



Value for Money – Self Assessment

2016-17

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About this document

This document presents to our stakeholders an assessment of our performance in delivering value for money (VFM) during 2016-17. It shows how we have managed our resources economically, efficiently and effectively in order to deliver our vision, organisational objectives and our commitments to our clients.

The first part of the report outlines our approach to delivering VFM in the context of our vision and objectives. The second half is a report on our progress in 2016-17 and our objectives for 2017-18. We set a range of targets to improve our efficiency in 2015-16, which we continue to report on e.g. in reducing our voids. We will also report how we have progressed on addressing the areas we highlighted in the 2015-16 self-assessment.

Executive summary

Our vision is that everyone should have a place to call home and be able to fulfil their hopes and ambitions. We deliver our objectives as a housing association and a homelessness charity by operating a business model that combines a landlord function, with the delivery of commissioned service contracts, and fundraised income to add value to our client services.

Through optimising our VFM, we reach more people who need our help and ensure they receive safe and effective services with good outcomes that contribute to the realisation of our vision.

Value for money in 2016-17

Our value for money performance is measured by the Board against targets set under the key elements of:

- Economy:** maximising the level of resources available to deliver our objectives
- Efficiency:** maximising how well we use our resources
- Effectiveness:** maximising the outcomes we achieve with our resources.

The targets also reflect the direction of our organisational strategy and business plan so that it is clear how achieving value for money contributes towards achieving our vision.

Economy – growing the resources available to us

- New and retained business - average per annum contract value of £6.1m which is broken down as £5.4m (£2m per annum) in new business and £8.1 (£4.1 per annum) of existing business or contracts retained
- Reviewing our service charges to ensure they align with our cost base
- Finding innovative ways to house more people through the development of a property guardianship scheme and the further utilisation of social investment to procure significant numbers of leased properties
- Overall income from fundraising at £9m, significantly above the target we set for the year.

Efficiency – using our resources well

- Reduced rent voids levels (lost rent whilst bed spaces are empty) on our social housing from 11% in 2014-15 to 6.4% in 2016-17
- Performed slightly above target with 96% of rent from current tenants collected
- We reduced the direct costs of recruitment; the average cost per successful external appointment was £436 (compared to £718 in 2015-16)
- We achieved a 1.6% staff vacancy saving, which is due to the reduction in the use of cover where we are already paying salaries for staff.

Effectiveness – the impact we create with our resources

- Overall, 93% of our clients are satisfied with the service we provide
- 724 of our clients were involved in the organisation by participating in recruitment of staff, representing the organisation at external meetings, organising activities within their own services and contributing to the development of our policy and influencing work
- 73% of clients living in our hostels and supported housing are registered with a GP
- Across our services, including our specialist skills and employment services, 311 of our clients found employment.

Value for money plans for 2017-18

VFM Objective	Action	Target £m
Economy	Renegotiate underperforming contracts	0.4
	Secure new business	0.2
		0.6
Efficiency	Reduce bad debts	0.3
	Staff savings (better management of vacancies etc.)	0.8
	Procurement savings	0.2
	Optimise use of office space (rental)	0.1
		1.4
Effectiveness	Review of property portfolio to optimise economic/social return	

PART I

St Mungo's strategic approach to delivering value for money

What value for money (VFM) means to St Mungo's

Our vision is that everyone should have a place to call home and be able to fulfil their hopes and ambitions.

As a housing association, a homelessness charity and a provider of support and care we achieve this by:

- Providing accommodation and support to clients that prevents or responds to their homelessness and empowers their recovery
- Building relationships with communities and the wider public to increase understanding about homelessness and empathy for the people who experience it
- Combining the voices of our clients with evidence and knowledge about what works to advocate for policy change.

St Mungo's key achievements 2016-17

- Our hostels and housing projects provided housing and support to around 2,700 people on any one night
- Our outreach teams worked with more than 5,600

people last year across London and the south of England and found accommodation for more than 1,500 people

- 102 properties were handed over to Real Lettings through our National Homelessness Property Fund to provide quality and affordable privately rented accommodation to vulnerably housed people in Bristol, Milton Keynes and Oxford
- Our Skills and Employment Service helped 311 of our clients to find work
- Overall, 93% of our clients were satisfied with the service we provide.

Value for Money is integral to our success as a landlord and provider of support services to homeless people. It is also central to our building relationships with communities and our policy and influencing activity. By operating more efficiently, we know we can reach more people who need our help and ensure they receive safe and effective services with good outcomes that contribute to the realisation of our vision.

Ensuring value for money

St Mungo's has a clear framework for achieving value for money, incorporating:

1. Decisions about how we use our resources to deliver objectives
2. Strategies for improving the economic and social return of our assets
3. Understanding and monitoring our business model and the risks and opportunities associated with it
4. Understanding our unit costs and utilising this analysis to support our VFM activity
5. Ensuring that performance is managed and monitored
6. Benchmarking our performance against other organisations delivering similar services.



1. Decisions about how we use our resources to deliver objectives

2016-17 was the first year of our new organisational strategy. In the next five years our ambition is to reverse the increase in rough sleeping in England. In the areas where we work, we aim to halve the number of people sleeping rough by 2021.

We have set five strategic aims to achieve our ambitions:

1. **Improve** our services, our housing (and the systems they rely on) so they are safer and more effective in changing the lives of our clients
2. **Interconnect** to resources, assets and support in the areas where we work
3. **Innovate** and test new evidence-based services that prevent and tackle rough sleeping
4. **Influence** national and local government to implement new rough sleeping strategies
5. **Involve** our clients in all aspects of our work.

Our resources are aligned to achieve the objectives of this strategy, which also contributes to achieving our overall vision. Our business plan sets out the steps we will take to grow and develop so we can deliver the ambitions of our strategy.

The Board has approved the Strategic Asset Management Plan, Service Growth Strategy, Organisational Excellence Strategy and Fundraising Strategy and oversees their implementation through relevant Board committees and Executive team. These strategies inform our objectives and priorities for the year and ensure we remain focused on the delivery of our overall organisational objectives.

To further support and inform decisions about our resources there is regular reporting of controls to the Board including health and safety, financial performance and cash flow, our approach to risk and service performance.

2. Improving the economic and social return from our assets

We know that we won't be able to deliver our overall ambition of tackling rough sleeping without offering appropriate housing so that our clients are able to rebuild their lives.

St Mungo's Strategic Asset Management Plan aligns our business and property strategies. The objective is to ensure the optimisation of our portfolio, protecting the assets and the clients housed within.

Return on capital employed	2017 Operating surplus	2017 Capital deployed	2017 Return
	£000's	£000's	£000's
Social Housing Lettings	1,587	80,114	2.0%

The plan sets out how we will manage our existing stock of approximately 2,800 bed spaces and increase to 5,000 over the next four years. The focus is on the delivery of prudent planned investment in our existing stock, reducing future pressures on responsive repairs to maintain good stock condition and significantly growing the provision available for our clients in line with our organisational strategy objectives and overall vision.

St Mungo's will identify poorly performing properties that do not meet client or business needs and resolve to improve, remodel or dispose. We will therefore ensure that the portfolio as a whole maintains a good standard for our clients, and is a financially viable proposition. Through the generation of surplus funds, we will be in a position to actively develop and grow our asset base, providing more desperately needed accommodation for homeless people across our areas of operation.

The Strategic Asset Management Plan reflects our overall strategic approach in relation to reviewing our current property portfolio in its first phase and then developing further provision. For 2016-17 and into 2018 the priority is ensuring our current stock is fit-for-purpose, of the required standards and supported by the right governance and internal processes. For the last three years of the strategy we expect to be in a position to increase provision.

3. Understanding the costs and outcomes of our business model

St Mungo's delivers its objectives as a housing association and a homelessness charity by operating a business model that combines a landlord function, with the delivery of commissioned service contracts, and fundraised income to add value to our client services.

Business Model based on 2016-17 performance:

	Social Housing			Non Social Housing				Total
	Supported Housing	Support Service (linked)	Support Service (unlinked)	Real Lettings	Central Activities	Fundraising	Central Overheads	
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Income	34,562	25,621	10,755	5,311	338	9,010	584	86,181
Spend	-28,512	-21,300	-11,226	-4,705	-909	-3,446	-13,763	-83,861
Contribution	6,050	4,321	-471	606	-571	5,564	-13,179	2,320
Overheads	-4,463	-3,599	-1,447	-212			9,721	
	1,587	722	-1,918	394	-571	5,564	-3,458	2,320

We run more than 300 services. Some, but not all, of the support services we operate are linked to our owned or leased residential projects such as hostels and supported housing (*income linked to social supported housing is shown in the table above*).

The relevant strategies in these areas of our business model are joined up through the business plan – which sets objectives for each area to ensure there is a clear direction of travel to achieve our ambition.

It is important that the operating surplus from the social housing and the client services are sufficient to cover the corporate overheads on an ongoing basis in order to have a viable business. The business model illustrates the contributions from the different business streams. The delivery of support, through contracts from both social housing and non-social housing contributes 42% of our income (£36.4m) and 25% contribution to central running costs. Whereas the provision of accommodation through owned or leased property to people in need of support due to their homelessness or risk of homelessness contributes 40% of our income (£34.6m) and 39% contribution to central running costs.

The operating surplus from social housing lettings is affected by the 1% annual reduction in supported housing

rents introduced on 1 April 2017. Each business stream is modelled over a five year period in the financial plan to ensure that there is sufficient operating surplus and fundraised income contributions to cover running costs and planned growth. The annual budget provides a detailed summary of the income and expenditure expected for business stream and is approved by the Board alongside the five year financial plan.

The five year financial plan is stress tested to identify the impact of any material risks crystallising on the reserves and cash balances. There are also plans in place to mitigate any expected losses (such as pension deficit payments) as part of the risk management strategy. The five year financial plan also includes an assessment of the investment required to maintain the housing properties to a good standard and to grow the property portfolio. The results of this analysis inform our business planning, risk analysis, growth plans and the appraisal of the value of our owned property.

We undertake service reviews to address underperforming property portfolios or service contracts in order to optimise income. We have a bidding template to ensure that all new business makes adequate allowance for the running costs and future inflationary increases of the tendered delivery models.

4. Understanding our unit costs

In 2016 the Homes and Communities Agency wrote to the Chairs of each Registered Provider (RP) with over 1,000 units setting out a brief analysis of costs per unit. The analysis considered the extent to which relative efficiency was a factor in the differences in the unit costs. The methodology for the published results was based on the returns provided by each RP in the Financial Viability Assessment for 2016. Costs were divided by the number of properties owned and managed at 31 March 2016.

Along with other organisations which provide supported housing, St Mungo's had, under this analysis, very high unit costs. In order to understand how we can be more efficient, we performed a similar analysis by presenting our figures to make comparison with other RPs easier; this involves separating out the costs associated with support.

In the table that follows Scenario 1 details St Mungo's Cost Per Unit (CPU) as published by the HCA for 2016. These costs include all support costs, which is staff time spent on providing support to our clients as specified by commissioned services, costs many RPs do not have. Due to the nature of our business, as a specialist provider of supported housing to homeless clients, our support income and costs are considerable and significantly skew our costs and CPU when comparing to other RPs.

Cost Per Unit – with/without support costs:

Category	Scenario 1		Scenario 2	
	Costs £'k	Cost Per Unit £'k	Costs £'k	CostPer Unit £'k
Management	17,241	7.55	9,758	4.27
Service Charge Costs	7,529	3.30	7,529	3.30
Routine Maintenance	835	0.37	835	0.37
Planned Maintenance	214	0.09	214	0.09
Major Repairs	4,531	1.98	2,000	0.88
Charges for Support Services	26,398	11.56		
	56,748	24.85	20,336	8.90
Units	2,284		2,284	

Even with the adjustments and other factors the overall picture suggests that St Mungo's is still relatively expensive compared to other RPs on a cost per unit basis. Further value for money initiatives and better classification of costs will reduce this figure for 2017 and 2018.

Scenario 2 removes costs associated with support, providing a better comparison with other RPs. Although improved, even this figure will have higher than average 'management costs', difficult to strip out for comparison purposes. The organisation requires a higher than average level of management due to the amount of support our clients require and the higher than average re-lets due to the temporary nature of our hostel accommodation.

During the period St Mungo's also performed some major overhauls on property, over and above the usual annual replacement of components. The overhauls could be better defined as development rather than major repairs. Scenario 2 reflects this assumption.

Other considerations why St Mungo's costs were relatively high in 2016:

- Our location inside the M25 means that salaries, property costs and many services are more expensive than in other areas of the UK;
- Our offices are rented, whereas many RPs have chosen to own the freehold of their offices, thus increasing our relative annual operating costs;
- Our average re-lets are high due to the temporary nature of our hostel accommodation.

5. Ensuring that performance is managed and monitored

St Mungo's performance management framework starts at Board level and is cascaded from Executive Team throughout the organisation to individual staff members. This is supported by comprehensive reporting drawn from our client monitoring and housing management systems which show a range of key performance indicators including health and safety, voids, complaints and value for money targets alongside the delivery of contracted outcomes. Performance is reviewed quarterly and is reported to relevant Committees and the Board.

The Board has agreed a risk management policy which sets out how risks are identified, assessed and managed across the organisation. Our approach to risk management is reviewed annually to ensure that it remains robust and appropriate.

Our value for money performance is measured by the Board against targets set under the key elements of:

Economy:	maximising the level of resources available to deliver our objectives
Efficiency:	maximising how well we use our resources
Effectiveness:	maximising the outcomes we achieve with our resources.

The targets also reflect the direction of our organisational strategy and business plan so that it is clear how achieving value for money contributes towards achieving our vision.



6. Benchmarking our performance

We recognise the importance of comparing our performance with others and our activities are benchmarked in several different ways. In terms of our income from contracts, we compete with other providers in a very competitive 'market'. Our commissioners regularly test our value for money and delivery of outcomes by tendering services and use this to not only change/improve outcomes but also pursue cost savings. We would not retain existing contracts or win new ones if we did not compare well with our competitors.

St Mungo's is an active member of a benchmarking group with other homelessness organisations which provide social housing. The last time we benchmarked housing management data was in 2015-16, with six of these agencies. This showed that:

- We performed well on all repairs completed to deadline (96% against an average of 86.2%)
- We were also above average on rent collection – rent collected as a proportion of gross rental income (96.5% against an average of 94.2%) and current tenant arrears as a percentage of gross rental income (4.1% against an average of 7%)
- However, we were below average on former tenant arrears as a percentage of gross rental income (5.8% against an average of 4.3%) and amount written off as bad debt, as a percentage of gross rental income (10.7% against an average of 4.5%)
- We were slightly below average on clients moving to a known destination (79.1% against an average of 81.1%)
- We were also below average on 'bed space nights empty out of all bedspace nights in the year' (8.3% against an average of 6.2%) although this had improved. Improving our performance on voids remains a key area for St Mungo's. Under Efficiency on page 15 we report the rent loss from voids.

During 2016, we carried out a client satisfaction survey which was benchmarked with other homelessness organisations which provide social housing. St Mungo's performed strongly in comparison to other participating organisations. Out of the 13 questions that were benchmarked, St Mungo's achieved a level of satisfaction that was at least second highest for 11 out of the 13 questions.

PART 2

St Mungo's performance in 2016-17

In this section we report on the targets and areas of work set out in previous value for money statements. In 2015-16 we set a series of goals that would take two to three years of work – we report our ongoing progress in the sections below, as well as our progress on the priorities we set last year:

Review of our progress against what we laid out as actions for 2016-17 in last year's statement:

Review our service charges and ensure they are aligned with our cost base	see page 12
Focus on reducing maintenance costs per unit	page 16
Review of Bad Debt Write Off processes	page 15
Implement our new fundraising strategy	page 14
Campaign on rough sleeping	page 21
Further embed our recovery ethos and client involvement	page 19
Review our key working processes and our outcome measures	page 20

I. Economy – increasing resources available to us

The table below shows the areas we have agreed to focus on to increase the resources available to the organisation.

Increasing resources available to us	Target 2016-17	2016-17 £'000	2015-16 £'000	2014-15 £'000
Turnover	83,912	86,446	82,794	73,534
Annual service contract income	38,551	36,895 (43%)	35,775 (43%)	33,633 (46%)
New business growth (total contract value per annum)		2,015	3,800	1,800
Provision of Real Letting Accommodation	5,370	5,311 (6.1%)	4,600 (5.6%)	2,088 (2.8%)
Net rental income for Supported Housing	23,555	26,377 (31%)	24,381 (29%)	21,734 (30%)
Fundraising income	7,583	9,010	7,020	7,544
Surplus/(Deficit)	186	1,926	(4,792)	3,850
Bed spaces	5,000 by 2022	2,878	2,760	

Our turnover increased to £86,446,000 this year. This figure is made up of rent and service charge income, income from our support and care business and fundraising income.

Contract income

Our support and care business operates on a contract basis. We regularly bid for new contracts, competing with other organisations. We also have to bid to retain existing contracts and sometimes we are not successful in this process. As a leading organisation working to address homelessness through the provision of housing and support, if we were not operating in this competitive environment we would not be delivering the services that are at the core of our vision. It is not only the support contracts that are attached to our hostels and supported accommodation that we have to bid for, but also outreach teams and tenancy sustainment teams who provide support to people living independently to ensure they do not return to homelessness.

In 2016-17 of the 34 bids we heard the result of, we won 16 of them. This equates to an average per annum contract value of £6.1m which is broken down as £5.4m (£2m per annum) in new business and £8.1 (£4.1 per annum) of existing business or contracts retained. In this period we were unsuccessful in two tenders which resulted in the loss of existing business. This meant a loss of £794,459 per annum of contract revenue from existing business.

We are seeing changes in how local authorities and other public sector commissioners approach the development of new business. Not only are many contracts incorporating an element of payment by results elements (PBR), we are also seeing a light touch approach from some commissioners. In 2016-17, 30% of our contracts were secured outside a conventional tender process. For this reason we will be reviewing the way our new business function operates in 2017-18, to ensure it remains fit for purpose and able to support the organisation achieve its goals to deliver services that enable our clients to rebuild their lives.

Rents and service charges

One of our objectives for 2016-17 was to review our service charges to ensure they aligned with our cost base. Optimising income from service charges and avoiding or minimising deficits is a key issue for social landlords like St Mungo's to ensure our business is viable in the long term in order to be able to deliver our social objectives.

Increasingly social landlords are looking at 'depooling', the process of separating service charges from rent. During 2016-17 St Mungo's invested in experienced resources to navigate the 'depooling' process as well as improving the analysis of service charges to improve the recovery of

expenditure incurred and ensure that our tenants receive services at a fair price.

Looking ahead, we believe that this process has the potential to increase the quality of the service provided. This could lead to improvements in resident satisfaction and also provide an additional opportunity to engage with tenants about other issues. Greater transparency over the costs being charged for and the agreed standards for them will ensure those services are provided and that customers are kept satisfied. The enhanced analysis will also be used to increase the accuracy of quotes when bidding for new projects.

Increasing the amount of people we are able to house

Our clients may live with us for a few days, or a few years. However long they stay, the homes we provide need to be the right environment for people to change their lives and recover from homelessness. We have 2,878 bed spaces which we use to accommodate people who either have been homeless, or who are at risk of homelessness. This is made up of 2,374 units of social housing, and 504 of non-social housing (Real Lettings).

Homelessness has been increasing and so we are committed to the challenging target of increasing our housing to accommodate 5,000 people a night. To achieve the aims and objectives contained in our business plan, we require a strategy which considers not only the physical and financial aspects of managing our assets but also ensures the long term sustainability of the properties and, importantly, the communities in which they are located and clients' needs and aspirations. This approach ensures that St Mungo's is able to adapt its plans to meet the challenges of a changing environment. Our approach anticipates our stock will continue to grow through new development, regeneration and acquisitions.

We will need to undertake detailed and comprehensive work to build an accurate projection of how we will achieve the target. This work will begin during 2017-18 as we also focus on ensuring our current stock is fit-for-purpose, of the required standards and supported by the right governance and internal processes.

As well as reviewing our assets and improving our properties we are increasingly interconnecting to resources that allow us to house more people in a cost effective and appropriate way. One example of this is our Guardianship scheme in Bristol.

Case studies

Guardianship

St Mungo's has been working with Bristol City Council to bring closed buildings into use as temporary accommodation for people who have been rough sleeping. The properties are council owned former offices or community centres which are currently out of use, and are offered to St Mungo's on a 12 month lease and management agreement.

The people housed through this initiative have all been sleeping on the streets of Bristol, they have low support needs and are waiting for a private tenancy and actively seeking work where possible. They act as property guardians and in return are charged an affordable rent. Participants also access our Recovery College and employment programmes.

Being a 'guardian' means:

- ensuring that the building is secured
- monitoring water temperatures for legionella management
- reporting faults and maintenance issues
cleaning and keeping the property in 'good order'.

The rent is enough for St Mungo's to co-ordinate the project, make the properties habitable and ensure that they are safe and secure. This year the Guardianship programme operated at a very small loss (less than £1,000). However, we expect the scheme to break even as we continue – especially as we become more experienced in running the programme.

The pressures on accommodation are acute in Bristol and, without an option like this, people would spend longer on the streets where their support needs are likely to increase. For the local authority, not only are

they able to ensure that the buildings are looked after while not being used but they are playing a significant part in addressing rough sleeping within the local community.

We currently have four Guardianships open and fully occupied, providing accommodation for 19 people. Overall, 40 people have been housed through this initiative since it began in December 2015. We are looking at opportunities to develop this initiative in other areas.

Social investment

Another example of how we have been able to increase the number of people we can accommodate is through the further utilisation of social investment to procure significant numbers of leased properties and provide vital accommodation to people experiencing or at risk of experiencing homelessness. This year 102 properties were handed over to Real Lettings from the National Homelessness Property Fund. Based on our successful Real Lettings Property Fund and operated in partnership with social impact investment organisation Resonance Ltd, the National Fund is operating in Bristol, Milton Keynes and Oxford and provides accommodation to individuals and families who have been homeless, or are at risk of homelessness. Initial investment into the Fund came from Oxford, Milton Keynes and Bristol councils with matched investment from Big Society Capital.

The National Homelessness Property Fund will measure the positive impact on tenants, including improvements in their ability to access other private rented sector accommodation as they build savings and a track record as a tenant. Tenants are also supported to progress towards employment and build resilience against homelessness through social connections and financial management skills.

Fundraising

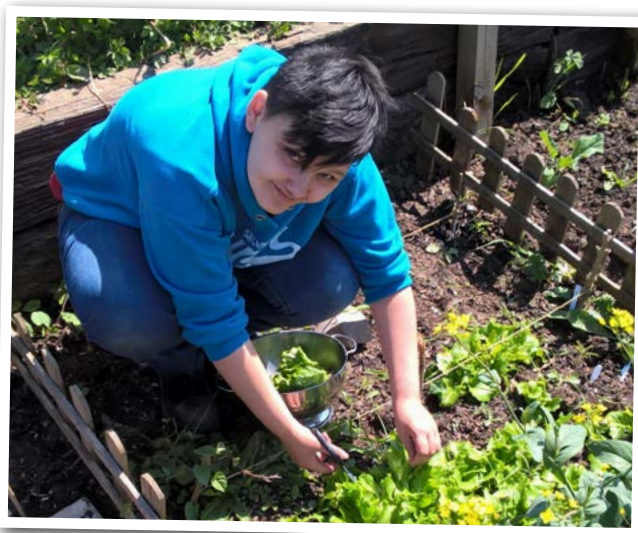
2016-17 was a very strong year for our fundraising, with overall income at £9m, significantly above the target we set at the start of the year.

Our fundraising income allows us to provide services that support our clients in their recovery – which links strongly to our vision that everyone should have a place to call home and be able to fulfil their hopes and ambitions. In addition, we are able to add value to our contracts by offering support over and above what has been commissioned. These charitably-funded services include our Recovery College and skills/employment training initiatives such as Bricks and Mortar and Putting Down Roots.

Last year the Board approved a new fundraising strategy which had as a key aim that we grow net income by £2m by 2020. We have identified several opportunities to support this growth alongside our ongoing fundraising activity. A new website will lead to much more focus on digital fundraising with the aim of increasing online donations. We are planning to launch a major appeal in 2017, which will focus on ensuring our clients never have to return to rough sleeping.

Reserves

St Mungo's deploys our accumulated reserves to achieve our principal objective of supporting homeless people. We seek to set aside in cash, or have access to through loans, the equivalent of three months of operating expenditure to meet short term operating expenses and to manage a downturn in income and/or unforeseen increases in costs. Our remaining reserves are invested in property that provides accommodation to homeless people. At 31 March 2017 we held £81.4m in property and £17.8m in cash.



Growing the resources available to us in 2017-18

We will continue find ways to deliver our business plan objectives to increase the resources available to us. We have growth strategies for our service / contract income as well as in fundraising – both also have targets to achieve in 2017-18. We will also continue to seek to increase the number of people we can house by undertaking detailed work to understand how we will reach the target we have set from 2021.

Additionally we have set targets for optimising our income to increase our resources to deliver more activity that helps our clients. These targets are aspirational targets and the achievement of some is uncertain.

- Having identifying contracts that, in a few cases, do not fully cover their direct costs or do not recover all costs (including overheads) and approaching commissioners to explore renegotiating the contract
- Reviewing options to change the tenure of a small number of directly leased properties to re-let for a higher rent as they become available.

We expect there to be significant growth in opportunities to participate in social impact bonds (SIBs) and – following the success of Street Impact, the first rough sleeping SIB which we were one of two delivery agents for – we are ensuring that we have the advice and information to make informed decisions about our future involvement.

2. Efficiency – using our resources well

There are several significant areas where we have been focussing on improving our efficiency. The table below shows our key results from 2016-17:

Efficient use of resources	Target (if set)	2016-17	2015-16	2014-15
Housing Management				
Voids loss on social housing	5%	6.4%	8.3%	11%
Rent Collection	95%	96%	95%	98%
Former tenant arrears % gross rental income		1.7%	5.8%	
Bad debt % gross rental income		3.7%	10.7%	
Annual maintenance cost per void/unit (social housing)		£737	£801	£801
Repairs completed to timescale	95%	98%	96%	
Staffing				
Lost time rate due to staff sickness	3.5% end of 17-18 4% for 16-17	5.2%	4.9%	Data not available
Staff vacancy saving		1.6%	-	-
Overall				
Overheads as a % of turnover	12% by 18-19	15%	15%	14%

Housing management

Voids

Our performance in managing voids continues to improve. We have now reduced rent voids levels (lost rent whilst bed spaces are empty) on our social housing from 11% in 2014-15 to 6.4% in 2016-17. It is a priority for us to become more efficient in this area because the better we perform in managing voids, the more people experiencing homelessness we are able to provide accommodation to – which is why we exist. However, we are clearly continuing to make progress and intend to be on a par with the organisations we benchmark with in future years. In addition, across all of our accommodation (i.e. including Real Lettings) our rent void levels are 5.8%.

Rental Collection

Our clients usually only live in our accommodation for the short-term, a few months or years, and can have significant support needs. However, as they move on from our accommodation in the future they will need to be able to manage their bills, their benefits and ensure they do not return to homelessness. It is for us to help them to understand how to do this and to give them support and assistance so they are prepared. Additionally, we need to ensure we maximise the income we receive from rental income and service charges.

We have performed slightly above our target in collection of rent from current tenants this year; with 96% of rent from current tenants collected.

We established a working group to ensure the organisation, our services and our clients are prepared for changes in benefits with the roll out of Universal Credit. One of the recommendations was that the organisation invested in an additional post within the welfare rights team to deliver more training across St Mungo's and expand the advice and case work we can offer when responding to more complex cases. The expectation is that the investment in this post will help to maintain levels of benefits among our clients, preventing eviction and help secure rental income.

Bad debt and client arrears

To improve our performance in managing bad debt we began a process of reviewing all historical debt in 2016-17 and commenced an exercise to write off historic debt. This includes the write-off of arrears that are over six years old. This piece of work will be completed in 2017-18.

To improve our ongoing efficiency we have introduced a monthly procedure and a live arrears dashboard which is accessible to staff and clients. Our arrears policy is now part of the housing management system and we are able to automate our arrears letters. We have also set up an automated alert if a client is not booked in

or out in a timely fashion. This is to minimise over and under payments that can result from delays in recording information appropriately.

Repairs and maintenance

Maintaining safe and secure properties is core to our recovery service ethos, which says that “as a client of St Mungo’s, we will work with you to ensure you have a safe place to live”.

This is why we have focused on ensuring repairs are completed to timescale. We performed very well on this in comparison to the benchmarking group we are part of, with 96% against an average of 86.2% (for 2015-16) and 98% this year. In addition, our client survey (carried out in autumn 2016) recorded that 82% of our clients were satisfied with our repairs and maintenance service.

The same survey found that 90% of our clients felt safe in their home.

Last year we committed to reviewing the costs of our maintenance. We wanted greater transparency about what the costs covered and where they were charged from. For 2017-18 we set our budgets based on a far greater understanding of our costs and charging. Next year we will spend £5.60 per week for leased and £6.90 for owned with additional allocations for equipment, vandalism, voids, furniture and renewals and allocations for fire, lifts, Health and Safety. This is a starting point for achieving greater efficiency.

Through the establishment of an in-house decorating training company we have been able to save money and create opportunities for our clients.

Case study

ReVive

ReVive is our in-house decorating training company and our key supplier for our annual cyclical decoration programme. ReVive gives homeless people, who have completed our Painting and Decorating programme, the chance to work on live contracts in a work based environment.

ReVive competes against external contractors to win contracts when projects come up for refurbishment. This means that ReVive must operate like a commercial business and compete for tenders on costs, finish and delivery time.

The project has been extremely successful, this year generating more than £48,000 profit due to both internal cyclical decorations and external works.

This profit helps St Mungo’s provide a wide variety of activities to support our clients.

Over the past 12 months:

- 27 clients have been supported to learn new skills and use their time positively.
- Five trainees gained a job.
- Four trainees were referred to one of our partners for training to gain a Construction Skills Certification Scheme card.

The biggest success for the team last year was the refurbishment of a three bedroom house in Mitcham Surrey for the Real Lettings Property Fund. The project team had to not only paint but also utilise other construction and maintenance techniques including plastering, tiling, carpentry, loft insulation, gardening and basic landscaping.

Procurement of goods and services

Improvements in our systems have allowed us to identify areas for savings. For example, we changed the process for managing our mobile communications in order to ensure we were getting value out of this contract. Having mobile devices is important to many of our services – for example, our outreach teams use mobile devices to record information about people sleeping rough or follow up on accommodation offers. As part of our new approach, the IT department audited all mobile lines and cost centres. Some old contracts were cancelled. They also put in place warning and bar limits and have started to highlight expenditure that is out of the usual to staff and managers. In the first months there were savings of over £10,000 a month and as the plan continues we expect to see an overall saving of around £120k across a 12 month period.

Staffing

We filled 468 vacancies in 2016-17, of which 370 were permanent and 98 fixed-term. The efforts of our resourcing team mean that we have been able to reduce the direct costs of recruitment. The total direct cost (including advertising, response handling, agency placement fees, test materials, psychometric training) was £109,493 (compared to £185,836 the previous year) and the average cost per successful external appointment was £436 (compared to £718 the previous year). Just over half of the applicants for jobs cited our own website as the place they had seen the job advertised, compared to 23% the previous year.

Managing staff sickness

It is important that we are able to provide a high quality of service to our clients, underpinned by our recovery service ethos. This places a requirement for regular attendance on both staff working directly with our clients and staff who provide the central and business support functions that make it possible to deliver our services.

Our lost time rate due to staff sickness for the year was 5.2% or 12 days per person, compared to 4.9% (11.4 days per person) the previous year, which is 1.2% above the target we set for this year and 1.7% above the target of 3.5% we have set for the end of 2017-18. This is higher than the national (2.8%) and sector (3.0% non-profit, 3.4% Housing associations) averages published in the CIPD's *Annual Absence Management Survey 2016*.

To address this, the organisation has identified levels of absence which are above the norm for our staff and which therefore prompt line management meetings within the terms of our attendance procedures. The purpose is early intervention to identify any underlying problems and enable the line manager to take necessary action to support improved health and safety at work and a return to normal levels of attendance.

Although the sickness rate has not gone down yet, we are confident that this is a more accurate figure this year as we are discovering very few cases of unreported absence compared to previously. We can see that that sickness is being addressed earlier and that managers are using the procedure to provide a fair, consistent and supportive framework for dealing with staff members affected by ill health. There was an increased level of activity under all levels of our formal sickness procedure. In addition, specific cases which relate to high levels of sickness absence are being scrutinised at a strategic level by more senior staff within the HR Directorate to ensure they are progressed effectively.

Moreover, we have developed an organisational Health & Wellbeing Strategy, aligned with the National Healthy Workplace Charter. We are working towards Charter accreditation. We are also signatories to the Mindful Employers Charter.

Temporary staff costs

Our staffing costs are our highest area of expenditure. We rely on our staff to provide high quality services to our clients and as an organisation we make sure that our staff are trained and supported. However, since staffing is such a significant cost we are aware that it is important for us to be able to explore efficiencies within this area.

In order to be more efficient we have identified several strands we need to focus on to lead to reductions in the cost of contingent labour:

- improving our approach to night work, and introducing more efficient staffing patterns and rota structures
- continuing to refine our financial data to be able to highlight areas of high agency and locum spend and use this information to work with managers to address issues
- a reduction in the use of cover where we are already paying salaries for staff (which could include training,

compassionate and dependency leave; but most significantly, staff sickness). We achieved a 1.6% staff vacancy saving during 2016-17 and have set a further target for 2017-18.

However, we know there will be times when we will need to use temporary staffing. During the year there was a significant restructure of the Finance team, with an eventual turnover of 93%. This led to high levels of temporary staff being used to ensure we were able to provide the finance support needed across the organisation.

Overheads

Central overheads are 15% of turnover and this includes costs for office accommodation at Half Moon Court that is no longer required as the functions have been centralised at Thomas More Square. The central overheads will be fundamentally reviewed and options will be considered including renting out some of the office space at Thomas More Square and reviewing the use of other buildings. This together with the planned growth in operations will achieve the target of 12% of turnover.

Future plans to improve our efficiency

In 2017-18 we intend to focus on a series of value for money projects alongside continuing to work to improve

our efficiency on key areas in housing management such as voids, arrears and overheads and in staffing such as staff sickness.

Our procurement team will be seeking to make savings for supply of gas energy to over 200 sites. They will also be supporting tender processes for: internal audit, travel, catering, fire risk assessors, motivational interviewing training and cleaning and inspection of ventilation systems.

As part of our activities to manage our overhead expenditure we will be reviewing opportunities to generate efficiencies from our buildings – including looking at sub-letting.

In addition, we have identified the following areas where we believe we can make efficiency savings:

- vacancy saving applied to operational budget areas of 1.6% and central services of 2% (saving approx. £800k)
- new post to provide higher levels of welfare benefit advice to clients in our services with the intention of better advice leading to a reduction in bad debts by 0.5% (additional net income approx. £280k)

3. Effectiveness – the impact we create with our resources

Ensuring that we create a positive impact is of crucial importance to us. We exist to provide the housing and support that enables people to rebuild their lives and we need to be sure that we are using our resources effectively in support of this goal.

We regularly ask clients about how they think we are doing – in order to understand areas where we need to improve.

Our organisational key performance indicators include measures of how effectively we are delivering services to our clients.

Client Satisfaction and Service Quality

Every two years St Mungo's carries out a survey on satisfaction across our services, providing us with a valuable opportunity to monitor our performance from our clients' perspective. The most recent survey was conducted in autumn 2016. The survey involved two multiple choice questionnaires – one for supported housing services and one for our other services. This is to ensure we are receiving feedback from across the wide range of services we provide – not all of which provide accommodation.

Overall Satisfaction



St Mungo's services are helping clients to make positive changes in their lives



Satisfaction with support



Satisfaction with having a say in the way the service is run



Satisfaction that views are taken into account



Satisfaction with quality of accommodation



Satisfaction with repairs and maintenance service



Feeling safe in their home



2016 2014

In total, responses were received from 980 clients, 748 were from within supported housing and 232 responses were from clients of other services – almost double the number we received in 2014.

Overall, 93% of our clients are satisfied with the service we provide. In addition, 90% of our clients agree that our services are helping them make positive changes in their life.

The survey was benchmarked with six homelessness organisations who provide social housing. St Mungo's scored on or above the group average in virtually every question.

Client Involvement in our services

St Mungo's clients have often experienced isolation, exclusion and stigma as a result of their homelessness, mental health problems or other issues. People have often felt that they have had very little power to affect their own life, and little say over the services that they rely on. At St Mungo's we see client involvement as an absolutely vital element in empowering our clients and improving the services we offer. Therefore involvement is the responsibility of the whole staff team. It is a standing item on team meeting agendas, handover, supervisions, appraisals, reflective practice sessions, team away days and staff, client and volunteer inductions.

Last year 724 of our clients were involved in the organisation in some way. This included participating in recruitment of staff, representing the organisation at

external meetings (including with commissioners or local politicians), organising activities within their own services and contributing to the development of our policy and influencing work.

The Client Advisory Board was established to ensure the voices and experience of the users of our services are heard by our Board. Prior to each board meeting the group scrutinises a selection of papers and provides feedback which is discussed at the board meeting.

Clients were fundamental to the review of keyworking and client assessment processes that we carried out this year. Reviewing how we assess and record the actions we are taking to support our clients to achieve their goals is important to embedding the recovery ethos and building a greater focus on the strengths, interests and aspirations of our clients.

Some of the ways clients directly influenced this piece of work include:

- Recommending a more staggered assessment at the beginning of the service rather than asking personal questions all at once when relationships between clients and staff are still being established
- Suggesting more flexibility should be introduced into when Safety and Wellbeing plans are reviewed
- Renaming the Support Plan as an 'Action Plan' to help clients to feel they had more ownership over this process.

Client Outcomes

Across the organisation we identified top level outcomes for our clients that relate to our overall strategy. These are in addition to the contracted outcomes set with commissioners and funders, although they often overlap.

We have identified access to health services such as GPs, making positive, planned moves and involvement in activities to improve skills as key indicators that our services are effective.

	2016-17	2015-16	2014-15
Clients registered with GPs	73%	69%	63%
Clients participating in skills, training and activities that help them prepare for work	2,816	3,082	2,700
Clients finding employment	311	334	
Clients making planned moves to independent or more supported accommodation	71%	79%	82%

The number of our clients living in our hostels and supported housing who are registered with a GP has continued to increase this year. According to the client needs survey we carried out in 2016, 44% of our clients have a significant physical health condition and 63% have a mental health diagnosis or mental disorder. Access to a GP is therefore fundamental to ensuring that our clients receive the health care they need and are entitled to.

Our services continue to support clients in developing their skills and progressing towards employment. There have been changes to the services we offer in these areas this year. We want to make sure that they are more consistently available across our services and while these changes are being implemented the number of clients we are working with temporarily reduced.

One example of our activity in this area is the Workwise project.

Case study

Workwise project

Workwise is a partnership between St Mungo's and Lambeth Housing Services. It is an employment, training and advice project that supports Lambeth tenants who are affected by welfare reform and are therefore at risk of losing their tenancies and becoming homeless. Workwise provides tailored support to equip tenants with the skills, knowledge and confidence to get into work or move closer to employment, thereby helping to manage any shortfall in rent/housing benefit and sustain their tenancies.

The project has achieved 100% tenancy sustainment for those people they have worked with. Many have had eviction panels and attended court to make agreements to address their rent arrears. Our vision and organisational objectives mean that preventing homelessness is very important to St Mungo's and staff have felt privileged to work with tenants to keep them in their accommodation.

Demand for employment support by tenants was extremely high and the team engaged with **170** tenants over the year. The results continue to be positive with **90** tenants securing full time work, **20** securing part-time work. This means that overall **110** tenants improved their income.

Tenants who were successful in moving into employment included those who had been unemployed for a significant period; there were 28 people who gained employment after being out of work for over three years and a further 13 people who had been unemployed for between two and three years.

Over the year we noted a slight reduction in the percentage of planned moves our clients were making. Moves are counted as planned when people move on positively from our accommodation projects. The services management team are further investigating this trend. We will also review our approach to move on and resettlement during 2017-18.

Our influence

Last year we committed to campaigning on rough sleeping. In 2016-17, our main priorities have been to:

- Secure a commitment from the Prime Minister to develop a new strategy to end rough sleeping
- Change the law to place new duties on local authorities to prevent homelessness
- Protect the funding for supported housing for people at risk of sleeping rough
- Encourage investment in specialist mental health services for homeless people.

As well as joining other homelessness charities to campaign in support of the Homelessness Reduction Bill during 2016-17 we continued our Stop the Scandal campaign, launched in February 2016, which called on the Prime Minister to stop the scandal of people left sleeping rough with mental health problems.

The results achieved in 2016-17 include:

- Productive discussions with the Prime Minister's advisers and DCLG ministers and officials around a new strategy to end rough sleeping
- The introduction of the Homelessness Reduction Act, which places a new duty on local authorities to help prevent homelessness for everyone eligible for local authority assistance, regardless of priority need
- The deferral of the proposed cap on housing benefit entitlement for supported housing residents at until 2019-20, while the government consults on the future funding system for supported housing.

Contribution to wider social outcomes

By responding to homelessness and providing our clients with safe and secure places to live and the support they need to rebuild their lives, our services make a contribution to our communities.

We can demonstrate the economic or fiscal benefits linked to some of the outcomes we have reported in case studies in this report.

The Workwise project featured on page 16 helped 170 Lambeth tenants affected by benefit changes and at risk of losing their tenancy to stay in their accommodation and 90 of those the project assisted were successful in moving into full time employment.

The average cost to a local authority of a simple repossession is £752, while a complex eviction costs a local authority on average £7,276 per repossession.

The public value of an unemployed claimant of JSA entering work and staying there for a year is £14,610 (2012-13 prices). This is made up of £566 fiscal benefit to health agencies (related to a reduction in health care costs associated with unemployment) plus the economic benefit to the individual. (*New Economy, Unit Cost database v1.4 2015*).

Improving our effectiveness in 2017-18

We will continue our work to ensure we have a positive impact on the lives of our clients. Over the next year we plan to review our approach to outcomes and impact so we can better demonstrate the effectiveness and value of our interventions. We will also review our approach to move on and resettlement so we can do more in helping our clients make positive moves.

Our policy work will continue to focus on the need for a new rough sleeping strategy and improvements in mental health services for people sleeping rough. Additionally with other organisations in our sector we will seek to influence the direction of the Government's review of supported housing.

In partnership with our clients we will develop a new client involvement strategy. We want to build on our success to date and learn from other organisations to fulfil our vision that client involvement is embedded in every team and in all aspects of our activity.

Value for Money commitments and targets for 2017-18

VFM Objective	Action	Target £m
Economy	Renegotiate underperforming contracts	0.4
	Secure new business	0.2
		0.6
Efficiency	Reduce bad debts	0.3
	Staff savings (better management of vacancies etc.)	0.8
	Procurement savings	0.2
	Optimise use of office space (rental)	0.1
		1.4
Effectiveness	Review of property portfolio to optimise economic/social return	



Thank you to all the St Mungo's clients, volunteers, and staff whose photographs and comments appear in this publication.
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St Mungo's
Ending homelessness
Rebuilding lives