
Value for money review and strategy

September 2020

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.

The coronavirus pandemic created unprecedented challenges for us. Our entire organisation (board, leadership team, colleagues and customers) rose to these challenges, and at the time of writing, we have successfully navigated our way through the crisis. With the pressure on funding created by the crisis, value for money has never been more crucial to the management of our business. We remain committed to providing 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 159 years. We work with homeless and vulnerable people in eight London boroughs. Our supported housing services provide much needed temporary accommodation for 650 vulnerable homeless people of all ages across six of those boroughs: Croydon, Lambeth, Merton, Bromley, Wandsworth and Kensington and Chelsea.

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 digital and learning services. Our health and wellbeing projects – including our team of Psychological Wellbeing Therapists - 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.

In June 2019, the Board approved 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 2019-20 were:

- › To complete all necessary reviews of cladding and wall systems and remediate as required
- › To start on site on our Croydon development
- › To carry out a salary benchmarking review
- › To develop an innovation scheme.

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. We have a formal procurement process for all significant contracts, with contractors judged on a combination of price, quality and the ability to deliver to our standards. 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 complete all necessary reviews of cladding and wall systems and remediate as required

The devastating fire at the Grenfell Tower in June 2017 brought building safety and fire prevention to the forefront of housing policy. Whilst safety has always been at the top of our agenda, we have invested, and continue to invest, significant sums in fire safety remedial work and improving fire prevention arrangements at our services in order to meet revised standards and anticipated new building regulations. All our buildings have passed fire safety inspections by the London Fire Brigade. We have one building where a small amount of cladding needs to be replaced and work on that replacement is underway, with anticipated completion in November 2020. A full procurement exercise was undertaken to ensure value for money, balancing quality, price and the ability to deliver to project in an acceptable timeframe. At one of our other buildings, we have identified that cladding, although not of the type identified as a fire risk, has been incorrectly installed and will need to be replaced. The cost of this will be very significant, and whilst we identify the best options for funding this remediation work, we will do this without unnecessary delay. The works will take a year, and we anticipate the work will be completed by the end of 2021.

4.2 To start on site on our Croydon development

We did not achieve this objective, and the proposed scheme has now been abandoned. This is due to significant concerns raised by the local authority planning department, which, despite our best efforts over a three year period, we were unable to resolve. We are still committed to developing more accommodation and will now open discussions with other local authorities.

At all stages of any development process, value for money drives 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 carry out a salary benchmarking review

In 2019/20 we carried out a benchmarking exercise on staff remuneration. We gathered information on pay across various organisations and compare our pay packages against those offered for the same role by competitors.

It was our intention to implement changes to remuneration from the benchmarking review from 1 April 2020. However, the short and medium term impact of the coronavirus pandemic on our operations and our costs meant it was not prudent to do this. We intend to revisit the benchmarking exercise later in 2020/21 and will develop proposals based on the financial situation at the time. In the meantime we made a bonus payment to all staff and an enhanced bonus payment to those people working in our services. This bonus payment acknowledged the unique situation which our staff worked in throughout the initial months of the pandemic.

4.4 To launch an innovation scheme

We established an innovation panel which consisted of board members, staff and customers. An invitation was sent to all staff to submit their ideas for innovation. A framework for assessing the ideas was created to enable the panel to consider the impact and efficiency of each of the innovation ideas. Value for money (balancing cost against impact) was a key criteria. Two ideas have been selected and will be developed internally.

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 2019/20 for our peer group.

£'000	2016	2017	2018	2019	2020	Median
Evolve	£10.3	£11.0	£10.2	£10.8	£12.5	£9.8

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. The increase in this cost this year reflects the increased expenditure on maintenance, in particular fire safety.

We continue to monitor value for money on all our costs, reviewing contracts regularly and awarding new contracts based on the ability to provide a high quality service at an appropriate price.

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	2020	Median
Evolve	-	-	-	-	-	3.85%

We had planned to develop at least 50 new units in Croydon, but the scheme has had to be abandoned as we were unable to resolve the planners' concerns, and did not want to keep investing money in a scheme which would not be viable. Value for money is a key consideration in all decisions relating to any capital developments, and we will retain this focus when discussing future schemes with other local authorities.

Gearing (%)

%	2016	2017	2018	2019	2020	Median
Evolve	38%	31%	22%	5%	4%	6%

We are deliberately allowing 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.

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

%	2016	2017	2018	2019	2020	Median
Housing activities	574%	616%	692%	713%	782%	Data not available
Organisation	661%	720%	474%	441%	455%	347%

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	2020	Median
Social Housing lettings	5.85%	4.87%	2.29%	3.38%	3.52%	10.88%
Organisation	6.13%	5.27%	1.52%	2.48%	2.19%	5.14%

Many organisations in our peer group have a larger proportion of general needs accommodation where the margins are significantly better. The cut in social rents combined with ever increasing costs has reduced our margins.

Return on capital employed (%)

%	2016	2017	2018	2019	2020	Median
Evolve	0.92%	3.5%	3.18%	7.09%	1.59%	1.7%

Return on capital employed in 2019 was 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 five 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.

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 73% of people reporting a mental health issue. We support people of all ages, 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 which we fund through other income streams such as grants and fundraising.

During 2019/20, 125 people received counselling from us, a 15% increase on the previous year at no cost to them and with a waiting time of less than 3 weeks. We delivered workshops across services, produced wellbeing resources and guides for colleagues and customers.

Peer Circles, our employment project for people facing multiple exclusion and barriers to work delivered in partnership with St Giles Trust, worked with 137 people in our target boroughs. This project's funders have agreed funding for a further 2 years based on the success of the project.

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:

Outcome	2016	2017	2018	2019
Customers to move on in a positive, planned way into more independent and/or stable accommodation	78%	77%	75%	76%
Customers who were 'work ready' to obtain paid work	51%	60%	56%	62%
Customers who wanted to work to take part in a work like activity such as volunteering and job placements	79%	81%	76%	80%
Customers who were in debt, to reduce that debt	78%	76%	79%	84%
Customers to establish contact with services such as GP and dentist	92%	92%	93%	94%
Customers to better manage their physical health	95%	89%	90%	91%
Customers to better manage mental health	86%	87%	75%	79%

Our customer survey results show that:

	2016	2017	2018	2019
Customers were happy with the support they received from their keyworker	89%	91%	93%	91%
Customers feel safe in our services	88%	88%	95%	89%
Customers were satisfied with the support they received around move on	75%	80%	84%	83%
Customers were satisfied with the information they received on paying rent and arrears	89%	91%	91%	94%

Our target for all these questions is 80%.

In 2019/20 we enhanced our services further to offer

- Enhanced our OCN accredited learning to offer first aid, food hygiene etc which increases employability and skills
- Enhanced our entrepreneurship programme which now runs quarterly to increase access delivered in partnership with local business and entrepreneurs
- Continued to focus resettlement support to long-stayers who were struggling with the prospect of moving on from support to increase sustained resettlement
- Our enhanced Health and Wellbeing service has developed support and training for customers to provide peer support

We have set a new service in partnership with LB Croydon, the Somewhere Safe to Stay Hub, an innovative new model which provides quick access and rapid re-housing for people who are homeless, rough sleeping or at risk of rough sleeping.

6.2 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.

6.3 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 provides 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.

6.4 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 73 children between September 2019 and July 2020. Over the 3 years since the project began, it has supported 204 mentees.

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.

The coronavirus pandemic in 2020 has had a significant impact on our business. Throughout the crisis we have been determined to keep all our services running and to help where we can to protect some of the most vulnerable members of our society. In the quarter to 30 June, we incurred additional staffing and other costs in the region of £175k. Our staff have risen to the challenge magnificently and we have received welcome financial support from our commissioning authorities.

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.

The effects of the coronavirus pandemic began to impact on the business in March 2020 and are ongoing at the time of this review. We reviewed our original objectives for 2020/21 in June 2020. Our main objective for the year is now to ensure safe working environments for all our staff, and safe living environments for our customers. To this end we will be investing in technology and facilities to enable agile working and to ensure covid-secure environments for our staff and customers.

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) and be available from our administrative office at Kingston Road, London SW19.

11 Review

This VfM review and strategy will be formally updated annually.