk management and return on investment

Planned Outcome

Financial appraisal review.
Project business case inclusion of NPV of project.

Strategic Aim: Stronger Organisation
VFM Strategy: Service Costing and Benchmarking
Business Plan Priority: Undertake service cost reviews

Planned Outcome

Complete reviews in all service areas with clear future cost plans in place.

Board Assurance on Compliance with the Regulatory Standard

The Board has gained assurance during the year through active involvement in VFM. This has included:

- ◆ Review and approval of the updated VFM strategy
- ◆ Review of an 'in-year' progress report against the 2015 VFM targets
- ◆ An update on the development of the Group's active asset management strategy
- ◆ Review and approval of the Group's approach on service costing, with an understanding of our individual service cost areas
- ◆ Understanding of the overall financial and operational performance of the Group
- ◆ Development of the performance monitoring framework
- ◆ Approval of the long-term financial plans with inclusion of efficiency savings and detailed stress testing analysis
- ◆ Publication of this document on the Group's website by 30 September
- ◆ We will revise our VFM position once more detail is known from Government following the Chancellor's Budget Statement in July 2015

VFM Self-Assessment Summary

The assessment of the Board is that the Group is compliant with the HCA's regulatory standard for VFM. The detailed self-assessment demonstrates achievements of the actions identified within the 2013/14 self-assessment for 2014/15. The self-assessment also has clear forward-looking targets, aligned to our corporate vision for the period to 2020. The progression of development in the key areas for Asset Management, Service Costs and Benchmarking provides continued assurance to the Board. The Group recognises the requirement for continuous improvement in the focus areas identified in the VFM strategy.

In line with the Group being a transparent organisation to our customers, the full detailed self-assessment is available on the website.

Glossary of Terms

Assets are our properties and any other valuable things that we own.

Average cost of funds is the cost of our borrowing.

Bad debts are the percentage of income we lose in a year due to rent arrears and other unpaid debts.

Balanced scorecard methodology is a way to assess performance against customer, financial, growth and operating performance targets.

Benchmarking is comparing how we perform compared to other organisations.

Capital is the amount of money we invested in homes when we bought, modernised or built them.

Debt per unit is the amount of borrowing we have divided by the number of properties we have.

Depreciation is the reduction in value of an asset through wear and tear.

Gearing is a financial calculation which shows the borrowing we have as a percentage of the value of our net assets.

General needs is housing that is available to rent at a lower cost than privately rented properties and with access to some additional services, such as help to understand changes to welfare benefits including Universal Credit.

Gross operating margin is the percentage of money we have after receiving our income and paying our running costs, before tax and interest charges.

HCA is the Homes and Communities Agency. This public body regulates social housing providers in England and funds new affordable housing.

Independent Living is housing where older people can live in a community specifically developed for them.

Major repairs cost per unit is what we spend on major repairs, divided by the number of properties we have.

Management cost per unit is both the cost of our salaries, buildings and equipment and what it costs us to manage each property, divided by the number of properties.

Median is the middle point in a range of values/figures.

Net assets are the value of our properties and any other valuable things that we own, after deducting our current liabilities.

Net operating margin is the percentage of money we have after receiving our income and paying our running costs, tax and interest charges.

Net operating surplus is the money we have left after receiving our income and paying for the cost of running our day to day services, staff wages, insurance and taxes, but excludes the cost of interest and major repairs and improvements.

Net present value (NPV) assesses the cash flow of income and expenditure over a period of time for our properties.

Net surplus per unit is the money we are left with after we have paid all our overheads including the cost of running our services, staff wages and taxes divided by the number of properties we have. It excludes the cost of major repairs and improvements.

Operating costs are our day-to-day expenses.

Operating surplus is what we have left from this when we have paid our running costs, except loan repayments.

Progress Forward is our major programme of change to improve operational efficiency and to transform and modernise the services we provide.

Quartile is one of the three points that divide a range of data into four equal parts. Top and bottom quartiles indicate the top and bottom 25% of performance.

Responsive/cyclical cost per unit is the amount of money we spend maintaining our properties, divided by the number of properties we have.

Return on assets is the money we make from our properties, expressed as a percentage of their value.

Return on capital is net surplus after depreciation as a percentage of capital.

Social value is the collective benefit for a community (or for society as a whole) arising from a particular action or activity.

Supported Living is housing specifically designed for people who need additional support to enable them to live in a community. This type of housing is often developed for people with learning disabilities.

Telecare Services (Progress Lifeline) provide a system of alarms and alerts which allow people to live independently in their homes with the peace of mind of knowing that appropriate help is sent in the event of assistance being required.

Turnover per unit is the money we bring in divided by the number of properties we have.

Units are the number of properties. 'Per unit' is a calculation obtained by dividing by the number of properties.

Voids are empty homes.

Void loss is the percentage of the potential income we lose in a year when properties are empty between tenants.

Voids performance is the income lost during the time that properties are empty.

Whole business targets are an approach to ensure each part of the business contributes to further improvements.



w: www.progressgroup.org.uk
e: enquiries@progressgroup.org.uk
t: 01772 450600

Sumner House, 21 King Street,
Leyland, Lancashire PR25 2LW

Twitter: @ProgressHG
LinkedIn: Progress Housing Group
Facebook.com/ProgressStreetTalk
Facebook.com/ProgressPeople



Progress Housing Group Limited
is a Co-operative and Community Benefit Society
registered with the Financial Conduct Authority No. 28685R
and with the Homes and Communities Agency LH4189.

VAT registration number 712 6635 46.

Registered office for the Group and all subsidiaries:
Sumner House, 21 King Street, Leyland, Lancashire, PR25 2LW