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 as the single social landlord in the group was finally completed on 1 April 2021 with the transfer of engagements from Contour Homes. This has empowered us to take further steps towards greater financial capacity with the successful issue of our bond, further rationalising our loan portfolio and releasing capacity for future growth and reducing our interest costs by around £4m each year compared to long-term business plan assumptions. That greater financial capacity and improved financial strength will improve our ability to drive forward our strategic and corporate objectives and improve our value for money (VfM) as we move forward beyond 2020/21.

1.2. **COVID-19**: Financial and operational performance for the whole of this reported financial year has been subject to life under COVID-19 restrictions. Onward very quickly adapted to life in the new environment. A great deal of resource at the start was turned to contacting all our customers directly to identify those in need of direct help and then to co-ordinate or deliver that help. All our key services have been directly impacted: a reduced repairs service for a period, rescheduling of improvements to our sheltered schemes, impact on void processes and arrears management, and a slowdown in delivery of our neighbourhood and social investment projects. However, COVID-19 has given us the opportunity to re-engage with our customers in a positive way and improved service delivery has been matched by customer perception. Furthermore our financial model stress testing has given us confidence that COVID-19 has not derailed our ability and capacity to deliver an improving service over the coming months.

1.3. Onward has continued through this national emergency to work to deliver 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.

1.4. Our 3 key strategic objectives are:

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

1.5. 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.

1.6. 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) The Regulator of Social Housing (RSH) VfM metrics – how we judge our **efficiency** in the context of the sector and our peer group.

1.7. Our performance in these five 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 Surveys inform us:

2.1. Our last full STAR survey as Onward in 2019 showed us we 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 historically inconsistent management processes pre-amalgamation combined with the repair services not delivering to the required standard. Of particular concern to us in that last STAR survey was a 67% satisfaction rate with our repairs and maintenance service and although progress against all measures on the STAR survey will not be available until next year, responsive repairs satisfaction ratings at 77.1% for the year to date at March 2021 indicates significant progress, justifying optimism for further improvements in the coming months.

2.2. Examples of action as a result of the STAR survey:

- 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 service charges for 2020/21 at the previous year's levels while we undertook a full consultation with our customers.
- The survey, with other regular snapshots, confirmed to us that our customers were unhappy with the mobilisation of our new repairs contracts. Service improvement plans with our contractors have had a positive impact with satisfaction in the last 12 months to March 2021 up from 67% to 77%.
- 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. That work continues.
- We have reconsidered and rationalised our dashboard of indicators in the above areas to ensure consistent reporting through to Board level.

2.3 Onward is developing the ways in which it measures customer satisfaction and is supportive of the proposals in the Housing White Paper for Tenants Satisfaction Measures. We are developing other surveys measures alongside this that allow us to understand our customers views and involve them in improving our services and these providing better value. Onward has over 2500 actively engaged customers who assist us with shaping our services, communicating well and what happens in our neighbourhoods. We have improved the learning and feedback from customers enquires and complaints as any way of us continuing to hear what our customers want and get better.

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

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

3.2. Income collection performance has continued to be excellent throughout the pandemic. 7 of our 9 key income targets on collection have been exceeded and 2 are within 0.1% of target. Current tenant arrears, in particular, are 1% lower than our internal target.

3.3. Lettings performance has been challenging but we continue to see good void rent loss performance ahead of target, but relet times are below target and require improvement.

3.4. Responsive repairs performance continues to improve but still represents a significant challenge. We continue to engage positively with our contractors as we seek further improvement towards our shared targets.

3.5. Compliance delivery continues to be effective within a strong control environment.

Considerable catch up work has been delivered, particularly in the area of fire risk assessments. With an improved control and reporting environment procurement of these services has focussed on best price as well as capacity. Indications are that we continue to get value for money in this area.

3.6. Staffing resource indicators (sickness and turnover) are positive, and our colleagues are well motivated to succeed. Short term sickness levels are at half our target, and turnover rates are lower. Lower turnover, thereby retaining trained experienced staff, is a key element of value for money in our greatest resource.

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

Project Title	Contract Term (years)	Saving over the contract	Annualised
Grounds Maintenance (Runcorn)	9	£ 6,395	£ 711
Roofing 2020-21	1	£ 253,080	£ 253,080
Legal Case Management System	3	£ 24,694	£ 8,231
Local Area Network (LAN) products (Watson Building)	5	£ 14,369	£ 2,874
Preston Tower Block Cladding 2021	1	£ 197,849	£ 197,849
IT Infrastructure Training	1	£ 1,071	£ 1,071
Network Maintenance Services	3	£ 61,104	£ 20,368
Passenger lift servicing & PPM 2020-25	3	£ 197,733	£ 65,911
Asbestos Surveys 2020-25	5	£ 166,025	£ 33,205
Lift Audits and Consultant	2	£ 17,500	£ 8,750
Electrical Contract 2020-24	3	£ 600,320	£ 200,107
Unified Communications Platform	5	£ 217,980	£ 43,596
Taxation Advice Services	2	£ 53,605	£ 26,803
Grounds Maintenance (Onward Group)	4	£ 124,027	£ 31,007
Asbestos Remedial Works 2020-23	4	£ 38,438	£ 9,610
		£ 1,974,190	**£ 903,171**

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 tender savings of over £900,000 in the procurement programme for 2020/21 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. Much of our underlying cost base is still reflective of our drive to improve performance. To understand what we are achieving with that level of resource 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, to grow where we can make a positive difference. Our new plan, modified to reflect the business impact of the coronavirus and our restructured finance, includes 10 years of prudent and sustainable growth and underpins our latest affordable homes programme bid.

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 have also worked throughout the year with the regional scrutiny boards to identify opportunities to improve services and to improve VfM and publish quarterly performance updates to customers. Digital engagement progress as a result of COVID-19 has led us to more recently combine regional scrutiny boards into one single Onward board.

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. The APE model assumptions are reviewed from time to time to ensure they are consistent with our wider financial planning. This year we also engaged Savills to independently review the model to bring further confidence to our strategic planning.

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 2019/20 and tells us that the overall performance of our assets continues to be satisfactory against our targets. Positive influences have included recent investment which reduces the amount required looking forward for the next 30 year period, reduced void loss/ costs. We do not anticipate expenditure on repairs falling, our focus will be achieving greater value from the money we do spend by improving the quality of service our customers receive and adopting a more proactive approach that will reduce waste and improve efficiency. These areas will continue to be a key focus for value for money improvement, together with the following initiatives:

a) We will continue to develop specific strategies for individual neighbourhoods which may produce amber/low green APE results but 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.

b) A remaining 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 four with a negative NPV.

6. What the RSH metrics tell us:

6.1. The table below compares our performance, using the RSH's VfM Standard metrics, against a self-selected peer group.

Social Housing Provider 2019/20 Accounts	Total social stock owned	Reinvestment	New Supply (Social)	New Supply (Non-Social)	Gearing	EBITDA MRI Interest Rate Cover	Headline Social Housing Cost per unit (£'000)	Operating Margin (SHL)	Operating Margin (Overall)	ROCE
Citizen Housing Group*	28,132	5.4%	1.3%	0.05%	45.3%	154.5%	3.39	20.8%	21.8%	3.4%
Gentoo Group	28,900	4.3%	0.5%	0.57%	49.8%	100.2%	3.49	20.9%	15.6%	2.4%
Home Group	50,413	6.5%	2.4%	0.31%	46.0%	155.1%	4.41	23.6%	16.0%	3.1%
Karbon Homes	25,784	9.0%	1.8%	0.20%	41.6%	229.4%	3.10	29.0%	25.3%	4.0%
Onward Group	**29,084**	**4.0%**	**0.5%**	**0.00%**	**23.1%**	**199.0%**	**3.60**	**20.2%**	**17.3%**	**2.6%**
Stonewater	30,011	7.0%	2.3%	0.00%	45.8%	159.8%	3.22	30.8%	27.8%	4.1%
The Riverside Group	53,078	10.2%	1.1%	0.16%	43.6%	144.7%	4.77	12.6%	15.4%	2.6%
Thirteen Housing Group	32,907	7.9%	1.2%	0.02%	24.0%	200.6%	3.65	28.9%	18.7%	3.2%
Together Housing Group	35,326	6.5%	1.1%	0.54%	54.6%	129.4%	3.82	18.7%	16.0%	3.3%
Wakefield And District Housing	31,632	5.6%	1.3%	0.00%	55.4%	31.8%	3.19	21.9%	19.5%	8.9%
Walsall Housing Group	20,639	13.8%	2.1%	0.08%	63.3%	138.6%	3.47	32.5%	25.5%	6.1%
*Formerly WM Housing										
Peer Group:										
Lower Quartile		4.8%	0.8%	0.0%	32.8%	137.0%	3.30	19.5%	15.8%	2.6%
Median		6.5%	1.2%	0.2%	45.3%	155.1%	3.60	20.9%	17.3%	3.2%
Upper Quartile		8.4%	2.0%	0.4%	47.9%	199.8%	4.11	28.9%	23.6%	3.7%
Sector:										
Lower Quartile		4.4%	0.5%	0.0%	33.2%	126.5%	3.21	21.2%	18.5%	2.6%
Median		6.9%	1.4%	0.0%	44.5%	170.8%	3.71	26.8%	24.6%	3.5%
Upper Quartile		9.8%	2.4%	0.0%	56.9%	229.6%	4.60	33.3%	30.6%	4.8%
Onward Group 2020/21		TBC	TBC	TBC	TBC	TBC	TBC	TBC	TBC	TBC

6.2. Top level comparisons up to 2020 show a clear pattern:

a) Our level of reinvestment at 4.0% improved over the previous year but is still lower quartile. Our new supply completions in 2020 has considerably improved over 2019 to over 1% and reinvestment over the next 5 years will rise and stabilise closer to the peer group average and sector median. Our asset strategy planning is informed by comprehensive stock condition data undertaken by Savills, and by effective use of asset performance data. We are confident that our levels of reinvestment are appropriate.

b) Headline social cost per unit was again typical of our peer group in 2020, but our latest plans sees it move ahead 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.

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 and loan break costs will hit in 2021/22, although this is mitigated in the 30 year business plan by the new, low interest rate locked in by the 32 year bond. Sales performance in years 3 and 4 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 and means we are well positioned to identify further growth opportunities.

d) Our operating margin is lower than our best-performing peers, though it is apparent that margins are under pressure across the sector with common operational challenges including compliance work. In our current plan, based on our current cost base, the margin continues at around 18-20% over the next 5 years.

e) We have a focus on improving performance and this will provide a basis from which genuine and sustainable efficiencies can be delivered. In the short-term, we will operate within the budget envelope.

f) We continue to seek efficiency savings and recognise it is important that once improvement is embedded we evidence that we are as efficient at delivering our services as our peer group.

6.3. In December 2020 we received a more detailed report from Housemark of our operational performance underlying the financial performance for 2019/20, comparing our performance to our revised peer group and the sector generally.

6.4. 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 reversed in 2020 while we resourced up to improve performance and that higher level of resource continues in our latest plan. The investment has paid off with voids and lettings performance all at a good level.
- Our proportion of vacant properties continues to be quartile 1 performance and is a good indicator of the overall standard of our stock.
- Our current arrears performance is quartile 4. Our investment in Rent Sense has started to help turn this around and we have seen an improvement, firstly evidenced by a reduction year on year, and then evidenced by a maintenance of that improvement through COVID-19.
- Repairs costs and performance are still not where we want them to be. Improvement plans are in place and we have achieved an upturn in customer satisfaction. This work will continue.

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

7. Looking forward at our key priorities for 2021/22

7.1. Last year we stated that 2020/21 would be a year of delivery, particularly in customer service improvements. Our performance during the COVID-19 emergency, and the impact evidenced from our customer satisfaction surveys, from our operational indicators, and from our sector scorecard position, tells us that a continuing 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 products and future investment requirements – in particular the Avenham Queen Street estate.

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

7.2. The COVID-19 emergency has had an impact on our short-term delivery plans. But our initial stress testing, based on significant reductions in rent and service charge income and the management of the timing of investment programmes, assured us that our 3 key objectives remained relevant and targeted improvements could be delivered. Our performance has held up extremely well during this period, better than our early predictions, and we anticipate a period of continued service improvement and growth through our investment plans – and continuing improvement in value for money.