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# Value for money self assessment and strategy

## September 2016

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### 1 Introduction

#### 1.1 Statement from our Chair

Evolve Housing + Support (Evolve) is committed to the pursuit of economy, efficiency and effectiveness. This self assessment sets out how value for money is embedded in our day to day activities. We aim to be the foremost provider of homelessness services in London and linked to this is our desire to be known for offering great value for money to our customers and stakeholders.

Our business planning and our budgeting and monitoring processes support this aim. Our Value for Money Strategy demonstrates our approach to understanding our customers, our costs and the services we deliver. We are putting in place measurable outcomes to confirm that Evolve is fulfilling this vision.

I and my fellow Board members accept our responsibility for knowing how Evolve's assets are used to further our aims and purposes. The Board and senior team regularly review the organisation's development and investment strategies with the aim of ensuring that we continue to make appropriate use of our assets in order to achieve further growth. A key aim for the Board is to demonstrate that we are maximising the return on our assets and investments, and achieving value for money.

This report sets out:

- › The measurable outcomes of our VfM work in the past year.
- › How we achieved these outcomes across our services.
- › Our plans for next year.
- › The measurable outcomes of our VfM work over time.

The impact of the Government's welfare reform proposals will significantly affect our resources and how we allocate them. Our focus on value for money will ensure that Evolve continues to be a vibrant sustainable organisation for the benefit of our customers and the communities we serve.

Karen Cooper  
Chair

## 1.2 About Us

Since rebranding as Evolve Housing + Support in September 2015 we have increased our focus on our purpose, "To make a lasting difference to lives and communities" through living what we believe in:

- › Get involved
- › Get the basics right
- › Believe in people
- › Embrace diversity
- › Be ambitious
- › Empower others

We are:

- › Honest. We treat homeless, vulnerable people and staff fairly, with respect and with an unconditional positive regard.
- › Inclusive. We enable our customers to play a key role in defining and designing the work we do. We develop our managers not to just manage, but to lead their teams.
- › Optimistic. We don't pass judgement on customer or staff potential simply based on where they are in their lives at this point in time.
- › Determined. We ensure that customers and staff have a solid skills foundation to build their future development on.
- › Creative. We provide a pathway of opportunity to support customers and staff to achieve their full potential, whatever that may be.
- › Passionate. We believe that every customer and staff member has the potential to make significant contributions to the organisation, sector, and community; be that through paid employment or volunteering their time.

By focussing on our purpose, beliefs and attributes we aim to make our housing services great places to live in which, with the support of our community services, the full potential of individuals and communities can be realised.

Evolve provides a broad range of supported housing and other services across the London Boroughs of Bromley, Croydon, Lambeth and the Royal Borough of Kensington and Chelsea including:

- › 550 beds spaces for vulnerable and homeless people of all ages.
- › Our work and learning programme, providing the resources for customers to explore and develop their interests and skills and become experts in managing their own lives.
- › The Customer Employment Partnership (CEP) promotes jobs available within all partner organisations, generally at entry level, designed to empower customers to take the first step in their career in the homelessness and care sectors.
- › Our counselling service, available to all our customers.
- › Horizons mentoring service that supports young people aged 10 to 16 who are at risk of social exclusion.
- › Community Host Scheme providing supported lodgings for young people at risk of becoming homeless.

### **1.3 Operational Overview**

VfM has always been a key dimension in delivering housing services but the current economic climate makes it even more important that Evolve adopts a comprehensive and strategic approach to getting the most from the resources we have. We have a responsibility to our customers to ensure that their rent is being spent wisely and on the things that matter to them. Their views on how well we are doing are reflected in our annual customer survey and via customer representatives who are actively involved in scrutinising aspects of our services and in monitoring our performance. In light of the above and the VfM Standard set by our regulator, the HCA, we have revised our VfM Strategy to ensure that our board, our customers and other stakeholders have assurance that our resources are managed economically, efficiently and effectively to provide and maintain excellent buildings and to offer a range of services and opportunities to our customers.

We have carried out a rigorous self assessment of our approach to VfM compared against the VfM standard and the outcomes from this inform our strategy as laid out in this document. We also strive to monitor the linkage between cost and service delivery outcomes to get a balanced view of VfM. We will ensure that our focus on VfM is not driven purely by the need to meet the regulatory standard, but it will be integrated into our organisation's culture as a matter of course.

## **2 Definitions**

### **2.1 What is Value for Money (VfM)?**

We define VfM as using our finite resources efficiently to achieve the best possible outcomes for customers, stakeholders and our organisation. This means operating efficiently and effectively in order to obtain the best return from our investment in our assets, particularly our property assets. It also covers paying the right price for goods and services, and ensuring our staff perform to their best. We aim to get the right balance between quality and cost and take into account the needs of our customers, as well as the business, when making decisions.

### **2.2 What is social value?**

We define social value as making a positive difference to the lives of our customers, and the wider communities in which we operate, and the economy in general. We strive to be an excellent landlord that works closely with customers and communities to make a lasting difference. Achieving social value cannot always be measured in monetary terms.

## **3 Our approach to achieving VfM**

Promoting the delivery of more and better for less has been deeply embedded in our governance and management processes for many years and we strive to maintain and develop this ethos. This is how we see the reality of Value for Money in our organisation. This document sets out our approach to managing our assets, creating social value, and improving our procurement processes in order to achieve our corporate objectives in the most cost effective way.

We have rigorous business planning and performance monitoring systems in place to drive continuous improvement and maximise the efficiency and quality of our services for customers. We are continually undertaking detailed work to establish the most efficient ways of delivering services, all focussed on achieving value for money. To achieve this aim we review all outcomes at both organisational and service levels. The main areas of focus are procurement, IT and terms and conditions of employment, covering our largest areas of expenditure.

We manage our resources to provide cost-effective, quality services to customers. At the same time we are focussed on finding new sources of income to improve services and products for our existing neighbourhoods and to invest in new neighbourhoods.

Evolve has a proven track record of being efficient and effective. As with many overarching themes, such as Risk Management and Health and Safety, success is predicated on value for money being embedded throughout the organisation and being intrinsic to what we do. We are efficient in our activities, and demonstrate a balanced approach to self-regulation.

Our VfM self assessment is a key document. It has been prepared by senior management, approved by our Board and published on our website. The self-assessment will be undertaken annually and we will review and refresh the actions identified in our VfM Strategy as a consequence.

We have developed our VfM Strategy based on the findings of the self assessment. This sets out what VfM means at Evolve, how well we perform compared with other Registered Providers of Social Housing (RPs), what principles will be used to guide decisions on VfM and finally what we intend to do over the coming years to deliver further efficiencies. We also describe how Evolve meets the HCA standard and, if there are any gaps, what we intend to do to fill them.

Many of our customers are already disproportionately affected by the current economic situation and the Government's welfare reform policy will further exacerbate this. We have an obligation and social responsibility to demonstrate to our customers that we are operating as efficiently and effectively as possible, offering an open and transparent approach to customer scrutiny and self-regulation.

## **4 Business efficiency and effectiveness**

### **Maximising our income**

We aim to ensure we minimise lost revenue by controlling our rent collection and the management of voids. Our arrears management processes aim to make sure we collect the maximum rent possible, despite the difficulties resulting from the high needs levels of our customers. As can be seen by the table in the section below our tight arrears management led to us achieving a reduction in bad debts to 2.0%, which also beat the target we set last year. Stricter control of voids turnaround times and referrals led to a reduction in voids to 4.0%, matching the target set last year.

## Understanding our costs

We monitor and report on our performance against key targets quarterly and annually. The results for the year to 31 March 2016 are shown below together with our targets for the coming year.

With the challenges set by the current sector environment, and particularly the possibility of reductions in our rents, we must monitor our cost base and seek savings wherever possible. At the end of 2015 we undertook a full financial assessment process to ensure that the 2016/17 budget is accurate and achievable. This was enhanced by a detailed scrutiny of service and central budgets by our corporate management team. This work was also informed by our annual review of rents.

Our consistent focus is to maximise the use of our resources and to manage them efficiently. To this end we:

- › Maximise the collection of rental income and minimise debt. For the past 2 years bad debt write-offs have been less than 2.5% of gross rents.
- › Control costs and prioritise savings. Our procurement processes ensure that we obtain best value as demonstrated by tendering our utility contracts as referenced below.
- › Ensure robust financial management, with strong financial controls and effective treasury management. This is evidence by our Financial Regulations and finance policies and procedures.
- › By the above, achieve surpluses to enable us to reinvest in and grow our business. Over the past 3 years we have consistently achieved reasonable operational surpluses of between 5% and 10%.
- › Effectively manage our staff team. In 2015/16 we spent almost £111,000 on staff training.

Key targets for the year measured against targets and last year's performance are shown below.

Target	2015 (Actual)	2016 (Target)	2016 (Actual)	2017 (Target)
Average annual voids rate	4.7%	4.0%	4.0%	3.5%
Bad debt percentage	2.4%	2.1%	2.0%	2.0%
Total maintenance costs per customer	£1,452	£1,452	£1,332	Maintain at this level

As part of our review of financial performance we have carried out reviews of major areas of cost. Last year our reviews focused on the following:

- › We commenced a review of our telephone costs during the year. The initial review covered our mobile telephones. By managing the process tightly and strong contract negotiation we achieved a saving in excess of 50% of the previous charges, against a target of 5%.
- › Another high cost element (10% of non staff expenditure) is utilities. We have a system in place to tender all our electricity and gas contracts as they become due to ensure we obtain the best possible price. We are refining this

process so that we can group contracts and tender them at the same time so that we can benefit from higher volume purchasing allowing further savings to be made.

In the coming year our reviews will cover the following:

- › Our major cost element (60% of total expenditure) is our staff. We will undertake a salary and benefits benchmarking exercise in 2016 to ensure that our staff emoluments are competitive. We undertook a similar exercise in 2014 and this resulted in the realignment of salaries for some grades of staff.
- › We will continue our review of telephone costs, this year concentrating on our fixed line rentals and call charges. This will extend to those lines used for data as well as voice, and we will maximise the use of faster broadband connections to combine both voice and data on one line, thereby reducing the number of lines we rent. Our aim will be to achieve a 15% saving on total telephone costs.
- › We strive to maintain our buildings to a high standard and our property maintenance expenditure is a large cost element (20% of non staff expenditure). We will carry out a formal review of our facilities service using an external expert. We will also concentrate on procurement processes in high cost areas to achieve maximum value. However we are committed to providing our customers the best possible service in well maintained buildings so we intend to maintain the same level of spend on maintenance, but ensuring that we continue to achieve best value.

We have also benchmarked our unit costs against the comparative data for the housing sector in general as provided by the HCA below.

<b>CPU £000s</b>	<b>Headline social housing cost</b>	<b>Management</b>	<b>Service charge</b>	<b>Maintenance</b>	<b>Major repairs</b>	<b>Other social housing cost</b>
Evolve Actual 2015/16	12.53	1.95	6.01	0.47	0.91	3.19
Evolve Target 2016/17	12.37	1.89	6.01	0.47	0.91	3.09
Sector upper quartile	4.30	1.27	0.61	1.18	1.13	0.41

As a specialist supported housing provider it is to be expected that our service charges will be much higher than the sector average because of the special additional services we need to provide, including higher staffing levels, greater security and monitoring equipment, etc.

As our units mainly consist of studios and shared flats within larger buildings our per unit maintenance costs will be lower than the comparators as the costs for each building will be spread over a larger number of units. Additionally nearly all our buildings have been rebuilt or refurbished during the past six years so they are structurally in good condition and we plan to keep them in this good condition.

The impact of our size is reflected in higher management and other costs than the comparators. Whilst we will continue to monitor our costs against the HCA benchmarks, we will seek benchmarking partners from our own sector so that more comparative figures can be shown.

### **Our staff**

As mentioned above we undertook a benchmarking exercise related to our staff salaries in 2014, and plan a similar exercise in 2016. There has been no increase in salaries since April 2014. However, we do not consider that reductions in salaries is an option as it is important that we recruit and retain staff of the highest calibre in order to maintain the current high quality of service for our customers.

In addition we undertake a staff survey biannually. Our results in this survey are benchmarked against those of the other RPs who are members of the benchmarking syndicate.

### **Current position**

Details from the 2015 survey are shown below together with our targets for 2017.

<b>Question</b>	<b>2015 Evolve</b>	<b>2015 Syndicate Average</b>	<b>2017 Target</b>
Staff are clear about what they are expected to achieve in their job.	92%	88%	Maintaining our position in the upper quartile of our benchmarking group.
Staff are clear about how their work will contribute to the success of the organisation.	93%	88%	
Staff answered positively that the organisation is committed to meaningful customer involvement.	90%	82%	
Staff believe that, on the whole, Evolve is a well managed organisation.	67%	52%	

Whilst the outcomes from the 2015 staff survey are generally positive, especially when measured against those of our benchmarking partners, we strive to continually improve our staff satisfaction level. Our Head of HR visited all of our services to discuss the outcomes of the survey and to seek further feedback. This feedback, together with the outcomes from the survey, has been fed in to our staff training and development plans.

### **Growing our business to achieve economies of scale**

As a smaller housing association we are better able to respond quickly to changing political and economic circumstances. However we are well aware that our size can present problems for us in that we have fewer units than some with which to absorb our overhead costs. We are addressing this by actively seeking merger partners and strategic alliances as well as organically growing our business through new developments.

## **5 Active asset management**

We are committed to ensuring that we are holding the right assets and assessing the financial return we receive from them. We regularly assess our housing stock to ensure it meets our current requirements. In 2016 we will complete an options appraisal on our smaller, scattered stock. This will be reviewed by our Board who will recommend the action to be taken.

We have undertaken a condition survey of all our housing stock and have established a fifteen year maintenance programme based on that survey. The majority of our buildings have been built or completely refurbished to a high standard in the last seven years. The maintenance programme is designed to ensure that the quality of our buildings is sustained. With that as a priority we will actively manage our procurement practices to ensure best value but we believe that a reduction in maintenance spend is only a positive if quality is maintained.

## **6 Adding Social Value**

### **Quality and our Customers**

Value for Money is not just about costs and we also need to take account of quality and customer satisfaction when assessing our performance. To understand what our customers think about the services we provide, we undertake an annual survey of customer satisfaction and we benchmark these results with other providers biannually. The headlines from the 2015 customer survey are shown below together with our targets for the current year. We also regularly review the quality of our services and customer involvement by way of service audits.

In addition we undertake an annual analysis of our customers' needs, distance travelled and outcomes, and benchmark these results year on year.

### **Current position**

Our 2015 customer satisfaction survey identified that:

- › 86% of customers are satisfied with the service we provide.
- › 62% of customers are satisfied with the way we deal with repairs and maintenance. Satisfaction with maintenance has fallen significantly and is lower than in 2011.
- › 82% of customers agree that we understand their needs.
- › 85% of customers agree that our services make positive changes to their lives.

Our customer needs analysis in 2016 identified that:

- › In 7 of the 22 outcomes measures we capture, we saw an increase in positive outcomes compared to 2014/15.
- › In 2015/16 over 85% of our customers with an identified need achieved a positive outcome in the following areas:
  - maximising income
  - participating in leisure-cultural-faith-informal learning
  - establishing links with external agencies
  - establishing contact with family and friends
  - managing physical health better
  - managing mental health better
  - managing independent living better
  - managing self harm better
  - minimising harm from others
  - increased choice, control and involvement

### Future targets

The outcomes from our last three customer surveys with this year's targets are shown below.

Question	2013 (Actual)	2014 (Actual)	2015 (Actual)	2016 (Target)
Taking everything into account are you satisfied with the service provided by Evolve?	95%	86%	86%	95%
Overall are you satisfied with the way Evolve deals with repairs and maintenance?	86%	72%	62%	80%
Overall do you agree that Evolve understands your needs?	90%	83%	82%	90%
Overall do you agree that Evolve's services make positive changes to your life?	89%	83%	85%	90%

Overall customer satisfaction was impacted on by a decline in satisfaction with maintenance, which is at its lowest since 2011. As a result, a full review of our maintenance provision is underway. However, this trend of generally lower customer satisfaction was replicated in other agencies in our benchmarking group and is probably consistent with the significant increase in customer needs levels as set out below.

Our needs assessment tool is the Outcomes Star and, whilst there are many areas of need that we monitor, we focus our analysis on average need levels, average risk levels, average distance travelled and outcomes. Individual reports are developed for each of our services detailing their specific performance. Team plans have subsequently been developed using this data, and other data sources, to identify areas which the services

will develop during 2016/17. The data for 2015/16 on outcomes in specific needs areas is shown in the table below along with the targets for the current year.

<b>Outcome measure</b>	<b>2015/16 Actual</b>	<b>2016/17 Target</b>
Reduced Overall Debt	84%	94%
Obtained Paid Work	54%	65%
In Education and/or Training	75%	90%
Better Managed Physical Health	94%	95%
Better Managed Mental Health	86%	95%
Better Managed Substance Misuse	74%	85%
Better Managed Self harm	87%	99%
Better Managed Risk from Harm to Others	87%	95%

We will also develop models to establish the savings to statutory bodies from the work at our services.

### **Our added value: the social value of Evolve**

Our own data illustrates the increasing needs of our customers:

- › only 3% of Evolve customers are in employment and education or training.
- › 88% of our customers have identified support needs around mental health.
- › 67% have identified support needs around substance misuse.
- › 50% have identified support needs around offending behaviour.
- › 20% have identified support needs around literacy and numeracy issues.

Furthermore, of the customers who moved on from our supported accommodation in 2015/16, 78% of them identified a need to establish contact with external groups or organisations. For this reason, we make it a priority within all our programmes to connect with local organisations and extend the reach of our existing support services into the community.

Over 90% of Evolve customers require support and advice over and above their basic housing needs. In order to better understand the profile of customer need and to improve the support services we offer we conducted a needs analysis in September 2015. The four health-related fields we measured were physical health, mental health, alcohol use and drug use. A key finding was that four out of five of Evolve's adult services have over 50% of their customers presenting with complex needs. Our young people's services have lower levels of customers presenting as complex, however younger people's services tend to have a high number drug users who are poly drug users, which in itself is a serious indicator of risk to health (physical and mental). Within the cohort of people identified as having complex needs because of the health and substance needs they present, just over 50% have three or more needs. The co-occurrence of need was shown to be the underlying factor in the high level of incidents within services.

### **Work and Learning programme**

Evolve's Work and Learning programme ensures that customers are work-ready before moving on and helps to provide meaningful career opportunities. Data relating to levels of engagement with the programme illustrates the multiple and complex needs of those taking part in programme activities. Since the start of the programme in late 2015 over a third of customers who engaged were identified as having two or more of the following criteria relating to complex needs (alcohol consumption, drug use, physical health and mental health). Within this group, 32% had been diagnosed with a mental health condition.

### **Digital inclusion**

Evolve's digital inclusion programme has also seen a high level of engagement from people with complex needs. Just over a quarter of customers were identified as having two or more of the following criteria relating to complex needs (alcohol consumption, drug use, physical health and mental health) and 39% had been diagnosed with a mental health condition.

### **Health and Wellbeing**

In its first year Evolve's Health and Wellbeing project has recruited 12 volunteer counsellors and developed relationships with local colleges in order to do this. The project has received 94 referrals from our various services, offered 90 initial assessments and 391 counselling sessions. The average waiting time from referral to assessment was 6 weeks, and the Health and Wellbeing manager is currently amending the assessment system with volunteer counsellors to shorten this where possible.

A series of art therapy sessions, facilitated by qualified therapists, was run at the Fitze Millennium Centre (one of our young people's services) and had good engagement from a group of young women there. Our Health and Wellbeing manager has delivered anger management sessions with young men at the same service.

### **Customer Employment Partnership (CEP)**

The CEP is a partnership of 18 homelessness organisations with a shared commitment to removing barriers and providing employment opportunities for formerly homeless people interested in working for homelessness charities. Central to the partnership is a website where jobs are posted. Each month Evolve gathers data from across the partnership on the number of jobs posted, vacancy type, the number that saw the recruitment process concluded and how many were secured by a person with lived experience of homelessness. Over the past year 89 jobs were advertised and 73 recruitment processes were concluded with only 16 posts either still vacant or no appointment made. Out of 51 support work roles advertised 55% were filled by people with lived experience of homelessness.

### **Reporting on soft targets**

We will build on the existing data that our support planning database, InForm, provides and on the assessment tool, Outcomes Star. Over the past year we have launched our health, counselling and work and learning modules within InForm, and we will continue to develop further measurement systems in relation to soft targets. In addition, volunteering has been integrated into InForm, and now contributes to our KPI recording.

We have a team of volunteers from the Beyond Me programme, who are looking to use a social impact measurement tool to evaluate the impact our activities have on the people and communities in which, and with which, we operate.

Throughout 2015/16 we have rolled out the reducing negative moves model that was piloted in 2014/15 at two of our services, Ingram Court and Palmer House. There is an ongoing programme of training across the organisation, and in 2016/17 we will evaluate the impact that this has had.

## **7 How we deliver VfM**

We record our key achievements once our VfM reviews have been carried out. This highlights cost savings and also our achievement against soft targets. This might be by way of case studies where empirical measurement is not possible. We will also include our successes in achieving new business, which obviously leads to the overhead burden on our existing services being correspondingly reduced.

The starting point for our VfM processes was our 2013-16 Business Plan. We then used the data available to us from our VfM self assessment to establish our current position. Our VfM strategy was developed to provide a pathway to meeting our targets. We understand the importance of ensuring that the benefits achieved are not just short term but are sustainable in the long term. We have also taken steps to involve customers in the process whenever this is possible. In particular we have established a customer scrutiny panel that regularly investigates aspects of our service delivery and makes recommendations on improvements, both in service and value for money. The majority of the recommendations made in the panel's reports have been accepted and changes made accordingly in our policies and practices.

All annual reviews begin by ensuring that we have an appropriate VfM governance structure in place that fully engages our Board and provides appropriate executive scrutiny and oversight. We then explore what lessons can be drawn from our previous VfM strategy to help inform our new strategy. The next stage is to undertake a robust review of our current level of performance as against our set targets, which are directly linked to our corporate strategy. We check that we have the relevant benchmarking data and also ensure that our VfM approach enables us to comply with the regulatory standard.

This process leads naturally in to the annual self assessment and revised VfM strategy. Our long-term aim is to heighten our expertise in VfM management and to be continually challenging our cost base, monitoring the relationship of costs incurred to outcomes achieved, and aspiring to create an environment for continuous improvement.

### **How we make decisions**

The Board is responsible for the formulation of the strategic plans of the organisation and, by regular financial monitoring, ensuring adequate accounting records are kept and detailed budgets are prepared and approved. In order that it might properly fulfil these obligations it receives regular reports on all aspects of the organisation's operations and it delegates the main day to day decisions to the Chief Executive and senior managers.

### **How we monitor performance**

We monitor financial performance via our monthly management accounts, which include variance reporting against our agreed budget. We also prepare annual statutory accounts and an annual report. The latter includes both financial and non-financial data.

We monitor rent collection performance and voids using our housing management system to produce monthly arrears and void reports. This system also provides the data by which we assess the performance of our facilities team against our various repairs targets.

Operational performance is monitored by regular service audits. These audits are carried out by a staff team that is peer led and always include a customer auditor.

Managers are expected to account to their line manager for the financial and non-financial performance of their service and this is measured against agreed targets and budgets. These targets and budgets are set annually, but are kept under constant review and are updated when necessary. In addition, the leadership team reviews results and outcomes monthly, with further scrutiny provided by quarterly Audit Committee and Board meetings.

### **Benchmarking**

Our regular customer satisfaction and staff surveys are benchmarked against results from the other agencies who are members of the benchmarking syndicate. This approach is also used for staff salaries on a regular basis.

We will seek comparative data for other areas of our work. Initially we will approach members of our existing benchmarking groups, but our sources may also include other organisations with which we have good relations and from commercial sources such as HouseMark.

## **8 Board assurance**

Evolve sees its approach to VfM as a natural extension of the strategies, plans and processes that are already in place. Targets are set through the business planning process, annual budget setting and through team and individual objectives.

The Board is ultimately responsible for ensuring the delivery of the VfM strategy, which is overseen by our Audit Committee. A range of information is available to the Board during the course of a year, produced both internally and externally, to provide the required assurance. This information includes but is not limited to:

- › Monthly management accounts and quarterly financial forecasts
- › Quarterly and annual performance reports and KPIs
- › Internal audit assurance reviews
- › External audit reports
- › Specific service reports
- › Annual customer survey feedback
- › Customer panel reports
- › Regular reports to the quarterly Board and Audit Committee meetings
- › Risk register

We are always looking for better ways of operating and to learn from others. We are keen for feedback on any aspect of our performance and this document is part of a suite of documents we produce each year which includes our:

- › Statutory accounts
- › Annual report
- › Value for money self assessment and strategy

This document is designed to be accessible to anyone with an interest in the organisation and the subject. This includes our customers, commissioners, staff, suppliers, regulators and other key stakeholders.

## 9 Future challenges

As we strive to provide good quality homes and excellent services at competitive costs, we are very aware of further proposed Welfare Reform cuts and the reduction in public sector funding. We recognise the need to continue to deliver more for less and deliver the best outcomes for our customers. We do not underestimate the impact of external changes, especially the impact of the Welfare Reform and Work Bill, published by the Government in July 2015, and a number of other recent Government proposals. The key issues that affect us are:

- › **Rent reduction:** The requirement on Registered Providers to reduce rents by 1% each year over the next 4 years, starting from 2016-17. The Government has exempted providers of supported housing from applying the cut for one year.
- › **Rents capped at Local Housing Allowance (LHA) rates:** The Government is proposing that the Housing Benefit available to meet the costs of social housing rents should be capped at the relevant LHA rate. Again this has been delayed for one year pending a wider review.
- › **Benefit cap:** The current benefit cap is £18,200 for single persons. The government proposes to reduce this further in coming years.
- › **Housing Benefit for those aged under 21:** The government proposes to end the automatic entitlement to Housing Benefit for people under 21.

Initial modelling indicates that the above requirement to reduce rent by 1% over the next four years will mean a loss of approximately £1.9 million to Evolve compared to original forecasts of rent levels. The effect of this proposal over the 7 years of our current financial forecasts is approximately £5.9 million.

If our rents were to be capped at LHA rates the impact would be enormous, leading to a loss of revenue of £2.9 million in the first year, which would push us into a deficit and completely destroy our business model.

Whilst we will make every effort to increase efficiency further, and we remain committed to continuing with our plans for developing low cost housing solutions, it is inevitable that any reduction in our rents will reduce our capacity to commit to future developments.

## 10 Future targets and how we will achieve them

Our focus on VfM has raised our collective awareness of the importance of VfM in our service provision. The current economic climate has further highlighted VfM as a key area. To secure improved VfM we need the involvement of our staff, our stakeholders and the understanding of our customers. We need them to engage fully with this strategy and develop even more effective ways of delivering services than has historically been the case.

Our contract rates have been increasingly squeezed over the last five years and have fallen by approximately one third in that time – resulting in a corresponding efficiency improvement. Our supported housing contracts with local authority funders are now at a minimum level whilst still ensuring reasonable and market median rates of pay for front line staff. However, we believe we can deliver even greater efficiencies in our housing management and back office services.

This will require a change in custom and practice and a more critical assessment of the way in which our services are delivered. We will continue to raise VfM with our staff at our regular service meetings with the aim of embedding the principles in to their working practices. To guide the organisation through the strategy we have developed some key principles, which we will apply when considering VfM, and a simple action plan to focus our attention on the areas where we most need to make improvements.

During the coming year we will continue to focus on value for money and in particular we will:

- › Review our operating costs across the organisation and set targets for cost reductions
- › Improve asset management, particularly in relation to delivering against our cyclical maintenance plan and ensuring VfM from our facilities function
- › Reduce voids as detailed in section 4 above – particularly the time and cost of letting to new customers
- › Further improve our current good arrears performance.

- › Develop a range of measurements for soft outcomes to better demonstrate our social value.
- › Develop a new KPI format to improve reporting on all outcomes for our customers.

We will also develop a plan to review key areas of our overheads, operating costs and performance including, if practical, reporting on and measuring our achievement levels against soft targets. As part of our review of financial performance we will carry out reviews of major contracts and, where appropriate, we will measure the return on assets employed. We will also identify and report on value added.

## **11 Communications**

The contents of this VfM self assessment and strategy will be communicated to all staff via our corporate briefing processes and through team meetings, and copies will be made available on our staff Intranet. As part of the corporate induction process, Evolve's approach to VfM is explained to all new staff. Our VfM self assessment and strategy will also be posted on our website ([www.evolvehousing.org.uk](http://www.evolvehousing.org.uk)) and be available from our head office at Marco Polo House, Croydon.

## **12 Review**

This VfM self assessment and strategy will be formally reviewed annually.