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# Value for money review and strategy

## September 2019

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### 1 Introduction

#### 1.1 Statement from our Chair

Evolve Housing + Support (Evolve) is committed to the pursuit of excellence, efficiency and effectiveness. This review sets out how value for money is embedded in our day to day activities. We aim to be the leading provider of homelessness services in London and linked to this is our desire to be known for offering quality services and 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 monitor measurable outcomes to confirm that we are fulfilling this vision.

I and my fellow Board members accept our responsibility for knowing how our 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, in line with our risk appetite, 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.

Funding for social housing remains under the spotlight. It is critical to us that future funding arrangements do not compromise our commitment to provide high quality homes and services. 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

Evolve is a leading homelessness charity in London, providing housing and support to over 2,000 people each year. Our aim is to help children, young people and adults who are homeless or at risk of homelessness to become independent and resilient. We believe in building on people's strengths, aspirations and goals to help them break the cycle of homelessness.

We offer a programme of support tailored to meet people's individual needs, including housing, employment and skills training, mentoring and counselling. We work with young parents and children at risk of exclusion to build the skills and resilience that can help prevent homelessness. We campaign to end street homelessness. We build affordable homes to help people move on to an independent life.

Our approach is underpinned by our behaviours:

### **Empowering others:**

- We give people the tools they need to achieve their goals;
- We motivate and support people to take positive risks;
- We support people to make their own decisions.

### **Embracing diversity:**

- We actively remove barriers that may prevent people from participating;
- We see the value and potential of every customer and staff member;
- We deliver services and manage staff in a personalised way.

### **Getting involved:**

- We think everyone has the potential to change the organisation for the better;
- We say 'yes' to collaborating with other teams, organisational initiatives and community activities;
- Staff and customers work together to improve our organisation.

### **Getting the basics right:**

- We behave in a way that's consistent with our values and code of conduct;
- We perform our duties, as defined by our job descriptions, and follow our organisational policies and procedures;
- We strive to meet our customer involvement and quality standards.

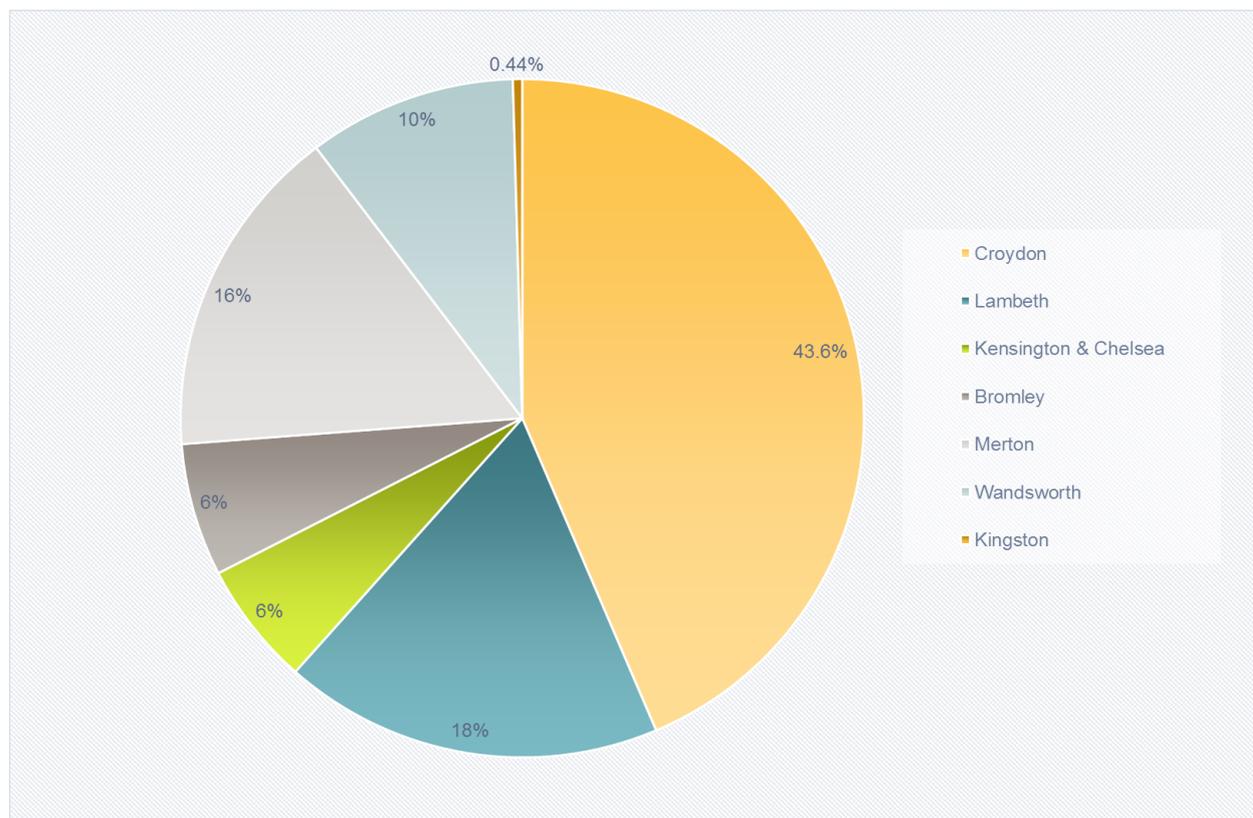
### **Being ambitious:**

- We set stretching targets for customers, staff, teams and the organisation;
- We focus on people's aspirations and help them achieve their goals;
- We see potential beyond someone's current circumstances or historic behaviour.

### **Believing in people:**

- We believe people can make positive change;
- We respect everyone;
- We focus on people's strengths, rather than needs and risks.

We have been supporting our communities for 158 years. We work with homeless and vulnerable people in eight London boroughs. Our supported housing services provide much needed temporary accommodation for 678 vulnerable homeless people of all ages across seven of those boroughs: 43.6% in Croydon, 18% in Lambeth, 16% in Merton, 10% in Wandsworth, 6% in Bromley, 6% in Kensington and Chelsea, and 0.4% in Kingston upon Thames:



Our services include support for young people, for rough sleepers with complex needs, for teenage parents, and people with mental health issues. We also provide 'step-down' services for people who are able to move on to independence.

Within the community, we provide services including mentoring, counselling and employment and learning services. Our health and wellbeing projects – including our new team of Psychological Wellbeing Practitioners - enhance our service delivery to our residential customers. Our mentoring service works in schools in our eighth borough – Lewisham – as well as Lambeth, providing additional support to over 100 children aged 10 – 16, with a view to preventing exclusion from school and future homelessness.

### 1.3 Our strategic objectives

The Value for Money Standard and Code of Practice (effective from 1 April 2018) focuses on outcomes. It places value for money at the heart of the business, requiring registered providers to have an agreed approach to achieving value for money in meeting their strategic objectives.

The year under review was the last year of our 2016-19 Business Plan. During the year, we have been developing our business plan for 2019-22. Our key strategic objectives remain unchanged and can be summarised in one cohesive statement of intent: *Inspire our team to create positive change, reach more people and sustain our future.*

Each year, we develop a Corporate Plan for the year, to deliver our objectives. The key priorities for 2018-19 were:

- › To make Evolve the employer of choice
- › To break ground on our new Croydon development
- › To secure our long term future.

Delivering value for money for our customers and key stakeholders is central to all our decisions to deliver the above objectives.

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 Regulator of Social Housing, we have developed 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 review of our approach to VfM compared against the VfM standard and code of practice, 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 have adopted the metrics suggested by our regulator and joined a group of similar organisations to enable us to benchmark our performance against other providers in our particular subset of the social housing sector – supported housing.

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, 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 regularly undertake 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.

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 for our existing neighbourhoods and to invest in new neighbourhoods.

We have a proven track record of being efficient and effective. As with many overarching themes, 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 annual VfM review is a key document. It has been prepared by senior management, approved by our Board and is published on our website. Each year, we review and refresh the actions identified in our VfM Strategy.

## **4 Strategic objectives**

### **4.1 To make Evolve the employer of choice**

In April 2018, our first People Plan was launched. The purpose of the plan is to make our organisation a great place to work. By being a great place to work, we will continue to create positive change for customers. We have established an Employee Forum which meets monthly to drive forward the plan's objectives.

In 2019/20 we will undertake a benchmarking exercise on staff remuneration. The process will gather information on pay across various organisations and compare our pay packages against those offered for the same role by competitors. We will review the results of this exercise to ensure our packages are set at the right level.

#### **4.2 To break ground on our new Croydon development**

Following approval of our Development Strategy in 2017 we have secured a suitable site for a development of at least 50 units of accommodation for homeless individuals and families, available at social housing rents. We have appointed an Employer's Agent and architects to carry out the initial design and massing work and are working to secure full planning permission. Our original aim was to start on site during 2018/19 but delays in securing the site and with planning meant this was not possible. We are on track to start on site before the end of the 2019/20 financial year.

At all stages of the process, value for money has driven our decisions and all contractors are appointed following rigorous tendering processes. Price is not our only driver – we require assurances on quality and the ability to deliver our vision within an appropriate timescale

#### **4.3 To secure our long term future**

Obtaining funding for new homes and new and improved services is an ongoing challenge. Local authorities and other public-funded bodies are under increasing financial strain, which will put more pressure on our services. We must continue to examine our costs carefully and maximise our income, for example by keeping void costs as low as possible, and by further increasing our fundraised income.

We will further develop our approach to innovation and tendering to improve our competitiveness and profile, and review the use of our assets to diversify income streams, secure unrestricted funding and maintain cash flow. We will also embrace new technology to improve and innovate in service delivery, cost control and income streams

## **5 Economy, efficiency and effectiveness**

**5.1** The Code of Practice states that: *'Achieving value for money should include achieving economy, efficiency and effectiveness in all areas of activity, taking into account the outputs achieved as well as input costs. Economy, efficiency and effectiveness are defined as follows:*

- › *Economy: minimising the cost of resources used while having regard to quality*
- › *Efficiency: the relationship between the output from goods or services and the resources to produce them*
- › *Effectiveness: the extent to which objectives are achieved and the relationship between intended and actual impacts.'*

A suite of metrics have been developed under these categories and our calculated figures are shown below, together with further context.

## 5.2 Economy

The primary metric for economy is headline social housing cost per unit.

### Headline social housing cost per unit (£'000)

Our figures for the last 4 years are shown below. The median figure is taken from the Smaller Providers Benchmarking Group (SPBM) report for 2018/19 for our peer group.

£'000	2016	2017	2018	2019	Median
Evolve	£10.3	£11.0	£10.2	£10.8	£10.3

Many of our customers have complex needs and as a specialist supported housing provider it is to be expected that our service charge costs will be relatively high because of the special additional services we need to provide, including higher staffing levels, greater security and safety equipment, etc.

Two year contracts have been awarded to the selected contractors for our planned preventative maintenance work, commencing in September and October 2018. Whilst cost was not the only driver for this review, potential contractors were scored on their ability to provide a high quality service at an appropriate price.

We have renewed our fixed price utility contracts to run until September 2021 and brought all supplies under two companies to maximise our buying power and reduce increases.

We have rationalised all our fixed line telephone connections and the provision of broadband services to our buildings. We have brought all our mobile phone contracts under one provider and reduced our annual communications costs significantly.

## 5.3 Efficiency

Six metrics have been defined to measure efficiency. We have calculated these metrics for the last four years and the figures are shown below together with benchmark data and further context.

### Reinvestment (%)

%	2016	2017	2018	2019	Median
Evolve	-	-	-	-	3.2%

We have not developed any new properties recently, concentrating instead on ensuring all our current properties provide the same high standard of accommodation. However, following Board agreement to our development strategy in June 2017 we are actively working on plans for a modular development of at least 50 units in Croydon. We have identified a suitable site and secured GLA finding for the project. Value for money is a key consideration in all decisions relating to this development.

**Gearing (%)**

%	2016	2017	2018	2019	Median
Evolve	38%	31%	22%	5%	6%

We have deliberately allowed our gearing ratio to fall to ensure we have sufficient headroom to borrow the funds which will be required to complete our new development. We have the support of our bankers for our plans, and are confident that we have the resources to complete the project. We have also sold some surplus stock to generate funds for our development plans

**Earnings before interest, tax, depreciation, amortisation, major repairs included (EBITDA) interest cover (%)**

%	2016	2017	2018	2019	Median
Housing activities	574%	616%	692%	713%	Data not available
Organisation	661%	720%	474%	441%	227%

With historically low interest rates, loan finance has been an economic way to finance development. As interest rates rise, we will monitor the effect on our business to ensure this continues to be the case.

**Operating margin (%)**

%	2016	2017	2018	2019	Median
Social Housing lettings	5.85%	4.87%	2.29%	3.38%	10.11%
Organisation	6.13%	5.27%	1.52%	2.48%	5.6%

**Return on capital employed (%)**

%	2016	2017	2018	2019	Median
Evolve	0.92%	3.5%	3.18%	7.09%	3.53%

Return on capital employed has been increased significantly by a surplus of £1.2m on the sale of surplus stock, to provide funding for our new development.

We believe our return on capital employed confirms our commitment to manage our business to sustain our future ability to provide quality services to some of the most vulnerable people in our society.

#### 4.4 Effectiveness

One metric has been defined to measure effectiveness – new supply delivered.

As noted above, we have not delivered any new supply in the last four years. However we have undertaken a rationalisation of our stock and by disposing of some units we have created the funds necessary to commence a development of modular units for single homeless and temporary accommodation for families, as well as creating some units for a 'housing first' project.

In the year of completion, our new supply delivered metric will be in the region of 12%. The peer group median for 2018/19 was 3.1%.

## 6 Adding Social Value

### 6.1 Customer needs

Our customers are homeless and vulnerable people who require supported housing. Mental health is the highest area of risk for customers, with 69% of people reporting a mental health issue. We support people of all ages, and whilst mental health is the highest area of risk across all age groups, physical health is the second highest level of risk for adults (25 years +) and tenancy loss is the second highest level of risk for young people (16-25 years).

As well as supported accommodation, we also provide specialist and second tier services including an in-house counselling service that is free to customers, and which is also open to referrals from other homelessness agencies. We fund this service through other income streams such as grants and fundraising. During 2018/19, 106 people received counselling from us at no cost to them and with a waiting time of less than 3 weeks. We delivered at least one Work + Learning workshop per week in-house, as well as providing access to opportunities and services through our relationships with Crisis, Accumulate, the Shaw Trust, Marks and Spencer, Natterbox, KPMG, Nando's, Cardboard Citizens, MTRX Rail and Reed in Partnership amongst others.

We support people to address the issues that lead to homelessness and a crisis in their lives so that they can move on and make change that is lasting, preventing a future return to homelessness.

A review of our outcomes data shows we have helped:

<b>Outcome</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
Customers to move on in a positive, planned way into more independent and/or stable accommodation	78%	77%	75%
Customers who were 'work ready' to obtain paid work	51%	60%	56%
Customers who wanted to work to take part in a work like activity such as volunteering and job placements	79%	81%	76%
Customers who were in debt, to reduce that debt	78%	76%	79%
Customers to establish contact with services such as GP and dentist	92%	92%	93%

Customers to better manage their physical health	95%	89%	90%
Customers to better manage mental health	86%	87%	75%

Our customer survey results show that:

	2016	2017	2018
Customers were happy with the support they received from their keyworker	89%	91%	93%
Customers feel safe in our services	88%	88%	95%
Customers were satisfied with the support they received around move on	75%	80%	84%
Customers were satisfied with the information they received on paying rent and arrears	89%	91%	91%

Our target for all these questions is 80%.

In 2018/19 we enhanced our services further to offer

- additional resettlement support at a young person's service;
- focused resettlement support to long-stayers who were struggling with the prospect of moving on from supported accommodation;
- an enhanced Health and Wellbeing service which works with people with complex needs and supports our teams to work with mental health issues, trauma and challenging behaviour.

We work hard to establish partnerships with the local communities in which we work, Local Authorities and other homelessness agencies to reduce duplication and provide joined up services. Wherever possible we use space in our buildings for community groups such as local AA groups to run, and have a small conferencing facility for local organisations to use for training and meetings.

## 6.2 Work and Learning programme

Our three year Work + Learning programme, which was supported by the Big Lottery Fund came to an end in Autumn 2018. The programme exceeded targets in several areas including improved numeracy; which 149 people achieved against a target of 106, improved management of substance use which 214 people achieved against a target of 133, improved management of mental health which 276 people achieved against a target of 266 and getting into paid work which 160 people achieved against a target of 65.

Our fundraising strategy includes plans to secure unrestricted income, grant funding and corporate support in order to sustain this service. We have secured funding from Streetsmart, the Rough Sleeping Innovation Fund and the London Homelessness Charities Group to provide employment support and coaching to customers who have experienced or are at risk of rough sleeping.

### 6.3 Peer Circles

Peer Circles, supported by The Big Lottery Fund and European Social Fund, supports severely disadvantaged people within the communities of South London to overcome multiple barriers to accessing training, volunteering and employment opportunities. The project is in partnership with St Giles Trust, and is now in its third year.

### 6.4 Health and Wellbeing

Health and Wellbeing is a no cost, swift access counselling service provided for the customers of our accommodation-based services in-house by volunteer counsellors. The service is supported by the City of London Corporation City Bridge Trust and Streetsmart. The service is delivered by trainee counsellors enabling them to achieve their practice hours and full qualification.

We launched our enhanced Health and Wellbeing service with support from the Big Lottery Fund in September 2018, which will provide enhanced support and psychological expertise to customers and staff teams. The team provides core training on mental health to all staff, support to staff teams working with complex customers and works one to one with complex customers in a flexible way to support them with mental health issues.

### 6.5 Horizons

The Horizons project is funded by BBC Children in Need and works in schools with children at risk of exclusion or disengagement. As with all our services, our approach is asset based and provides mentoring and coaching to help children identify their strengths, talents and develop coping mechanisms. Horizons worked with 93 children in 2018/19.

## 7 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.

## **8 Future challenges**

Our financial forecasts reflect the challenging funding climate and realistic assumptions have been made with regard to our income streams. We expect that the funding of supported housing will continue to be scrutinised by Governments present and future, anxious to control the welfare bill.

We have predicted no increases in grant funding – experience shows that grant renewals are usually at the same or a lower amount. Our assumptions in relation to income from new business and fundraising are also extremely conservative and even though a major thrust of our plan is growth through fundraising and new business, our forecasts show only moderate revenue increases below the rate of inflation. They also allow for inflationary cost increases.

Increasing customer needs and the lack of appropriate alternative accommodation mean ever increasing pressure on our services. We must find innovative ways to continue to provide high quality services within tight budgetary controls.

## **9 Future targets and how we will achieve them**

Our 2019-2022 business plan has been drawn up following extensive consultation with our staff and customers. Their views are central to the plan. During these consultations, common themes and proposals between our own analysis and the views and analysis of our managers and our customers emerged. This sense of unity – Board, Leadership Team, staff and customers moving forward together - will be a major source of strength over the next three years.

We continue to discuss VfM with our staff at our regular service meetings and the principles are now embedded into our working practices.

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

- › Carry out a review of services where current funding is insufficient to maintain the service in its current form;
- › Review all our assets to ensure best use and value;
- › Carry out a salary benchmarking review;
- › Continue to develop and expand our fundraising activity to secure funding for our services.

## **10 Communications**

The contents of this VfM review 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, our approach to VfM is explained to all new staff. Our VfM review and strategy will also be posted on our website ([www.evolvehousing.org.uk](http://www.evolvehousing.org.uk)) and be available from our administrative office at Kingston Road, London SW19.

## **11 Review**

This VfM review and strategy will be formally updated annually.