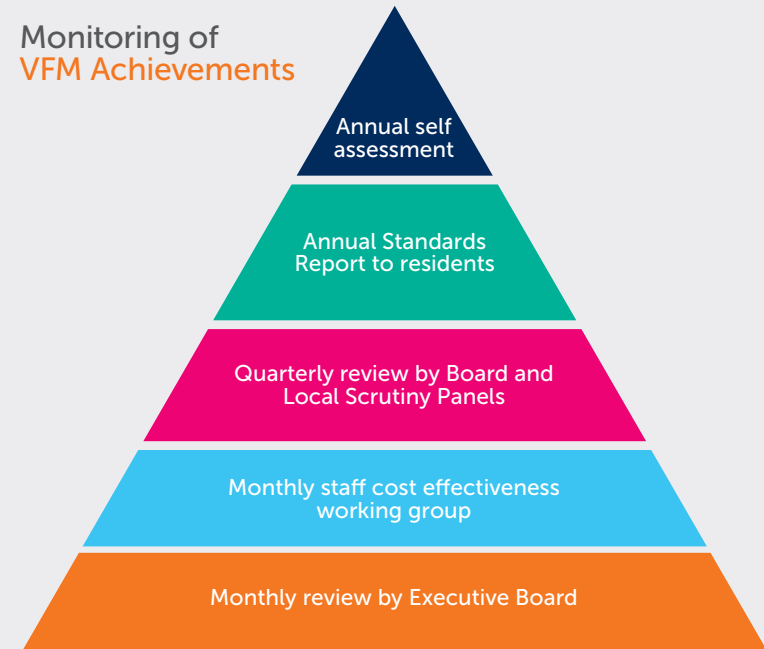


Value for money (VFM) self-assessment 2016/17



What does VFM mean to Notting Hill Housing?

For Notting Hill Housing, VFM is about being effective in how we plan, manage and operate our business. It means making the best use of the resources available to us to provide quality homes appropriate to London's needs, supported by high quality services and support. Value therefore means the number of homes, the appropriateness of those homes to London's needs, the quality of the homes and the quality of the services we provide, which in turn lead to improved quality of life and wellbeing for our customers.



How do we approach VFM?

The VFM strategy is agreed by the Group Board, which also monitors performance on VFM.

We use simple performance indicators to measure ourselves, set targets and benchmark our performance. Over time our VFM standards have and will continue to rise.

Delivery of VFM

We use the objectives and outcomes in our Corporate Strategy to drive business planning for each of our businesses. Because of the balance between the required objectives and the limited assets and other resources available to achieve them, it is essential that VFM is maximised.

Our delivery of VFM is based on setting targets for operating costs per unit for each business and monitoring delivery and achievement against those targets on a regular basis.

Table A — Return on capital employed by main business

	2017			2016		
	Operating surplus	Capital deployed	Return %	Operating surplus	Capital deployed	Return %
Rented housing	£55.0m	£2,340m	2.4	£51.5m	£2,218m	2.3
Shared ownership	£13.1m	£553m	2.4	£12.5m	£483m	2.6
Market rent	£6.4m	£242m	2.6	£8.7m	£218m	4.0
Student housing	£3.5m	£60m	5.8	£2.7m	£60m	4.5

VFM achievements - return on assets

We aim to deliver an average of 1,400 additional homes a year. We acquired 3,091 plots during the year, started 2,408 homes and completed 1,151, of which 81% were affordable homes aimed at low-income Londoners.

We aim to make best use of the funds and assets available to us to provide more affordable homes. Where we invest in assets outside of our core social homes, we are careful to make sure that they make a good return and do not pose a risk to our core homes. They provide more homes overall

and the surpluses are used to support future growth in affordable homes.

The return on market rent activities is reduced this year due to the cost of reinvestment works which under FRS102 are brought to account in the year, rather than being taken as an increase in the capital value. It is more than offset by uplifts to valuations of the properties.

We also review the returns from our existing properties, both financial and non-financial, in order to ensure their value for money. Our active asset management strategy improves the use of our housing assets – selling

older, more expensive and less suitable inner London properties to provide more efficient and larger homes in outer London. As well as increasing our overall stock of homes, this strategy helps deal with the impact of welfare reforms where larger families find it difficult to live in inner London and will increase opportunities for seriously overcrowded households.

This year we sold 17 homes which enabled the purchase of 99 homes in Outer London for affordable rent. In total we have sold 57 homes and purchased 461, a net gain of 404 homes. We plan next year to deliver a further 200 largely family-sized homes

in London, of which 180 will be Notting Hill Community Housing's SimpliCity product, and the new homes will give a significantly better return than the properties we will sell.

VFM achievements, service costs

We have always tracked our operating cost per unit and this year we have been using the HCA's suggested definition. Our key measure is the headline cost per social housing unit, which we calculate at Group level. When comparing ourselves to others we are able to adjust for factors within our strategies which drive our cost per unit, such as our decision to operate in London, and to deliver services which have a high cost, particularly temporary accommodation, supported housing and care.

Performance on satisfaction and other quality measures are described in the Annual Standards Report for residents and in the strategic report within the financial statements.

We use Housemark to analyse our performance

Table B – NHHT Group social housing cost per unit trend

	2014/2015 £ per unit	2015/2016 £ per unit	2016/2017 £ per unit	Change 2015 - 2017		Budget 2017/2018 £ per unit
Management costs	1,069	1,023	956	-£113	-10.6%	847
Service costs	633	575	671	£38	6.0%	665
Routine maintenance	801	806	806	£5	0.6%	870
Planned maintenance	418	245	305	-£113	-27.0%	242
Major repairs incl capitalised	783	565	662	-£121	-15.5%	644
Home Options lease payments	826	820	756	-£70	-8.5%	718
Neighbourhood services	21	14	14	-£7	-33.3%	23
Cost of care support services	325	276	267	-£58	-17.8%	258
Sub total	4,876	4,324	4,437	-£441	-9.0%	4,267
Pension deficit		293				
Total	4,876	4,617	4,437	-£441	-9.0%	4,267

relative to peers, the Group of 15 large London providers of social housing (G15). We also track our unit costs using published accounts. For future years we are taking part in the Sector Scorecard initiative which uses 15 key measures. Our cost per unit performance is shown in Table B.

Table C shows the costs in graphical form.

The overall trend is good, with the CPU dropping

from £4,878 in 2014/15 to £4,437 (9.0% over the two years). The cost for 2015/16 was particularly low due to planned maintenance and major repairs, offsetting higher values for the previous year. Performance is better than target which requires a reduction of 3.5% per annum.

All categories of spend have been reduced, with the exception of Service Costs and routine maintenance. Retrospective costs for

service charges increased costs this year.

Planned maintenance and major repairs have increased from last year's low base, but are significantly lower than the previous year, helped in part by efficiency improvements.

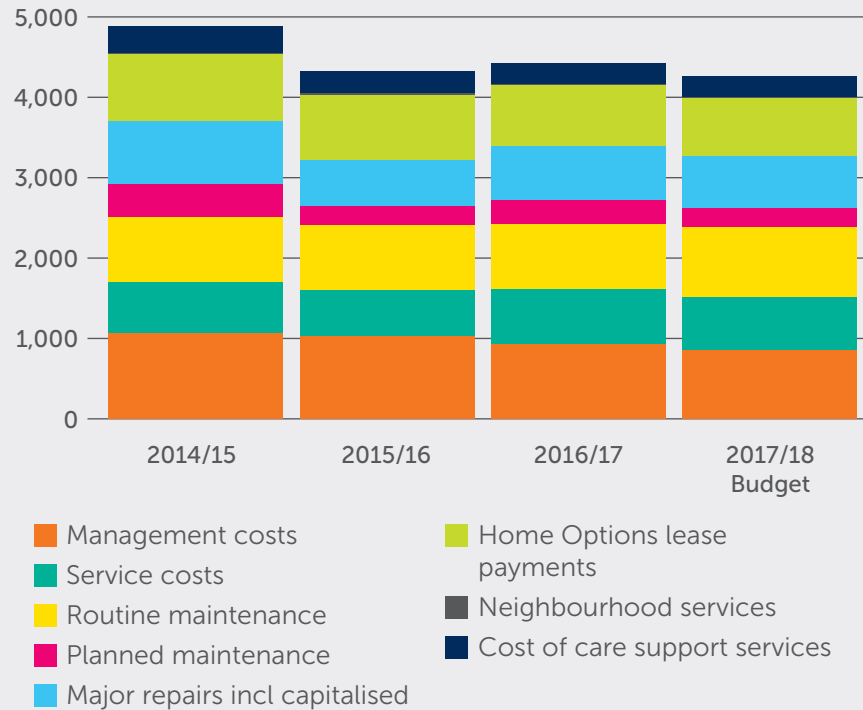
Management costs per home are reducing steadily, helped by efficiency improvements and further reduced in 2017 by low overhead costs per home.

Our non-social housing businesses within the Group compete in the wider market, so we control costs by setting financial performance targets rather than benchmarking. VFM is essential for them to compete in their respective markets.

Table D shows our costs per unit relative to our G15 peer group.

Our 2016 cost included £293 per unit in respect of SHPS pension deficits, which are

Table C – Chart of CPU Trend (excluding pension deficit adjustment) £ per unit, 2014/15 actual to 2017/18 budget



brought to account every third year. There are other factors which affect our comparison. We have more temporary accommodation and supported housing than most of our peers and they cost substantially more than other forms of social homes. We are also based only in London, whereas all but one

of the other G15 members has operations outside London. We will continue to track our cost against others and seek to understand where we need to make improvements.

We actively raise charitable donations which are used to fund welfare for tenants in most need,

Table D – Cost per unit comparison

	NHH 2017 £ per unit	NHH 2016 £ per unit	G15 average £ per unit	NHH rank
Management	956	1,023	1,194	5
Service charge	671	575	549	9
Maintenance	1,111	1,050	1,095	9
Major repairs	662	565	833	4
Other social housing costs	1,037	1,402	654	12
Total	4,437	4,615	4,325	9

and run other initiatives such as our Construction Training Initiative. We have a programme of recruiting and training volunteers which helps support service delivery and helps the volunteers into paid work.

VFM plans

Our business plans include unit cost reduction targets of 16% over the five years to 2022. Our devolved approach to cost reduction, which tasks individual businesses with delivering efficiency improvements is working well and has become embedded. We

have also launched our WorkWise programme which will simplify, standardise and automate some of our key business processes in order to improve customer service and bring efficiencies. We expect this to deliver a further £2.3m of efficiency savings each year from 2018/19 at a total cost over the next two years of £6.5m.

Our central procurement team is adding expertise and improved processes for purchasing goods and services. In the last 12 months they have helped deliver £2.9m in benefits.

Repairs and maintenance services represent 40% of our CPU and we plan to build on the recently introduced commercial arrangements, partnership working, contract management and cost controls to further reduce costs. Targeted investment programmes will reduce the cost of routine repairs and improve the condition of our stock.

We will be expanding our successful pilot of new ways of working at one of our offices, using mobile working office and telephony solutions to help us work together more efficiently and optimise office space.

One of our strategic aims is to strike new and closer partnerships. We will seek to ensure that our delivery model is appropriate to best meet our strategy. This will include consideration of mergers and partnership with organisations such as Transport for London, local authorities and other housing associations.

Further information

Stakeholders can find more information on VFM at Notting Hill Housing on our website, www.nhg.org.uk. This includes the VFM strategy and further detail within the financial statements, the corporate strategy and the Annual Standards Report.