

North
Hertfordshire
Homes

2015/16
Value for Money
self-assessment



Gavin Cansfield,
CEO North Hertfordshire Homes

Last year's Value for Money statement reflected the new business reality for North Hertfordshire Homes. We recognised that to remain relevant NHH needed to change, we needed to think afresh about our purpose, what is important and what sort of business we want to be. We set ourselves the challenge of refocusing our business, taking ownership of the decisions that were required and beginning the process of building NHH as a more efficient operation. We reflected on the changes to customer expectations, the funding environment and demand for new housing. The Budget measures announced on 8th July 2015 to cut social housing rents by 1% per year for four years simply reinforced our resolve to act.

This culminated in setting ourselves 4 key targets to achieve this:

- 1. A wide ranging cost reduction programme**
- 2. Achieving the same or better levels of service with lower levels of investment**
- 3. A revised offer to our customers which sustains the quality of our stock but with lower levels of ongoing investment in our assets**
- 4. Increase our understanding of our customers to improve our service levels**

This year's statement clearly shows that we have exceeded the measures we set ourselves in targets 1, 2 and 3. We are equally confident that 2016/17 will deliver a sector leading position for North Hertfordshire Homes in target number 4. Our clear commitment is to secure our core purpose: building and managing homes, maintaining properties and performance and focusing the support we have always delivered where it is truly needed. This means a pledge to helping vulnerable residents, making communities resilient, supporting people into employment and being there when needed.

So, what have we done:

- We cut costs through a number of measures; we made significant savings through our investment programme and laying the foundations for a new, whole organisation approach to continuous improvement of £5.2 million
- We rationalised our office accommodation selling our Baldock office for £900,000
- We realised £5.6 million of commercial benefits through a smarter approach to procurement. We also set a target of reducing our operating costs by at least 10% in 2016/17
- We reassessed our offer in terms of repairs and maintenance as well as understanding

our yield and return to drive efficiencies in our future development strategy

- We achieved a consistently high level of performance despite reducing our workforce by 48 personnel
- We increased turnover by £15.8 million year on year.

We recognise that during 2014/15 we achieved 3 out of the 4 targets we set ourselves, we think that's a good start but there is still more to be done. So, we will be implementing real time feedback, reviewing our service standards and making better use of our data to profile our customer segments we are confident we will achieve this target in 2016/17. This will result in us not only having an approach to value for money that relies on efficiency but also a deeply held appreciation of what drives value for our customers. Over time we believe we will become brilliant at delivering that value as simply and efficiently as possible.

In the year ahead, 2016/17, we need to deliver more homes grows as the housing crisis deepens for some sectors of our society. We continue to look at driving value in how we develop new homes, the need to maintain surpluses and steer optimum efficiency and performance from existing assets and indeed throughout our products and services. We also need to ensure our approach to continuous improvement engages our whole workforce in business efficiency and value to our customer. We introduced a new approach which delivered insights to our business that will drive efficiency in 2016/17.

Some simple examples of these included:

- 40% of property inspections by surveyors led to no works being raised. This costs the business in excess of £30,000 per annum
- Variation orders equated for a third of all spend on void properties in the previous financial year. This required over 90% of voids to be re-specified following initial inspection raising the overall cost of voids by in excess of £1 million in the period.

We can confidently claim we are building a resilient, adaptable and creative business and one able to cope with challenge and disruption. This comes from the knowledge that our staff are skilled, committed and consistently dedicated to the continued success of North Hertfordshire Homes.



CEO
North Hertfordshire Homes

Put simply our purpose is to:

- deliver a distinctive service to customers – effortless transactions, targeted help;
- provide new affordable homes to meet the needs of the local housing market;
- create vibrant and supportive neighbourhoods that people aspire to live in.

Our purpose has remained consistent throughout the years; the operational framework that achieves it is being transformed.

Our future focus will be:

- Knowing our customers really well and providing the right services for them;
- Using real time feedback to continually improve our services;
- Targeting help where it is needed most;
- Helping customers and communities to be more successful;
- Protecting the value of our assets;
- Increasing the supply of new affordable homes, significantly shared ownership.

These are the foundations for our business plan.

Our value for money strategy



We aim to:

Have a firm grip on our costs

Spend money where it will have most impact

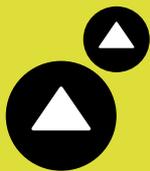
Use our assets efficiently to achieve our organisational purpose

Our ambitious culture of continuous improvement focuses on:

A more dynamic approach to feedback from our customers and stakeholders

Meeting expectations of the social housing regulator and helping shape the view of what great feels like

Monitoring and matching best practice within our sector



Setting ourselves an absolute focus on adding value for our customer base

Defining realistic service standards for our customers based on what adds value and the feedback we receive



The Value for Money Assessment

Each year the housing regulator, the Homes and Communities Agency, requires housing associations to show how they have met the Agency's Value for Money standard. This is our Value for Money Self-Assessment for 2015/16 explaining how we've met that standard in the last financial year. We also scrutinise how we are balancing best value, efficiency and the need to make savings in the current financial year (2016/17).

What we mean by value for money

Price alone doesn't measure value for money: the goods and services we invest in must be fit for purpose, long lasting, efficient and effective.

To continue delivering sustainable services we're improving our procurement practices and internal systems to prioritise value for money efficiencies at the lowest possible cost.

**Development Programme
Acquired 144 new homes**

18

for social rent

35

for supported housing

28

shared ownership

41

temporary accommodation

50

for market sale

A further 129 new homes under construction

9065

social housing properties owned

8433

homes provided for rent or shared ownership

Investment of £36m in housing properties between 2014-2016 helping to contribute to an increase in surplus.

Cost reduction programme

Release of 48 members of staff reducing FTE's (full time equivalents) by 14 in 2015/16 and the remainder to be realised in 2016/17

Rent levels

£110.08

General needs properties average rent per week

£94.01

Retirement Living and Flexicare average rent per week

£127.97

Temporary Accommodation average rent per week

Care and support

609

customers across 17 Retirement Living schemes

158

customers receiving care in our Flexicare schemes

Asset Management

7 million

invested in improving the condition and sustainability of our homes & communities

Net book value of housing properties

£419 million

Reduction in planned maintenance costs

32.2%

Procurement activity carried out in 2015 realised £5.6 million in commercial benefits

Investment in internal restructuring has helped contribute to savings of £4.2 million

Social Purpose

£1.77 million

invested in heating, home & neighbourhood improvements

Our partnership with a local credit union granted 418 customers low interest rate loans

Funding of £56,000 to the Citizens Advice Bureau achieved financial benefits of £173,000 for 165 customers

Our revenue and surplus

	2015/16	2014/15	2013/14	2012/13	2011/12
	£M	£M	£M	£M	£M
Group Turnover	83.9	68.1	60.8	53.9	48.7
Operating Costs	(60.3)	(47.4)	(41.3)	(40.0)	(36.0)
Operating Surplus	23.6	20.3	19.5	13.5	12.7
% Operating Surplus	28.1%	29.8%	32.1%	25.0%	26.1%
Net Surplus after tax, finance and Interest Charges	11.1	6.8	8.0	3.7	4.2
% Net Surplus	13.23%	9.99%	13.16%	6.86%	8.62%
Net Book value of Social Housing and Shared Ownership Assets	361.1	353.2	291.5	288.1	280.8
Properties for sale	31	36	29	20	19



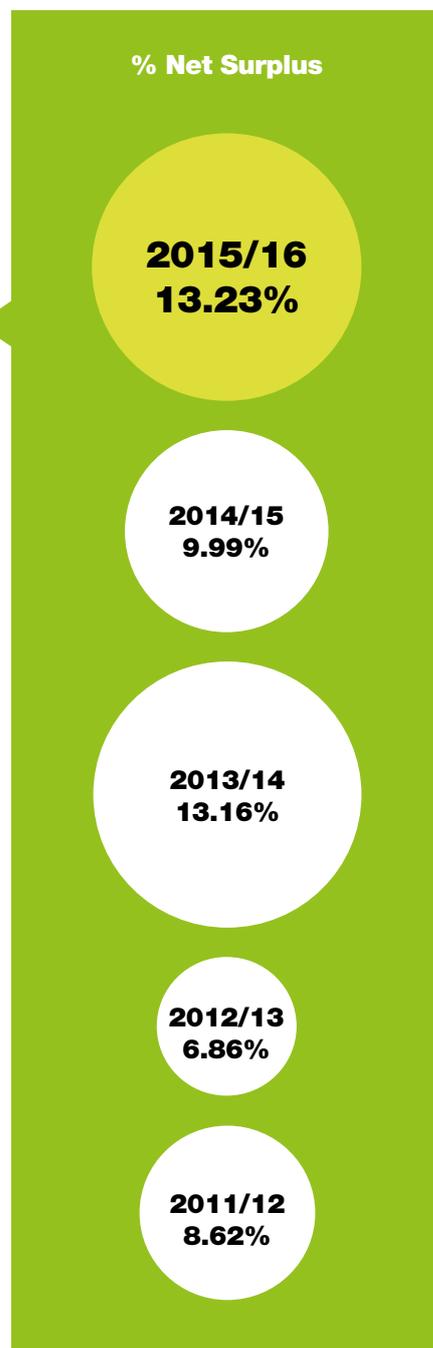
**In five years
our group turnover
has risen
by 138% from
£48.7 million to
£83.9 million**

Over the same period our operating costs have risen by 68%. We invest the surplus in improving housing stock and developing new homes.

This investment has increased the net book value of our social housing assets by £28.3 million in the five year period and enabled us to realise £52 million in grant funding.

As well as providing affordable housing, we also develop properties for sale on the open market. The profits we make from selling these supports our social purpose.

We have seen a slight drop in operating margin over the last 12 months. If you exclude the effect of redundancy and restructuring costs the operating margin would have been broadly the same. In addition to this the majority of revenue increases have originated from the sale of shared ownership and market sale properties which carry a lower operating margin than in the rental sector.



Allocation of Core Income as a % of total income

%	2015/16	2014/15	2013/14	2012/13	2011/12
Staff Costs	21.2	25.0	24.2	23.5	24.0
Repairs	8.1	11.0	12.2	10.6	9.8
Office Costs	2.1	3.0	2.9	3.5	3.0
Maintenance	8.7	11.0	9.0	15.9	12.5
Services	4.7	5.0	5.1	5.0	5.0
New homes and major improvements	27.0	13.0	17.2	6.4	8.8
Other Fixed Assets	-1.6	1.0	1.4	1.4	1.0
Other – Depreciation	11.2	8.0	4.4	10.9	13.0
Interest & Funding Costs	18.6	23.0	23.6	22.8	22.9
TOTAL	100.0	100.0	100.0	100.0	100.0

New homes and major improvements**2015/16****27.0****2014/15****17.2****2012/13****6.4****2011/12****8.8**

As North Hertfordshire Homes continues to grow, the allocation of income and surplus is directed towards new homes and major improvements.

Having reassessed our cyclical repairs and maintenance budgets, we have made significant savings in the current year, primarily through concentrating on a just-in-time approach from 2015/16 survey results. All identified cyclical repairs in need of imminent repair or replacement were included, as well as other items that were close to failing, likely to cause extra expense to North Hertfordshire Homes or equally important, inconvenience our customers. Combined with previous work on replacing timber windows, doors and external cladding with a PVC equivalent, we will focus on further savings in this area in 2016/17 whilst still providing excellent service and response times to our customers.

Our Estate Services team have absorbed new personnel and smaller ad-hoc grounds maintenance work within their daily duties, rather than using sub-contractors at an additional cost to the business. This in-house service is far more cost effective and efficient for our customers reducing waiting times for repairs and maintaining our high standards of work.

Operating Costs as a Percentage of Income

	2015/16 £000	2014/15 £000
Core Social Housing Income – UK Gaap	55,223	54,504
Operating Cost – UK Gaap	36,916	36,613
% Costs to Core Social Housing Income	66.85%	67.17%
Total Income – UK Gaap	83,424	67,359
Operating Cost & COS – UK Gaap	58,499	47,361
% Costs to Income	70.12%	70.31%

Overall our operating costs as a percentage of income have still remained stable with a marginal decrease from 2014/15 to 2015/16.

Maintenance Costs

	2015/16 £000	2014/15 £000	Difference £000	% Reduction
Routine	5,357.0	5,511.0	154.0	2.79%
Planned	9,953.0	14,681.0	4,728.0	32.20%
% Capitalised	65.46%	65.12%		

This table shows a significant reduction in the planned maintenance costs of over 32%, and just under 3% reduction in routine maintenance works year on year.

Our overall performance in the last 12 months

North Hertfordshire Homes Value for Money self-assessment 2015/16

	Rent arrears lower than the 2.5% target at 1.75%
	260 staff – reduction of 68 from 31st March 2014
	Investors in people – Silver award
	50 properties sold as market sale generating profits of over £5 million
	My NHH – 49.5% increase in customers signing up to myNHH self-service portal from 2014/15 to 2015/16. Represents 24.6% of total customer base using myNHH
	45,479 online rent statement views
	Focus on enhancing our digital experience and improving our customers' online journey
	First UK Housing Association to implement water bill discounts for our customers valued at £1.3 million over the period 2015 – 2021
	Overall procurement activity equalling £64.86 million producing commercial benefits of £5.6 million

Key Performance Indicators 2015/16

The Group's performance against its key performance indicators is summarised below:

	2015/16	2014/15
Emergency repairs: and general repairs completed within 24 hours	98.8 %	99.7 %
Urgent repairs: general repairs completed within 7 calendar days	99.5 %	99.5 %
Rent Arrears: All social housing	1.75 %	1.54 %
Rent losses through voids and bad debt	2.03 %	1.51 %
Average re-let time: All social housing	13.8 days	15.3 days
Number of Units developed	144	38

Our development pipeline has seen significant increases in the number of homes in development between 2014 and 2016 which will produce additional profits during 2016/17.

We are also pleased to reduce the number of days to re-let properties underlying our aim to provide a speedier and more efficient service to our customers. This aim also transfers to our repairs which we have kept relatively static year on year but exceedingly close to a 100 % turnaround which is our ultimate goal.

	2015/16	2014/15	Change
Operating Surplus % of turnover	28.10%	29.80%	-1.70%
Net surplus as a % of turnover	13.29%	9.99%	3.30%
Asset Cover	1.8	1.76	0.04
Gearing	56%	57%	-1%
Debt per unit owned	31,796	32,024	-228
Interest Cover	1.98	1.51	0.47
Rent Arrears as % of annual rent and service charges receivable	1.75%	1.54%	0.21%
Rent Losses through voids and bad debts as % of annual rent and service charge receivable on void properties	2.03%	1.51%	0.52%

**2015/16
Operating surplus as
a % of turnover**

28%

Our turnover and operating surplus have both risen in this financial year. The net surplus as a percentage of our turnover has risen due to the following:

- We achieved significant benefits from operational leverage
- We have not drawn any new loans during this financial year
- The base interest rate did not change during 2015/16, therefore the interest payable was a fixed cost and our notional operating cash flow was higher.

Asset cover, gearing, and debt per unit owned have all improved slightly in the 2015/16 financial year due to our loan levels remaining static and the number of units we operate increasing in conjunction with the development pipeline.

We saw rent arrears and rent losses through voids and bad debt reach a record low in 2014/15. The 2015/16 financial year has seen a marginal change in performance, however as long as both figures stay around the 2% mark it puts us in a strong position in comparison with other housing associations.

It could be argued that the cost of driving down arrears and losses to such a low level was not commercially viable due to the costs incurred to collect some debts versus the monies received. However, keeping our collection processes effective within growing uncertainty over revenue security is a primary aim for our organisation.

Figures shown at 31st March 2015

	2015	Average of Largest 60 HA's	
	NHH	LSVT	Traditional HA
Operating Margin	30%	28%	27%
Net Surplus	18%	15%	15%
Interest Cover	2.00%	2.40%	2.60%
Debt per unit	£34,200	£18,800	£24,100
Gearing Ratio	52%	51%	46%
Average Cost of Funds	4.00%	4.50%	4.30%

Effective target setting and performance management

The Board sets budgets and performance targets that are monitored quarterly. The leadership team regularly reviews the management accounts and a range of KPIs, (Key Performance Indicators) including their associated targets. Performance data is also shared with customer-led groups and made available to our customers and stakeholders on our website.



Managing our staff effectively

We are committed to staff development and creating a great place to work. In 2015/16 we maintained the Investors in People Silver accreditation, reflecting our commitment to excellence in training and support.

Our total figure for sickness absence was 4.3% against a target of 4.5%. All absences are carefully monitored and managed. The introduction of flexible working during 2015/16 supported by the Agile mobile app and the ability to work from home, has enabled colleagues to pro-actively manage their time and boost their productivity.

Internal restructuring

Our Business Transformation strategy included a cost reduction programme which incorporated voluntary redundancies. An investment of £666,000 was made in the 6 months to 31st March 2016 to cover redundancy and associated compensation, which as well as streamlining workforce efficiencies will also create longer term substantial savings. Staff turnover increased to 41.9% from 21.6% in 2014/15 predominantly for this reason.

Effective use of new technology

Driving the use of digital communications is key to increasing efficiency, reducing costs and meeting customers' expectations to access services 24/7. We have already seen improvements in smart phone technology helping our repairs operatives to work remotely. Future plans will consider how we can further enhance customer experience at a lower transactional cost. This doesn't mean becoming digital by default and we are actively seeking an intelligent approach to delivering a range of channels that work for all of our customers.

We have seen an increase year on year, in the number of customers signing up to myNHH. 25% of customers are now engaged on this digital platform. Customers can see their rent balance and statement, report and view progress on repairs and check their household information. As 2,584 transactions occurred online during 2015/16, which according to industry estimates is one tenth of the costs incurred in contacting us by telephone or email, progressing our digital transactions will provide significant savings in customer contact costs. With over 65% of our customers accessing the internet daily and over 88% of customers owning a mobile telephone this is a key area of growth.

Customer Services

Customer service achievements during this financial year included focussing on our core services and reducing costs through restructuring our neighbourhood housing services. The estimated level of savings we will reach will be £478,000 per year, including:

Reducing our expenditure by £256,000 in non-core areas such as our tenant reward scheme, special projects and budgetary savings

Reassessing our housing officer role to reduce the number of "specialist" functions saving £148,000

Looking ahead to 2016/17, a customer contact centre is due to launch from April 2016 enhancing our service to customers and reducing costs by a further £92,000 per year.

Office closures

As reported in last year's Value for Money statement we have made further progress in reducing the number of offices we operate out of, including the sale of our office in Baldock for £900,000. The overflow office accommodation we had used previously is now being rented to a third party providing additional income into the organisation.

Commercial Activities & Providing New Homes

Our subsidiary Rowan Homes means that we make profits from the market sale of properties, as well as other commercial avenues, allowing us to help fund the development of affordable homes. The most recently published financial results for the sector show the extent to which non-social housing development has contributed to the income base of North Hertfordshire Homes compared to other organisations. Generally, housing associations are increasingly trying to offset falls in grants and social rent streams by delivering market sale properties that meet changes in customer demands.



In 2015/16 we sold a total of 50 market sale homes at £21.14 million realising a profit of £5.33 million



We also achieved 18 right to buy sales, 1 right to acquire, 28 shared ownership sales and staircasing on 4 shared ownership properties increasing these customers' shares in their home and moving them further to their goal of owning their own homes.



A full review of North Hertfordshire Home's development & treasury strategy is due to take place by the end of the 2016/17 financial year. Over the next 3 financial years, the current development cycle is predicted to generate 175 market sales units, 84 shared ownership and 193 affordable/ social units.



The relative ranking against other applicable indicators were as follows:

Margin achieved on non-social housing development – 33rd

Surplus achieved on non-social housing development – 25th

Income achieved on non-social housing development – 20th

Development activity share of total turnover – 16th

For the year ending 31st March 2015 we achieved a total turnover of £68 million which gave North Hertfordshire Homes a ranking of number 53 out of 114 housing associations in England that were analysed.

The return that North Hertfordshire Homes is able to achieve from the market sale and non-social housing development activity is relatively higher than comparative organisations. This allows us to extract value for money, ultimately for the benefit of our customers, through strategic investment of these returns.

Response repairs & voids; Rent arrears & collection; Lettings; Tenancy management

95.6% phone calls answered

Average 11 seconds time
to answer

**Average re-let time has
decreased to 13.8 days**

100% of our homes meet the
decent homes standard

**Properties vacant and available
to let 0.04%**

**Rent arrears as % of rent
due at 1.75%**

Comparing our performance with other associations is a key part to our approach to achieving value for money. We are able to compare with those of other associations both individually and as a group through the HouseMark benchmarking club.

The Housemark Value for Money dashboard gives a quick, broad-brush picture of an organisation's performance relative to its peers. Our current HouseMark assessment on the dashboard rates two of our eight services covered in this evaluation as providing good value for money:

- Rent arrears and collection
- Tenancy management

Source HouseMark website July 2016. Peer group: Housing Associations in England with over 1000 homes



key

- | | |
|---------------------------------|--------------------------------------|
| 1 Response repairs & voids work | 2 Rent arrears & collection |
| 3 Anti-social behaviour | 4 Major works & cyclical maintenance |
| 5 Lettings | 6 Tenancy management |
| 7 Resident involvement | 8 Estate services |

As it takes some time to finalise and collect data on cost from the housing associations involved, the latest figures available are for 2014/15.

Figures for income collection, service performance and tenant satisfaction all relate to 2015/16.

The following sections compare our costs, performance and customer satisfaction in more detail. We show the median cost or performance of the benchmarking group and our relative position within the group by quartile.

- | | |
|--------------------------|---------------------------|
| UQ Upper quartile | Q2 Second quartile |
| Q3 Third quartile | Q4 Fourth quartile |

In a year of transition where costs were significantly lowered, we still sustained a high level of performance despite having a leaner workforce.

This table compares our costs per property with those of 120 other associations across England.

Total cost per property	2014/15		2013/14	
	NHH	Sector median	Quartile	NHH
Housing Management	£357	£460	UQ	£366
Voids	£83	£206	UQ	£119
Response repairs	£477	£562	Q2	£615
Cyclical maintenance	£582	£271	UQ	£199
Major works	£1,895	£1,125	Q4	£2,053
Overheads as % of adjusted turnover	9.90%	11.5%	UQ	9.40%

The cost of housing management void work and overheads as a percentage of adjusted turnover is rated as top quartile.

Responsive repair costs are in the second quartile.

Our major works expenditure continues to be higher than the sector median, although investment expenditure in North Hertfordshire Homes reduced by 7% more than the sector median in the same year. We are currently working with Savills to enable us to intelligently target our future investments to maximise the lifecycle of existing component parts in line with best practice within the sector.



NHH response repairs
£477



+ NHH cyclical repairs
£582

= Total £1059



Sector median response repairs
£562



+ Sector median cyclical repairs
£271

= Total £833

This approach coupled with previously undertaken work on replacing timber windows, doors, external cladding with its PVC-U equivalent, will help North Hertfordshire Homes to make further savings from 2016/17 onwards.

Our target in the current year is to establish a revised investment profile and launch this as part of our customer offer from 2017.

Our main source of income is rent and the amount we can charge is set in accordance with government guidelines. It's vital we keep rent arrears and void times to a minimum to maximise our income, pay for the services we provide, maintain and improve our stock and build more homes.

Comparing income collection

Our total rent roll £50 million+
Rent arrears as % of rent due 1.75%

	2015/16		2014/15	
	NHH	Sector median	Quartile	NHH
Rent arrears as % of rent due	1.75	2.73	Q2	1.59
Rent loss due to voids as % of rent due	0.82	0.82	Q2	0.82
Gross arrears written off as % of rent due	0.13	0.4	UQ	0.29

Our rent arrears as a % of rent due have increased by 0.16% over the course of the year and remain below the sector median and in a healthy position.

Our housing management service continues to deliver performance above the sector median in managing rent arrears across our housing tenancies. This is supported through a number of key relationships with voluntary and grant funded agencies in the areas in which we work who support households deemed to be at high risk of possibly losing their home. In 2015, North Hertfordshire Homes spent in excess of £100,000 in providing support to such households and, amongst other factors, assisting them in managing their tenancy and regular payments effectively. We also made arrangements for recovering £76,000 of this upfront cost through the use of an intensive housing management charge.

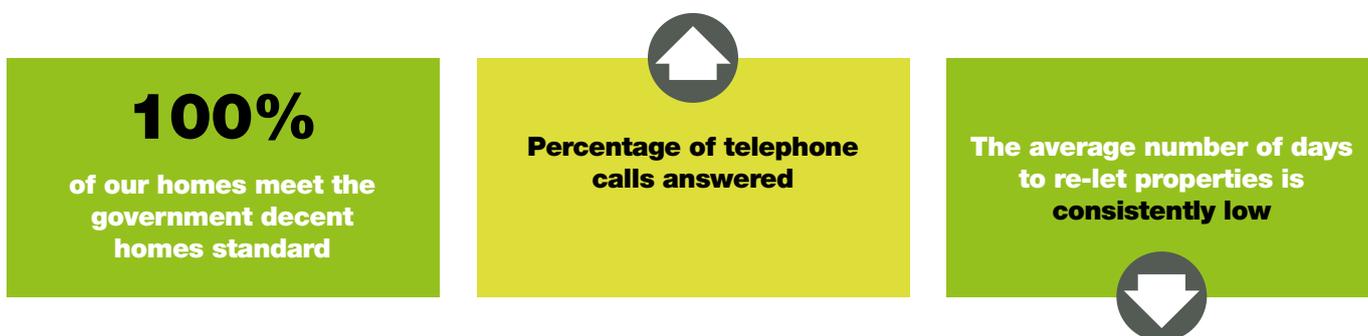
In 2016/17 we are launching a fully functioning contact centre model which will open a further channel for customers to pay their rent and allow the organisation to unlock £478,000 of labour savings and overheads.

As referenced in our last statement, in 2015/16 North Hertfordshire Homes significantly reduced the amount of eligible service charging that went unbilled, from over £1 million in 2014/15 to less than £350,000 in 2015/16. It is our intention to target increased revenue through the correct collection of these charges moving forwards.

	2015/16			2014/15
	NHH	Sector median*	Quartile	NHH
Percentage of telephone calls answered (%)	95.6	94.3	UQ	96.3
Average time to answer an inbound call (secs)	11	25	UQ	10
Percentage of complainants satisfied with case handling (%)	-	71	Q2	72
Percentage of homes with a valid gas safety certificate (%)	99.89	100	Q3	99.94
Percentage of homes meeting the government decent homes standard (%)	100	100	UQ	100
Average SAP (energy efficiency) rating of self-contained homes	-	70.8	Q4	68.6
Average calendar days to complete a repair	10.08	9	Q3	9.09
Repairs completed on first visit (%)	92	91.4	UQ	92
Appointments kept as % of appointments made (%)	98.86	98.41	Q2	97.96
Anti-social behaviour cases resolves successfully (%)	81.17	95.71	Q4	82.59
Average re-let time in days (standard voids)	17.79	24.39	UQ	16.53
Properties vacant and available to let (%)	0.04	0.46	UQ	0.09
Properties vacant and unavailable to let (%)	0.66	0.35	Q3	0.43
New social homes developed as % of stock	1.59	1	Q2	0.57

*Housing Associations in England with over 1000 homes

We are pleased to report upper quartile and improved performance in the number of properties vacant and available to let year on year. Other areas of upper quartile performance are:



£1.77 million

invested for social purpose

£163,000

committed to charitable donations and social partnering schemes

Gas Safety:

As a landlord we take our approach to gas safety very seriously and work hard to ensure all properties have a valid gas safety certificate in place and that all recommendations following inspection are swiftly acted upon. As well as cycling certificate renewals on an 11 month timescale we consistently ensure any customers who refuse us access to their homes are part of a suitable legal process at the point when a certificate expires. We also counter-inspect 10% of all gas inspections to ensure the assessments that have been carried out meet the required industry standards. To reinforce this we will be working with a new gas safety supplier in 2016/17 to continue our high performance in this area.

Average number of days to complete a repair:

For those customers requiring a repair our service excellence consistently seeks to arrange an appointment that is convenient to the customer, not based on artificial targets around completion timescales. Feedback shows that the average number of calendar days we take to complete a repair is accepted as a good service by the vast majority of our customers. We also aim wherever possible, to successfully complete a repair in the first visit, even if that date is a little further in advance. Last year less than 0.5% of all our repairs required a repeat visit due to reasons that could have easily been avoided. In order to maintain maximum efficiency in this area a continuous improvement review of our service will be conducted in 2016/17 with the results implemented in that year.

Anti Social Behaviour:

Over the course of 2015/16 North Hertfordshire Homes has reduced operating costs in this area without damaging performance. In 2016/17 we will continue to embed our new structure, assess opportunities to work with third parties and make better use of our estate workers to challenge the adverse effects of anti social behaviour on our customers.

Properties vacant and unavailable to let:

The organisation currently holds a number of empty properties that are only vacant pending the regeneration of areas within our existing portfolio. In 2016/17 these properties are targeted for either regeneration or to be used as temporary lettings where the need arises. Again we are focussing on this area for the forthcoming period as one that will benefit our customer from our continuous approach to improvement.

North Hertfordshire Homes has now reduced its office footprint from 5 to 3 with the closure of two receptions, reducing our workforce, saving £148,000 in this area, without in any way altering its service offer.

Comparing Customer Satisfaction

	2015/16		2014/15	
	NHH	Sector median	Quartile	NHH
Customer Satisfaction with the overall service provided by their landlord	86	88	Q3	85
Customer Satisfaction with the overall quality of their home	85	86.1	Q3	81.7
Customer Satisfaction with the neighbourhood as a place to live	88	87	Q2	88.4
Customer satisfied with the repairs and maintenance service provided	79	82.6	Q3	79.6
Customer satisfied that their views are being listened to and acted upon	70	73	Q4	62.4



Satisfaction with our services has improved in the period 2015/16, despite us reducing costs by £4.3m from our housing operations.

Although this is good news, after several years of investing in our homes above the sector average, this service phase is now complete and therefore we anticipate that satisfaction may wane slightly as the next phase of our service plan is presented to customers.

8492 homes for social rent

2881 garages

37 commercial units (mostly retail shops serving our estates)

419,213,000 Net book value of our assets across the business as a whole

At the end of each financial year lenders require us to have our housing stock valued in order to demonstrate there is sufficient value to secure the businesses outstanding loan liabilities.

North Hertfordshire Homes has analysed the returns that are achieved from our properties, both from different tenure types and from the different geographical areas in which we operate. Whilst we can ascertain that the Average Gross Rent Yield from our general needs properties is 8.1%, we have identified that the range of yields varies from a low 3.7% to a high 14.3% depending on housing type.

Although our general needs activities represent the vast majority of our total income base, we need to also understand the comparable averages and range of yields for other social housing activities including hostels, intermediate rent, temporary accommodation, shared ownership and sheltered housing as shown in the table opposite:

Total Property Portfolio

Annual Return at March 2016	Average	Highest	Lowest
General Needs	8.10%	14.30%	3.70%
Intermediate Rent	7.40%	7.60%	7.00%
Temporary Accommodation	8.50%	10.35%	5.95%
Shared Ownership	4.40%	6.90%	2.60%
Sheltered Housing	7.00%	11.20%	8.30%

It is also worth clarifying the differences according to the size and type of property as shown below which can potentially provide a basis for making future investment decisions and maximise our financial and social returns.

General Needs

Annual Return at March 2016	Average	Highest	Lowest	
Flats	1 Bed	9.1%	13.7%	7.3%
	2 Bed	8.2%	12.3%	7.2%
	3 Bed	8.0%	8.4%	7.2%
Houses	1 Bed	7.8%	7.9%	7.6%
	2 bed	7.7%	10.9%	7.2%
	3 Bed	7.9%	10.9%	6.5%
	4 Bed	7.8%	14.3%	7.0%
	5 Bed	7.9%	8.4%	7.6%
Bungalow	1 Bed	7.9%	10.9%	7.4%
	2 Bed	7.7%	10.8%	7.2%
	3 Bed	10.0%	10.9%	7.6%
Masionette	1 Bed	8.0%	8.4%	7.6%
	2 Bed	8.3%	9.1%	7.2%
	3 Bed	7.6%	8.0%	7.5%

A geographic analysis has been compiled that identifies the same average and range analysis for the key postcodes within our area of operation. The overall average yield across our entire operational area is 8.2%, however there are some significant regional variations. The lowest yield in any particular postcode is SG4 [Hitchin] of 3.2%, whilst the highest yield in the SG2 [Stevenage] postcode is 11.3%.

Similarly, the highest yields in a particular postcode is SG8 [Royston] of 14.3%, whilst the highest yield in the AL1 [St Albans] postcode is only 5.8%.

Geographical Location

Annual Return at March 2016	Average	Highest	Lowest
TRADITIONAL ESTATE:			
Stevenage	8.5%	9.8%	7.6%
Knebworth	8.1%	11.2%	6.1%
Hitchin & Surrounding Villages	8.5%	12.4%	3.9%
Letchworth Garden City	8.3%	12.7%	4.3%
Ashwell & Baldock	8.1%	14.3%	2.6%
Royston	7.9%	16.1%	4.3%
Buntingford	7.7%	7.9%	7.2%
EXTENDED ESTATE:			
St Albans	7.5%	8.3%	4.3%
Welwyn	5.9%	5.9%	5.9%
Welwyn Garden City	4.9%	6.7%	4.1%
Luton	7.4%	10.9%	4.3%
Henlow	6.4%	9.7%	4.3%
Biggleswade	6.5%	7.6%	4.3%
Sandy	5.1%	7.6%	4.6%
Bedford	7.2%	9.9%	6.0%

The more we understand the yields we achieve from our assets, the greater influence this data will have in forming our strategic and development ambitions so yields are optimised at every possible point, whilst still meeting our customers' needs.

North Hertfordshire Homes has discussed the changing demand for private rental and social housing in our area with the local council. A need for smaller 1 & 2 bed flats and houses has been highlighted, as well as a need for longer private rental agreements. We are not presently within the private rental sector with the majority of our social housing stock being 3 bed houses, however the local authority's analysis of demand coupled with our yield calculations supports a transition from traditional 3 bed homes to smaller flats and houses.

This analysis has shown us that we can extract far greater value from our asset base and during 2016/17 we will work on an intelligent asset management strategy with the support of Savills to deliver the following:

- A greater focus on replacing component parts such as kitchens and bathrooms when the customer requires instead of replacing items according to a set timetable
- A more flexible approach to disposal and reassignment of assets in different types of tenures, based on the needs of our customers
- A greater understanding of the long term value of our asset base to give us security against debt and raising new loans

North Hertfordshire Homes is receptive to cost comparisons showing how our costs relate to other providers. An analysis of the social housing costs per property, derived from the 2015 Global Accounts provides some context for the costs of running our business. This analysis has recently been released by the HCA.

Whilst the result of this analysis tends to show North Hertfordshire Homes operating around the lower quartile for the social housing cost per unit, we believe the underlying data may reveal more relevant comparisons that will allow us to target significant improvements in our future cost base. We will, therefore, aim to drill beyond this headline analysis to ascertain greater efficiencies and value for money that can be used for our customers' benefit.

The summary of this analysis is as follows:-

Cost per unit	Upper Quartile	Median	Lower Quartile	NHH
Social Housing	4.30	3.55	3.19	3.21
Management	1.27	0.95	0.70	1.05
Service Charge	0.61	0.36	0.23	0.53
Maintenance	1.18	0.80	0.53	0.84
Major Repairs	1.13	0.20	0.08	0.18
Other costs	0.98	0.81	0.41	0.61

Regional Comparisons

We have also worked collaboratively with other regional organisations to produce analyses with other comparator businesses using the HouseMark data sets for the year ended March 2015. This comparative analysis allowed us to establish our relative ranking against the pool of housing associations with key findings shown opposite:-

Direct cost per property of Housing Management	Rank: 2 Quartile: Upper
% of rent collected	Rank: 1 Quartile: Upper
Current rent arrears as % of rent due	Rank: 2 Quartile: Upper
Former rent arrears as % of rent due	Rank: 1 Quartile: Upper
% of rent not collected	Rank: 1 Quartile: Upper
% non decent dwellings	Rank: =1 Quartile: Upper
% of dwellings with valid Gas Safety Certificate	Rank: =1 Quartile: Upper
% of Overheads to Turnover	Rank: 2 Quartile: Upper
Direct cost per property of Response Repairs & Voids	Rank: 1 Quartile: Upper
Total cost per property of Response Repairs & Voids	Rank: 1 Quartile: Upper
Average cost of a response repair	Rank: 1 Quartile: Upper
Average cost of a void repair	Rank: 2 Quartile: Upper
Average re-let time in days	Rank: 2 Quartile: Upper

£1,777,444 million was committed to our social purpose broken down as follows:

£	Community Investment
40,698	Solar Panel Installation (Tenant reduces their electricity costs – NHH gets a cash income when excess electricity is generated and sold back to the grid)
64,103	Renewable Heating Systems Installations (Environment Friendly)
735,570	External Wall Installation (Reduces potential Fuel Poverty)
396,874	Thermal & Sound installation (Reduces potential Fuel Poverty & Enhances Privacy)
394,286	Aids and Adaptations (Enables Independent Living for those with disabilities)
71,224	Neighbourhood Improvements (Enhanced community involvement through tenant forums and groups.)
74,689	CCTV Installation (Increased Security & ASB Reduction)
1,777,444	Total

In addition we also committed £163,000 to charitable donations & Social Partnering Schemes including:

- £56,000 funding to the Citizens Advice Bureau achieved financial increases worth £173,000 for 165 customers including many gaining additional benefit payments of £77,700
- Our partnership with the Black Squirrel credit union resulted in 418 customers being granted low interest rate loans worth a total of £255,000, from a base fund of £25,000
- 41 customers were assisted back to work through our community business ventures

The introduction of a new Tenancy Support Service has improved the support we give our customers to sustain their tenancy. Three new roles have been introduced to provide dedicated support for vulnerable tenants in addressing issues such as debt, benefits, hoarding and downsizing.

By applying an Intensive Housing Management Charge we have offset these costs to the business by £76,000 per year.

In response to the withdrawal of Supporting People funding, Retirement Living are providing an enhanced Housing Management service including advice and guidance to our customers on a wide range of housing management issues such as early intervention on low level anti-social behaviour, identifying emerging support needs and referring these to the appropriate agencies. As a result of these changes, staff are able to spend more time on site in the schemes and are available to our customers daily. This funding is paid from general income at approximately £85,000 per annum.

In order to further understand the social value of the services we provide, we have used the HACT social value tool. This calculates the impact of the intervention and it's potential savings to ourselves and a wide range of agencies.

Katie, a victim of domestic abuse struggling with multiple issues, including significant rent arrears, was supported by North Hertfordshire Homes to overcome these problems. The success of our intervention equated to over £22,000

In order to protect our customer's identity the name has been changed.

Last year we announced targets in our annual statement which would focus on reducing costs in key areas, whilst increasing revenue and sustaining services to customers.

What have we delivered in 2015/16



Headcount

As stated in our 2014/15 plan, we have reviewed and reduced our headcount for the business by the equivalent of 48 FTE (full time equivalent), amounting to a total gross reduced expenditure of £1.58 million, upon completion of the process. The organisation had recognised in 2014/15 that having fulfilled many of the transfer promises it had undertaken at its inception that it could implement a new operating model. These plans were brought in to sharp focus by the changes in rent setting proposals over the course of the year and have been delivered in full.



Facilities

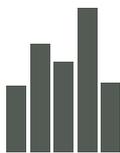
Through reshaping our workforce and implementing a more flexible approach to work, we have also been able to reduce our office footprint. As stated in our targets we have moved from five offices to three in the course of the year.



Procurement

We have exceeded our target of £2.2 million of savings from procurement and carried out procurement activity amounting to £64.86 million for 2015 which brought commercial benefits to North Hertfordshire Homes of £5.6 million. This included us being the first UK Housing Association to implement water bill discounts for our customers valued at £1.3 million over the period 2015-2021. Our strategy for procurement is to work in partnership with a key number of suppliers to drive both value and quality on a long term basis.

2015/16 was a busy year for procurement and we expect to continue this activity into 2016/17. Looking forward, based on current spend levels it is estimated that tendering of £95.54 million will produce commercial benefits of £9.97 million by the end of 2016/17.



Investment Spend

Having reassessed our cyclical repairs & maintenance budgets, North Hertfordshire Homes has been able to make significant savings on its investment programme and achieved the £3.2 million savings set out in our targets last year. In the period 2016/17 we have begun concentrating on a just-in-time-approach from work identified in our surveys from 2015/16 and this has resulted in us targeting a further £2 million of savings against the 2015/16 budgeted position.



Service Charge Billing

We have exceeded the targeted 20% reduction in unbilled eligible costs in 2015/16. In total, unbilled costs fell by over 65% in 2015/16. In the current year North Hertfordshire Homes is procuring a significant number of new contracts for services and works, in order to further reduce unbilled eligible costs.



Online accounts

We now have 24.6% of our customer base signed up to our digital service platform, myNHH. The service is used regularly by 3 out of 4 of those customers signed up and transaction volumes are equivalent to the number of enquiries the organisation receives per week via telephone. We are in the process of calculating the savings made through utilising lower cost service channels versus feedback on its efficiency in resolving service queries.



Voice of our Customer

Understanding value for money requires more than just an analysis of spend; critically it's the value that such spend creates for our customer that matters equally.

Throughout 2016/17 North Hertfordshire Homes will be implementing a new approach to understanding the voice of its customers. This change in our analysis of our customer base, their views of our services, perception of our brand and influence over our decision making will place us at the forefront of the housing sector in regard to understanding our customers.

Importantly we will deliver:

- Real time surveying modelling
- In house segmentation and data analysis capabilities
- Market research tools available to our managers
- Ongoing perception surveying comparable both in and outside of the sector
- A range of tools through which customers can influence spending decisions within North Hertfordshire Homes

We believe this will drive a deeper, more richly understood analysis of added value for our customers and that by extension our customer offer and the spend we incur will generate greater value moving forwards.

What next

We have made significant progress in this financial year against the backdrop of wide ranging changes in our market place and to the organisation itself. There is however more to achieve and we have commenced during 2015/16 a number of activities that we expect to deliver results in 2016/17.

Continuous Improvement

North Hertfordshire Homes is committed to developing its own in-house continuous improvement services which will drive efficiencies year on year across the business. 2015/16 was a year of discovery through diagnostic reviews and feedback in order to identify key areas of the business and customer facing processes that can be improved. This also incorporates a high level of colleague engagement empowering teams to review their performance, identify improvements and find the solutions. During 2016/17 we will develop these capabilities further and with it the ability to measure and report on cashable savings to the business.



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