



**Network  
Homes**

# Value for Money Statement

2018/19

Because good homes  
make everything possible

# Introduction

All housing associations are asked by the Regulator of Social Housing to publish an annual statement which sets out their approach to value for money.

We know there are sound business reasons for delivering excellent value for money. Better efficiency, economy and effectiveness help us to increase our quality of service and financial resources, meaning we can build more homes and improve the satisfaction of our customers.

As one of the largest housing associations in London, there are many ways we demonstrate value for money. We generate extra income by selling homes and using the profits to reinvest into building more new homes and better communities. We also consciously cut costs so as to give the best value for our residents.

Investing in communities where we work and having long term involvement with our developments is another way we show value for money. Our employment and training schemes, and the welfare advice and support we offer, help people improve their personal circumstances and have a better quality of life.

It may not generate money for Network Homes, but it's a real benefit to those people and to society.

# Value for Money

As a regulated housing association we are required to adhere to the Value for Money Standard produced by, the Regulator of Social Housing. This Standard requires housing associations to report against seven key financial metrics. Associations can supplement these with further internally developed metrics which demonstrate value for money by showing how the organisation is progressing towards meeting its strategic objectives.

There is deliberate overlap between the seven VFM Standard financial metrics and the Sector Scorecard benchmarking, which has been formally adopted by housing associations in England, including Network Homes Ltd. The final benchmarking results will not be available until Autumn 2019 but our performance is set out below.

We set four strategic objectives and accompanying ambitions, in our Five Year Strategy approved by the Executive Board in May 2018:

**Maximising growth within our resources**  
Ambition: 5,000 new homes in 5 years

**Delivering first class customer service**  
Ambition: 90% overall customer satisfaction

**Increasing financial strength**  
Ambition: 35% operating margin on core social housing business

**Building a great organisation**  
Ambition: A Sunday Times Best 100 Company to Work For.

The Board also approved a 'roadmap' of targets, which we use to monitor progress towards the five year ambitions on a year by year basis. We have included our second year results with any pre-existing target for 2018/19 shown, where applicable. A few metrics will be measured for the first time only from next year, when system changes allow. Where no target previously existed, this is shown as not applicable for this year.

## VFM standard

The Group's current position on the seven VFM Standard financial metrics and the internally driven metrics linked to our strategic objectives is as follows:

Measure	2019	2018
<b>Ambition: 35% minimum net surplus on social housing</b>		
Reinvestment	11.1	5.1
New Supply Delivered % (social housing)	3.9	1.2
New Supply Delivered % (non-social housing)	0.1	0.3
Gearing %	43.8	42.1
EBITDA MRI Interest (exc. sales)	285.1	190.3
Headline social housing cost per unit (£)	5,149	5,816
Operating Margin (social housing lettings only) %	28.6	25.4
Operating Margin (overall) %	34.9	28.4
Return on capital employed (ROCE)	4.8	3.8



Measure	2019	Target
<b>Ambition: 5,000 homes in 5 years</b>		
Homes completed and handed over	776	727
Homes started	59	800
% homes started for social rent; LAR; LLR; s.106 LA rent	42%	>25%
% secured pipeline affordable tenures	91%	>60%
Secured pipeline	1,728	>1,600
Customer satisfaction with new homes	73%	85%
<b>Ambition: 90% overall satisfaction</b>		
% satisfied with Network Homes services	88.3%	80.0%
% satisfied with repairs service	82.8%	80.0%
Failure demand – repeat case call within 14 days**	Unavailable	Unavailable
% of customers using portal for self-service*	2,792	2,100
% of customer transactions with no back office intervention**	Unavailable	Unavailable
Rent collected % (general needs and HfOP)	98.5%	>100%
Occupancy % (all rented)	97.8%	>99%
<b>Ambition: A Sunday Times Best 100 Company</b>		
Development – stakeholder net promoter %	84%	84%
Services – stakeholder net promoter %	65%	75%
Sickness absence (average days)	5.1 days	5.0 days
Staff turnover (voluntary)	13.5%	15%
Staff – net promoter ('proud to work for Network Homes')	82.6%	81%
Re-accreditation Sunday Times / IiP Gold**	Placed 39th in Sunday Times Top 100 and rated 2-star	N/A

\* Current measure is people registered, will move to % transactions in April 2019

\*\* These metrics will be measured from April 2019

## Sector Scorecard

The Group's current position on the Sector Scorecard measures is as follows:

Measure	2019	2018	G15 Median 2018
Operating margin (overall)	34.9%	28.4%	29.2%
Operating margin (social housing lettings)	28.6%	25.4%	3.1%
EBITDA MRI (as % interest)	285.1%	190.3%	187.0%
New supply delivered % - Social housing units	3.9%	1.2%	1.5%
New supply delivered % - non-social housing units	0.1%	0.3%	0.7%
Gearing	43.8%	42.1%	42.6%
Reinvestment %	11.1%	5.1%	6.4%
Investment in communities £	309,000	492,000	2,537,500
Return on capital employed (ROCE)	4.8%	3.8%	3.8%
Occupancy (general needs only)	99.0%	99.2%	99.7%
Ratio of responsive repairs to planned maintenance	1.25	0.70	0.62
Headline social housing cost per unit £	5,149	5,816	4,527
Management cost per unit £	1,678	1,922	1,406
Maintenance cost per unit £	965	893	1,020
Major Repairs cost per unit £	774	1,283	936
Service charge cost per unit £	719	589	681
Other social housing costs per unit £	1,103	1,129	406
Rent collected as % of rent due (GN)	99.1%	101.0%	100.0%
Overhead costs as a percentage of turnover	9.2%	10.5%	11.5%
Customer satisfaction	88.3%	87.3%	75.1%





On many important metrics, Network Homes Ltd is performing well. We take our social purpose as an organisation seriously and are pleased to report that the percentage of homes in our pipeline for affordable tenures and for 'genuinely affordable rents' is well above our internal minimum targets. We have completed and handed over 776 homes this financial year, surpassing our target of 727 properties. We have started 59 homes this year, which is significantly short of our target, but this was due to a strategic decision to remove one development from this year's forecasts, and a number of sites starting earlier than anticipated in the previous financial year. We have a significant pipeline of starts for the coming financial year but will keep commitments under review in the current uncertain market conditions.

We have exceeded our targets for customer satisfaction with overall services and repairs, at 88.3% and 82.8% respectively, against a target of 80%. Both scores are also an improvement on last year's performance.

On new homes satisfaction we are making substantial improvements to our Aftercare services. It should be mentioned that this measure currently relies on limited survey evidence and we are looking to introduce more robust measurement in the coming year.

We will continue reducing our operating costs to improve the cost per unit measure, which has a direct impact on our margins. This year the operating margin was affected by additional resources being dedicated to respond to the implications of the Grenfell Tower tragedy and the subsequent Hackitt Review of Building Regulations and Fire Safety. The safety of our residents remains our top priority. We are also continuing to invest substantially in our IT business transformation program.

A full review and restructure of our customer services directorate was completed at the beginning of the financial year, resulting in a substantial positive effect in reducing our costs. Despite the changes, our voluntary staff turnover was better than target; our sickness rate was much better than sector median; and this year we also achieved a two-star status in the Sunday Times Top 100 Non-Profit Companies to Work For, ranking at 39th place.



# Network Homes

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