

LHF findings

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Homelessness agencies

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Year of transition: earning growth ahead of cuts

London's homelessness agencies increase turnover by more than cost increases as efficiency measures implemented prior to grant and fee reductions

Homelessness agencies working in London consolidated their financial position in 2009/10, according to exclusive research commissioned by London Housing Foundation.

The data show that reductions to publicly-funded budgets were not at that stage feeding through to agencies' accounts – Supporting People, fees and earned income grew strongly in 2009/10.

However grant income is already on a downward trend.

Turnover increased ahead of costs, reflecting efficiency measures put in place prior to expected grant and fee reductions.

For example, average staff costs were up 3 per cent; these costs included pension contributions, so if agencies have had, say, a 2% increase in pension costs, and perhaps a 1-1.5% increase in National Insurance, then actual salary increases have been minimal.

The organisations included in the survey have taken steps to strengthen their balance sheets.

Cash holdings of £147 million increased by 8.3% and tangible assets of £376 million increased by 15.9%.

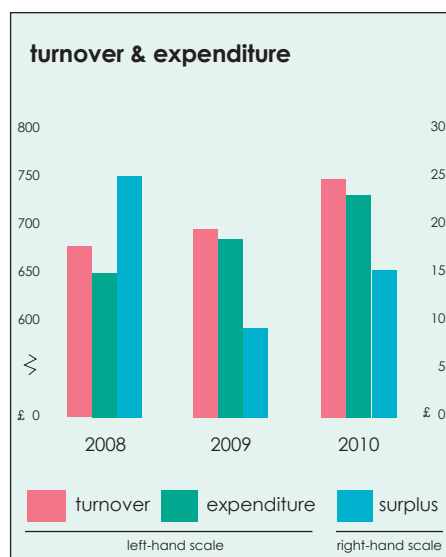
However these increases were partly offset by an increase of 23% in long-term re-payable loans.

Agencies had £168 million long-term loans, mostly among the agencies which are also registered as housing associations.

As a result, total assets of £324 million were up 4.9% on 2008/09.

The ratio of net current assets to turnover shows that the sector could keep going for just under two months if all other income failed.

This ratio worsened year-on-year because net assets reduced slightly, by 1%.



INSIDEVIEW



Don Wood,
Chairman,
London
Housing
Foundation

2011 is the 21st anniversary of London Housing Foundation becoming a support agency for the homelessness sector in London. One of our key objectives has been to support the voluntary boards and management of the agencies as they adjust to changes in demand for their services and the funding available.

This work is even more important now that the threat to public funding levels looks like becoming a reality. For the agencies to remain viable and sustain their services, they need to be able to manage efficiently.

A fundamental component is both understanding their own financial position and its direction of travel, as well as being able to benchmark their financial position against others in the sector.

In 2009 LHF commissioned research to analyse the finances of agencies working in the sector. The format for this was to identify meaningful ratios drawn from the published financial statements. These ratios were then aligned to key revenue headings and the strength of the balance sheet.

Further analysis was gathered from the accounts from the following two financial years so that for all the ratios trends could be identified to test against future years'. The outputs are useful to LHF for its own analytical work. The wider benefit is from distribution to those involved in the governance and management of the agencies to provide them with both sector-wide and sub-sector benchmarking.

The first issue of Navigator was published in Autumn 2010 with a review of the initial outputs. More detailed information was provided at a workshop held at the King's Fund in November 2010. Since then, more specific information has been provided to individual agencies on request.

With the completion of the three-year analysis this, the second issue of Navigator, is being distributed to all agencies working in London plus others with a wider interest in the sector. A further workshop is being held at the King's Fund on 13 September 2011 and again specific information will be available to agencies attending.

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Mergers: London Housing Foundation has assisted several in recent years

navigator

Published on behalf of London Housing Foundation

LHF findings

What are the main findings of London Housing Foundation's research into the financial shape of the capital's homelessness sector?

1

The sector's turnover increased by 8.2%, with turnover per staff member up by 4.7% year-on-year. This suggests that staff numbers are increasing at a slower rate than agencies' income.

2

Homelessness agencies' total expenditure increased by 7.4%, while costs per staff member were up by only 3.9%. Overall spending is therefore rising at a faster rate than the sector's increase in staff.

3

Income from grants was down 1.9%, while income from donations, trusts and fundraising increased year-on-year. This suggests that the government's cutbacks to Supporting People funding are starting to filter through.

4

Agencies' reserves were up by 4.9% but as a percentage of turnover, reserves reduced from 44.7% to 43.3%. Total reserves of £324 million compared with turnover of £747 million.

5

Although agencies increased the amount of cash they hold, their total exposure to creditors as indicated by the 'acid test' ((cash in hand + debtors)/creditors) has worsened from 1.74 to 1.66 year-on-year.

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London Housing Foundation
57a Great Suffolk Street
London SE1 0BB
Tel: 020 7934 0177
email: enquiries@lhf.org.uk
website: www.lhf.org.uk
registered charity number: 270178

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About LHF

London Housing Foundation (LHF) is a charitable trust committed to assisting the agencies which comprise the homelessness sector in London in preventing homelessness and securing a better future for single homeless people. We do this by:

- Providing funding for initiatives aimed at personal or organisational transitions;
- Disseminating successful strategies;
- Publishing research or studies; and
- Supporting struggling agencies through advice and funding.

LHF trustees

Ian Brady, Deputy Director, The Office of the Schools Commissioner, Department of Education

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number crunch

Annual sector-wide surplus:

2009/10
£14.8MILLION

2008/09
£8.7MILLION

2007/08
£25.3MILLION

Income consolidated, cashflow protected

Homelessness agencies working in London had a solid year of financial performance in 2009/10, consolidating their income while protecting their cashflow.

Income from donations, fund-raising and grants stayed relatively stable year-on-year despite the declining financial conditions in the wider economy.

Agencies protected themselves from cashflow problems by increasing the amount of cash in hand which they held, while the level of debtors was fairly stable year-on-year.

Funding from the Supporting People programme continued to grow as a proportion of total income, with fees, rents and SP grants reaching 82% of the sector's total income.

Only 7.2% of total income relied on donations, trust income and fundraising.

A further 9.7% came from other grants, most of which were public funding.

Over three years of LHF's studies,



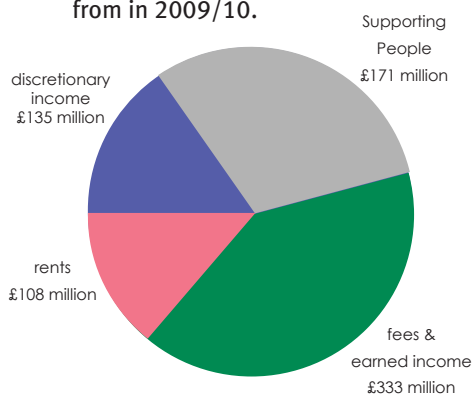
London's homelessness agencies saw income remain stable despite adverse economic conditions

income grew by nearly 15% , mostly thanks to Supporting People cash.

Yearly, the sector generated on average a surplus of 2-3% of income.

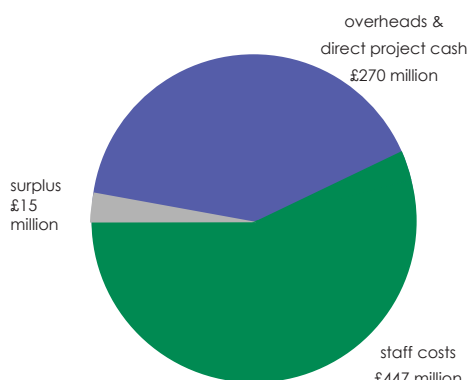
SOURCES OF TURNOVER

Where agencies' income came from in 2009/10.



USES OF TURNOVER

What agencies spent their money on in 2009/10.



Diverse sector: Examining the different types of organisations providing homelessness services

Because of the scale and complexity of the sector, the research divided the capital's homelessness agencies into four categories.

- 1. Super-providers** - they comprised organisations that provide multiple services. These were often larger than other providers in the sector and undertook a range of activities.
- 2. Day centres** - these were by far the smallest in terms of their financial scale. However the research found that they had untapped resources.
- 3. Second-stage accommodation** -

these providers were significantly more economically secure than other types of organisation covered in the research.

This was mostly because of their high levels of property ownership.

4. Others - this category encompasses a wide range of service providers.

Examples of the work carried out by organisations in this category include outreach and floating support, housing and benefits advice, employment and training, offenders' services, drug and alcohol support, and other health-based services.

Best practice learning: Thames Reach on cost-cutting and effectiveness

Working with homeless people requires competent and committed staff and, unsurprisingly, for the vast majority of organisations the main area of expenditure is staff-related.



Jeremy Swain,
chief executive,
Thames Reach
Bondway

Here are some of the steps that Thames Reach has taken to reduce expenditure and to increase cost effectiveness over the last 18 months. Many other organisations have adopted similar approaches.

Thames Reach embarked on an initiative called *Cash, Confidence & Cost* to reduce expenditure at a local team level. Teams were asked to analyse expenditure and make savings by, for example, seeking new suppliers or re-negotiating arrangements with existing suppliers, taking up joint purchasing opportunities and seeking pro bono contributions from corporate supporters. Some contracts, such as mobile phone contracts, were consolidated and centralised.

- Increased staff hours to reduce our hourly rate and make ourselves more competitive so

we can improve our chances of winning more commissioned work .

- Restructured all management tiers, central teams and service delivery teams in order to reduce overall salary costs.
- Developed programmes through which trainees, interns and volunteers can complement the work of salaried staff in an integrated and comprehensive way.
- Developed new staffing options through the use of sessional staff, offering flexible staffing arrangements at a lower cost.
- Outsourced the IT function to improve efficiency and reduce cost.

Thames Reach is also talking to other organisations about the possibility of sharing office space, joint purchasing options and combining central functions. We are piloting new ways of delivering personalised services to service users and developing a pricing approach that can accommodate payment-by-results models in response to a fast-changing, highly competitive commissioning environment.

METHODOLOGY

London Housing Foundation commissioned The Financial Information Company to collect and aggregate accounting data from 131 agencies working in the London homelessness field.

In the analysis, the agencies were sub-divided based on their business models, creating four 'peer groups'.

Data from the organisations' annual 2009/10 accounts along with those of the previous two years was aggregated and used to calculate a set of key financial ratios with trend analysis.

The resulting report presents a comprehensive financial profile of London's homelessness sector.

SOURCE MATERIAL

This newsletter was prepared using data from 'London Housing Foundation Financial Map of the Voluntary Homelessness Sector 2009/10'.

Agencies that wish to obtain a full copy of this report or their own detailed ratios should contact:

London Housing Foundation
57a Great Suffolk Street
London SE1 0BB

tel: 020 7934 0177
email: jane.woolley@lhf.org.uk
website: www.lhf.org.uk

registered charity number:
270178

Latest mergers which LHF has assisted in

As agencies find both their funding and the pressure on services increasing, some have identified benefits from sharing both costs and service provision. For others this has meant coming together as a single legal entity. Where agencies have identified this as the best future option to protect both funding and services, LHF have been willing to assist in ensuring that selection of potential partners and the

administrative burden of mergers is properly organised and funded. LHF has assisted with the following such mergers in the last five years which have benefited from LHF support:

- Kipper / Providence Row;
- SHP / Redbridge Night Shelter;
- Priority Youth / Wayahead (Bristol);
- Kickstart / SHP;
- OSW / Crisis;
- SPEAR / MASH.