Onward

Value For Money

1. Strategy and Approach

1.1 Our corporate plan sets out our ambition to make the best use of our resources. The establishment of Onward Homes Limited from four heritage organisations in 2018, together with the continuation of Contour Homes Limited, has empowered us to focus on further steps towards greater financial capacity. That greater financial capacity and improved financial strength will improve our ability to deliver our strategic and corporate objectives and improve our value for money (VFM).

1.2 Onward has established 3 key strategic objectives from which all our corporate plans are derived. All projects and procurement supporting these plans are considered for value for money. We consider this impact in the context of our own performance metrics together with sector benchmarking as a measure of our success in delivery in the short and long term. Progress in these metrics informs the next iteration of our business plan.

Our 3 key strategic objectives are:

- Be the social landlord of choice.
- Improve our neighbourhoods.
- Grow where we make a positive difference.

To help achieve the 3 key objectives we will also:

- Build an Onward environment and culture for colleagues and customers.
- Be well governed and make best use of our resources.

1.3 All our corporate objectives, plans and projects are developed to support our 3 key strategic objectives. In embedding VfM our corporate projects are monitored on progress to delivery and for financial impact and customer benefit. We measure our performance and success by reference to 5 sets of key performance indicators:

1) Customer Star survey – customer satisfaction, with financial viability, is paramount and is our overriding measure of value for money in our day to day operations. We look for evidence of trends in this performance in the following datasets:

2) Internal Operational Performance Dashboard – how we assess the **effectiveness** of our actions and use this to inform plans to influence customer satisfaction.

3) Procurement savings – how we demonstrate **economy** in our spending and best use of our resources as part of our improvement plans.

4) Annual changes to asset performance measured by our Asset Performance Evaluation (APE) model.

5) RSH VfM metrics – how we judge our **efficiency** in the context of the sector and our peer group.

1.4 Our performance in these 4 datasets informs our business planning process so that year on year we scope initiatives, by funding projects and process enhancements, to target continuous improvement. Included in this report are examples, not an exhaustive list, of the reporting and benchmarking work that we do in Onward to demonstrate value for money and to demonstrate how VfM is delivered and embedded in our approach to strategic, corporate and financial planning.

2. How our Customer Star Survey informs us:

2.1 Our first full STAR survey as Onward showed us we had a lot of work to do in convincing our customers we would be their social landlord of choice. We believe our bottom quartile performance was largely based on historical inconsistent management processes pre amalgamation combined with the repair services not delivering to the required standard. Last year's amalgamation was the culmination of a major change programme to build one organisation and a significant step in process improvement to deal with this level of satisfaction. Further initiatives to improve our customer satisfaction included the creation of one customer contact centre, a colleague restructure, harmonisation of terms and conditions and the tendering of a new repair service which took effect on 1st April 2019.

How we measure becoming the landlord of choice

Satisfaction with key service area	% Expressing satisfaction	Quartile position	% required to move to next quartile
Satisfaction with value for money or rent	79%	Q4	2%
Overall satisfaction with services provided by landlord	74%	Q4	7%
Satisfaction with repairs and maintenance	67%	Q4	7%
Satisfaction with value for money of service charge	60%	Q4	5%

How we measure improvement in our neighbourhoods

Satisfaction with key service area	% Expressing satisfaction	Quartile position	% required to move to next quartile
Satisfaction with area as a place to live	80%	Q4	0.5%
Satisfaction with overall quality of home	76%	Q4	4%

How we build an Onward Environment and Culture

Satisfaction with key service area	% Expressing satisfaction	Quartile position	% required to move to next quartile
Satisfaction that Onward listens to residents views and acts upon them	53%	Q4	10%

2.2 Examples of action as a result:

- Customer satisfaction with value for money for rent and with services delivered to our tenants, along with a detailed project on service costs and recovery, led us to freeze fixed social housing service charges for 2020/21 at the previous year's levels while we undergo a full consultation with our customers.

- The survey, with other regular snapshots, confirms to us that our customers are unhappy with the mobilisation of our new repairs contracts. We have agreed service improvement plans with our contractors.

- The improvement required in our customers' perception of their area as a place to live and the overall quality of their home has led us directly to review and define an 'estate' standard and begin to incorporate this into our Neighbourhood plans and strategic asset management.

- We have reconsidered and rationalised our dashboard of indicators in the above areas to ensure consistent reporting through to Board level.

3. What our Internal Operational Performance Dashboard tells us this year:

There are clear messages from our operational performance dashboards that explain the views of our customers:

3.1 Income collection performance has been excellent and is now improved by use of the newly acquired Rent Sense software which allows us to target our collection resources more effectively. Operational performance has demonstrated that the £250k investment in this software will improve collection into the future and represents very good value for money with estimated savings in excess of £430k over the next 2 years.

3.2 Lettings and turnover have been adversely affected by the speed with which our contractors return void properties to management. The letting of long term supported voids has also spiked the figures this year. Supported voids risk is an element of an ongoing assessment of our supported services.

3.3 Implementation of our new responsive repairs, voids and gas contracts has led to a significant increase in repairs related customer complaints and dissatisfaction. Repairs service delivery since mobilisation in April 2019 has been below the agreed minimum performance level. Many of the repairs, lettings and customer contact measures have been adversely affected. Service improvement plans have been put in place with our contractors – though suspended during the coronavirus emergency and we have used the lockdown period to work with them to improve customer service and value for money.

3.4 We have invested heavily in building safety through improving compliance across the organisation. This greater investment in our homes has driven higher costs in a number of areas. Compliance delivery is now effective within a strong control environment – not least demonstrated by the Group's return to a G1 rating. Considerable catch up work has been delivered, particularly in the area of Fire Risk Assessments, but there is still work to be completed in that area. With an improved control and reporting environment procurement of these services can now also focus on best price as well as capacity. Indications are that we are getting value for money in this area.

3.5 Staffing resource indicators (sickness and turnover) are positive, and our colleagues are well motivated to succeed. Our most recent colleague survey gained our best ever response rate of 70% (65% in 2019). Responses were improved in 9 out of 15 questions. We are also encouraged that during the Covid-19 lockdown a 55% response rate to a further survey told us that of those that responded 100% understood their work priorities, 87% were able to deliver their work priorities satisfactorily and 82% were able to maintain a reasonable work/life balance.

4. What Procurement tells us – we are getting economies and have a strong procurement approach that is delivering results:

Project Title	Contract Start Date		Annualised Savings
Mediation Services	11 November 2019	£	32,000
Cleaning Service Avenham Towers	01 January 2020	£	3,600
Waste Management	01 April 2019	£	6,000
Merchants Provision Onward Repairs	01 November 2019	£	69,360
Repairs and Maintenance Software Solution	01 November 2019	£	31,000
Merseyside Major Adaptations	01 April 2019	£	27,500
Queens Street Masterplanning	01 May 2019	£	5,379
Central Heating	01 June 2019	£	723,430
Warden Call Monitoring	01 June 2019	£	66,675
Bathroom Supply & Install	01 July 2019	£	200,617
Kitchen Supply	01 July 2019	£	47,544
Lift Asset survey	27 August 2019	£	8,000
Kitchen Installation	01 September 2019	£	1,121,915
Water Hygiene Management Services	01 December 2019	£	11,445
Commercial Boilers	09 December 2019	£	138,083
GDPR Document Scanning	06 June 2019	£	27,319
Managed Wider Area Network Services (WAN)	28 June 2019	£	120,503
Exclaimer Software	09 August 2019	£	4,113
Clearswift Software	10 August 2019	£	1,131
Veeam Software	20 August 2019	£	2,359
Data Centre Hosting Services	01 September 2019	£	63,075
Rent Arrears Analytics	01 October 2019	£	430,482
IT Hardware for Windows 10 Roll-out	25 October 2019	£	75,235
Confidential Waste Disposal	26 November 2019	£	23,340
Sophos Anti-virus Software	18 December 2019	£	736
External Audit	03 January 2020	£	112,750
Offsite File Storage and Secure Disposal	21 January 2020	£	6,141
Multi-Functional Devices (MFDs)	28 February 2020	£	59,659
Local Area Network (LAN) products (Watson Building)	01 March 2020	£	14,369
Total Savings		**£**	**3,433,761**

4.1 Our procurement team maintain and report an estimate of savings envisaged at the outset of any procurement exercise and, following the tender stage, report on actual savings achieved. Annualised savings of over £3.4m is clear evidence of economies being delivered, and hence capacity being developed to enable us to deliver improvement plans and to do more in pursuit of our 3 key strategic objectives.

4.2 The level of change still needed to reshape the organisation means that we place considerable emphasis on how we measure up against the sector scorecard (partially reflected in the regulator's VFM metrics set out below). We do agree business cases for specific projects and monitor the outcome. We recognise that we are still in a period where we need to invest to build our effectiveness, and especially the capability of the organisation to improve customer service and to build more homes. As such our focus is on achieving the targets identified in our corporate plan. Considerable progress has also been made in redeveloping our financial business plan to meet the requirements of our 3rd key strategic objective. Our new plan, to be modified to reflect the business impact of the coronavirus, includes 10 years of prudent and sustainable growth.

4.3 We monitor our progress through monthly reporting on corporate plan projects, performance and financial targets to the executive team and every two months to Board. Action plans are put in place where performance does not reach the required standard. We also work with the regional scrutiny boards to identify opportunities to improve services and to improve VfM and publish quarterly performance updates to customers. This leads us on to our fourth set of performance data.

5. Asset Performance Evaluation (APE) Model

5.1 Our aim is to improve the indicative overall performance of our portfolio by increasing an estimated Net Present Value (NPV) each year. This informs an active strategic approach to dealing with poorer performing assets and longer-term voids through disposal or investment. This ensures that investment or divestment decisions have a positive financial impact on the Group. The APE annual report focuses attention on poor performing assets and neighbourhoods and enables us to identify and agree strategic interventions. Planned investment and targeted interventions through the neighbourhood planning approach should improve overall performance.

5.2 The model takes account of income streams, void levels, repairs and management costs, and future component investment. It also scores neighbourhood metrics such as employment rates and property values. The impact of changing performance in all those areas can be modelled on a property by property basis and reported on using a traffic light system. Those flagged as red or amber are then assessed for an invest or divest decision considering the detailed financial performance and the wider social purpose. This approach has resulted in several void sales over the year releasing funds for further investment.

5.3 Our latest APE report looks at data for 2018/19 and tells us that the overall performance of our assets has increased by 3.2% over the previous year, ahead of our target of 1%. This was due to the addition of high performing properties and the disposal of some poorly performing properties. The average indicative value per unit has increased by £490 in this period. Positive influences have included recent investment which reduces the amount required looking forward for the next 30 year period, reduced void loss/ costs and savings originally anticipated to the repairs service. Repairs contract performance will impact in the short term next year. These areas will continue to be a key focus for value for money improvement, together with the following initiatives:

a) The Void Appraisal Model (VAM) was developed in the past year and we will seek to refine this during the next 6 months to reflect changes in performance. The main impacts of the model will be to identify specific assets with low NPV and SAP performance when they become void, and within the context of the neighbourhood plan and strategic priorities, either seek to dispose or enhance the energy efficiency of such properties.

b) In addition we will continue to develop specific strategies for individual neighbourhoods which although may produce amber/low green APE results, suffer significant issues from a housing demand perspective – for example developing a low cost home ownership product in north Liverpool aimed at diversifying tenure and sensitively reducing our overall footprint.

c) There is an ongoing programme which is remodelling a small number of hard to let properties across the regions to enhance ‘lettability’; overall NPV performance and increase demand in the long term. This scheme is envisaged to continue as an ongoing programme with up to 15 voids per annum.

d) A number of long-term voids within the portfolio will also be addressed during the next

APE output period, specifically in Merseyside relating to Upper Parliament Street and Alexandra Drive. We will also seek to progress the wider Preston, Queen Street regeneration proposals to consultation and design stage. At present this neighbourhood is one of only 4 with an overall average negative NPV of £3,253.

6. What the RSH metrics tell us:

The table below compares our performance, using the Regulator of Social Housing's VfM Standard metrics, against a wider selection of peers than previously used.

Social Housing Provider	Total social housing units	Reinvestment	Headline Social Housing Cost per unit £'000	New Supply (Social)	New Supply (Non-Social)	EBITDA MRI Interest Rate Cover	Operating Margin (SHL)	Operating Margin (Overall)	Gearing	ROCE
Gentoo Group Limited	28,896	3.2%	3.37	0.2%	0.61%	150.2%	22.4%	19.4%	52.1%	3.2%
Home Group Limited	49,834	10.7%	4.27	1.9%	0.59%	198.0%	25.8%	21.9%	47.6%	3.4%
Karbon Homes Limited	25,595	7.0%	3.13	1.7%	0.13%	206.2%	25.8%	24.6%	43.8%	3.6%
Onward Group Limited	29,751	3.3%	3.39	0.3%	0.01%	158.0%	24.0%	23.6%	23.7%	3.3%
Stonewater Limited	32,354	5.3%	3.20	2.9%	0.00%	182.3%	32.8%	29.6%	45.6%	3.5%
The Riverside Group Limited	52,919	3.7%	4.52	0.7%	0.39%	159.4%	18.8%	18.5%	38.3%	3.6%
Thirteen Housing Group Limited	32,877	6.5%	3.63	1.0%	0.16%	250.9%	25.7%	17.7%	23.3%	3.3%
Together Housing Group Limited	36,481	6.4%	3.88	1.0%	0.32%	54.6%	24.4%	12.9%	56.1%	2.6%
Wakefield And District Housing	31,439	6.5%	3.31	1.4%	0.00%	193.4%	23.4%	19.9%	46.8%	4.1%
Walsall Housing Group Limited	20,350	11.4%	3.34	2.6%	0.00%	150.7%	35.7%	29.1%	65.1%	6.7%
WM Housing Group Limited	28,048	5.1%	3.33	1.2%	0.20%	184.2%	26.9%	28.6%	44.3%	3.8%
Peer Group Average	**33,504**	**6.3%**	**3.58**	**1.4%**	**0.22%**	**171.6%**	**26.0%**	**22.3%**	**44.2%**	**3.7%**
Lower Quartile		4.2%	3.183	0.6%	0.00%	138.8%	23.1%	20.0%	32.6%	3.0%
Median		6.2%	3.695	1.4%	0.00%	184.2%	29.2%	25.8%	43.4%	3.8%
Upper Quartile		8.7%	4.692	2.5%	0.13%	238.4%	34.6%	30.8%	53.9%	4.7%
Onward Group Limited 2018/19	29,751	3.3%	3.39	0.3%	0.01%	158.0%	24.0%	23.6%	23.7%	3.3%
Onward Actual 2019/20	TBC	TBC	TBC	TBC	TBC	TBC	TBC	TBC	TBC	TBC
Latest Approved Plan										
Onward Budget 2020/21	29,378	5.7%	3.92	0.9%	0.00%	261.5%	20.5%	19.9%	25.4%	2.8%
Onward Yr 2	29,694	4.8%	4.32	1.1%	0.00%	192.2%	20.1%	19.3%	26.7%	2.5%
Onward Yr 3	29,912	5.2%	4.27	0.8%	0.20%	180.0%	21.1%	18.9%	26.7%	2.5%
Onward Yr 4	30,223	5.3%	4.32	1.1%	0.00%	251.8%	24.5%	20.0%	28.1%	3.3%
Onward Yr 5	30,705	5.4%	4.82	1.7%	0.80%	247.3%	25.6%	20.6%	26.5%	3.8%

6.1 Top level comparisons show a clear pattern:

a) Our level of reinvestment in 2019 at 3.3% was almost half of our peer group average and the pattern is the same for new supply and investment in existing properties. Our new supply completions in 2020 has considerably improved over 2019 to over 1% and reinvestment can be seen to be much stronger over the next 5 years and stabilises closer to the peer group average and sector median. Our asset strategy planning is now informed by more comprehensive stock condition data and effective use of asset performance data. Confidence around investment or divestment decisions has increased significantly.

b) Headline social cost per unit was typical of our peer group in 2019, but our latest plans sees it accelerate somewhat. This is driven by increasing staffing costs to improve performance, an increased development and property team to deliver growth and further investment to improve our repairs performance. Over the next few months we will be working with the Board to build efficiencies into the plan once performance improvement has been achieved and embedded.

c) Interest cover took a big hit in 2019 with loan rationalisation costs but has recovered significantly in 2020. Cover is expected to dip over the next two years when significant new development loans of almost £150m are introduced to support our growth plans. Sales performance in years 4 and 5 of our current plan sees it recover again. The relatively low level of debt in Onward leaves us well placed. That low level is also evident in our gearing level which continues to remain at almost half of our peer group level.

d) We are currently considering our low operating margin. In our current plan, based on our current cost base, it continues at around the 20% mark over the next 5 years. Although this is currently in the lower quartile indications are that the sector median is falling as compliance catches up across the sector. We are seeking to identify efficiency savings for two reasons. Firstly it is important that once improvement is embedded we evidence that we are as efficient at delivering our services as our peer group, and secondly; lower operating margins may have an impact on our risk profile while seeking further funding for our planned growth. Work with our Board over our latest business plan has identified an appetite to develop an action plan to implement efficiencies in the next iteration of our model to move us closer to the sector median over the next 2-5 years.

6.2 In January 2020 the Board received a more detailed report from HouseMark of our operational performance underlying the financial performance for 2019, comparing our performance to our revised peer group and the sector generally.

6.3 Among the key summary findings:

- Our housing management costs, including head count and average pay cost, in 2019 had fallen significantly from 2018 to the 2019 sector median level. This trend has reversed in 2020 while we resource up to improve performance and that trend continues in our latest plan. We will develop a mitigation plan.
- The application of that resource in 2019 meant that void loss, properties vacant and average re-let times were our best performing areas placing us in the top two quartiles. In 2020 this performance has slipped considerably during mobilisation of the new repair contracts and the resolution of long term supported voids. We have increased our resource to turn this around.
- Our current arrears performance in 2019 was quartile 4. Our investment in Rent Sense has started to help turn this around in 2020. We anticipate a considerable downturn in performance during and after the coronavirus emergency, but we have the tools and resources to recover performance over the medium term.

6.4 Board has approved the suite of key performance indicators or 2020/21 by which we will hold ourselves to account firstly for improvement in customer satisfaction and secondly improvement in our RSH metrics.

7. Looking forward at our key priorities for 2020/21

7.1 Last year we stated that 2019-20 would be a year of delivery, particularly in customer service improvements. Our performance, and the impact evidenced from our customer satisfaction survey, from our operational indicators, and from our sector scorecard position, tells us that a period of embedment and service improvement is required. For this reason our corporate projects will continue to focus on:

a) Modernisation – improving access to all systems to improve customer service, improving workplaces and continuing our office rationalisation plan.

b) Compliance – continuing to embed delivery of major programmes e.g. fire risk assessment works.

c) Information management – improving data management and analysis to support for example better income collection.

d) Strategy – continuing our work to evaluate the performance of different product and future investment requirements. The focus this year continues to be on sheltered and supported, and a detailed focus on the Avenham Queen Street estate.

e) Development and regeneration – building more homes and developing plans to regenerate key areas.

f) A cost base review to deliver operating margin improvements in a planned 2 to 5 year timeframe.

7.2 We are acutely aware that the coronavirus emergency will have a significant impact on our short and medium-term plans. Our initial stress testing, based on significant reductions in rent and service charge income and the management of the timing of investment programmes, assures us that our 3 key objectives remain relevant and targeted improvements can be delivered - but the timing of many projects and initiatives to help deliver this improvement must now be reconsidered as supporting our customers varying needs at this time becomes the top priority.

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