**VALUE FOR MONEY ASSESSMENT**

## APPROACH

The Housing for Women Board and the Executive Team (ET) aim to maximise the social value of the organisation by ensuring that its finance and resources are used effectively.

It is the role of the Board and ET to:

* Ensure the organisation’s assets and resources are used to further its charitable aims and ensure planned surpluses are achieved.
* To challenge business effectiveness and ensure it operates efficiently.
* To set the standards and targets against which performance is measured and ensure action is taken so that they are achieved.

## STRATEGY

* Agree a target surplus to provide an appropriate return on our assets for the benefit of current and future service users.
* Undertake active asset management to ensure that all accommodation is at the standard agreed by the Board and in order to advance our business objectives.
* Quantify and measure financial return, social value and impact in our provision of social and affordable housing, support services to vulnerable women and other value added activities.
* Reduction in overhead and back office costs including Administration, Human Resources, Finance & ICT and the Chief Executive’s Office.
* Set service standards across all operational areas.
* Maximise fundraising income for non-statutorily funded projects which benefit women and meet our charitable objects.
* Drive improvement in the Association’s performance and benchmark against other similar providers to ensure results are in the upper quartile.
* Evaluate the effectiveness of operational projects within the business to ensure that deemed benefits are achieved.

## OVERALL PERFORMANCE

There are many performance measures available and the key ones for evaluating the performance of the Association are all concerned with viability.

Housing for Women has selected other similar sized organisations with properties in similar London locations in order to compare and benchmark our performance on core business activities.

**OVERALL OPERATING MARGIN**

|  |  |  |  |
| --- | --- | --- | --- |
| Registered Provider | Units | **2015** | 2014 |
| Housing for Women HA Ltd | 836 | 24.4% | 18.7% |
| Arhag HA Ltd | 857 | 25.7% | 25.6% |
| Soho HA | 742 | 31.6% | 31.1% |

The overall operating margin measures profitability and efficiency, it is derived by dividing the operating surplus by the turnover. Housing for Women is at 24.4% (2014: 18.7%) and whilst it is not as efficient as the chosen benchmark associations, it is moving in the right direction even when we strip out the effect of the reduction in planned maintenance costs.

We also review and ensure that the Association’s level of debt is appropriate and that we have the ability to repay it. Gearing and interest cover are 19.9% and 2.43 respectively (2014: 21% and 1.27) indicating that the level of debt is acceptable and that we are increasing our ability to repay it. Lastly, it is essential that the Association has sufficient cash resources to meet expenditure as it falls due. Cash balances have increased by £0.7m year on year.

We identified that Housing for Women’s customer satisfaction ratings and performance were in the bottom quartile of smaller providers last year and in response we engaged Mazars to review our customer service offering. To address the findings of the review a change program was initiated which resulted in the merger of the housing and property teams into one directorate delivering efficiency savings and anticipated performance improvements. The Director of Operations has been appointed and while the organisational restructure is still in progress the work required to improve customer satisfaction and performance has commenced.

## FINANCIAL VIABILITY AND PERFORMANCE

The **Operating Margin** is a measure of profitability and efficiency, the table below compares owned and managed general needs housing only.

|  |  |  |  |
| --- | --- | --- | --- |
| Registered Provider | Units | **2015** | 2014 |
| Housing for Women HA Ltd | 836 | **32.9%** | 23.4% |
| Arhag HA Ltd | 857 | **27.0%** | 21.7% |
| Soho HA | 742 | **21.8%** | 31% |

This indicates that the Association’s profitability on the core business activities has improved significantly since last year and is stronger than that of the benchmarked organisations. The majority of this improvement occurred because of the reduction in planned maintenance expenditure and the Association recognises that this is a one-off and not related to core business activities, it is anticipated that the overall operating margin will revert to levels achieved in previous years.

The **Return on Capital Employed** measures profitability and efficiency based on the assets employed to create the surplus. The table relates to General Needs (GN) units only.

|  |  |  |  |
| --- | --- | --- | --- |
|  | Housing for Women HA Ltd | Arhag HA Ltd | Soho HA Ltd |
| Operating Surplus | £1,761k | £1,292k | £1,198k |
| Capital Employed | £23,527k | £28,015k | £53,618k |
| **Return on Capital Employed 2015** | **7.49%** | **4.61%** | **2.23%** |
| Return on Capital Employed 2014 | 5.3% | 3.6% | 2.6% |

Again we can see that Housing for Women’s performance has improved year on year and is better than that of our competitors, even when we take account of the reduced planned maintenance expenditure. This could be explained by the fact that many of our property assets were purchased some time ago and are held at cost. Although we have similar property numbers, the value of capital employed is much lower than the other associations.

The **Gearing and Interest Cover** ratios measure the level of debt finance and the Association’s ability to repay loans as and when they fall due.

|  |  |  |  |
| --- | --- | --- | --- |
|  | Housing for Women HA Ltd | Arhag HA Ltd | Soho HA Ltd |
| Net Surplus for the year | £1,761k | £1,292k | £1,198k |
| Interest payable and similar charges | £528k | £665k | £1,383m |
| Long term debt | £15,787k | £13,694k | £32,831k |
| Assets | £79,255k | £72,881k | £116,107k |
| **Gearing** | **19.9%** | **18.8%** | **28.3%** |
| **Interest Cover** | **2.43** | **2.15** | **4.17** |
| **Interest Cover (Excluding sales)** | **2.43** | **1.39** | **-1.69** |

Some lenders use these ratios as loan covenants to ensure that borrowers don’t over extend themselves and can repay interest when it is due. Housing for Women has capacity to take on more borrowing and has the funds available to make interest payments as and when they fall due.

This was further validated by the results we achieved when we stress tested the business plan to destruction. Our scenario analysis determined that only if rents were to continue to be decreased by 1% in perpetuity and interest rates rose to 10% would deficits begin in 2022 and we would run out of cash in the same year.

Our average annual borrowing costs are very low (2.2%) and the bulk of our loans are ‘locked in’ until at least 2020. We recognise that if we want to increase the number of properties we own we would require a new loan facility for further borrowing and this would be at a higher rate of interest; however we still have the option to fix the remaining floating rate loans to ensure the cost of borrowing remains competitive.

As mentioned in the strategic review of the business the Association has commissioned an asset review, a further benefit of the review is that it will inform the asset management strategy. Planned and major repair expenditure is targeted to ensure that monies expended will maximise the property’s useful life and minimise costs. Ultimately the results of the review will lead to optimised decision making and Housing for Women making the best use of each individual property asset.

# OPERATIONAL PERFORMANCE

|  |  |  |  |
| --- | --- | --- | --- |
|  | Housing for Women HA Ltd | Arhag HA Ltd | Soho HA Ltd |
| Operating costs (GN only) | £3,677k | £3,497k | £4,291k |
| Total Operating costs (Letting) | £5,522k | £4,246k | £5,029k |
| **Weekly Operating costs per unit (GN only)** | **£84.58** | **£78.46** | **£111.21** |
| **Total Weekly Operating cost per unit** | **£127.02** | **£95.27** | **£130.34** |

Housing for Women’s operating costs for general needs are comparable with other similar providers. The overall operating cost is higher because other providers have commercial activities with higher rates of return. Our supported housing projects have lower rates of return (but high social value), these projects are undertaken at the discretion of the Board.

During the year Housing for Women’s previous benchmarking provider SPBM ceased to provide an appropriate and relevant group for Housing for Women. In response we have joined Housemark but due to our September year end, we have not yet been able to produce benchmarking data. This is a priority for 2016. We also initiated conversations with a similar sized Association to compare and contrast back office costs and potentially share some services given that they operate in similar London boroughs and have a similar client group.

Until the above exercises are complete, we have produced some further performance benchmarking to assist in understanding how our costs compare to other similar sized associations.

**OTHER PERFORMANCE COMPARISONS**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | Housing for Women 2014 | Housing for Women 2015 | Arhag  HA Ltd  2015 | SOHO  HA Ltd  2015 |
| Responsive repairs per week | £34.35 | £39.27 | £13.27 | £21.26 |
| Planned & Major Repairs per week | £25.10 | £5.10 | £11.87 | £21.23 |
| Management costs per week | £20.73 | £20.41 | £31.61 | £21.62 |
| Service costs per week | £9.22 | £8.36 | £10.49 | £16.22 |

Housing for Women spent substantially more on responsive repairs per unit per week and this was expected because we significantly reduced planned and major repair work as part of our asset management strategy and the implementation of our asset review. Our intention is that responsive repairs will fall significantly going forward and planned and major repairs will increase to a ratio in the region of 70:30 which is more in line with industry expectations.

Both management and service costs per unit per week have reduced in the past year and are lower than either of the comparators which indicate that the organisation structure is right and that we should continue to focus on efficiency and cost reduction.

### SUPPORTED HOUSING SERVICES

The Association operates ten refuges for women escaping domestic violence in 3 London boroughs plus floating support services. The refuge services are supplemented by a children’s service which is funded by grants and donations.

The Association generates considerable additional value by fundraising for innovative projects to support a range of women who are at risk of violence including trafficked women, women ex-offenders and women involved in the criminal justice system.

### PROCUREMENT AND ICT

The procurement strategy sets out how services and goods are to be procured to achieve value for money. It also encourages the association to ensure value for money using quotes and tenders as the basis for ensuring the best value in all procurement of goods and services

In addition to trialling a new text messaging service, planned ICT enhancements in the year included the upgrade of the financial accounting system, implementation of the Brixx financial modelling, re-procurement of broadband services and the implementation of a new ‘state of the art’ cloud based mobile and telephone system.

We have been invited to become a flagship site for the Kypera housing and maintenance system and over the next year those modules will be upgraded and staff trained to maximise use of the system and improve efficiency in terms of rent collection, arrears management, job costing and contract management.

We will also redesign our internet website and revamp document management to ensure that mobile and flexible working is improved and staff have access to all relevant systems and documents regardless of where they are located.

### SOCIAL RETURN ON INVESTMENT

Just over 24% of our tenants are over the age of 69 and around half (97) of them have medium to high support needs ranging from advocacy and support to adaptations to their property. Housing for Women employs a part time Older Persons worker who works with a group of befrienders to provide additional support to our older tenants. In the coming year we will evaluate the impact and aim to understand the cause and effect of our interventions.

The Association has agreed a methodology for measuring social return on investment in relation to the use of our volunteers and the relevant hourly rate for the services they provide. It seeks to assign a monetary value to the hours and work that volunteers and befrienders carry out as well as identifying what has changed and the impact of that change. We will also assess and assign a value to the savings falling to partner organisations such as health and social services as a result of our interventions.

We have piloted the SROI methodology on our Volunteering service and introduced quarterly reporting. In the 6 months to September, volunteers donated 3,330.5 hours of their time to the Association and this is valued at almost £31,000.

**VFM GAINS IN THE YEAR**

Gains in the year included cost savings on utility bills in the region of 5% on electricity and 30% on gas, switching our broadband provider yielded a 50% saving on costs. Further gains are identified in our value for money assessment.